

Smiths Medical Danmark ApS

Ørestads Boulevard 73, 2300 København S

CVR no. 31 25 47 01

Annual report 2018/19

Approved at the Company's annual general meeting on 13 December 2019

Chairman:


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Nigel John Bark

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Smiths Medical Danmark ApS for the financial year 1 August 2018 - 31 July 2019.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 July 2019 and of the results of the Company's operations for the financial year 1 August 2018 - 31 July 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 13 December 2019
Executive Board:



Nigel John Bark
Director

Board of Directors:



Nigel John Bark
Chairman



Louis Philip Jones



Gitte Josefsen Larsen

Independent auditor's report

To the shareholder of Smiths Medical Danmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 July 2019, and of the results of the Company's operations for the financial year 1 August - 31 July 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Smiths Medical Danmark ApS for the financial year 1 August - 31 July 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Statement on the Management's review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 13 December 2019
PriceWaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31



Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705



Thomas Lauritsen
State Authorised Public Accountant
mne34342

Management's review

Company details

Name	Smiths Medical Danmark ApS
Address, Postal code, City	Ørestads Boulevard 73, 2300 København S
CVR no.	31 25 47 01
Established	1 February 2008
Registered office	Copenhagen
Financial year	1 August 2018 - 31 July 2019
Board of Directors	Nigel John Bark, Chairman Louis Philip Jones Gitte Josefsen Larsen
Executive Board	Nigel John Bark, Director
Auditors	PriceWaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, DK-2900 Hellerup

Management's review

Business review

The Company's mission is to sell and deliver medical products of high quality to the public and private health sector. The Company was founded in 2008 and is a sales and marketing Company wholly owned by Smiths Medical Group Limited. Customer focus is in the areas of anesthesia, intensive care, infusion therapy, home care and treatment of pain.

Financial review

The income statement for 2018/19 shows a profit of DKK 1,144,863 against a profit of DKK 1,346,888 last year, and the balance sheet at 31 July 2019 shows equity of DKK 3,861,452.

Outlook

FY19 was a challenging year, as we faced some changes in clinical procedures within postoperative pain management. This was an impact from the loss of CE mark for a short period. CADD VIP pump sales was increasing, and is seen as a future solution in various areas, such as antibiotics and chemotherapy, and is in line with the Country strategy to move patients out of the hospital, to increase quality of life and reduce nosokomielle infections. We will see continued growth in CADD disposables, following increased ambulatory pump success, and usage, in the homecare arena.

Price pressure is still a challenge in the market, and strict tender specifications requesting DEHP free products, before the legislation comes into play in Europe is also impacting the market. We are seeing this across multiple franchises including vital care, safety products and injection.

Overall in 2018/19, we had a decline against budget.

In 2019/20 we plan to benefit from PIVC, and won tenders, in vital care and we foresee continuous successes with our CADD range.

Events after the balance sheet date

On 22nd March 2019, it was announced that a demerger is the chosen path for the separation of Smiths Medical from Smiths Group, with this complex process due to complete during the first half of 2020. This will have no major impact on the accounts in FY2020.

Financial statements 1 August 2018 - 31 July 2019

Income statement

Note	DKK	2018/19	2017/18
	Gross profit	6,173,866	6,956,073
2	Staff costs	-4,676,833	-5,307,758
	Profit before net financials	1,497,033	1,648,315
	Financial income	356	2,236
	Financial expenses	-44,978	-17,895
	Profit before tax	1,452,411	1,632,656
3	Tax for the year	-307,548	-285,768
	Profit for the year	1,144,863	1,346,888
	Recommended appropriation of profit		
	Retained earnings	1,144,863	1,346,888
		1,144,863	1,346,888

Financial statements 1 August 2018 - 31 July 2019

Balance sheet

Note	DKK	2018/19	2017/18
	ASSETS		
	Current assets		
	Inventories		
	Finished goods and goods for resale	32,541	19,041
		<u>32,541</u>	<u>19,041</u>
	Receivables		
	Trade receivables	3,961,969	3,246,595
	Corporation tax receivable	190,375	0
	Other receivables	55,042	85,042
	Prepayments	90,857	102,558
		<u>4,298,243</u>	<u>3,434,195</u>
	Cash	6,178,026	6,678,197
	Total current assets	<u>10,508,810</u>	<u>10,131,433</u>
	TOTAL ASSETS	<u>10,508,810</u>	<u>10,131,433</u>

Financial statements 1 August 2018 - 31 July 2019

Balance sheet

Note	DKK	2018/19	2017/18
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	125,000	125,000
	Retained earnings	3,736,452	2,591,589
	Total equity	3,861,452	2,716,589
	Current liabilities		
	Trade payables	497,587	597,441
	Payables to group enterprises	3,170,877	2,513,210
	Corporation tax payable	0	665,867
	Other payables	2,978,894	3,638,326
	Total current liabilities	6,647,358	7,414,844
	Total liabilities	6,647,358	7,414,844
	TOTAL EQUITY AND LIABILITIES	10,508,810	10,131,433

- 1 Accounting policies
- 4 Contractual obligations and contingencies, etc.
- 5 Collateral
- 6 Related parties

Financial statements 1 August 2018 - 31 July 2019

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 August 2017	125,000	1,244,701	1,369,701
Transfer through appropriation of profit	0	1,346,888	1,346,888
Equity at 1 August 2018	125,000	2,591,589	2,716,589
Transfer through appropriation of profit	0	1,144,863	1,144,863
Equity at 31 July 2019	125,000	3,736,452	3,861,452

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies

The annual report of Smiths Medical Danmark ApS for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Revenue are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

DKK	2018/19	2017/18
2 Staff costs		
Wages/salaries	3,884,501	4,732,489
Pensions	340,025	337,813
Other social security costs	387,040	208,540
Other staff costs	65,267	28,916
	<u>4,676,833</u>	<u>5,307,758</u>
Average number of full-time employees	<u>6</u>	<u>6</u>
3 Tax for the year		
Estimated tax charge for the year	307,548	347,464
Tax adjustments, prior years	0	-61,696
	<u>307,548</u>	<u>285,768</u>
4 Contractual obligations and contingencies, etc.		
Other contingent liabilities		
As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.		
Other financial obligations		
Other rent and lease liabilities:		
Rent and lease liabilities	<u>973,730</u>	<u>815,000</u>

The Company has entered into a rental agreement which can be terminated with 3 months notice. Rent in the non-terminated period are DKK 87 thousand, of which DKK 38 thousand is recognized as prepaid expenses. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 887 thousand, of which DKK 524 thousand mature within one year.

5 Collateral

The Company has not provided any security or other collateral in assets at 31 July 2019.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

6 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Smiths Medical Group Ltd.	United Kingdom	1500 Eureka Park Ashford, Kent TN25 4BF United Kingdom

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.