Registered no 03319712

DePuy International Limited

Annual report and financial statements

for the period ended 3 January 2010

DePuy International Limited

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DePuy International Limited

Directors and advisers

Directors

P Wells
A Crossley

Company Secretary

A Crossley

Registered office

St Anthony's Road
Beeston
Leeds
LS11 8DT

Independent auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Hammonds LLP
2 Park Lane
Leeds
LS3 1ES

Bankers

The Royal Bank of Scotland
London Corporate Service Centre
PO Box 39952
2 ½ Devonshire Square
London
EC2M 4XJ

Directors' report for the period ended 3 January 2010

The directors present their report and the audited financial statements of the company for the period ended 3 January 2010

Business review and principal activities

DePuy International Limited manufactures and supplies orthopaedic and other medical and surgical products, both in the UK and overseas

Future outlook

The markets in which we operate are expected to remain competitive in 2010 The development of new and existing products and processes continues to be important to the success of the company in all areas of the business We remain confident that the company will continue to perform well in the future

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to general industry conditions and competition, economic conditions, technological advances, challenges inherent in new product development, and trends towards health care cost containment

Key performance indicators ("KPIs")

The directors of DePuy International Ltd manage the group's operations on a divisional basis The business is managed using a set of financial and non-financial performance measures These measures are reviewed routinely and used in making tactical and strategic decisions affecting the short and long term results of the business

Turnover has grown by 1 39% (2008 5 21%) year on year which is in line with expectations and reflects growth across all developing areas of the business The gross profit percentage has fallen slightly from 33 86% in 2008 to 32 17% in the current year reflecting the stable performance across the core businesses

Financial risk management

The policies set by the Group are implemented by the company's finance department The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these

Price risk
The company is exposed to commodity price risk as a result of its operations However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits The directors will revisit the appropriateness of this policy should the company's operations change in size or nature The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Directors' report for the period ended 3 January 2010 (continued)

Financial risk management (continued)

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to high-credit-quality financial institutions The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually

Liquidity risk
The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

Interest rate cash flow risk
The company has both interest bearing assets and interest bearing liabilities Interest bearing assets include only cash balances, which earn interest at fixed rate The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

Foreign exchange risk
The company makes sales and purchases in foreign currencies The company manages its foreign exchange risk by hedging its significant exposures through a group hedging scheme

Results and dividends

The profit and loss account for the period is set out on page 8

The company's profit for the period is £54,383,000 (2008 £22,230,000) A final dividend of £0 6859 (2008 £0 7074) per ordinary share amounting to £32,000,000 (2008 £33,000,000) was paid The aggregate dividends on the ordinary shares recognised during the period amounts to £32,000,000 (2008 £33,000,000) There are no proposed dividends awaiting approval at the balance sheet date (2008 £nil)

Qualifying third party indemnity provisions

At the time the report is approved there are no qualifying third party indemnity provisions in place for the benefit of one or more of the directors

Directors' report for the period ended 3 January 2010 (continued)

Directors

The directors who held office during the period and up to the date of signing the financial statements, unless otherwise stated are given below

R Twomey	(resigned 1 December 2009)
P Wells	
D Basquill	(resigned 15 July 2009)
A Crossley	(appointed 16 July 2009)

Charitable and political contributions

Charitable contributions paid during the period amounted to £5,448,000 (2008 £4,662,000)

No donations were made during the period to political organisations (2008 £nil)

Employee involvement

The company is committed to the continued development of employee involvement by an effective communications and consultative framework Consultative committees covering broad business areas, pensions, health and safety, quality and employee services are well established and meet regularly Briefing meetings for all staff are held regularly

The current emphasis is on facilitating cross-functional relationships to increase awareness and to build effective teamwork

The company's policies and practices are regularly reviewed and feedback is received from all staff levels

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Policy and practice on payment of creditors

The company's policy in respect of its creditors is to settle the terms of payment with those creditors when agreeing the terms of each transaction

Directors' report for the period ended 3 January 2010 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 UK 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, in which case there should be supporting assumptions or qualifications as necessary

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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 and disclosure of information to auditors

All directors in office at the time the report is approved confirm

So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware Each director has taken all the steps that he/she ought to have taken in his/her duty as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

On behalf of the board

A Crossley
Director
27th August 2010.

Independent auditors' report to the members of DePuy International Limited

We have audited the financial statements of DePuy International Limited for the period ended 3 January 2010 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 January 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of DePuy International Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Gary Shaw (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

27th August 2010

DePuy International Limited

Profit and loss account for the period ended 3 January 2010

	Notes	2009 £'000	2008 £'000
Turnover	2	**250,460**	247,030
Cost of sales		**(166,292)**	(163,374)
Gross profit		**84,168**	83,656
Operating expenses		**(10,773)**	(48,838)
Operating profit	3	**73,395**	34,818
Exceptional items	4	**(10,200)**	-
Interest receivable and similar income	7	**1,510**	8,172
Other finance expense		**(4)**	(20)
Profit on ordinary activities before taxation		**64,701**	42,970
Tax on profit on ordinary activities	8	**(10,318)**	(20,740)
Profit for the financial period	20	**54,383**	22,230

There is no material difference between the profit on ordinary activities before taxation and the profit for the periods stated above, and their historical cost equivalents

All results are derived from continuing operations

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

Balance sheet
as at 3 January 2010

	Notes	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	10	**6,325**	10,334
Tangible assets	11	**39,451**	41,250
Investments	12	**1,667**	1,667
		47,443	53,251
Current assets			
Stock	13	**5,072**	5,696
Debtors	14	**106,193**	99,090
Cash at bank and in hand		**149,561**	139,772
		260,826	244,558
Creditors: Amounts falling due within one year	15	**(210,942)**	(229,993)
Net current assets		**49,884**	14,565
Total assets less current liabilities		**97,327**	67,816
Provisions for liabilities and charges	16	**(8,867)**	(2,380)
Net assets including pension liability		**88,460**	65,436
Capital and reserves			
Called up share capital	19	**46,654**	46,654
Other reserve	20	**5,015**	4,374
Profit and loss account	20	**36,791**	14,408
Total shareholders' funds	21	**88,460**	65,436

The financial statements on pages 8 to 29 were approved by the board of directors on 27th August 2010 and were signed on its behalf by

A Crossley
Director
DePuy International Limited
Registered no 03319712

Notes to the financial statements for the period ended 3 January 2010

1 Principal accounting policies

Accounting period

The accounting period ended 3 January 2010 consists of 53 weeks For the purposes of these financial statements this period is referred to as 2009

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies which have been consistently applied throughout the period are set out below

Consolidated financial statements

The company and its subsidiary undertaking are included in the full consolidation of the financial statements of its ultimate parent, Johnson & Johnson In accordance with the provisions of S401 of the Companies Act 2006, group financial statements have not been prepared

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

Tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition, and they are stated in the balance sheet at cost less accumulated depreciation The assets are reassessed periodically

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned Depreciation is not charged on capital assets under construction until the asset is completed for its intended use and transferred to the appropriate fixed asset classification

The principal annual rates used for this purpose are

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

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment Impairment reviews are performed by the directors when there has been an indication of potential impairment

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

Notes to the financial statements for the period ended 3 January 2010 (continued)

1 Principal accounting policies (continued)

Product warranty

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

Research and development

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

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the company entered into the transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date

Dividends

Dividends received from subsidiary undertakings are accounted for when received Dividends paid are accounted for in the period when they are paid

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

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term There are no assets held under finance leases

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Notes to the financial statements for the period ended 3 January 2010 (continued)

1 Principal accounting policies (continued)

Pension arrangements

The company participates in the Johnson & Johnson UK Group Retirement Plan The UK Group operates a funded defined benefit pension scheme and defined contribution scheme for all UK employees New entrants aged 35 or over are eligible to join the funded defined benefit scheme and new entrants aged under 35 are eligible to join the defined contribution scheme

More than one employer participates in the Johnson & Johnson UK Group Retirement Plan and because the assets attributable to each individual company cannot be identified on a consistent and reasonable basis, each company's share of the deficit cannot be identified Under FRS 17, the company is therefore accounting for its contributions to the scheme as if it were a defined contribution scheme Accordingly the cost to the company in respect of the scheme is equal to the contributions payable to the scheme during the period, and this cost has been recognised within operating profit in the profit and loss account

Share-based payment

The ultimate parent company, Johnson & Johnson, operates equity-settled, share-based compensation plans Certain employees of the company are awarded options over the shares in the ultimate parent The fair value of the employee services received in exchange for these grants of options is recognised as an expense using the Black-Scholes option pricing model, with a corresponding increase in reserves (representing a capital contribution by the ultimate parent) The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the company revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to other reserves

In accordance with FRS 20 (Share based payment), fair value calculations have only been made in respect of share options awarded after 7 November 2002 that remain unvested at 1 January 2006 For all other options awarded prior to 7 November 2002, the company recognises within other reserves the potential recharge from the ultimate parent company for the cost of options outstanding at the period end (based upon the difference between the option exercise prices and the market value at the period end) It has been agreed that the company will no longer be recharged on the exercise of options granted before 1 January 2000 Movements in the underlying potential recharge are reflected in the profit and loss account for the period

Notes to the financial statements for the period ended 3 January 2010 (continued)

1 Principal accounting policies (continued)

Share-based payment (continued)

Upon exercise, Johnson & Johnson makes a recharge to the company in respect of share options granted to the company's employees When incurred, these intercompany charges are offset in other reserves against the relevant capital contribution If the amount of the intercompany charge exceeds the original capital contribution, that excess is treated as a distribution from the company to its parent

Employer's National Insurance on share options

Under unapproved share option schemes, the company is required to pay National Insurance on the difference between the exercise price and market value at the exercise date of the shares issued The company becomes unconditionally liable to pay the National Insurance upon exercise of the options The company therefore calculates the provision by applying the latest enacted National Insurance rate to the difference between the market value of the underlying options at the balance sheet date and the option exercise prices A full provision is made upon grant of the option as there is no underlying performance period The amount of the National Insurance actually payable will depend on the number of employees who remain with the company and exercise their options, the market price of the ultimate parent company's shares at the time of exercise and the prevailing National Insurance rates at the time

Employee benefits – Certificates of Extra Compensation

In addition, the company's employees may be eligible to receive Certificates of Extra Compensation (CEC's)

CEC's may be granted by the company if it wishes to reward an employee for faithful service in the past and to encourage employees in their future work by permitting them to share in the growth and success of the company's enterprises by issuing to them Units of Agreements of Additional Remuneration ("AAR Units") and to that end receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the company and (b) by the formula value of AAR Units as established in the AAR agreement, at the time of termination of employment or death while in such employment

Cash flow statement

The company is a wholly owned subsidiary of Johnson & Johnson and the cash flows of the company are included in the consolidated financial statements of Johnson & Johnson, which are publicly available Consequently the company is exempt under the terms of FRS 1 (revised 1996) from preparing a cash flow statement

Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose related party transactions with companies of which 100% of the voting rights are controlled within the group

Notes to the financial statements for the period ended 3 January 2010 (continued)

2 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

	2009 £'000	2008 £'000
United Kingdom	**163,647**	158,212
Europe, Middle East & Africa	**86,813**	88,818
	250,460	247,030

Notes to the financial statements for the period ended 3 January 2010 (continued)

3 Operating profit

	2009 £'000	2008 £'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	**39,135**	37,300
Social security costs	**3,630**	3,038
Share based payment – fair value of employee services (note 22)	**1,455**	1,172
Share based payment – movement in potential recharge to ultimate parent in respect of options not being fair valued	**270**	(271)
Other pension costs (see note 18)	**16,928**	10,426
Staff costs	**61,418**	51,665
Depreciation charge for the period		
Tangible owned fixed assets (note 11)	**8,597**	6,022
Impairment of tangible owned fixed assets (note 11)	**3,600**	-
Amortisation of intangible owned assets (note 10)	**4,009**	4,010
Loss on disposal of tangible fixed assets	**11**	100
Research and development expenditure	**17,790**	18,876
Group management fee	**723**	555
Operating lease charges		
Plant and machinery	**1,611**	1,611
Land and buildings	**1,437**	1,422

Operating profit is stated after a recharge of £60,068,016 (2008 £51,811,556) for operating expenses incurred on behalf of DePuy (Ireland) Limited

Services provided by the company's auditor and network firms:

During the period the company obtained the following services from the company's auditor at costs as detailed below

Payable to PricewaterhouseCoopers LLP and network firms:	2009 £'000	2008 £'000
Audit services fees payable for the statutory audit of the company	57	101

Notes to the financial statements for the period ended 3 January 2010 (continued)

4 Exceptional items

On 12 November 2009, the company announced the proposed closure of manufacturing at its Beeston plant, Leeds As a result of this announcement, a constructive obligation arose to recognise provisions relating to the closure Therefore the following charges have been recognised as exceptional items in the profit and loss account, an impairment of tangible fixed assets of £3,600,000 (see note 11), required in order to bring the net book amount of fixed assets at Beeston to the level of their estimated sale value, and a severance provision of £6,600,000 (see note 16)

5 Directors' emoluments

	2009	2008
	£'000	£'000
Aggregate emoluments	**690**	398

Retirement benefits are accruing to three directors (2008 two directors) under the company's defined benefit pension scheme and to no directors (2008 no directors) under the money purchase scheme

One director (2008 two directors) exercised share options in the ultimate parent company during the period

	2009	2008
	£'000	£'000
Highest paid director		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long term incentive schemes)	**407**	296
Defined benefit pension scheme		
Accrued pension at end of period	**43**	39

The highest paid director exercised share options in the period (2008 exercised)

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was

	2009	2008
	Number	Number
By activity		
Management, administration and sales	**547**	477
Production	**399**	358
	946	835

The average number of employees includes graduate trainees, part time employees and those on maternity leave

Notes to the financial statements for the period ended 3 January 2010 (continued)

7 Interest receivable and similar income

	2009 £'000	2008 £'000
On UK group banking arrangements	**1,510**	8,172

8 Tax on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax		
UK corporation tax on profits of the period	**17,523**	13,157
Adjustments in respect of previous periods	**(4,285)**	8,839
Total current tax	**13,238**	21,996
Deferred tax:		
Origination and reversal of timing differences	**(2,920)**	(1,255)
Total deferred tax (see note 17)	**(2,920)**	(1,255)
Tax on profit on ordinary activities	**10,318**	20,740

The tax assessed for the period is lower (2008 higher) than the standard rate of corporation tax in the UK 28% (2008 28 5%) The differences are explained below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	**64,701**	42,970
Profit on ordinary activities multiplied by standard rate in the UK 28% (2008 28 5%)	**18,116**	12,246
Effects of		
Expenses/(income) not deductible/taxable	**(4,309)**	(300)
Accelerated capital allowances and other timing differences	**3,715**	1,210
Adjustments in respect of previous periods	**(4,285)**	8,839
Current tax charge for the period	**13,237**	21,996

Notes to the financial statements for the period ended 3 January 2010 (continued)

9 Dividends

	2009	2008
Equity – ordinary	**£'000**	£'000
Final paid £0 6859 (2008 £0 7074) per ordinary £1 share	**32,000**	33,000

10 Intangible fixed assets

	Know-how £'000	Purchased goodwill £'000	Technology transfer £'000	Total £'000
Cost				
At 1 January 2009 and 3 January 2010	**17,168**	**8,095**	**29,787**	**55,050**
Accumulated amortisation				
At 1 January 2009	11,821	5,826	27,069	44,716
Charge for the period	896	405	2,708	4,009
At 3 January 2010	**12,717**	**6,231**	**29,777**	**48,725**
Net book amount				
At 3 January 2010	**4,451**	**1,864**	**10**	**6,325**
At 31 December 2008	5,347	2,269	2,718	10,334

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

Notes to the financial statements for the period ended 3 January 2010 (continued)

11 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2009	7,654	12,061	78,884	12,901	4,931	116,431
Additions	-	-	6,208	-	4,206	10,414
Transfers	-	-	4,035	181	(4,216)	-
Disposals	-	-	(103)	(17)	-	(120)
At 3 January 2010	**7,654**	**12,061**	**89,024**	**13,065**	**4,921**	**126,725**
Accumulated depreciation						
At 1 January 2009	2,930	5,509	59,464	7,278	-	75,181
Charge for the period	171	742	6,781	903	-	8,597
Impairment (note 4)	-	-	3,600	-	-	3,600
Disposals	-	-	(97)	(7)	-	(104)
At 3 January 2010	**3,101**	**6,251**	**69,748**	**8,174**	**-**	**87,274**
Net book amount						
At 3 January 2010	**4,553**	**5,810**	**19,276**	**4,891**	**4,921**	**39,451**
At 31 December 2008	4,724	6,552	19,420	5,623	4,931	41,250

Notes to the financial statements for the period ended 3 January 2010 (continued)

12 Fixed asset investments

	£'000
Cost	
At 1 January 2009 and 3 January 2010	5,725
Amounts written off	
At 1 January 2009 and 3 January 2010	(4,058)
Carrying value	
At 1 January 2009 and 3 January 2010	**1,667**

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 3 January 2010
BCCO (1992) Limited (non-trading) £1 ordinary shares	8,299
Tweedbank Surgical Engineering Limited (non-trading) £1 ordinary	1,000
CMW Laboratories Limited (non-trading) £1 ordinary shares	4,995
Orthogenesis Limited (non-trading) £1 ordinary shares	1
Charles F Thackray (1991) Limited (non-trading) £1 ordinary shares	999
Charnley Limited (non-trading) £1 ordinary shares	99
DePuy Motech Limited (non-trading) £1 ordinary shares	100

(2) Incorporated in Sweden	Shares held 3 January 2010
Cemvac Systems AB (non-trading) ordinary 100 Swedish Krone shares	5,000

(3) Incorporated in Greece	Shares held 3 January 2010
DePuy Hellas S A (non-trading) ordinary €2 93 shares	60,000

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

Notes to the financial statements for the period ended 3 January 2010 (continued)

13 Stock

	2009 £'000	2008 £'000
Raw materials and consumables	**3,622**	3,323
Work in progress	**1,443**	2,067
Finished goods and goods for resale	**7**	306
	5,072	5,696

14 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year		
Trade debtors	**18,540**	18,470
Amounts owed by group undertakings	**82,041**	73,865
Deferred tax asset (note 17)	**4,147**	1,227
Prepayments and accrued income	**1,465**	5,528
	106,193	99,090

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

15 Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	**3,377**	6,858
Amounts owed to group undertakings	**145,352**	163,451
Corporation tax	**32,586**	34,278
Other taxation and social security	**66**	50
Accruals and deferred income	**29,561**	25,356
	210,942	229,993

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment, with the exception of balances with the subsidiary company, which are interest bearing and have no fixed date of repayment

Notes to the financial statements for the period ended 3 January 2010 (continued)

16 Provisions for liabilities and charges

	Share options £'000	Product warranty £'000	Severance £'000	Certificates of Extra Compensation £'000	Total £'000
At 1 January 2009	97	1,737	-	546	2,380
Charged/(credited) to profit and loss account	188	(1,052)	6,600	807	6,543
Utilised during the period	(38)	(18)	-	-	(56)
At 3 January 2010	**247**	**667**	**6,600**	**1,353**	**8,867**

Share options

The provision represents Employer's National Insurance on unexercised share options (see note 22) This is expected to be utilised within the next 10 years

Product warranty

The 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

Severance

This provision is explained within note 4 and is expected to be utilised by the end of 2011

Certificates of Extra Compensation

This provision is explained within note 1 and is expected to be utilised when the relevant individuals reach retirement

Notes to the financial statements for the period ended 3 January 2010 (continued)

17 Deferred tax

Deferred taxation recognised in the financial statements is as follows

	Amount recognised/ (amount provided)	
	2009	2008
	£'000	£'000
Accelerated capital allowances	**362**	(178)
Short term timing differences	**3,785**	1,405
Total deferred tax asset	**4,147**	1,227

The company had no unrecognised deferred tax at the period end

	2009	2008
	£'000	£'000
At start of period	**1,227**	(28)
Credited to profit and loss account	**2,920**	1,255
At end of period	**4,147**	1,227

18 Pension arrangements

DePuy International Limited participates in two pension arrangements in conjunction with other companies in the Johnson & Johnson Group These are a funded, defined benefit plan called the "Johnson & Johnson UK Group Retirement Plan 35," and a defined contribution plan with some underlying guarantees for employees called the "Johnson & Johnson UK Group Retirement Plan 16"

It also participates in a life assurance arrangement called the "Johnson & Johnson UK Approved Life Assurance Plan"

Johnson & Johnson UK Group Retirement Plan 35 and Plan 16

The FRS17 disclosure requirements refer to the situation where either there is only one employer participating in a defined benefit scheme, or there is more than one employer and each employer's share of the underlying assets and liabilities can be identified In Johnson & Johnson's funded defined benefit scheme the assets attributable to each individual company cannot be identified on a reasonable and consistent basis and so each company's share of the surplus/deficit cannot be identified In this circumstance, the Accounting Standards Board allows the actual contributions paid by the Company to be used as a substitute for 'defined benefit' FRS17 costs

Contributions paid to the Johnson & Johnson UK Group Retirement Plan 35 by the Company in the period 1 January 2009 to 31 December 2009 amounted to £16,928,000 This total also included special one-off deficit reduction lump sum payments totalling £12,115,000

Contributions paid by the Company to Plan 16 in the period 1 January 2009 to 31 December 2009 amounted to £537,000 At the end of 2009, no contributions were outstanding

For comparison, during 2008 the Company paid contributions of £10,426,000 into the combined Plan

Notes to the financial statements for the period ended 3 January 2010 (continued)

18 Pension arrangements (continued)

The Company is also required to disclose the overall funding position of the UK Group Retirement Plan (both Plan 35 and Plan 16)

Composition of the Plan

A full actuarial valuation was carried out as at 31 March 2008 (before the demerger of the Group Plan) and updated to 31 December 2009 by a qualified independent actuary The major assumptions used by the actuary were (in notional terms)

	2009	2008	2007	2006	2005
Rate of increases in salaries	**3 00%***	4 00%	4 00%	3 75%	3 75%
Rate of increase in pensions in payment (where 5% LPI applies)	**3 00%**	2 75%	2 75%	2 50%	2 50%
Discount rate	**5.75%**	6 75%	5 75%	5 00%	4 80%
Inflation assumption	**3 25%**	3 00%	3 00%	2 75%	2 75%

* Rate of increase assumed to be 3 00% for 2010, 4 25% thereafter

In addition to the major financial assumptions above, it is assumed that male members currently aged 45 will live for 23 years from age 65 It is also assumed that all members commute the maximum permissible amount of their pension for cash in line with current commutation terms

Taking the liabilities calculated on the above basis and the assets of Plan 35 at market value gives an aggregate pension scheme deficit at 31 December 2009, for the whole UK Johnson & Johnson Group, of £80,188,000

Where a deficit exists, the method of removing that deficit is determined by agreement of the Participating Employers and the Trustee It should be noted that the basis used to calculate the deficit amount for these funding purposes does not correspond to the basis set out by FRS17

The Johnson & Johnson UK Group Retirement Plan does not have any self investments

Life Assurance

DePuy International Limited participates in an approved life assurance plan The premiums paid to these arrangements during 2009 were

	£'000
Johnson & Johnson UK Approved Life Assurance Plan	**42**

19 Called up share capital

	2009	2008
	£'000	£'000
Authorised, allotted, called up and fully paid		
46,653,706 ordinary shares of £1 each	**46,654**	46,654

Notes to the financial statements for the period ended 3 January 2010 (continued)

20 Reserves

	Other reserve £'000	Profit and loss account £'000
At 1 January 2009	4,374	14,408
Profit for the financial period	-	54,383
Dividends (note 9)	-	(32,000)
Share based payments services provided (note 22)	1,725	-
Share based payments recharge from ultimate parent (note 22)	(1,084)	-
At 3 January 2010	**5,015**	**36,791**

Other reserves relate to share options previously included within the profit and loss account reserve This is consistent with the Johnson & Johnson UK Group policy

21 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial period	**54,383**	22,230
Dividends (note 9)	**(32,000)**	(33,000)
	22,383	(10,770)
Share-based payments services provided (note 22)	**1,725**	901
Share-based payments recharge from ultimate parent (note 22)	**(1,084)**	(505)
Net addition /(reduction) to shareholders' funds	**23,024**	(10,374)
Opening shareholders' funds	**65,436**	75,810
Closing shareholders' funds	**88,460**	65,436

Notes to the financial statements for the period ended 3 January 2010 (continued)

22 Share-based payment

Share options

At 31 December 2009 the Company's employees were members of 9 stock-based compensation plans operated by the ultimate parent company The shares outstanding are for contracts under Johnson & Johnson's 2000 and 2005 UK Approved Stock Option Plans, the 2000 and 2005 UK Unapproved Stock Option Plans, the 2000 and 2005 Non-Qualifying Option Plans, and the 2000 ISO Stock Option Plan, and the 2002 and 2005 French Stock Option Plans All of these arrangements are settled in equity

A reconciliation of option movements over the year to 31 December 2009 is shown below

	2009		2008	
	Number ('000)	**Weighted average exercise price**	Number ('000)	Weighted average exercise price
Outstanding at start of year	**427**	**$60.79**	396	$60 10
Granted	**69**	**$58 33**	86	$61 75
Forfeited/Cancelled	**(13)**	**$62.98**	(16)	$62 81
Exercised	**(22)**	**$54.37**	(48)	$56 08
Transferred	**(6)**	**-**	9	-
Outstanding at end of year	**455**	**$60 67**	427	$60 79
Exercisable at end of year	**246**		222	

The weighted average fair value of options granted in the year was $572,539 (2008 $661,446)

For options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life are as follows

2009				2008			
Weighted average exercise price	**Number of shares ('000)**	**Weighted average remaining life**		Weighted average exercise price	Number of shares ('000)	Weighted average remaining life	
		Expected	**Contractual**			Expected	Contractual
$52 20	**47**	**3 1 yrs**	**3 1 yrs**	$52 20	52	4 1 yrs	4 1 yrs
$53 93	**45**	**4 1 yrs**	**4 1 yrs**	$53 93	60	5 1 yrs	5 1 yrs
$58 33	**67**	**9 1 yrs**	**9 1 yrs**	$58 34	57	7 1 yrs	7 1 yrs
$58 34	**50**	**6 1 yrs**	**6 1 yrs**	$61 75	80	9 1 yrs	9 1 yrs
$61 75	**78**	**8 1 yrs**	**8 1 yrs**	$65 62	67	9 1 yrs	9 1 yrs
$65 62	**65**	**7 1 yrs**	**7 1 yrs**	$66 18	111	6 1 yrs	6 1 yrs
$66 18	**103**	**5 1 yrs**	**5 1 yrs**	-	-		-

Notes to the financial statements for the period ended 3 January 2010 (continued)

22 Share based payment (continued)

All options are granted at the current market price on a specific grant date during each calendar year There is therefore no weighted average exercise price as the shares granted each year are all granted at the same price, given in the table above

The total charge for the year relating to employee share based payment plans was £191,359 (2008 £316,027), all of which related to equity-settled share based payment transactions After deferred tax at 28% (2008 28%), the total charge was £137,778 (2008 £227,539)

Options were valued using the Black-Scholes option-pricing model No performance conditions were included in the fair value calculations The fair value per option granted and the assumptions used in the calculation are as follows

	2009	2008
Share price at grant date and exercise price	**$58 33**	$61 75
Number of employees	**82**	74
Shares granted in the year	**68,584**	86,407
Vesting period (years)	**3 years**	3 years
Expected volatility	**19.48%**	15 0%
Option life (years)	**10 years**	10 years
Expected life (years)	**6 years**	6 years
Risk free rate	**2.71%**	2 97%
Expected dividend yield	**3 30%**	2 90%
Fair value per option	**$8 35**	$7 66

Starting in 2006, expected volatility represents a blended rate of 4-year daily historical average volatility rate, and a 5-week average implied volatility rate based on at-the-money traded Johnson & Johnson options with a life of 2 years Prior to 2006, expected volatility was based on a 5-year weekly historical volatility rate Historical data is used to determine the expected life of the option The risk free rate was based on the US Treasury yield curve in effect at the time of grant

Restricted Stock Units

The Company also grants Restricted Stock Units (RSU's) These were first granted in 2006 and have a vesting period of 3 years The average fair value of these units granted during the year was $52 83, using the fair market value at the date of grant The fair value of restricted stock units was discounted for dividends, which are not paid on the restricted stock units during the vesting period

Restricted Stock Units	**Number of shares ('000)**
Shares at 1 January 2009	89
Stock granted	35
Stock forfeited	(1)
Stock issued	(22)
Stock transferred	1
Shares at 31 December 2009	102

Notes to the financial statements for the period ended 3 January 2010 (continued)

22 Share based payment (continued)

Certificates of Extra Compensation

In addition, the Company's employees may be eligible to receive Certificates of Extra Compensation (CEC's)

CEC's may be granted by the Company if it wishes to reward an employee for faithful service in the past and to encourage employees in their future work by permitting them to share in the growth and success of the Company's enterprises by issuing to them Units of Agreements of Additional Remuneration ("AAR Units") and to that end receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the Company and (b) by the formula value of AAR Units as established in the AAR agreement, at the time of termination of employment or death while in such employment

National Insurance

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

An accrual of £179,649 (2008 £79,679) for employers' national insurance has been made at the balance sheet date based on the year-end share price of $64 73 It has been assumed that 100% of shares held by employees at the balance sheet date will be exercised

In addition an accrual of £67,818 (2008 £15,617) has been made for the employers' national insurance on restricted stock units

23 Financial commitments

At 3 January 2010 the company had annual commitments under non-cancellable operating leases for equipment expiring as follows

	2009		2008	
	Land and Buildings £'000	**Other £'000**	Land and Buildings £'000	Other £'000
Within one year	-	666	-	398
Within two to five years	-	821	-	1,353
Over five years	1,450	-	1,435	-
	1,450	1,487	1,435	1,751

Notes to the financial statements for the period ended 3 January 2010 (continued)

24 Capital commitments

Future capital expenditure contracted but not provided for at the balance sheet date amounted to £313,272 (2008 £1,360,607)

25 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 (2008 £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 3 January 2010 the value of these contracts amounted to £107,542 (2008 £86,754)

26 Ultimate and immediate parent companies and controlling party

The immediate parent company is Johnson & Johnson Medical Limited

The directors regard Johnson & Johnson, a company registered in the United States of America, as the ultimate parent company and ultimate controlling party This is the smallest group of which the company is a member and for which group financial statements are prepared Copies of the consolidated financial statements may be obtained from Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey, 08933, USA