

STRATEC MEDICAL LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2000

Company Number: 1231893



STRATEC MEDICAL LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

Company Registration Number: 1231893

Registered Office: Suite 3.5
City Gate House
39 – 45 Finsbury Square
London
EC2A 1UU

Directors: C Huber
A J Gibson
F Leuzinger

Secretary: Hexagon Registrars Limited

Bankers: Lloyds Bank plc
NatWest Bank plc

Solicitors: Fox Williams
City Gate House
39 – 45 Finsbury Square
London
EC2A 1UU

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
22 Melton Street
Euston Square
London
NW1 2EP

STRATEC MEDICAL LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

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STRATEC MEDICAL LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2000

The directors present their report together with the financial statements for the year ended 31 December 2000.

Principal activities

The company is principally engaged in the distribution of implants and instrument systems for fracture treatment and reconstructive orthopaedic surgery and the provision of services to the medical and veterinary professions, based upon a firm and continuing commitment to postgraduate education.

Business review

There was a profit for the year after taxation amounting to £3,261,000 (1999: £3,145,000). The directors recommend dividends absorbing £3,000,000 (1999: £3,000,000).

The directors are pleased with the 2000 result.

Proposed dividend

The directors recommend that final ordinary dividends of £1,000,000 be paid (1999: £1,500,000). An interim dividend of £2,000,000 (1999: £1,500,000), was paid during the year.

Directors and directors' interest

The directors who held office during the year were as follows:

R Maag (resigned 2 August 2000)
A J Gibson
C D Hunt (resigned 28 July 2000)
C Huber (appointed 28 July 2000)
F Leuzinger (appointed 2 August 2000)

None of the directors had any beneficial interest in the shares of the company at the beginning or end of the year.

The interests of the directors in the ultimate parent undertaking are disclosed in that company's accounts.

As set out in the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable donations

The company made no political contributions during the year. Donations to UK charities amounted to £2,500 (1999: £155).

Liability insurance

During the year the company maintained liability insurance for its directors against claims and liabilities arising in the performance of their duties.

STRATEC MEDICAL LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2000

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



C Huber
Director

23 February 2001

[..date of signing..]

**REPORT OF THE AUDITORS TO THE MEMBERS OF
STRATEC MEDICAL LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of the directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

23/2 2000

STRATEC MEDICAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover represents the invoiced value of goods sold (excluding VAT) less discounts allowed.

CASH FLOW STATEMENT

Under the provisions of Financial Reporting Standard No. 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent company STRATEC Holding AG has prepared consolidated financial statements which include the results of the company for the year and which contain a consolidated cash flow statement.

RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of STRATEC Holding AG the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of STRATEC Holding AG, within which this company is included, can be obtained from the address given in note 17.

FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write off the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold buildings	2% per annum
Computers	33 1/3% per annum
Furniture, fixtures and office equipment	20% per annum
Motor vehicles	25% per annum

No depreciation is provided on freehold land.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

STRATEC MEDICAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable to the defined contribution scheme are taken to the profit and loss account as they become payable. The old defined benefit scheme was closed on 1 February 1995.

LEASES

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

STRATEC MEDICAL LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 2000

	Note	2000 £'000	1999 £'000
Turnover	1	24,330	23,898
Cost of sales		<u>(13,720)</u>	<u>(13,927)</u>
Gross profit		10,610	9,971
Distribution costs		<u>(375)</u>	<u>(284)</u>
Administration expenses		<u>(5,583)</u>	<u>(5,177)</u>
Operating profit		4,652	4,510
Interest receivable and similar income	2	<u>49</u>	<u>25</u>
Profit on ordinary activities before taxation	4	4,701	4,535
Tax on profit on ordinary activities	5	<u>(1,440)</u>	<u>(1,390)</u>
Profit on ordinary activities after taxation		3,261	3,145
Dividends			
- proposed		<u>(1,000)</u>	<u>(1,500)</u>
- paid		<u>(2,000)</u>	<u>(1,500)</u>
Retained profit for the financial year	11	261	145
Retained profit brought forward		<u>2,275</u>	<u>2,130</u>
Retained profit carried forward		<u>2,536</u>	<u>2,275</u>

All transactions arise from continuing operations.

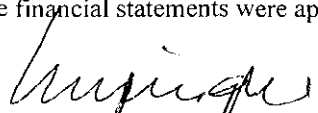
There were no recognised gains or losses other than those recognised in the profit and loss account for the year.

The accompanying accounting policies and notes form an integral part of these financial statements.

STRATEC MEDICAL LIMITED**BALANCE SHEET AT 31 DECEMBER 2000**

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	6	<u>1,084</u>	<u>1,181</u>
Current assets			
Stocks	7	2,996	3,186
Debtors	8	4,904	4,736
Cash at bank and in hand		<u>160</u>	<u>705</u>
		<u>8,060</u>	<u>8,627</u>
Creditors: amounts falling due within one year	9	<u>(6,588)</u>	<u>(7,513)</u>
Net current assets		<u>1,472</u>	<u>1,114</u>
Net assets		<u>2,556</u>	<u>2,295</u>
Capital and reserves			
Called up share capital	10	20	20
Profit and loss account		<u>2,536</u>	<u>2,275</u>
Shareholders' funds	11	<u>2,556</u>	<u>2,295</u>

The financial statements were approved by the Board of Directors on 23 February 2001


F Leuzinger - Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

STRATEC MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

1 TURNOVER

All of the company's turnover arose from activity in the British Isles and Ireland.

Turnover is attributable to one class of business, being the distribution of implants and instrument systems for fracture treatment and reconstructive orthopaedic surgery and the provision of services to the medical and veterinary professions.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £'000	1999 £'000
Interest receivable	49	25

3 DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Wages and salaries	2,365	2,170
Social security costs	265	270
Pension costs	227	256
	<u>2,857</u>	<u>2,696</u>

	2000 Number	1999 Number
The average number of employees during the year was:		
Administration	7	9
Selling and distribution	81	69
	<u>88</u>	<u>78</u>

The total amounts for directors' remuneration and other benefits was as follows:

	2000 £'000	1999 £'000
Emoluments	222	208
Contributions to money purchase pension schemes	48	52
	<u>270</u>	<u>260</u>

During the year 3 directors (1999: 3 directors) participated in defined contribution money purchase schemes.

STRATEC MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

DIRECTORS AND EMPLOYERS (Continued)

Directors' remuneration shown above included the following amounts payable in respect of the highest paid director:

	2000 £'000	1999 £'000
Emoluments	89	100
Pension contributions	15	14
	<u>104</u>	<u>114</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2000 £'000	1999 £'000
Auditors' remuneration		
- audit	24	27
- non audit	5	5
Directors' remuneration (note 3)	270	260
Depreciation (note 6)	139	127
Operating lease rentals – motor vehicles	250	218
Profit on sale of fixed assets	(1)	(10)
Foreign exchange gains	<u>(12)</u>	<u>(544)</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
The taxation charge is based on the profit for the year and represents:		
Corporation tax at 30% (1999: 30.25%)	<u>1,440</u>	<u>1,390</u>

STRATEC MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Computer £'000	Furniture, fixtures and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2000	1,150	253	513	13	1,929
Additions	-	33	11	-	44
Disposals	-	-	(7)	-	(7)
At 31 December 2000	1,150	286	517	13	1,966
Depreciation					
At 1 January 2000	190	104	444	10	748
Provided in the year	18	95	25	1	139
Disposals	-	-	(5)	-	(5)
At 31 December 2000	208	199	464	11	882
Net book amount					
At 31 December 2000	942	87	53	2	1,084
Net book amount					
At 31 December 1999	960	149	69	3	1,181

The gross book value of freehold land and buildings includes £899,365 (1999: £899,365) of depreciable assets.

7 STOCKS

	2000 £'000	1999 £'000
Finished goods	2,996	3,186

8 DEBTORS

	2000 £'000	1999 £'000
Trade debtors	4,698	4,599
Other debtors	33	6
Prepayments and accrued income	173	131
	4,904	4,736

STRATEC MEDICAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£'000	£'000
Trade creditors	13	18
Amounts owed to group undertakings	3,380	4,596
Corporation tax	1,032	347
Social security and other taxes	408	598
Proposed dividend	1,000	1,500
Accruals and deferred income	755	454
	6,588	7,513

10 SHARE CAPITAL

	2000	1999
	£'000	£'000
Authorised, allotted, called up and fully paid		
20,000 ordinary shares of £1 each	20	20

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£'000	£'000
Profit on ordinary activities after taxation	3,261	3,145
Dividends	(3,000)	(3,000)
Net increase in shareholders funds	261	145
Shareholders' funds at 1 January 2000	2,295	2150
Shareholders' funds at 31 December 2000	2,556	2295

12 LEASING COMMITMENTS

Operating lease payments amounting to £227,000 are due within one year.

	2000	1999
	£'000	£'000
Operating leases for motor vehicles which expire as follows:		
Within one year	43	29
Between one and five years	184	115
	227	144

STRATEC MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

13 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 December 1999.

14 CONTINGENT LIABILITIES

The company had no contingent liabilities at 31 December 2000 or 31 December 1999.

15 PENSIONS

The company operates a defined contribution scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent to that of the company. The pension cost charge for the year represents contributions payable by the company and amounts to £227,100 (1999: £256,000). There were no contributions outstanding at 31 December 2000 (1999: £nil).

16 DEFERRED TAX

Potential future tax assets have not been recognised on the following timing differences:

	2000 £	1999 £
Difference between accumulated depreciation and capital allowances	53	31

17 CONTROLLING RELATED PARTIES

The largest group in which the results of the company are consolidated is that headed by Synthes-STRATEC Inc., incorporated in Delaware, United States of America. The smallest group in which they are consolidated is that headed by STRATEC Holding AG, incorporated in Switzerland. Copies of the group accounts are available to the public and may be obtained from the parent company's registered office, at STRATEC Holding AG, CH44 36, Oberdorf, Switzerland.

The directors regard Synthes-STRATEC Inc., as being the ultimate parent company

18 FINANCIAL INSTRUMENTS

The company has entered into the following foreign exchange contracts for the purposes of financing its purchases from group companies.

Maturity date	Sterling	Rate	Swiss Franc
26 January	600,000	2.5268	1,516,080
23 February	600,000	2.5223	1,513,380
27 March	600,000	2.5167	1,510,020
24 April	600,000	2.5120	1,507,200
26 May	600,000	2.5070	1,504,200
26 June	600,000	2.5020	1,501,200