

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

## **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The company continues to act as a UK outlet to sell the orthopaedic products of Sulzer Orthopaedics AG, a Swiss based company which is part of the Sulzer Medica Group.

## **RESULTS AND DIVIDEND**

The directors do not recommend the payment of a dividend in respect of the financial year. The profit of £925,955 (1998 - £366,498) for the year has been added to reserves.

## **DIRECTORS**

The directors throughout the year were:

R Norman  
R Fritschi  
F Scherrer

None of the directors have any interest in the shares of the company.

## **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 of the company for that period. In preparing those statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**SULZER ORTHOPAEDICS (UK) LIMITED**

**DIRECTORS' REPORT (continued)**

**YEAR 2000 COMPLIANCE AND THE EURO**

No problems were experienced following the 1 January 2000. We continue to monitor significant customers, suppliers and service providers, and have no information regarding year 2000 problems relating to these customers, suppliers or service providers.

The company does not have any immediate exposure to the Euro. However, we have recognised the issues surrounding the commercial impact and have adapted our operating software to accommodate future needs.

**AUDITORS**

The auditors, PricewaterhouseCoopers will be proposed for reappointment at the Annual General Meeting.

By order of the board



R Norman  
Director

20 October 2000

Registered office:  
Stephenson Harwood  
One, St Pauls Churchyard  
London  
EC4 8SH

## AUDITORS' REPORT TO THE MEMBERS OF SULZER ORTHOPAEDICS (UK) LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report, if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

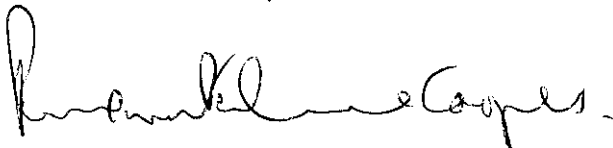
### BASIS OF OPINION

We conducted our audit in accordance with 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

20 October 2000

The Quay  
30 Channel Way  
Ocean Village  
Southampton SO14 3QG

**SULZER ORTHOPAEDICS (UK) LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999**

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
		£	£
TURNOVER		6,033,320	5,508,129
Cost of sales		(3,226,028)	(3,051,760)
GROSS PROFIT		<u>2,807,292</u>	<u>2,456,369</u>
OTHER OPERATING EXPENSES			
Distribution costs		106,521	102,951
Administrative expenses		<u>1,600,773</u>	<u>1,756,309</u>
		(1,707,294)	(1,859,260)
OPERATING PROFIT	2	<u>1,099,998</u>	<u>597,109</u>
Interest receivable		-	1,295
Interest payable	3	(143,952)	(231,906)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>956,046</u>	<u>366,498</u>
Tax on profit on ordinary activities	5	(30,091)	-
PROFIT FOR THE FINANCIAL YEAR	11,12	<u><u>925,955</u></u>	<u><u>366,498</u></u>

None of the company's activities were acquired or discontinued during the two years ended 31 December 1999.

The company has no recognised gains or losses other than the above profit.

**SULZER ORTHOPAEDICS (UK) LIMITED**

**BALANCE SHEET AT 31 DECEMBER 1999**

	<u>Notes</u>	£	<u>1999</u> £	£	<u>1998</u> £
<b>FIXED ASSETS</b>					
Tangible assets	6		127,835		109,547
<b>CURRENT ASSETS</b>					
Stock	7	3,734,814		2,982,203	
Debtors	8	1,042,644		908,358	
Cash at bank and in hand		126,035		98,355	
		<u>4,903,493</u>		<u>3,988,916</u>	
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(3,363,722)</u>		<u>(3,356,812)</u>	
<b>NET CURRENT ASSETS</b>			1,539,771		632,104
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,667,606</u>		<u>741,651</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		1,050,000		1,050,000
Other reserves	11		750,000		750,000
Profit and loss account	11		(132,394)		(1,058,349)
<b>SHAREHOLDERS' FUNDS</b>	12		<u>1,667,606</u>		<u>741,651</u>

Approved by the board of directors on 20 October 2000

  
R Norman  
Director

**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1999**

**1 ACCOUNTING POLICIES**

**(a) Accounting convention**

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

**(b) Turnover**

Turnover represents the invoiced value of sales excluding value added tax and arises from activities within the United Kingdom.

**(c) Depreciation**

Depreciation is provided on tangible fixed assets to spread the cost over the estimated useful economic lives of the relevant assets at the following rates:

Computer equipment	- 33% straight line
Fixtures and fittings	- 20% straight line
Motor vehicles	- 25% straight line

**(d) Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

**(e) Operating leases**

All operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the agreement.

**(f) Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

**(g) Foreign exchange**

Assets and liabilities denominated in foreign currencies are converted to sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted at the rate ruling at the end of the day on which the transaction occurred. Exchange differences are dealt with in the profit and loss account.

**(h) Pension costs**

Defined contribution pension costs payable to individuals' personal pension schemes are charged to the profit and loss account in the year in respect of which they become payable.

# SULZER ORTHOPAEDICS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1999 (continued)

### 2 OPERATING PROFIT

	<u>1999</u>	<u>1998</u>
	£	£
Operating profit is stated after charging		
Depreciation	53,626	39,991
Auditors' remuneration	5,100	4,400
Operating leases - other	<u>174,263</u>	<u>154,608</u>

### 3 INTEREST PAYABLE

	<u>1999</u>	<u>1998</u>
	£	£
Bank loans and overdrafts	<u>-</u>	<u>-</u>

All interest payable is due on loans repayable in less than five years.

### 4 EMPLOYEES AND STAFF COSTS

	<u>1999</u>	<u>1998</u>
	£	£
Aggregate remuneration amounted to:		
Wages and salaries	685,567	634,210
Social security costs	67,996	64,024
Other pension costs	<u>29,706</u>	<u>28,498</u>
	<u>783,269</u>	<u>726,732</u>

The average number of employees (including directors) was :

<u>23</u>	<u>22</u>
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Directors' emoluments:

The aggregate emoluments (excluding pension contributions) to directors amounts to £91,926 (1998: £99,070). One director receives contributions to a personal pension scheme.

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1999</u>	<u>1998</u>
	£	£
UK corporation tax at 20.25%	<u>30,091</u>	<u>-</u>

The UK corporation tax charge has been reduced as a result of the use of brought forward losses from previous years.

**SULZER ORTHOPAEDICS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1999 (continued)**

**6 TANGIBLE ASSETS**

	<u>Motor vehicle</u>	<u>Computer equipment</u>	<u>Fixtures and fittings</u>	<u>Total</u>
Cost	£	£	£	£
At 1 January 1999	-	124,279	109,463	233,742
Additions	26,040	35,624	10,250	71,914
Disposals	-	(4,034)	(7,955)	(11,989)
At 31 December 1999	26,040	155,869	111,758	293,667
Depreciation				
At 1 January 1999	-	51,982	72,213	124,195
Charge for the year	2,172	40,506	10,948	53,626
Disposals	-	(4,034)	(7,955)	(11,989)
At 31 December 1999	2,172	88,454	75,206	165,832
Net book amount				
At 31 December 1999	23,868	67,415	36,552	127,835
At 1 January 1999	-	72,297	37,250	109,547

**7 STOCK**

	<u>1999</u>	<u>1998</u>
	£	£
Finished goods and goods for resale	3,734,814	2,982,203

**8 DEBTORS**

	<u>1999</u>	<u>1998</u>
	£	£
Trade debtors	908,236	811,320
Amounts due from parent undertakings	11,295	57,056
Other taxation and social security	85,881	-
Other debtors	8,400	13,065
Prepayments and accrued income	28,832	26,917
	<u>1,042,644</u>	<u>908,358</u>

**9 CREDITORS: amounts falling due within one year**

	<u>1999</u>	<u>1998</u>
	£	£
Bank loans and overdrafts	1,849,462	2,501,005
Trade creditors	211,785	4,753
Amounts owed to group undertakings	1,164,462	779,402
Other taxation and social security	18,071	20,148
Other creditors	44,148	12,976
Accruals and deferred income	75,794	38,528
	<u>3,363,722</u>	<u>3,356,812</u>

The bank overdraft is secured by a cross guarantee by group undertakings. The bank loan is on a revolving facility, renewable quarterly and expiring on 16 March 2000.



**SULZER ORTHOPAEDICS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1999 (continued)**

**10 CALLED UP SHARE CAPITAL**

	<u>1999</u>	<u>1998</u>
	£	£
Authorised:		
1,050,000 ordinary shares of £1	<u>1,050,000</u>	<u>1,050,000</u>
Allotted and fully paid:		
1,050,000 ordinary shares of £1	<u>1,050,000</u>	<u>1,050,000</u>

**11 RESERVES**

	<u>Other reserves</u>	<u>Profit and loss account</u>
	£	£
Balance at 1 January 1999	750,000	(1,058,349)
Retained profit for the year	-	925,955
Balance at 31 December 1999	<u>750,000</u>	<u>(132,394)</u>

**12 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS**

	<u>1999</u>	<u>1998</u>
	£	£
Shareholders' funds are attributable to equity interests :		
Profit for the financial year after taxation	925,955	366,498
Opening shareholders' funds at 1 January 1999	741,651	375,153
Closing shareholders' funds at 31 December 1999	<u>1,667,606</u>	<u>741,651</u>

**13 LEASE OBLIGATIONS**

Annual commitments under operating leases  
which expire:

	<u>1999</u>	<u>1998</u>
	£	£
Land and buildings		
Within two to five years	<u>36,500</u>	<u>36,500</u>
Vehicles		
Within one year	<u>-</u>	<u>3,670</u>
Within two to five years	<u>94,730</u>	<u>81,641</u>

**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1999 (continued)**

**14 PARENT UNDERTAKING**

The company is wholly owned by its ultimate parent undertaking, Sulzer Medica Ltd, of CH-8401, Winterthur, Switzerland a company incorporated in Switzerland.

Transactions with other entities within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standards No. 8 "Related Party Disclosure", as the consolidated accounts for Sulzer Medica Ltd of which the company is included are available at the address noted above.

**15 CASH FLOW STATEMENT**

The company has taken advantage of the exemption given in Paragraph 5(a) of Financial Reporting Standard 1 (revised 1996), and not published its own cash flow statement.