
SMITHS GROUP INTERNATIONAL HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2020

Introduction

Smiths Group International Holdings Limited ("the Company") is a private company limited by shares and is a wholly owned subsidiary of Smiths Group plc ("the Group").

The Company's principal activity in the year is that of an investment holding company, and its principal source of income is dividends from subsidiaries. There has been no significant change in this activity during the year.

Business review

The Company is a holding company that generates income from its investments. The Company also acts as a guarantor for the term loans and committed borrowing facilities of its parent company, Smiths Group plc. It has had no employees in either the current or prior year.

The Company generated a profit before tax for the year of £214m (2019: £63m) from its investing activities, comprising dividends received of £258m (2019: £81m), offset by an impairment loss on its investment in Smiths Finance Limited of £31m and net interest expense on its loans of £12m (2019: £17m). Additionally the Company incurred foreign exchange losses of £1m (2019: £1m).

In accordance with the decision taken by the Directors of Smiths Group plc on 24th July 2019 to classify the Group's Medical division as being held for distribution to its owners, the board of Smiths Group International Holdings Limited has adopted the same treatment for its investment in the holding company of the Smiths Medical division. As this decision was taken in the prior year, the Balance Sheet has been restated to show the investment of £1.15bn being held for distribution to owners.

The original expectation was that the process of separating the Medical division would complete during the first half of the calendar year 2020. In March 2020, the Directors of Smiths Group plc paused the demerger project due to the impact of Covid-19. The Directors have determined that, as the Group remains demonstrably committed to the demerger of Smiths Medical, the criteria for classification as held for distribution to owners continue to be met.

At 31 July 2020, the Company was a guarantor in respect of borrowings of £1,455m (2019: £1,500m). A discussion of the going concern status is provided in note 1.4.

There were no dividends paid during the year (2019: £400m).

Principal risks and uncertainties

The directors of Smiths Group plc manage the Smiths Group risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a disclosure of the Company's risk profile would not be appropriate for an understanding of the activities of Smiths Group International Holdings Limited. See the Smiths Group plc Annual Report and Accounts pages 67 to 78 for a description of the Smiths Group plc risk management and key risks.

Financial key performance indicators

The directors of Smiths Group plc manage the Group's operations on a consolidated basis using divisional KPIs. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate. The development, performance and position of Smiths Group plc is discussed in the Strategic Report section of the Group's Annual Report and Accounts, which does not form part of this report.

SMITHS GROUP INTERNATIONAL HOLDINGS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2020**

Section 172 Statement

The directors of the Company have acted, in a way which they considered in good faith, to be most likely to promote the success of the Company for the benefit of its members. As part of the Company's deliberations and decision-making process, the Board takes into the account the likely consequences of any decision in the long term, and the desirability of the company maintaining a reputation for high standards of business conduct.

The Company is part of the Smiths Group and is ultimately owned by Smiths Group plc, which is responsible for setting the overall strategy of the Group maintaining oversight of the Group's activities. Decisions and policies affecting the Group's shareholders, customers, employees and wider workforce, suppliers, local communities and governments, lenders and the environment are made at Group level, with directors of each company in the Group ensuring that they apply those policies as relevant, meeting their duties to the individual companies and their respective stakeholders.

The Board of Directors of the Company consider the Company's main stakeholder groups to be its lenders, the Group subsidiaries to whom it provides finance and on whose behalf it makes investment decisions and its shareholder. Stakeholder interests are key to the long-term sustainable success of the Company and the Board has an overview of engagement with stakeholders to identify the impact of its decision on its stakeholders, especially about strategy, investments and finance. The Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

The purpose of the Company is to act as an investment holding company. Due to the nature of the Company no decisions were made by Directors during the reporting period which required to have regard to the matters set out in section 172 of the Companies Act 2006.

This report was approved by the board on 20 April 2021 and signed on its behalf.



J F Shipsey
Director