

REPORT AND ACCOUNTS

SMITH & NEPHEW EUROPE LIMITED

31 December 2010

WEDNESDAY



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COMPANIES HOUSE

SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

DIRECTORS

S Henderson

G E M Parsons

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 2010

Directors

The names of the Directors are shown on page 1

Principal activities of the Company

The Company will not continue to operate in the foreseeable future. Consequently these financial statements have been prepared on a break up basis. No adjustments were required as a result of the adoption of the break up basis.

Principal risks and uncertainties

Following the write-off of intercompany debts and decision to liquidate the Company, the Directors do not consider there to be significant risks or uncertainties.

Business review and future developments

The Company made a loss of £53,581,000 during the year (2009 – £nil). The Directors did not recommend a dividend payment during the year (2009 – £nil).

On 29 December 2010, the Company waived the loan amount owed by Smith & Nephew Investment Holdings Limited. It is intended that the Company will be put into liquidation in 2011 once all the statutory filings have been completed. As such the accounts are being prepared on a break-up basis.

Statement of Directors' responsibilities for the accounts

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

SMITH & NEPHEW EUROPE LIMITED

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DIRECTORS' REPORT (continued)

Disclosure of Information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



G E M Parsons on behalf of
Smith & Nephew Nominee Services Limited
Secretary

17 March 2011

SMITH & NEPHEW EUROPE LIMITED

Registered No 1333476

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMITH & NEPHEW EUROPE LIMITED

We have audited the financial statements of Smith & Nephew Europe Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The accounts have been prepared on a break-up basis.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Ernst & Young LLP, Statutory Auditor
London
21 March 2011

SMITH & NEPHEW EUROPE LIMITED

Registered No. 1333476

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Waiver of intra group loan	5	(53,581)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(53,581)	-
Taxation	4	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(53,581)	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2010

There were no recognised gains or losses other than the loss attributable to shareholders of the Company of £53,581,000 in the year ended 31 December 2010 (£nil in the year ended 31 December 2009)

SMITH & NEPHEW EUROPE LIMITED

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BALANCE SHEET

at 31 December 2010

	Notes	2010 £'000	2009 £'000
CURRENT ASSETS			
Amounts due from group companies	5	-	53,581
TOTAL ASSETS		-	53,581
CAPITAL AND RESERVES			
Share capital	6	53,500	53,500
Retained earnings	7	(53,500)	81
EQUITY SHAREHOLDER'S FUNDS	7	-	53,581

These financial statements were approved by the Board of Directors on 17 March 2011



S Henderson
Director

NOTES TO THE ACCOUNTS
at 31 December 2010

1 ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards

The accounts present information about the Company as an individual undertaking and not about its group. The Company is a wholly owned subsidiary undertaking of a body registered in England and Wales and is therefore exempt from the requirement to prepare group accounts under S 400 of the Companies Act 2006

The Company will not continue to operate in the foreseeable future. Consequently these financial statements have been prepared on a break up basis. No adjustments were required as a result of the adoption of the break up basis

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the Directors consider that it is likely that taxable profits will be available against which future reversals of the underlying timing differences can be made

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse. These are based on tax rates and laws substantively enacted at the balance sheet date

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. It is not practicable to ascertain what proportion of such fees relates to the Company

3 DIRECTORS' REMUNERATION

The Directors received no remuneration in respect of their services to the Company (2009: £nil)

SMITH & NEPHEW EUROPE LIMITED

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NOTES TO THE ACCOUNTS (continued)
at 31 December 2010**4. TAXATION**

	2010 £'000	2009 £'000
(a) Analysis of tax credit in the period		
Current tax UK corporation tax credit	-	-
(b) Factors affecting tax credit for period		
The UK Corporation tax credit of £nil (2009 – £nil) is based on the standard rate of corporation tax in the UK – 28% (2009 28%) This is explained below		
Loss on ordinary activities before tax	(53,581)	-
Tax credit at the UK statutory rate of 28% (2009 28%)	15,002	-
Non taxable/non deductible items	(15,002)	-
Current tax credit	-	-
(c) Factors affecting future tax charges		
The enacted tax rate applicable from 1 April 2011 has reduced to 27%		
(d) There are no deferred tax assets or liabilities at the year-end as there are no accelerated capital allowances or other timing differences in the Company		

5 DEBTORS: FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Amounts owed by group undertakings	-	53,581

On 29 December 2010, the Company waived the full loan amount owed by Smith & Nephew Investment Holdings Limited

6. SHARE CAPITAL

	Authorised 2010 and 2009 £	Allotted, issued and fully paid 2010 and 2009 £
Ordinary shares of £1 each	53,500,100	53,500,100

NOTES TO THE ACCOUNTS (continued)
at 31 December 2010

7 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT IN RESERVES

	Share capital	Retained earnings	2010 Total Shareholder's Funds	2009 Total Shareholder's Funds
	£'000	£'000	£'000	£'000
Balance at 1 January	53,500	81	53,581	53,581
Loss for the year	-	(53,581)	(53,581)	-
As at 31 December	53,500	(53,500)	-	53,581

8 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

9 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

10 PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 December 2010, 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