Registered Number 3319712

DePuy International Limited

Annual report

for the year ended 31 December 2004

DePuy International Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activities
The company's principal activities are the manufacture and supply of orthopaedic and other medical and surgical products.

Review of business and future developments
The company has performed satisfactorily during the year. The profit and loss account gives further details of the company's performance and activity while the financial position of the company is set out in the balance sheet.

During the year the company sold its Northern Ireland business to a fellow subsidiary, J&J Medical Ireland Limited for a cash consideration of £932,000.

Results and dividends
The company's profit on ordinary activities after tax for the financial year is £7,782,000 (2003: £3,999,000). An interim dividend of £20,000,000 was paid in the year (2003: £10,000,000). The directors have not proposed a final dividend (2003: £Nil). After taking into account the dividend paid in the year retained earnings have decreased by £12,218,000 (2003: £6,001,000).

Directors and their interests
The directors who held office during the year were as follows:

G M Franks	(Resigned 7 July 2004)
N J Gifford	
J F Lettin	(Resigned 31 December 2004)
M J Dormer	(Resigned 24 August 2004)
K E Swallow	
M J Thompson	(Appointed 4 January 2005)
R T Wingrove	(Resigned 24 May 2005)

None of the directors had any beneficial interest in the shares of the company or interest in share capital of other group companies registered in the United Kingdom at either the beginning or the end of the year.

The company's ultimate parent undertaking is incorporated outside the United Kingdom. As permitted by statutory instrument, the register of directors' shareholdings maintained in accordance with Section 325 of the Companies Act 1985, does not include the interests of directors in the shares of the parent undertaking.

Policy on payment of creditors
Standard terms of payment are 30 days after date of invoice and the company endeavours to pay within these terms at all times. Terms of payment are agreed at the time of negotiation for supply. If any difference from standard terms is required, it must first be authorised by the financial controller. Trade creditors at the year end represented 41 days of purchases (2003: 45 days).

DePuy International Limited

Directors' report for the year ended 31 December 2004 (continued)

Research and development
During the year the company concentrated its research and development expenditure on new and improved medical products, particularly orthopaedic implants.

Charitable donations
During the year the company made charitable donations amounting to £4,046,000 (2003: £4,243,000).

Employees
It is the policy of the company to employ the best qualified personnel and provide equal opportunity in the selection and advancement of employees regardless of race, colour, national origin, religious persuasion, sex or marital status.

Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved by means of regular Team Briefings and Company President presentations which allow the views and opinions of personnel to be taken into account.

It is also the company's policy to give full and fair consideration to disabled applicants for employment, having regard to their particular aptitudes and abilities. If any employee becomes disabled the objective is the continued provision of suitable employment either in the same or an alternative position with appropriate training if necessary.

It is the policy of the company to enlist the support of all staff in providing the safest and healthiest *environment within its premises that are reasonably practical for all its employees and visitors.*

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on page 6 under Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors
In accordance with section 384 of the Companies Act 1985, a resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

N J Gifford
Secretary

28 October 2005

Independent auditors' report to the members of DePuy International Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come, save where expressly agreed by our prior consent in writing.

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 is not disclosed.

Basis of audit 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 at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Leeds
31 October 2005

DePuy International Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover	1	**180,634**	160,880
Cost of sales		**(126,678)**	(111,022)
Exceptional settlement on legal action	5	**709**	-
Cost of sales		**(125,969)**	(111,022)
Gross profit		**54,665**	49,858
Net operating expenses	2	**(46,676)**	(41,976)
Exceptional settlement on legal action	5	**183**	-
Net operating expenses		**(46,493)**	(41,976)
Operating profit		**8,172**	7,882
Profit on sale of business		**932**	-
Amounts written off investments	11	-	(3,022)
Net interest receivable	3	**5,600**	4,501
Profit on ordinary activities before taxation	5	**14,704**	9,631
Tax on profit on ordinary activities	8	**(6,922)**	(5,362)
Profit for the financial year		**7,782**	3,999
Dividends	4	**(20,000)**	(10,000)
Loss for the financial year	17	**(12,218)**	(6,001)

All activities in the year relate to continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the result for the financial year stated above and their historical cost equivalents.

DePuy International Limited

Balance sheet as at 31 December 2004

	Note	*2004*	2003
		£'000	£'000
Fixed assets			
Intangible assets	9	**25,615**	29,548
Tangible assets	10	**47,208**	45,002
Investments	11	**1,667**	1,667
		74,490	76,217
Current assets			
Stock	12	**4,100**	4,334
Debtors	13	**52,840**	34,514
Cash at bank and in hand		**107,759**	128,822
		164,699	167,670
Creditors: amounts falling due within one year	14	**(154,851)**	(146,134)
Net current assets		**9,848**	21,536
Total assets less current liabilities		**84,338**	97,753
Provisions for liabilities and charges	15	**(14,642)**	(15,839)
Net assets		**69,696**	81,914
Capital and reserves			
Called up share capital	16	**46,654**	46,654
Profit and loss account	17	**23,042**	35,260
Equity shareholders' funds	18	**69,696**	81,914

The financial statements on pages 4 to 22 were approved by the board of directors on 28 October 2005 and were signed on its behalf by:

K E Swallow
Director

DePuy International Limited

Accounting policies

Basis of accounting
These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. The principal accounting policies, which the directors have adopted within that convention, are set out below.

Turnover
Turnover represents the total amount receivable, excluding Value Added Tax, in the ordinary course of business for goods sold and services provided. Turnover is recognised once the title of the relevant goods has passed or services have been performed.

Foreign exchange
Transactions denominated in a foreign currency are translated at an average rate for the year. Assets and liabilities in foreign currencies are translated into sterling at the rate ruling at the year end. Exchange differences arising from the retranslation of foreign currency denominated assets and liabilities together with other exchange differences arising in the year are included in the profit and loss account.

Intangible assets
Purchased know-how, goodwill and technology transfer are amortised on a straight line basis over their useful lives, estimated at between 11 and 20 years. The directors review the level of intangible assets for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

Product warranty
A product warranty provision is established for all known product issues which have been notified to customers.

Tangible fixed assets
The cost of tangible fixed assets is their purchase cost, together with incidental costs of acquisition.

Depreciation is provided on a straight line basis and is intended to write-off the cost of tangible fixed assets over their expected useful economic lives at the following rates:

Freehold land and buildings	50 years
Leasehold improvements	over the term of the lease
Plant and machinery	3 - 12 years
Fixtures, fittings and equipment	5 - 10 years

Assets in the course of construction are not depreciated and will be reclassified to the appropriate asset category on completion of the assets in question. Depreciation will commence once the assets have been reclassified.

Stock
Stock and work in progress is valued at the lower of cost and net realisable value. In the case of manufactured products, cost includes attributable manufacturing overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

Research and development
Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

DePuy International Limited

Accounting policies (continued)

Taxation
The charge for taxation is based on the result for the year. In accordance with FRS 19, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is recognised in respect of tax losses to the extent that they are regarded as recoverable on the basis that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

Leasing and hire purchase of fixed assets
Operating lease rentals are charged to the profit and loss account on a straight line basis over the terms of the lease.

Pension costs
The company participates in the Johnson & Johnson Group pension arrangements. The Group operates a funded defined benefit scheme for UK employees aged over 35 and a defined contribution scheme for new entrants aged under 35. There is also an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue earnings cap. The cost of providing future benefits is estimated by independent, qualified actuaries and spread as a substantially level percentage of total pensionable salaries over the expected service lives of current employees in accordance with the provisions of SSAP 24. Variations in pension cost are spread over the expected service lives of current employees.

Investments
Investments in subsidiary undertakings are stated at cost less provisions to reduce the carrying value of an investment to its estimated recoverable amount, that is the higher of net realisable value and value in use, where in the opinion of the directors there has been an impairment.

The value in use is determined from estimated discounted future net cash flows. In assessing the value in use, a discount rate of 9.5% (2003: 9.5%) has been used which, in the opinion of the directors, reflects the risk inherent in those cash flows.

Cash flow statement and related party disclosures
The company is a wholly owned subsidiary of Johnson & Johnson and is included in the consolidated financial statements, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Johnson & Johnson group.

Consolidation
The financial statements contain information about DePuy International Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Johnson & Johnson Management Limited, a company registered in the United Kingdom.

DePuy International Limited

Notes to the financial statements for the year ended 31 December 2004

1 Turnover

Turnover, all of which originated in the United Kingdom, relates primarily to the sale of surgical and hospital products. The analysis of turnover by geographical area is as follows:

	2004	2003
	£'000	£'000
United Kingdom	**113,790**	97,959
Europe, Middle East & Africa	**66,844**	62,921
	180,634	160,880

2 Net operating expenses

	2004	2003
	£'000	£'000
Distribution costs	**10,440**	9,462
Administrative expenses	**36,239**	32,514
	46,676	41,976

Net operating expenses are stated after a recharge of £35,024,000 (2003: £30,561,000) for operating expenses incurred on behalf of DePuy (Ireland) Limited.

Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Net interest receivable

	2004	2003
	£'000	£'000
Bank interest receivable	**5,600**	4,662
Bank interest payable	**-**	(161)
	5,600	4,501

4 Dividends

	2004	2003
	£'000	£'000
Interim dividend paid	**20,000**	10,000

An interim dividend of 42.87p per ordinary share has been paid (2003: 21.43p per share).

DePuy International Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

5 Profit on ordinary activities before taxation

	2004	2003
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting) the following:		
Depreciation of tangible fixed assets		
- Owned assets	**8,313**	6,654
Amortisation of intangible assets	**3,933**	3,933
Operating lease rentals		
- Plant & machinery	**809**	245
- Other	**1,039**	236
Auditors' remuneration		
- Audit services	**56**	56
- Non - audit services	**131**	181
Research and development expenditure	**14,684**	13,521
Loss on sale of fixed assets	**219**	96
Charge/(credit) for cost of share options	**2,611**	(440)
Charge/(credit) for national insurance on share options	**262**	(3)
Group management fee	**297**	379
Exceptional settlement of legal action	**(892)**	-

During the year the company agreed to accept a one off settlement relating to an ongoing legal action. This resulted in the receipt of £892,000 to meet costs previously incurred by DePuy International Limited. The costs relating to the legal actions have been charged to the profit and loss account in prior years and as such the settlement balance has been credited to the account where costs have historically been recognised. This results in a credit to cost of sales of £709,000 and operating expenses of £183,000.

Notes to the financial statements for the year ended 31 December 2004 (continued)

6 Directors' emoluments

	2004	2003
	£'000	£'000
Aggregate emoluments	**642**	664
Number of directors to whom retirement benefits are accruing under defined benefit schemes	**5**	5

Highest paid director:		
Aggregate emoluments	**249**	246
Defined benefit pension scheme:		
Accrued pension at end of year	**41**	36

7 Staff numbers and costs

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

	2004	2003
	Number	Number
Management, administration and sales	**595**	479
Production	**260**	346
	855	825

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	**31,140**	30,489
Social security costs	**2,727**	2,833
Other pension costs (Note 21)	**2,874**	3,413
	36,741	36,735

Notes to the financial statements for the year ended 31 December 2004 (continued)

8 Tax on profit on ordinary activities

	2004	2003
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	**7,135**	4,549
Adjustment in respect of previous years	**2,531**	887
Total current tax charge	**9,666**	5,436
Deferred tax:		
Origination and reversal of timing differences (note 15)	**(2,744)**	(74)
Total deferred tax charge	**(2,744)**	(74)
Tax on profit on ordinary activities	**6,922**	5,362

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	**14,704**	9,361
Profit on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	**4,411**	2,808
Effects of:		
Expenses not deductible for tax purposes	**574**	1,684
Accelerated capital allowances and other timing differences	**2,150**	57
Adjustments to tax charge in respect of previous years	**2,531**	887
Current tax charge for the year	**9,666**	5,436

Notes to the financial statements for the year ended 31 December 2004 (continued)

9 Intangible assets

	Know-how £'000	Purchased goodwill £'000	Technology transfer £'000	Total £'000
Cost				
At 1 January and 31 December 2004	**16,412**	**8,095**	**29,787**	**54,294**
Accumulated amortisation				
At 1 January 2004	7,416	3,801	13,529	24,746
Charge for the year	820	405	2,708	3,933
At 31 December 2004	**8,236**	**4,206**	**16,237**	**28,679**
Net book amount				
At 31 December 2004	**8,176**	**3,889**	**13,550**	**25,615**
At 31 December 2003	8,996	4,294	16,258	29,548

The technology transfer represents DePuy International Limited's share of a worldwide license, to manufacture and sell certain orthopaedic products. The license is being amortised over its useful life of 11 years.

DePuy International Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

10 Tangible assets

	Freehold land and buildings	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2004	**7,784**	**12,322**	**46,484**	**10,396**	**1,458**	**78,444**
Additions	13	1,326	3,036	1,820	4,797	10,992
Transfers	-	-	(10)	10	-	-
Reclassification	-	-	1,335	123	(1,458)	-
Disposals	(130)	(1,364)	(10,763)	(1,734)	-	(13,991)
At 31 December 2004	**7,667**	**12,284**	**40,082**	**10,615**	**4,797**	**75,445**
Accumulated depreciation						
At 1 January 2004	2,169	2,902	23,091	5,280	-	33,442
Charge for the year	91	975	6,658	589	-	8,313
Disposals	-	(1,364)	(10,498)	(1,656)	-	(13,518)
At 31 December 2004	**2,260**	**2,513**	**19,251**	**4,213**	**-**	**28,237**
Net book amount						
At 31 December 2004	**5,407**	**9,771**	**20,831**	**6,402**	**4,797**	**47,208**
At 31 December 2003	5,615	9,420	23,393	5,116	1,458	45,002

Notes to the financial statements for the year ended 31 December 2004 (continued)

11 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2004 and 31 December 2004	5,725
Amounts written off	
At 1 January 2004 and 31 December 2004	(4,058)
Carrying value	
At 1 January 2004 and 31 December 2004	**1,667**

The company is included in the group financial statements of Johnson & Johnson Management Limited, a company registered in England and Wales, and thus under Section 228 of the Companies Act 1985 is exempt from producing group financial statements.

The company holds shares in the following principal subsidiary undertakings, all of which are concerned with the manufacture and/or supply of surgical and hospital products unless stated. The whole of the ordinary share capitals of the subsidiary undertakings are owned by the company. All subsidiaries operate principally within their country of incorporation.

(1) Registered in England and Wales	Shares held 31 December 2004
BCCO (1992) Limited (non-trading)	8,299
Tweedbank Surgical Engineering Limited (non-trading)	1,000
CMW Laboratories Limited (non-trading)	4,995
Orthogenesis Limited (non-trading)	1
Charles F Thackray (1991) Limited (non-trading)	999
Charnley Limited (non-trading)	99
DePuy Motech Limited (non-trading)	100

The above holdings are of £1 ordinary shares.

Notes to the financial statements for the year ended 31 December 2004 (continued)

11 Investments (continued)

(2) Incorporated in Sweden	Shares held 31 December 2004
Cemvac Systems AB	5,000

The above holdings are ordinary 100 Swedish Krone shares.

(3) Incorporated in Greece	Shares held 31 December 2004
DePuy Hellas S.A.	60,000

The above holdings are ordinary 2.93 Euro shares.

The directors are of the opinion that the value of the company's investment in its subsidiaries is not less than the book value. Where this is not the case, an impairment charge has been provided to reduce the book value to its estimated recoverable amount.

12 Stock

	2004	2003
	£'000	£'000
Raw materials and consumables	**2,165**	2,978
Work in progress	**1,660**	1,081
Finished goods and goods for resale	**275**	275
	4,100	4,334

Notes to the financial statements for the year ended 31 December 2004 (continued)

13 Debtors

	2004	2003
	£'000	£'000
Trade debtors	**17,181**	15,457
Amounts owed by group undertakings	**27,168**	9,424
Prepayments	**8,491**	9,633
	52,840	34,514

14 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	**3,888**	3,216
Amounts owed to group undertakings	**114,883**	116,291
Corporation tax	**10,779**	8,437
Other taxation and social security	**976**	796
Accruals and deferred income	**24,325**	17,394
	154,851	146,134

DePuy International Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

15 Provisions for liabilities and charges

	Deferred consideration £'000	Provisions for share options £'000	Product warranty £'000	Deferred taxation £'000	Total £'000
At 1 January 2004	543	926	6,335	8,035	15,839
Charge to the profit and loss account	-	2,873	-	(2,744)	129
Utilised during the year	(543)	(185)	(598)	-	(1,326)
At 31 December 2004	**-**	**3,614**	**5,737**	**5,291**	**14,642**

Deferred consideration

The deferred consideration at 31 December 2003 related to the acquisition of DePuy Hellas S.A. (formerly DePuy Medec S.A.) during the year ended 31 December 2001 and was payable in 4 instalments over the period to 20 December 2004. Deferred consideration has been discounted from the anticipated settlement date at a rate of 9.50% (2003: 9.50%).

Provision for share options

The provision for share options is calculated based on a valuation of unexercised options linked to the stock market price at the year-end.

Share options granted subsequent to 5 April 1999 under unapproved schemes are subject to employers' and employees' national insurance on the gain made on exercise of such options by UK employees. Included in the provision for share options above, is an amount of £262,000 (2003: £3,000) in respect of national insurance, based on the year end share price of $63.42 (2003: $50.62) and the elapsed portion of the relevant vesting periods. Based on the year-end share price, there is a further contingent liability of £129,000 (2003: £Nil) arising by the end of the vesting period that has not been provided in these financial statements.

Product warranty provision

The product warranty provision represents the potential liability that may arise over the coming five year period relating to the product hazard warning notices issued for certain products.

Notes to the financial statements for the year ended 31 December 2004 (continued)

15 Provisions for liabilities and charges (continued)

Deferred taxation
Deferred taxation can be analysed as follows:

	Amount provided 2004 £'000	Amount provided 2003 £'000
Difference between accumulated depreciation and capital allowances	**6,803**	7,637
Short term timing differences	**(1,512)**	398
	5,291	8,035

16 Called up share capital

	£'000
At 31 December 2003 and 31 December 2004	
Authorised, allotted, called up and fully paid:	
46,653,706 £1 ordinary shares	46,654

17 Profit and loss account

	£'000
At 1 January 2004	35,260
Loss for the financial year	(12,218)
At 31 December 2004	**23,042**

Notes to the financial statements for the year ended 31 December 2004 (continued)

18 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit for the financial year	**7,782**	3,999
Dividends	**(20,000)**	(10,000)
Net deduction from shareholders' funds	**(12,218)**	(6,001)
Shareholders' funds as at 1 January	**81,914**	87,915
Shareholders' funds as at 31 December	**69,696**	81,914

19 Capital and other commitments

Contracted capital commitments for which no provision has been made in the financial statements total £2,149,000 at 31 December 2004 (2003: £3,358,000).

At 31 December 2004 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2004 Land and buildings £'000	2004 Other £'000	2003 Land and buildings £'000	2003 Other £'000
Within one year	**-**	**184**	14	111
Within two to five years	**315**	**625**	315	1,398
Over five years	**994**	**-**	505	87
	1,309	**809**	834	1,596

20 Contingent liabilities

The company has given unlimited guarantees in respect of certain fellow subsidiaries' liabilities to Royal Bank of Scotland plc. The company has given other bank guarantees arising in the ordinary course of business amounting to £3,000,000 (2003: £3,000,000).

The company hedges the value of future foreign currency commitments by taking out foreign currency forward contracts with a fellow group subsidiary. At 31 December 2004 the value of these contracts amounted to £265,000 (2003: £3,774,000).

21 Pension costs

The company has continued to account for pensions in accordance with SSAP 24 'Accounting for Pension Costs' and the disclosures given in (a) below are those required by that standard. Additionally the company has set out in (b) below the disclosures required under the transitional arrangements of FRS 17 'Retirement Benefits'.

(a) Accounting for Pension Costs

The company participates in the Johnson & Johnson Group Pension Arrangements. The Group operates a funded defined benefit pension plan for UK employees and, until 1 September 2002, a small, separate supplementary arrangement for directors which merged with the main plan on this date. There is also an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap.

The assets of the funded plan are administered by Trustees and are held in separate funds.

The pension cost and funding arrangements relating to all the UK schemes are assessed in accordance with the advice of an independent qualified actuary using the Projected Unit Method. This method allows for future growth in pensionable earnings. It allows for any surplus or deficit arising to be spread over the expected service lives of current employees.

The latest actuarial valuation of the main plan was on 1 April 2002. The principal assumptions were that investment returns would be 7.25% per annum, that salary increases (including promotion) would average 4.25% per annum and long term inflation would average 2.75%. Assets were taken at market value. At the valuation date, the market value of assets was sufficient to cover 118% of the benefits that had accrued to members after allowing for expected future increases in earnings. The market value of the assets for the main plan was £396,309,000 on 1 April 2002.

The pension cost charged across all three arrangements under SSAP24 has been assessed using the same assumptions as outlined above. In these financial statements the total charge for the year amounted to £2,874,000 (2003: £3,413,000).

Following the actuarial valuation at 1 April 2002, market movements resulted in a shortfall being identified and as a result, an additional contribution of £5,700,000 was paid in December 2002 which represented contributions backdated to 1 April 2002 and advance payment of contributions for the period to 1 October 2003.

In respect of all arrangements the company has made a provision of £393,000 (2003: prepayments of £2,460,000) this being the excess of amount funded over the accumulated pension cost over the amount funded.

Notes to the financial statements for the year ended 31 December 2004 (continued)

21 Pension costs (continued)

(b) FRS17 Retirement Benefits

Although it is possible to separate the SSAP 24 costs of each of the participating employers within the J&J Group Plan it has not been possible to split among the participating employers the various components required by FRS 17. Accordingly, under the provisions of FRS 17 all schemes will be accounted for by the company as if they were defined contribution schemes.

As mentioned above, there is an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Earnings Cap. The FRS17 reserve and expense in respect of each company under this arrangement can be identified and as at 31 December 2004 the provision in respect of this company was £608,000 (2003: £168,000) and the expense was £281,000. Details of the basis of the calculation of this amount and its impact on the company are not provided on the basis of materiality.

22 Ultimate parent undertaking

The company's immediate holding company is Ethicon Limited. Johnson & Johnson Management Limited, a company registered in England is the parent undertaking of the smallest group to consolidate the financial statements of the company. The group financial statements are available at Roxborough Way, Foundation Park, Maidenhead, Berkshire, SL6 3UG.

Johnson & Johnson, a US based company is the ultimate parent company and the largest group to consolidate these financial statements. The group financial statements are available at Johnson & Johnson Plaza, New Brunswick, NJ 08933, USA.