

Stratec Medical Limited

**Directors' report and financial
statements**

Registered number 1231893.

31 December 2003



A36
COMPANIES HOUSE

AL3YG202

0284
26/10/04

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Stratec Medical Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the company are 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

The directors are pleased with the 2003 result. The profit for the year after taxation was £4,839,000 (2002: £4,521,000).

Proposed dividend

The directors recommend that final ordinary dividends of £nil be paid (2002: £nil). An interim dividend of £2,000,000 (2002: £nil), was paid during the year.

Directors and directors' interests

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

C Huber
AJ Gibson
F Leuzinger

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 the directors' report of that company.

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 contributions

The company made no political contributions during the year. Donations to UK charities amounted to £2,525 (2002: £2,525).

Directors' Report *(continued)*

Liability insurance

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Grant Thornton as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board


C Huber
Director

4/3/2004

10 Dominion Street
London
EC2M 2EE

Statement of directors' responsibilities

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 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

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

We have audited the financial statements of Stratec Medical Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 as at 31 December 2003 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

4 March 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	2	37,011	30,957
Cost of sales		(22,469)	(17,651)
Gross profit		14,542	13,306
Distribution costs		(528)	(480)
Administration expenses		(7,167)	(6,418)
Operating profit		6,847	6,408
Other interest receivable and similar income	3	37	13
Profit on ordinary activities before taxation	4	6,884	6,421
Tax on profit on ordinary activities	5	(2,045)	(1,900)
Profit on ordinary activities after taxation		4,839	4,521
Dividends - interim		(2,000)	-
Retained profit for the financial year		2,839	4,521
Retained profit brought forward		7,037	2,516
Retained profit carried forward		9,876	7,037


Stratec Medical Limited has no recognised gains or losses in the current or preceding year other than those passing through the profit and loss account.

The figures for the current and prior year represent amounts relating to continuing operations only.

Balance sheet
at 31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	6	5,402	2,963
Current assets			
Stocks	7	2,733	1,929
Debtors	8	5,949	5,550
Cash at bank and in hand		2,241	582
		<u>10,923</u>	<u>8,061</u>
Creditors: amounts falling due within one year	9	<u>(6,429)</u>	<u>(3,967)</u>
Net current assets		<u>4,494</u>	<u>4,094</u>
Net assets		<u>9,896</u>	<u>7,057</u>
Capital and reserves			
Called up share capital	10	20	20
Profit and loss account		9,876	7,037
Equity shareholders' funds	11	<u>9,896</u>	<u>7,057</u>

These financial statements were approved by the board of directors on 4 March 2004 and were signed on its behalf by:


T Gibson
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, and remain unchanged from the previous year.

Basis of preparation

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

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 provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2½% per annum
Computers	-	33⅓% per annum
Furniture, fixtures and office equipment	-	12½% per annum
Loan sets	-	33⅓% per annum

No depreciation is provided on freehold land.

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.

Notes (continued)

Accounting policies (continued)

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.

Leases

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

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.

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.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

Turnover represents the invoiced value of goods sold (excluding VAT) less discounts allowed. All of the company's turnover arose from activity in the British Isles and Eire.

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.

3 Other interest receivable and similar income

	2003 £000	2002 £000
Interest receivable	37	13

Notes (continued)

4 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - audit	34	31
- non audit	8	9
Directors' remuneration (note 12)	283	310
Depreciation (note 6)	1,564	519
Operating lease rentals - motor vehicles	133	279
Loss/(profit) on sale of fixed assets	-	(2)
Foreign exchange (gains)/losses	-	113
	<hr/>	<hr/>

5 Taxation

Analysis of charge in period

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the period	2,111	1,900
Adjustments in respect of prior periods	(39)	-
	<hr/>	<hr/>
	2,072	1,900
Double taxation relief	(39)	(7)
	<hr/>	<hr/>
	2,033	1,893
<i>Foreign tax</i>		
Current tax on income for the period	39	7
	<hr/>	<hr/>
Total current tax charge	2,072	1,900
Deferred tax (see note 8)	(27)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	2,045	1,900
	<hr/>	<hr/>

Notes (continued)

5 Taxation (continued)

The current tax charge for the period is higher (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,884	6,421
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	2,065	1,926
<i>Effects of:</i>		
Expenses not deductible for tax purposes	23	31
Depreciation for period in excess of capital allowances	19	(57)
Other timing differences	4	-
Adjustments to tax charge in respect of previous periods	(39)	-
	<hr/>	<hr/>
Total current tax charge	2,072	1,900
	<hr/>	<hr/>

6 Tangible fixed assets

	Freehold land and buildings £000	Computers £000	Furniture, fixtures and office equipment £000	Loan sets £000	Total £000
<i>Cost</i>					
At beginning of year	1,150	303	521	6,212	8,186
Additions	86	68	40	3,810	4,004
Disposals	-	(99)	(90)	-	(189)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,236	272	471	10,022	12,001
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	253	251	497	4,222	5,223
Charged in year	23	36	24	1,481	1,564
On disposals	-	(98)	(90)	-	(188)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	276	189	431	5,703	6,599
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2003	960	83	40	4,319	5,402
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	897	52	24	1,990	2,963
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The gross book value of freehold land and buildings includes £899,365 (2002: £899,365) of depreciable assets.

Notes (continued)

7 Stocks

	2003 £000	2002 £000
Finished goods and goods for resale	2,733	1,929

8 Debtors

	2003 £000	2002 £000
Trade debtors	5,735	5,346
Other debtors	9	9
Deferred tax asset (see note 16)	27	-
Prepayments and accrued income	178	195
	<u>5,949</u>	<u>5,550</u>

9 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	37	33
Amount owed to group undertakings	2,672	1,632
Other creditors including taxation and social security:		
Mainstream corporation tax	1,107	1,034
Other taxation and social security	1,333	546
Accruals and deferred income	1,280	722
	<u>6,429</u>	<u>3,967</u>

10 Called up share capital

	2003 £000	2002 £000
<i>Authorised, allotted, called up and fully paid</i>		
Equity: ordinary shares of £1 each	20	20

Notes *(continued)*

11 Reconciliation of movements in shareholders' funds

	2003 £000	2002 £000
Profit on ordinary activities after taxation	4,839	4,521
Dividends	(2,000)	-
Net addition to shareholders' funds	2,839	4,521
Opening shareholders' funds	7,057	2,536
Closing shareholders' funds	9,896	7,057

12 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	227	256
Company contributions to money purchase pension schemes	56	54
	283	310

The emoluments of the highest paid director were £135,000 (2002: £160,000), and company pension contributions of £nil (2002: £nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under money purchase schemes	1	1

Notes (continued)

13 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Administration	9	7
Selling and distribution	81	71
	<u>90</u>	<u>78</u>

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	3,492	2,835
Social security costs	420	326
Other pension costs (see note 14)	309	353
	<u>4,221</u>	<u>3,514</u>

14 Pensions

The pension cost charge for the year represents contributions payable by the company to the defined contribution scheme and amounts to £308,568 (2002: £353,269). There were no contributions outstanding at the end of the financial year (2002: £nil).

15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003 £000	2002 £000
Operating leases for motor vehicles which expire:		
Within one year	17	94
In the second to fifth years inclusive	-	6
	<u>17</u>	<u>100</u>

Notes *(continued)*

16 Deferred taxation

The elements of deferred taxation are as follows:

	2003 £000	2002 £000
Deferred tax asset (see note 8)	27	-

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest group in which the results of the company are consolidated is that headed by Synthes-Stratec Inc., incorporated in Delaware, USA. 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.