

Company Registration No. 04421171 (England and Wales)

SMITH & NEPHEW UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

SMITH & NEPHEW UK LIMITED

COMPANY INFORMATION

Directors

S.M. Swabey
T.J. Allison
J. Ashworth (Resigned 21 October 2019)
I.C. Melling (Appointed 21 October 2019)
V.A. Reuben (Appointed 21 October 2019)

Company number

04421171

Registered office

Building 5
Croxley Park
Hatters Lane
Watford
Hertfordshire
United Kingdom
WD18 8YE

Auditors

KPMG LLP
15 Canada Square
London
United Kingdom
E14 5GL

SMITH & NEPHEW UK LIMITED

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SMITH & NEPHEW UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of Smith & Nephew UK Limited, (the "Company"), present the strategic report and financial statements for the year ended 31 December 2019.

Review of the business

The operating loss for the year amounted to £11,901,000 (2018: loss of £1,378,000). The profit after taxation for the year amounted to £108,042,000 (2018: profit of £139,993,000). On 29 October 2019, the Company received an interim dividend of £120,000,000 from Smith & Nephew Trading Group Limited for the year ended 31 December 2019. On the same day, an interim dividend of £120,000,000 was paid to Smith & Nephew plc for the year ended 31 December 2019. These financial statements are the Company only accounts of Smith & Nephew UK Limited.

Principal risks and uncertainties

The principal risks and uncertainties of the business are:

- that the services provided to the Smith & Nephew Group (the "Group") of companies became no longer required;
- a decrease in the recoverable value of the investments in subsidiary undertakings to below carrying value, which would occur if there was a decline in the performance of the underlying subsidiaries; and
- the recoverability of inter-Group receivables.

COVID-19 and going concern

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has adversely impacted the elective surgeries market in which the Company's subsidiaries operate worldwide. Notwithstanding net current liabilities of £95,749,000 as at 31 December 2019, the COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known. The Company has received a letter of support from its parent company, Smith & Nephew plc, indicating that it will receive the financial and other support necessary for the Company to operate and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the parent company described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of the signing of these financial statements. These considerations included the impact of COVID-19 on the wider Smith & Nephew group and the Smith & Nephew group's directors' assessment of going concern (as set out in its interim results announcement dated 29 July 2020 and available at <https://www.smith-nephew.com/investor-centre/reporting/current-quarterly-results/>). Accordingly, the financial statements have been prepared on the going concern basis.

S.172 Companies Act 2006 Statement

At Group level, Smith & Nephew's key stakeholders have been identified and their interests taken into consideration, in accordance with the Directors' section 172 duties of the Companies Act 2006 and the UK Corporate Governance Code 2018. This is noted in detail on pages 84 and 85 within Smith & Nephew plc's Annual Report and Accounts for the year ended 31 December 2019. As the Company forms part of the Group, the framework adopted by the ultimate parent has been disseminated and applied by the subsidiary Company. Beyond this, Smith+Nephew's Subsidiary Corporate Governance Code, adopted by the Company, provides an additional codified framework for the Directors to work within to promote the success of the Company whilst having regard to its stakeholders. The relevant issues, factors and stakeholders, with whom the Directors have had regard to during the year, are reported in detail on pages 2 to 4.

On behalf of the Board


.....
S.M. Swabey

Director

Date: 19 November 2020

SMITH & NEPHEW UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the Directors' report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company during the financial year was the provision of management and administration services to the Smith & Nephew Group of companies.

Results and dividends

The results for the year are set out on page 10.

On 29 October 2019, the Directors paid an interim dividend of £120,000,000 for the year ended 31 December 2019 (2018: £70,000,000).

The directors do not recommend payment of a final dividend.

Directors

The Directors, who served throughout the year except as noted, were as follows:

S.M. Swabey

T.J. Allison

J. Ashworth

(Resigned 21 October 2019)

I.C. Melling

(Appointed 21 October 2019)

V.A. Reuben

(Appointed 21 October 2019)

Indemnity

The Company's ultimate parent Company, Smith & Nephew plc, has made qualifying third party indemnity provision for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of approval of this report.

Political Donations

No political contributions were made during the year (2018: £nil).

Stakeholders and Employee Engagement

The Board is aware of the overlap between the Group's key stakeholders and the Company's key stakeholders. Given the Company forms part of the Group, the Board acknowledges their duties to the Company and the Group as a whole. It is felt that the actions driven from Smith & Nephew plc for the Group and its approach to certain stakeholders in particular are relevant and therefore should and have been adopted by the Company. The principal stakeholders identified by the Group and Directors and the decisions made with regard for them are discussed in turn below.

SMITH & NEPHEW UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Customer & Suppliers

The Company's customers and suppliers are seen as principal stakeholders and integral to the success of the Company and achieving its purpose, aligned with that of the Group, which was defined during 2019 as 'Life Unlimited'. Customers and Suppliers of the Company are not limited to but include other companies within the Smith+Nephew Group.

The Company's current policy concerning the payment of trade creditors is to follow the Prompt Payment Code (PPC).

During 2019, the Board formally considered the Company's Payment Practices on a number of occasions and within the year, upon review of the data, identified that the Company had fallen below the threshold of 90% of invoices being paid within 60 days. As such the Company was suspended from the Prompt Payment Code with effect from 1 October 2019. The Company engaged with the Chartered Institute of Credit Management, the body responsible for overseeing adherence to the Prompt Payment Code on behalf of the Government. In addition, an internal review was conducted and an action plan put in place, approved by the Board, which sought to address the issues, deemed to cause payments to exceed the 60 day payment timeline. Following implementation of these actions, the Company saw a significant improvement, resulting in compliance and reinstatement to the Prompt Payment Code before the end of the year.

The Board continues to keep this under review.

Government & Regulators

The Company operates in a heavily regulated industry and it is imperative to the Company that it continues to act within the scope of all applicable laws and regulations which govern its business and operations.

The Directors and employees of the Company are subject to a comprehensive suite of mandatory trainings throughout the year including the Group's Code of Conduct and Business Principles, which sets out the legal and ethical principles for the Company in conducting business. The Company also has various tools available to employees and others to raise concerns including a whistle blowing policy and confidential hotline, which enables both employees and third parties to anonymously report any concerns.

During the year, the Board addressed a number of Governance matters. Company specific training was also provided to the Directors, where applicable, to keep them informed and their knowledge up to date on regulatory matters and requirements.

SMITH & NEPHEW UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Employees

The workforce is defined as 'Employees' of the Company. This group is regarded as key and integral stakeholders. We are proud of our employees and in turn want them to be proud of working for the Company. This can only be achieved by having regard to their voice.

Live global Group employee webcasts led by the Group's Chief Executive Officer and members of the Executive Committee are held on a quarterly basis. These are open to the Group as whole including the Company's employees and take the form of a presentation, providing an update on financial performance, company strategy and non-financial matters, projects or developments of note for the Group, followed by a Q&A session. This supports and enhances employees awareness of the financial and economic factors affecting the Group and the Company's performance.

Town Halls are also held on a quarterly basis at the Company's office. These focus more on Company specific matters such as Site updates or information on latest initiatives undertaken by the sites committee's such as the Inclusion and Diversity or Social Committees.

These forums provide employees with a greater understanding not only of the Group's performance and strategy and the role they play but also serve as an opportunity to interact in an open and informal setting with senior leadership, enabling them to voice their questions and concerns.

Further to this, on a Group level, Feedback is gathered more formally on an annual basis through a third party independent employee engagement survey (Gallup). As the Directors of the Company are all people managers within the Group, they are able to gain further understanding of their teams and the Company's employees through the survey.

Both employees and Directors have benefited from the insights shared during the webcasts, Town Halls and annual surveys. In particular, on a quarterly basis, the webcasts and Town Halls are discussed and noted by the Directors at a Board meeting. These initiatives enable the Directors to consider and note the key issues and interests of employees to be able to have regard to them when making principle decisions on behalf of the Company.

During the year, other employee related items such as the Stakeholder Group Death in Service Plan and the Modern Slavery Statement were considered and adopted by the Board, whilst the Directors had regard to employees interests. In accordance with s.54 of The Modern Slavery Act, the Company's statement on Modern Slavery for the year ended 31 December 2019 is available on the Group's website at smith-nephew.com.

The Company's Gender Pay reporting was also considered by the Company and published externally. The Board acknowledges that the ratio is higher than it would want and requires improvement. It was noted that the increase was because of a higher level of female attrition with more males having been promoted or recruited during the year into senior level positions. In addition, one senior level female executive moved from the UK to the US early in the year. In light of this, a number of initiatives are underway by the Group, including the Company to improve this ratio.

At Group Level, we operate two all-employee share plan arrangements depending on the most appropriate arrangement for different geographies. Participation in the ShareSave Plan and Employee Stock Purchase Plan is encouraged to involve employees in the Group's performance.

Diversity

We are committed to employment practices based on equality of opportunity, regardless of colour, creed, race, national origin, sex, age, marital status, sexual orientation or mental or physical disability unrelated to the ability of the person to perform the essential functions of the job. We recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We do not tolerate discrimination on any grounds and provide equal opportunity based on merit. We do not use any form of force, compulsory or child labour. We support the Universal Declaration of Human Rights of the United Nations. This means we respect human rights, dignity and privacy of the individual and the right of employees to freedom of association and freedom of expression and the right to be heard.

SMITH & NEPHEW UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Events after the reporting date

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has adversely impacted the elective surgeries market in which the Company's subsidiaries operate worldwide. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact, including any impact on the carrying value of the Company's investment in subsidiaries cannot yet be known.

Future developments

Notwithstanding the risks and uncertainties, the Directors do not anticipate any significant changes in the activities and results of the Company in the foreseeable future.

Going Concern Statement

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Company's going concern is dependent on the Company's fellow subsidiary companies, Smith and Nephew Investment Holdings Limited and Smith and Nephew Trading Group Limited not seeking repayment of the amounts currently due from the Company, which at 31 December 2019 amounted to £158,198,000. These two subsidiary companies have indicated that they do not intend to seek repayment of these amounts for a period of twelve months from the date of approval of the financial statements.

The Company also received a letter of support from its parent company, Smith & Nephew plc, indicating that it will receive the financial and other support necessary for the Company to meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements. Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of disclosure to auditor

In accordance with Section 418 of the Companies Act 2006, 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 auditor, KPMG LLP, is 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 auditor is aware of such information.

SMITH & NEPHEW UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the Board

S.M. Swabey

S.M. Swabey

Director

Building 5

Croxley Park

Hatters Lane

Watford

Hertfordshire

United Kingdom

WD18 8YE

Company Registration No. 04421171

Date: *19 November 2020*

SMITH & NEPHEW UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

SMITH & NEPHEW UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMITH & NEPHEW UK LIMITED

Opinion

We have audited the financial statements of Smith & Nephew UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

SMITH & NEPHEW UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SMITH & NEPHEW UK LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Zulfikar Walji (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

United Kingdom

E14 5GL

Date: 19 November 2020

SMITH & NEPHEW UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£000	£000
Turnover	2	137,677	82,475
Administrative expenses		(149,578)	(83,853)
Operating loss	3	(11,901)	(1,378)
Income from shares in group undertakings	5	120,000	140,000
Other interest receivable and similar income	5	601	388
Interest payable and similar charges	6	(517)	(100)
Profit before taxation		108,183	138,910
Tax on profit	7	(141)	1,083
Profit for the financial year	22	108,042	139,993

The notes on pages 14 to 42 form part of the financial statements.

SMITH & NEPHEW UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£000	£000
Profit for the year	108,042	139,993
	<u> </u>	<u> </u>
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit pension schemes	372	(298)
Tax (charge)/credit on defined benefit plans	(71)	57
	<u> </u>	<u> </u>
Total items that will not be reclassified to profit or loss	301	(241)
Items that may be reclassified to profit or loss		
Cash flow hedges:		
Gains arising during the year	684	-
Tax on hedging	(130)	-
	<u> </u>	<u> </u>
Total items that may be reclassified to profit or loss	554	-
	<u> </u>	<u> </u>
Total other comprehensive income/(loss) for the year	855	(241)
	<u> </u>	<u> </u>
Total comprehensive profit for the year	108,897	139,752
	<u> </u>	<u> </u>

The notes on pages 14 to 42 form part of the financial statements.

SMITH & NEPHEW UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	95	-
Tangible fixed assets	10	11,021	68
Investments	11	199,608	199,608
Deferred tax asset	15	1,555	1,901
Retirement benefit surplus	17	1,296	1,017
		<u>213,575</u>	<u>202,594</u>
Current assets			
Debtors	12	183,141	134,315
Cash at bank and in hand		33	-
		<u>183,174</u>	<u>134,315</u>
Creditors: amounts falling due within one year			
Loans and overdrafts	13	-	2
Trade creditors and other payables	14	275,927	214,528
Current tax		-	23
Provisions	16	2,996	5,110
		<u>278,923</u>	<u>219,663</u>
Net current liabilities		<u>(95,749)</u>	<u>(85,348)</u>
Total assets less current liabilities		<u>117,826</u>	<u>117,246</u>
Creditors: amounts falling due after more than one year			
Creditors	14	11,683	-
Net assets		<u>106,143</u>	<u>117,246</u>
Capital and reserves			
Called up share capital	19	1,101	1,101
Share premium account	20	87,057	87,057
Hedging reserve		554	-
Profit and loss account	22	17,431	29,088
Total equity		<u>106,143</u>	<u>117,246</u>

The notes on pages 14 to 42 form part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 19 November 2020

Signed on its behalf by:

Simon M. Swabey

S. M. Swabey

Director

Company Registration No. 04421171

SMITH & NEPHEW UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Share premium account £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2018	1,101	87,057	-	(40,664)	47,494
Profit for the year	-	-	-	139,993	139,993
Other comprehensive loss for the year	-	-	-	(241)	(241)
Total comprehensive loss for the year	-	-	-	139,752	139,752
Dividends	-	-	-	(70,000)	(70,000)
Balance at 31 December 2018	1,101	87,057	-	29,088	117,246
Profit for the year	-	-	-	108,042	108,042
Other comprehensive income/(loss) for the year	-	-	554	301	855
Total comprehensive profit/(loss) for the year	-	-	554	108,343	108,897
Dividends	-	-	-	(120,000)	(120,000)
Balance at 31 December 2019	1,101	87,057	554	17,431	106,143

The notes on pages 14 to 42 form part of the financial statements.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

The Company is a private company limited by shares and is registered in England and Wales. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Smith & Nephew plc in which the entity is consolidated;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) and paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the Group accounts of Smith & Nephew plc. The Group accounts of Smith & Nephew plc are available to the public at its registered office at Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE and can also be obtained online via www.smith-nephew.com.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 COVID-19 and going concern

At the time of approving the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Notwithstanding net current liabilities of £95,749,000 and the current economic uncertainties arising from the COVID-19 outbreak, as at 31 December 2019 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company's going concern is dependent on the Company's fellow subsidiary company, Smith & Nephew Investment Holdings and Smith & Nephew Trading Group not seeking repayment of the amounts currently due from the Company, which at 31 December 2019 amounted to £158,198,000. Both Smith & Nephew Investment Holdings and Smith & Nephew Trading Group have indicated that they do not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Smith & Nephew plc has also indicated its intention to continue to make available funds as needed by the Company for a period of at least twelve months from the date of signing of these financial statements.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

1.3 Turnover

Turnover comprises sales of services supplied by the Company to fellow group undertakings at amounts invoiced, excluding turnover taxes.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Land and buildings Leasehold	
Fixtures, fittings, tools & equipment	Between 2 and 15 years
Computer equipment	Between 2 and 15 years
Motor vehicles	

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Intangible assets

Purchased patents, know-how, trademarks, licences (including computer software) and distribution rights are capitalised at their cost to the Company and amortised over the economic life of the asset concerned, not exceeding 20 years.

Costs incurred due to the implementation of new software across the Group are capitalised as intangible assets. These costs are grouped within Smith & Nephew UK Limited and will be charged to the individual business units as implementation is completed.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

1.7 Trade and other receivables

Trade and other receivables are carried at amortised cost, less any allowances for uncollectible amounts. Allowance losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. Smith & Nephew UK Limited performed the calculation of expected credit loss rates separately for customer groups which were segmented based on common risk characteristics such as credit risk grade and type of customer (such as government and non-government).

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the Company from the adoption of IFRS 13.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans and overdrafts in current liabilities.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.10 Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss (FVTPL), which are measured at fair value.

Loans and receivables

Trade Debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.13 Taxation

The tax expense for the year comprises current and deferred tax.

Current tax

The current income tax expense is based on taxable profits of the period, after any adjustments for prior periods. It is calculated using taxation rates enacted or substantively enacted by the Balance Sheet date and is measured at the amount expected to be recovered or paid.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except where the deferred tax asset or liability arises from the initial recognition of an asset or a liability which affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is regarded as probable that future taxable profits will be available against which the temporary differences can be utilised.

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

1.14 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.15 Employee benefits

The Company operates a defined benefit pension scheme, which is funded by the payment of contributions to, and the assets held by, separate trust funds or insurance companies. For many years, the Company's major pension plans in the UK were of defined benefit type, these were closed to new employees in 2003 and replaced by defined contribution plans. The UK Executive Pension Scheme was closed to accrual with effect from 31 December 2016.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The interest income is based on the discount rate applied to the opening scheme assets and adjusted for cashflow over their period. The difference between the interest income and the interest costs is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

The Company is a participating employer of the Smith & Nephew UK Pension Fund (the "UK Plan"). Our accounting policy is to recognise the UK Plan in full within the accounts of T.J.Smith and Nephew,Limited on the basis that this Company employs or employed the majority of members of the UK Plan.

1.16 Share-based payments

The Company operates a number of executive and employee share schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated based using option pricing models and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest.

1.17 Investments

Investments in subsidiary and associated undertakings are carried at cost less any impairment.

1.18 Significant judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Impairment of non-financial assets

Where there are indicators of impairment of investments in subsidiaries and associates which indicate that the carrying value may not be recoverable, the Company performs impairment tests on these investments based on the fair value by comparing the carrying value with its recoverable amount being the higher of its fair value less costs to sell and its value in use.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.19 IFRS 16 Leases

The assessment of whether a contract is or contains a lease takes place at the inception of the contract. The assessment involves whether the Company obtains substantially all the economic benefits from the use of that asset and whether the Company has the right to direct the use of the asset. The Company allocates the consideration in the contract to each lease and non-lease component. The non-lease component, where it is separately identifiable, is not included in the right-of-use asset.

The Company leases many assets including properties, motor vehicles and office equipment. The Company availed itself of the exemptions for short-term leases and leases of low-value items for leases other than those for properties and motor vehicles. The use of these exemptions does not have a material impact.

The Company recognises a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured based on the present value of lease payments that are not paid at the commencement date plus initial direct costs less any incentives received. The lease payments are discounted using an incremental borrowing rate which is country-specific and reflective of the lease term. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to impairment testing if there is an impairment indicator. The right-of-use assets are included in the balance sheet heading 'Tangible fixed assets'.

The lease liability is initially measured at the present value of lease payments, as outlined above, and is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The lease liabilities are included in the balance sheet headings 'Obligations under finance leases'.

2 Turnover

An analysis of the Company's turnover is as follows:

	2019	2018
	£000	£000
Management services	137,677	82,475
	<u>137,677</u>	<u>82,475</u>

Geographical market

	2019	2018
	£000	£000
United Kingdom	34,338	37,499
Continental Europe	33,001	8,416
United States	31,582	26,802
Africa, Asia, Australasia and Latin America	38,756	9,758
	<u>137,677</u>	<u>82,475</u>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Profit/(loss) for the year	2019	2018
	£000	£000
Profit/(loss) for the year is stated after charging:		
Net foreign exchange (gains)/losses	(834)	626
Fees payable to the Company's auditors for the audit of the Company's financial statements	26	26
Depreciation and impairment of property, plant and equipment	1,356	2,187
Staff costs	28,995	36,681
Consultancy fees	6,758	6,403
	<u> </u>	<u> </u>

4 Employees

The average monthly number of employees were:

	2019	2018
	Number	Number
Administration	136	141
	<u> </u>	<u> </u>
	136	141
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

Employment costs	2019	2018
	£000	£000
Wages and salaries	18,285	23,867
Share-based payments	5,048	7,369
Redundancies	1,940	1,525
Social security costs	2,678	2,904
Pension costs	1,044	1,016
	<u> </u>	<u> </u>
	28,995	36,681
	<u> </u>	<u> </u>

The Directors of Smith & Nephew UK Limited are remunerated for the provision of services provided for the consolidated Smith & Nephew Group, and not specifically in their capacity as Directors of this Company. The aggregate remuneration of Directors specific to qualifying activities performed solely in relation to their appointment for Smith & Nephew UK Limited is immaterial.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5 Investment income

	2019	2018
	£000	£000
Interest income		
Retirement benefit net interest	(18)	83
Other interest income	619	305
	<u>601</u>	<u>388</u>
Total interest revenue	601	388
Income from investments		
Income from shares in group undertakings	120,000	140,000
	<u>120,000</u>	<u>140,000</u>
Total income	120,601	140,388

6 Finance costs

	2019	2018
	£000	£000
Lease interest expense	417	-
Other finance costs	100	100
	<u>517</u>	<u>100</u>

For the year ended 31 December 2019, included within finance costs are administration costs related to pension schemes totalling £100,000 (2018: £100,000).

7 Income tax expense

	2019	2018
	£000	£000
Current tax		
Adjustments in respect of prior periods	(4)	(368)
	<u>(4)</u>	<u>(368)</u>
Deferred tax		
Current year taxation	100	(318)
Impact of tax rate adjustment	(32)	(26)
Adjustments in respect of prior periods	77	(371)
	<u>145</u>	<u>(715)</u>
Tax charge/(credit) on loss on ordinary activities	141	(1,083)

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

7 Income tax expense

The charge/(credit) for the year can be reconciled to the profit per the profit and loss account as follows:

	2019	2018
	£000	£000
Profit before taxation	108,183	138,910
Expected tax charge based on a corporation tax rate of 19% (2018: 19%)	20,555	26,393
Non-deductible/non taxable items	(22,490)	(25,048)
Adjustments in respect of prior years	73	(739)
Impact of changes in tax rate	(32)	(26)
Deemed expense for tax purpose	(326)	(1,379)
Effects of group relief/other reliefs	2,361	(284)
Tax charge/(credit) for the year	141	(1,083)

For the year ended 31 December 2019, the corporation tax rate was 19% (2018: 19%).

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019	2018
	£000	£000
Deferred tax on hedging	130	-
Deferred tax on defined benefit plans	71	(57)
	201	(57)

8 Dividends

	2019	2018
	£000	£000
Interim paid	120,000	70,000
	120,000	70,000

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Intangible fixed assets

	£000
Cost	
Additions	27
Transfers	68
	<hr/>
At 31 December 2019	95
	<hr/>
Amortisation/impairment	
At 31 December 2018	-
Charge for the year	-
	<hr/>
At 31 December 2019	-
	<hr/>
Carrying amount	
At 31 December 2019	95
	<hr/> <hr/>
At 31 December 2018	-
	<hr/> <hr/>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

	Land and buildings Leasehold	Assets under construction	Fixtures, fittings, tools & equipment	Computer equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 31 December 2018	-	68	4,059	160	-	4,287
Recognition of right-of-use asset on initial application of IFRS 16	14,670	-	-	-	184	14,854
Adjusted balance at 1 January 2019	14,670	68	4,059	160	184	19,141
Additions	266	-	-	-	-	266
Disposals	(2,944)	-	-	-	(45)	(2,989)
Transfers	-	(68)	-	-	-	(68)
At 31 December 2019	11,992	-	4,059	160	139	16,350
Accumulated depreciation/impairment						
At 31 December 2018	-	-	4,059	160	-	4,219
Charge for the year	1,277	-	-	-	79	1,356
Disposals	(231)	-	-	-	(15)	(246)
At 31 December 2019	1,046	-	4,059	160	64	5,329
Carrying amount						
At 31 December 2019	10,946	-	-	-	75	11,021
At 31 December 2018	-	68	-	-	-	68

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

(Continued)

Tangible fixed assets includes right-of-use assets, as follows.

	Land and buildings Leasehold £000	Motor vehicles £000
Additions	266	-
Depreciation charge in the year	1,277	79
Net book value at 31 December 2019	9,799	75

11 Investments

	2019 £000	2018 £000
Investments in subsidiaries	199,608	199,608
	<u>199,608</u>	<u>199,608</u>

Movements in fixed asset investments

	Shares in fellow group subsidiaries £000
Cost	
At 1 January 2019 & 31 December 2019	199,608
	<u>199,608</u>
Impairment	
At 1 January 2019 & 31 December 2019	-
	<u>-</u>
Carrying amount	
At 31 December 2019	199,608
	<u>199,608</u>
At 31 December 2018	199,608
	<u>199,608</u>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Debtors

	2019	2018
	£000	£000
Trade debtors	1,652	211
Other receivables	1,272	229
Amounts due from fellow group undertakings	174,797	119,374
Prepayments	5,420	14,501
	<u>183,141</u>	<u>134,315</u>

Allowance losses on amounts owed by subsidiary undertakings and other group entities are calculated by reviewing 12-month expected credit losses using historic and forward-looking data on credit risk. The loss allowance expense for the year was £nil (2018: £nil).

13 Loans and overdrafts

	2019	2018
	£000	£000
Bank overdrafts	-	2
	<u>-</u>	<u>2</u>

Analysis of loans and overdrafts

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	£000	£000
Due within one year liabilities	-	2
	<u>-</u>	<u>2</u>

14 Creditors

	Due within one year		Due after one year	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade creditors	9,299	6,913	-	-
Lease liabilities	1,556	-	11,683	-
Amounts due to fellow Group undertakings	255,516	187,019	-	-
Accruals	9,385	8,681	-	-
Deferred income	-	11,915	-	-
Other creditors	171	-	-	-
	<u>275,927</u>	<u>214,528</u>	<u>11,683</u>	<u>-</u>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances	Retirement benefit obligations	Share based payments	Hedging	Total
	£000	£000	£000	£000	£000
Deferred tax (asset)/liability at 1 January 2019	(564)	172	(1,509)	-	(1,901)
Deferred tax movements in prior year					
Credit to profit or loss	7	-	70	-	77
Deferred tax (asset)/liability at 1 January 2019	(557)	172	(1,439)	-	(1,824)
Deferred tax movements in current year					
Charge to profit or loss	-	1	99	-	100
Credit to other comprehensive income	-	71	-	130	201
Effect of change in tax rate - profit or loss	-	(8)	(10)	(14)	(32)
Deferred tax (asset)/liability at 31 December 2019	(557)	236	(1,350)	116	(1,555)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset):

	2019 £000	2018 £000
Deferred tax assets	(1,555)	(1,901)

The UK government announced that the planned UK corporation tax main rate reduction from 19% to 17% from 1 April 2020 will not take place as envisaged. Deferred tax balances have been calculated at 17%, being the rate substantively enacted at the balance sheet date. The impact of re-calculating at a 19% rate would be to increase the deferred tax asset by £183k.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16 Provisions

Provision for restructuring and rationalisation activities

	£000
At 1 January 2019	5,110
Additional provisions in the year	16,185
Utilisation of provision	(18,299)
	<hr/>
At 31 December 2019	2,996
	<hr/> <hr/>

The provision represents certain future costs to be incurred relating to restructuring payments incurred in relation to the Group's Accelerating Performance and Execution programme (APEX). The provision is expected to be utilised within one year.

17 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £1,044,000 (2018: £1,016,000).

Defined benefit scheme

The UK Executive Pension Scheme, a funded plan, is funded by the payment of contributions to, and the assets held by, separate trust funds or insurance companies. Employees' retirement benefits are the subject of regular management review. For many years, the Company's major pension plans in the UK were of the defined benefit type. These were closed to new employees in 2003 and replaced by defined contribution plans. The UK Executive Pension Scheme was closed to accrual with effect from 31 December 2016.

The UK Executive Cap Pension Scheme, an unfunded plan, is also included in the defined benefit pension scheme amounts accumulated in the financial statements.

The present value of the defined benefit obligation, the related past service cost are measured using the projected unit method.

The Company is a participating employer of the Smith & Nephew UK Pension Fund (the "UK Plan"). The Company's accounting policy is to recognise the UK Plan in full within the accounts of T.J.Smith and Nephew, Limited on the basis that this Company employs or employed the majority of members of the UK Plan.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes

(Continued)

Risks

The Executive scheme exposes the Company to the following risks.

Interest rate risk

Volatility in financial markets can change the calculations of the obligation dramatically as the calculation of the obligation is linked to yields on AA-rated corporate bonds. A decrease in the bond yield will increase the measure of plan liabilities, although this will be partially offset by increases in the value of matching plan assets such as bonds and insurance contracts.

Inflation risk

The Executive Scheme is linked to inflation. A high rate of inflation will lead to a higher liability. This risk is managed by holding an inflation-linked insurance contract.

Investment risk

If the return on plan assets is below the discount rate, all else being equal, there will be a decrease in the plan surplus. This risk is partially mitigated by the existence of an insurance contract which has a value equal to the value of pensioner obligations and as a result there is no effect on the surplus.

Longevity risk

The present value of the plans defined benefit liability is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of plan participants above that assumed will increase the benefit obligation. This risk is managed by the insurance contract which covers a portion of pension liabilities.

Funding policy

A full valuation is performed by actuaries for the Trustees of each plan to determine the level of funding required. Employer contribution rates based on these full valuations are agreed between the Trustees and the Company. The assumptions used in the funding actuarial valuations may differ from the assumptions above.

Because the Executive Scheme is in surplus, it has been agreed that the Company does not need to make any funding payments. The Trust Deed of the UK Plan provides the Company with a right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the UK trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plans. Based on these rights, any net surplus in the UK Plans is recognised in full.

Key assumptions

	2019	2018
	%	%
Discount rate	1.9	2.7
Pension growth rate	3.0	3.2
Salary growth rate	N/A	N/A
The average duration of the scheme liabilities is 16.6 years (2018: 16.4 years).		

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes

(Continued)

Mortality assumptions

The assumed life expectations on retirement at age 60 are:

	2019	2018
	Years	Years
Retiring today		
- Males	31.6	31.5
- Females	32.0	31.9
	====	====
Retiring in 20 years		
- Males	33.6	33.5
- Females	33.5	33.4
	====	====

Sensitivity

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following points summarises the increase/decrease on the UK defined benefit obligation and pension costs as a result of reasonably possible changes in some of the assumptions while holding all other assumptions constant. The sensitivity to the inflation assumption change includes corresponding changes to the future pension increase assumptions. The analysis does not take into account the full distribution of cash flows expected under the plan.

- An increase/decrease of 50bps to the discount rate would decrease/increase the scheme liabilities by £2m/£2m.

- An increase/decrease of 1 year to the mortality assumption will not significantly affect the liabilities.

- An increase/decrease of 50bps to the salary increase rate would bear no impact on the scheme liabilities as the scheme is now closed to further accrual.

- An increase/decrease of 50bps to the inflation rate would increase/decrease the scheme liabilities by £2m/£2m.

Amounts recognised in the profit and loss account

	2019	2018
	£000	£000
Net interest on defined benefit asset	-	(100)
Net interest cost on unfunded liability	18	17
Administration cost	100	100
	====	====
	118	17
	====	====

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes

(Continued)

Amounts recognised in other comprehensive income

	2019	2018
	£000	£000
Actuarial loss/(gain) arising from changes in financial assumptions	1,829	(889)
Actuarial gain arising from experience adjustments	(11)	(28)
Actuarial (gain)/loss related to plan assets	(2,218)	1,217
Actuarial loss/(gain) from unfunded liability	28	(2)
	<u>(372)</u>	<u>298</u>

The amounts included in the balance sheet arising from the Company's obligations in respect of defined benefit plans are as follows:

	2019	2018
	£000	£000
Present value of defined benefit obligations	19,529	18,011
Fair value of plan assets	(21,629)	(19,811)
Surplus in scheme	(2,100)	(1,800)
Unfunded retirement benefit liability balance	804	783
Asset recognised in statement of financial position	<u>(1,296)</u>	<u>(1,017)</u>

Movements in the present value of defined benefit obligations

	2019	2018
	£000	£000
Funded plan as at 1 January	18,011	19,028
Benefits paid	(900)	(600)
Administration cost	100	100
Actuarial loss/(gain) due to change in financial assumptions	1,829	(889)
Actuarial gain due to experience	(11)	(28)
Interest cost	500	400
Funded plan as at 31 December	<u>19,529</u>	<u>18,011</u>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes	(Continued)	
Unfunded plan as at 1 January	783	792
Interest cost	18	17
Actuarial loss/(gain)	28	(2)
Benefits paid	(25)	(24)
	<u> </u>	<u> </u>
Unfunded plan as at 31 December	804	783
	<u> </u>	<u> </u>

The defined benefit obligations arise from plans funded as follows:

	2019	2018
	£000	£000
Wholly unfunded obligations	804	783
Wholly or partly funded obligations	19,529	18,011
	<u> </u>	<u> </u>
	20,333	18,794
	<u> </u>	<u> </u>

Movements in the fair value of plan assets:

	2019	2018
	£000	£000
At 1 January	19,811	21,128
Interest income	500	500
Gain/(loss) on plan assets (excluding amounts included in net interest)	2,218	(1,217)
Benefits paid	(900)	(600)
	<u> </u>	<u> </u>
At 31 December	21,629	19,811
	<u> </u>	<u> </u>

Scheme obligations would have been affected by changes in assumptions as follows:

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes

(Continued)

The fair value of plan assets at the reporting period end was as follows:

	Quoted 2019 £000	Unquoted 2019 £000	Quoted 2018 £000	Unquoted 2018 £000
Government bonds	2,000	-	1,800	-
Cash and cash equivalents	100	-	-	-
Insurance contract	-	19,529	-	18,011
	<u>2,100</u>	<u>19,529</u>	<u>1,800</u>	<u>18,011</u>

The UK Plan's assets do not include any of the entity's own financial instruments or any property, or other assets, which are used by the entity.

The plan assets include liability matching assets and annuity policies purchased by the Trustees, which aim to match the benefits to be paid to certain members from the plan and therefore remove the investment, inflation and demographic risks in relation to those liabilities. The terms of the policy define that the contract value exactly matches the amount and timing of the pensioner obligations covered by the contract. In accordance with IAS19R Employee Benefits, the fair value of the insurance contract is deemed to be the present value of the related obligations which is discounted at the AA corporate bond rate.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Share-based payment transactions

Employee plans

The Smith & Nephew Sharesave Plan (2002) (adopted by shareholders on 3 April 2002) (the Save As You Earn (SAYE) plan) and the Smith & Nephew Sharesave Plan (2012) (the Save As You Earn ("SAYE 2012") plan) (adopted by shareholders on 12 April 2012) are available to all employees in the UK employed by participating group companies, subject to three months service. The schemes enable employees to save up to £250 per month on plans up to 2014 and £500 per month from 2015 onwards and give them an option to acquire shares based on the committed amount to be saved. The option price is not less than 80% of the average of middle market quotations of the ordinary shares on the three dealing days preceding the date of invitation.

Executive plans

The Smith & Nephew 2001 UK Approved Share Option Plan, the Smith & Nephew 2001 UK Unapproved Share Option Plan, the Smith & Nephew 2001 US Share Plan (adopted by shareholders on 4 April 2001), the Smith & Nephew 2004 Executive Share Option Plan (adopted by shareholders on 6 May 2004) and the Smith & Nephew Global Share Plan 2010 (adopted by shareholders on 6 May 2010) are together termed the 'Executive Plans'.

Under the terms of the Executive Plans, the Remuneration Committee, consisting of Non-Executive Directors of Smith & Nephew plc, may at their discretion approve the grant of options to employees of the Group to acquire ordinary shares in the parent company. Options granted under the Smith & Nephew 2001 US Share Plan (the 'US Plan') and the Smith & Nephew 2004 Executive Share Option Plan are to acquire ordinary shares.

For Executive Plans adopted in 2001 and 2004, the market value is the average quoted price of an ordinary share for the three business days preceding the date of grant or the average quoted price of an ordinary share, for the three business days preceding the date of grant or the quoted price on the date of grant if higher. For the Global Share Plan adopted in 2010 the market value is the closing price of an ordinary share on the last trading day prior to the grant date. With the exception of options granted under the 2001 US Plan and the Global Share Plan 2010, the vesting of options granted from 2001 are subject to achievement of a performance condition. Options granted under the 2001 US Plan and the Global Share Plan 2010 are not subject to any performance conditions. Prior to 2008, the 2001 US Plan options became cumulatively exercisable as to 10% after one year, 30% after two years, 60% after three years and the remaining balance after four years. With effect from 2008, options granted under the 2001 US Plan became cumulatively exercisable as to 33.3% after one year, 66.7% after two years and the remaining balance after the third year.

The 2001 UK Unapproved Share Option Plan was open to certain employees outside the US and the US Plan is open to certain employees in the US, Canada, Mexico and Puerto Rico. The Global Share Plan 2010 is open to employees globally. The 2004 Plan was open to executive directors only.

The maximum term of options granted, under all plans, is 10 years from the date of grant. All share option plans are settled in shares.

From 2012 onwards senior executives were granted share awards instead of share options and from 2013 executives were granted conditional share awards instead of share options. The awards vest 33.3% after one year, 66.7% after two years and the remaining balance after the third year subject to continued employment. There are no performance conditions for executives. Vesting for senior executives is subject to personal performance levels. The market value used to calculate the number of awards is the closing price of an ordinary share on the last day prior to the grant date.

The expense charged to the profit and loss account in respect of share-based payments is £5,048,000 (2018: £7,369,000). Share based payments are paid by the ultimate parent company, Smith & Nephew plc, and then recharged to the Company.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Share-based payment transactions

(Continued)

At 31 December 2019 180,000 (2018: 197,000) options were outstanding under share option plans as follows:

	Number of options (Thousand)	Range of exercise price (Pence)	Weighted average exercise price (Pence)
Employee schemes:			
Outstanding at 31 December 2018	180	831.0 - 1097.0	1048.2
Transferred	21	1097.0	1097.0
Granted	35	1541.0	1541.0
Forfeited	(16)	831.0 - 1541.0	1078.0
Exercised	(56)	831.0 - 1097.0	987.8
	<u>164</u>	<u>949.0 - 1541.0</u>	<u>1177.2</u>
Options exercisable:			
31 December 2019	<u>2</u>	<u>1026.0</u>	<u>1026.0</u>
Executive schemes:			
Outstanding at 31 December 2018	17	538.0 - 650.0	597.1
Exercised	(1)	599.0 - 650.0	630.6
	<u>16</u>	<u>538.0 - 650.0</u>	<u>594.9</u>
Options exercisable:			
31 December 2019	<u>16</u>	<u>538.0 - 650.0</u>	<u>594.9</u>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Share-based payment transactions (Continued)

	Employee 2019	Executive 2019
Weighted average remaining contractual life of options outstanding	2.2	0.4
	====	====
Weighted average remaining contractual life of options exercisable	0.3	1.4
	====	====

Options granted during the year were as follows:

	Options granted (Thousand)	Weighted average fair value per option at grant date (Pence)	Weighted average share price at grant (Pence)	Weighted average exercise price (Pence)	Weighted average options life (Years)
Employee schemes	35	534	1909	1541	4.30

Weighted average fair value of options granted under employee plans during 2019 was 533.56p.

Options granted under employee plans are valued using the Black-Scholes option model as management considered that options granted under these plans are exercised within a short period of time after the vesting date.

For all plans the inputs to the option pricing models are reassessed for each grant. The following assumptions were used in calculating the fair value of options granted:

	Employee schemes 2019 (%, except expected life in years)
Dividend yield	1.5
Expected volatility (i)	25.0
Risk-free interest rate (ii)	2.3
Expected life in years	4.3

(i) Volatility is assessed on a historic basis primarily based on past share price movements over the expected life of the options.

(ii) The risk-free interest rate reflects the yields available on zero coupon government bonds over the option term and currency.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Share-based payment transactions

(Continued)

Share based-payments - long-term incentive plans

In 2004, a share-based incentive plan was introduced for Executive Directors, Executive Officers and the next level of Senior Executives. The plan included a Performance Share Plan (PSP) and a Bonus Co-Investment Plan (CIP).

Vesting of the PSP awards are dependent upon performance relative to the FTSE 100 and an index based on major international companies in the medical devices industry.

Under the CIP, participants could elect to use up to a maximum of one-half of their annual bonus to purchase shares. If the shares are held for three years and the group's EPSA growth targets are achieved participants receive an award of matching shares for each share purchased.

From 2009, the CIP was replaced by a Deferred Bonus Plan (DBP). This plan was designed to encourage Executives to build up and maintain a significant shareholding in the Group. Under the plan, up to one-third of any bonus earned at target level or above by an eligible employee was compulsorily deferred into shares which vested, subject to continued employment, in equal annual tranches over three years (i.e. one-third each year). No further performance conditions applied to the deferred shares.

From 2010, Performance Share awards were granted under the Global Share Plan 2010 (GSP 2010) for all Executives over than Executive Directors. Awards granted under both plans are combined to provide the figures below.

From 2012, Deferred Bonus Plan and GSP 2010 options for Executive Directors, Executive Officers and the next level of Senior Executives were replaced by the Equity Incentive Awards ("EIA"). EIA are designed to encourage Executives to build up and maintain a significant shareholding in the Group. EIA will vest, in equal annual tranches over three years (i.e. one third each year), subject to continued employment and personal performance. No further performance conditions apply to the EIA.

The fair values of awards granted under long-term incentive plans are calculated using a binomial model. Performance Share awards under both the PSP and Global Share Plan 2010 contain vesting conditions based on TSR versus a comparator group which represent market-based performance conditions for valuation purposes and an assessment of vesting probability is therefore factored into the award date calculations. The assumptions include the volatilities for the comparator groups. A correlation of 37% (2018: 35%, 2017: 35%) has been assumed for the companies in the medical devices sector as they are impacted by similar factors. The Performance Target for the Global Share Plan 2010 is a combination of free cash flow growth, revenue in emerging and international markets and the Group's TSR performance over the three-year performance period.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Share-based payment transactions

(Continued)

At 31 December 2019 the maximum number of shares that could be awarded under the Group's long-term incentive plans were:

(Numbers of shares in thousands)	PSP	EIA	Other awards	Total
Outstanding at 31 December 2018	998	209	213	1,420
Transferred	-	-	7	7
Awarded	216	85	69	370
Vested	(322)	(144)	(77)	(543)
Forfeited	(114)	(4)	(52)	(170)
Outstanding at 31 December 2019	778	146	160	1,084

The weighted average remaining contractual life of awards outstanding at 31 December 2019 was 1.0 years for the PSP, 0.9 years for the EIA and 1.2 years for the other awards.

19 Share capital

2019
£000

2018
£000

Ordinary share capital

Issued and fully paid

1,100,996 Ordinary Shares of £1 each

1,101

1,101

20 Share premium account

£000

At 1 January 2019 & at 31 December 2019

87,057

21 Ultimate parent Company and parent Company of a larger group

The Company is a subsidiary undertaking of Smith & Nephew plc, which is the immediate and ultimate parent company incorporated in England and Wales. The smallest and largest group in which the results of the Company are consolidated is that headed by Smith & Nephew plc. The consolidated financial statements of Smith & Nephew plc are available from Building 5, Hatters Lane, Watford, Hertfordshire, WD18 8YE, or online via www.smith-nephew.com.

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22 Profit and loss reserves

	2019 £000	2018 £000
At the beginning of the year	29,088	(40,664)
Profit for the year	108,042	139,993
Dividends	(120,000)	(70,000)
Actuarial differences recognised in other comprehensive income	372	(298)
Tax on actuarial differences	(71)	57
	<hr/>	<hr/>
At the end of the year	17,431	29,088
	<hr/> <hr/>	<hr/> <hr/>

23 Financial commitments, guarantees and contingent liabilities

The Company, together with Smith & Nephew plc and certain fellow subsidiary undertakings, has entered into guarantees with the National Westminster Bank plc in respect of the net overdrafts of the other parties to the guarantee. The maximum exposure under this guarantee amounts to £10 million (2018: £10 million). The arrangement with HSBC Bank plc is in respect of gross overdrafts in the guarantee. The maximum exposure under this guarantee is \$50 million (2018: £nil).

24 Operating leases commitments

Lessee

The application of IFRS 16 from 1 January 2019 is detailed in Note 1.

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2018 £000
Payments under operating leases	2,247
	<hr/> <hr/>

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2018 £000	Other 2018 £000
Within one year	2,024	108
Between two and five years	4,792	106
In over five years	8,559	-
	<hr/>	<hr/>
	15,375	214
	<hr/> <hr/>	<hr/> <hr/>

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25 Events after the reporting date

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has adversely impacted the elective surgeries market in which the Company's subsidiaries operate worldwide. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact, including any impact on the carrying value of the Company's investment in subsidiaries cannot yet be known.

26 Subsidiaries and other related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and other related undertakings are listed below, including their registered office addresses. Unless otherwise stated, the share capital disclosed comprises ordinary shares which are directly or indirectly held by Smith & Nephew UK Limited.

Company name	Registered office address	Proportion of ownership interest (%)
The Albion Soap Company Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Neotherix Limited (1)	25 Carr Lane, York, YO26 5HT	25
Smith & Nephew UK Executive Pension Scheme Trustee Limited (1)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew UK Pension Fund Trustee Limited (1)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
T.J.Smith and Nephew,Limited (2)	PO BOX 81, 101 Hessle Road, Hull, HU3 2BN	100
Smith & Nephew ESN Limited (1)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Finance (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Pharmaceuticals Limited (2)	101 Hessle Road, Hull, HU3 2BN	100
Smith & Nephew Pensions Nominees Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Trading Group Limited (1)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Finance Oratec (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Medical Limited (2)	PO BOX 81, 101 Hessle Road, Hull, HU3 2BN	100
Smith & Nephew Extruded Films Limited (2)	PO BOX 81, 101 Hessle Road, Hull, North Humberside, HU3 2BN	100
Smith & Nephew Healthcare Limited (2)	101 Hessle Road, Hull, HU3 2BN	100
Smith & Nephew Investment Holdings Limited (1)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Medical Fabrics Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Nominee Company Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Nominee Services Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Employees Trustees Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Plus Orthopedics (UK) Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100

SMITH & NEPHEW UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

26 Subsidiaries and other related undertakings

(Continued)

Smith & Nephew Raisegrade Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Rareletter Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Beta Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Orthopaedics Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Michelson Diagnostics Ltd (2)	Ground Floor, Eclipse House, Eclipse Park, Sittingbourne Road,8 Maidstone, Kent, England, ME14 3EN	
Smith & Nephew sp. z.o.o. (2), (3)	Ul Osmanska 12, 02-823, Warsaw, Poland	-
Smith & Nephew Lda (2), (3)	No 10 ao Km. 131, Parque Tejo - Bloco C, 2625-445 Forte de Casa, Vila Franca de Xira, Portugal	-
Lumina Adhesives AB (1)	Varbergsgatan 2A, 412 65 Goteborg , Sweden	11
Smith & Nephew N.V.-S.A. (2), (3)	Hector Henneaulaan 366, 1930 Zaventem, Belgium	-
Smith & Nephew Limited (2), (3)	Unit 813 - 816, 8/F, Delta House, 3 On Yiu Street, Shatin, Hong Kong	-
Smith & Nephew Consumer Products Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100
Smith & Nephew Lilia Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YE	100

(1) Directly owned by Smith & Nephew UK Limited

(2) Interest held indirectly by Smith & Nephew UK Limited

(3) Less than 1% interest held by Smith & Nephew UK Limited