

REPORT AND ACCOUNTS

SMITH & NEPHEW EUROPE LIMITED

31 December 2006

THURSDAY



AFM74U3J

A23

25/10/2007

310

COMPANIES HOUSE

SMITH & NEPHEW EUROPE LIMITED

Registered No. 1333476

DIRECTORS

C K Lomax

P R Chambers

P Higgins (appointed 6th September 2006)

SECRETARY

Smith & Nephew Nominee Services Limited

AUDITORS

Ernst & Young LLP

1 More London Place

London

SE1 2AF

REGISTERED OFFICE

15 Adam Street

London WC2N 6LA

SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2006

Activities and review of operations

The principal activity of the Company is as an investment company

Results and dividends

The profit for the year after taxation amounts to £77,231 (2005 Nil) The Directors do not recommend the payment of a dividend in the year (2005 nil)

Directors

The Directors of the Company at the date of this report are shown on page 1

Statement of Directors' responsibilities for the accounts

Company law requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those accounts, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors confirm that the accounts comply with the above requirements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

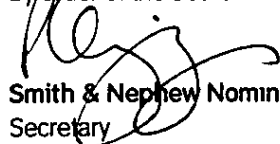
Disclosure of Information to the Auditors

In accordance with s234ZA of the Companies Act 1985, the directors serving at the time of approving the Directors' Report confirm that, to the best of their knowledge and belief, there is no relevant audit information of which the auditors, Ernst & Young LLP, are unaware and the directors also confirm that they have taken reasonable steps to be aware of any relevant audit information and, accordingly, to establish that the auditors are aware of such information

Elective Resolutions

The Company has passed elective resolutions pursuant to S379A of the Companies Act 1985 and accordingly dispenses with the requirement to hold an AGM and the auditors will remain in office

By order of the Board



Smith & Nephew Nominee Services Limited
Secretary

Date 18.10.2007

SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SMITH & NEPHEW EUROPE LIMITED

We have audited the Company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is not consistent with the financial statements.

In addition we report to you if in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended. The financial statements have been properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered auditor
London

Date *23 October 2007*

SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Taxation	4	<u>77,231</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>77,231</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR		<u>77,231</u>	<u>-</u>

All of the activities of the Company are continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2006

There are no recognised gains or losses other than the profit attributable to the shareholder of the Company of £77,231 in the year ended 31 December 2006 (Nil in the year ended 31 December 2005)

SMITH & NEPHEW EUROPE LIMITED
Registered No 1333476

BALANCE SHEET
at 31 December 2006

	Notes	2006 £	2005 £
CURRENT ASSETS			
Debtors	5	53,581,493	53,581,493
CREDITORS amounts falling due within one year	6	-	(77,231)
NET CURRENT ASSETS		<u>53,581,493</u>	<u>53,504,262</u>
CAPITAL AND RESERVES			
Called up share capital	7	53,500,100	53,500,100
Profit and loss account	8	<u>81,393</u>	<u>4,162</u>
EQUITY SHAREHOLDER'S FUNDS	8	<u>53,581,493</u>	<u>53,504,262</u>

These financial statements were approved by the Board of Directors on 18th October 2007 and signed on its behalf by C K Lomax, Director



SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

NOTES TO THE ACCOUNTS

at 31 December 2006

1 ACCOUNTING POLICIES**Accounting Convention**

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards

2 AUDIT AND NON AUDIT SERVICES

Certain fees for audit and non-audit services provided by Ernst & Young LLP to the Company have been borne by a fellow group company

3 DIRECTORS' REMUNERATION

All costs attributable to the Directors are borne by a fellow group company

4 TAXATION

The Taxation charge based on the profit for the year comprises

	2006 £	2005 £
Current		
UK Corporation tax charge		
Adjustments in respect of prior periods	77,231	-

5 DEBTORS

	2006 £	2005 £
Amounts due from immediate parent company	53,581,493	53,581,493

6 CREDITORS amounts falling due within one year

	2006 £	2005 £
Amounts due to ultimate parent company	-	77,231

7. CALLED UP SHARE CAPITAL

	Authorised £	Allotted, Issued and Fully paid £
Ordinary shares of £1 each		
At 1 January 2006 and 31 December 2006	53,500,100	53,500,100

SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

NOTES TO THE ACCOUNTS

at 31 December 2006

8 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT IN RESERVES

	Allotted, Issued and Fully paid Share Capital £	Profit and Loss Account £	2006 Total Shareholder's Funds £	2005 Total Shareholder's Funds £
Balance at 1 January	53,500,100	4,162	53,504,262	53,504,262
Retained Profit for the year	-	77,231	77,231	-
At 31 December	<u>53,500,100</u>	<u>81,393</u>	<u>53,581,493</u>	<u>53,504,262</u>

9 CASH FLOW STATEMENT

The Company is not required to produce a cash flow statement as it is a wholly owned subsidiary of Smith & Nephew plc which prepares consolidated financial statements in which the Company is included

10 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are members of the Smith & Nephew plc group

11 GROUP ACCOUNTS

The Company's immediate parent undertaking is Smith & Nephew Investment Holdings Limited, a company registered in England and Wales. In the Directors' opinion the Company's ultimate parent undertaking and controlling party is Smith & Nephew plc, a company registered in England and Wales. Copies of its group accounts, which include the Company, are available from 15 Adam Street, London, WC2N 6LA