Registered Number 1231893

Synthes Limited

Report and Financial Statements

31 December 2009

Directors
U Fluck
K Tagwerker

Secretary
Jordan Company Secretaries Limited

Auditors
Ernst & Young LLP
400 Capability Green
Luton
Beds LU1 3LU

Bankers
Deutsch Bank AG
1 Great Winchester Street
London EC2N 2DB

Registered office
20 Tewin Road
Welwyn Garden City
Herts AL7 1LG

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

Results and dividends

The profit for the year after taxation amounted to £5,154,000 (2008 – £2,528,000) The directors do not recommend the payment of a dividend (2008 – £nil)

Principal activities and review of the business

The principal activities of the company continue to be the distribution of implants and instrument systems for fracture treatment and orthopaedic surgery and the provision of services to the medical and veterinary professions, based upon a firm and continuing commitment to postgraduate education

The key financial and other performance indicators during the year were as follows

	2009	*2008*	*Change*
	£000	*£000*	*%*
Turnover	70,158	66,601	+ 5 3
Total operating profit	7,154	3,195	+ 124 0
Profit after tax	5,154	2,528	+ 103 9
Shareholders' funds	37,792	32,691	+ 15 6
Average number of employees	167	155	+ 7 7

The directors are satisfied with the performance and development of the company

Turnover increased by 5 3% in 2009 with all business units achieving strong growth Continuous reforms focused on cost reduction in the health care sector made for an extremely competitive year, however we were able to capitalise on many opportunities due to our increased and improved sales force

Total operating profit increased by 124% during 2009, this is back in line with our previous levels and was due to no restructuring, and tighter control on expenditure

Future developments

The directors aim to maintain the management policies that have resulted in the company's substantial growth in recent years They foresee improving opportunities for growth driven by a full pipeline of new products and increased service levels due to our continued expansion of the sales force The company expects to achieve double digit growth in 2010 We have been working with our customer base to develop appropriate funding packages which meet all parties needs

Principal risks and uncertainties

The management team meets regularly to assess potential risks and uncertainties that could affect business performance Following such assessments, strategies are modified accordingly to maximise business potential

Competitive risk

As market leaders we are under constant threat from the competition who wish to gain market share from our organisation Tactics typically employed by competitors include deeply discounted pricing to attract customers seeking financial savings

Directors' report

Principal risks and uncertainties (continued)

Economic risk

Our primary customer is the government funded NHS, which is always looking for ways to reduce costs as it is constantly under threat of financial shortfall Tendering is a common method used to target lower pricing levels for medical technologies We also envisage a reduction in capital funding through 2010 as the government looks to restrict expenditure and divert monies to other areas, following on from the worldwide financial crisis

Financial risk

Sufficient controls are in place with regards to debt collection There is no currency risk locally as all products are purchased and sold in GBP

Human resources management

Continued dedicated sales force focus will again lead to an increase in headcount in 2010 across all three business units This is to ensure that we continue to deliver first class service, support, education and product innovation to our customers

Going Concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on pages 2 to 3

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent Synthes GmbH to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Synthes group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Synthes GmbH, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Charitable contributions

During the year the company made donations to UK charities that amounted to £2,995 (2008 – £1,300)

Directors

The directors who served the company during the year were as follows

U Fluck	
E Baumgartner	(resigned 12/08/09)
K Tagwerker	(appointed 13/08/2009)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

U Fluck
Director

Date 24 September 2010

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year 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) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records 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

Independent auditors' report

to the members of Synthes Limited

We have audited the financial statements of Synthes Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16 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)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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 (APB's) Ethical Standards for Auditors

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 31 December 2009 and of its profit for the year 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 Synthes Limited

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

Ernst & Young LLP

Juliet Thomas (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Luton

Date 27/9/10

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	2	70,158	66,601
Cost of sales		(48,902)	(50,520)
Gross profit		21,256	16,081
Distribution costs		(917)	(955)
Administrative expenses		(13,185)	(11,930)
Operating profit	3	7,154	3,196
Interest receivable	6	4	471
Profit on ordinary activities before taxation		7,158	3,667
Tax on profit on ordinary activities	7	(2,004)	(1 139)
Profit for the financial year	14	5 154	2,528

Statement of total recognised gains and losses

for the year ended 31 December 2009

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £5,154,000 in the year ended 31 December 2009 (2008– £2,528,000)

All amounts relate to continuing operations

Balance sheet
at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	8	8 509	9,333
Current assets			
Stocks	9	11,073	9,453
Debtors – amounts falling due within one year		11 027	10,315
– amounts falling due after one year		2,138	1,511
	10	13,165	11,826
Cash at bank and in hand		10,615	8,481
		34,853	29,760
Creditors: amounts falling due within one year	11	(5,517)	(6,402)
Net current Assets		29,336	23,358
Net Assets		37,845	32,691
Capital and reserves			
Called up share capital	13	20	20
Profit and loss account	14	37,825	32,671
Equity shareholders' funds	14	37,845	32,691

The financial statements were approved by the board on 24 September 2010 and signed on its behalf by

U Fluck
Director

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Basis of preparation

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

Statement of cash flows

Under the provisions of FRS 1 (Revised 1996), the company is exempt from the requirement to prepare a statement of cash flows on the grounds that its ultimate parent company, Synthes Inc , has prepared consolidated financial statements which include the results of the company for the year and which contain a consolidated statement of cash flows

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Freehold buildings	–	2 5% straight line per annum
Computers	–	33 33% straight line per annum
Furniture, fixtures and office equipment	–	12 5% straight line per annum
Loan sets	–	33 33% straight line per annum

No depreciation is provided on freehold land

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

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, or a right to pay less or to receive more, tax in the future have occurred

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on a undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pension costs

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in independently administered funds Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty The following criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

Interest income

Revenue is recognised as interest accrues during the year

2. Turnover

Turnover represents the amounts derived from the provision of goods which fall within the company's ordinary activities, stated net of value added tax

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

Turnover both by source and destination arose from activity in the United Kingdom and Eire

	2009	*2008*
	£000	*£000*
United Kingdom	67,220	62,596
Eire	2,938	4,005
	70,158	66,601

Notes to the financial statements

at 31 December 2009

3. Operating profit

This is stated after charging/(crediting)

		2009 *£000*	*2008* *£000*
Auditors' remuneration	– audit services	26	26
Depreciation of owned fixed assets		6,234	5,951
Operating lease rentals	– land and buildings	91	121
	– vehicles	4	4

4. Directors' emoluments

No emoluments were paid to directors in 2009 (2008 – £nil) as all directors were remunerated through other group companies and did not receive any remuneration in respect of their services to the company No directors were members of money purchase pension schemes (2008 – nil)

5 Staff costs

	2009 *£000*	*2008* *£000*
Wages and salaries	7,365	6,286
Social security costs	841	790
Other pension costs	498	449
	8,704	7,525

The average monthly number of employees during the year was made up as follows

	2009 *No*	*2008* *No*
Administration	11	11
Selling and distribution	156	144
	167	155

6 Interest receivable

	2009 *£000*	*2008* *£000*
Bank	4	288
Due from group undertakings	-	183
	4	471

Notes to the financial statements

at 31 December 2009

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009 £000	2008 £000
Current tax		
UK corporation tax	2,685	1,599
Adjustments in respect of prior year	(54)	9
Foreign tax	-	121
Total current tax (note 7(b))	2,631	1,729
Deferred tax		
Origination and reversal of timing differences (note 7(c))	(627)	(590)
Tax on profit on ordinary activities	2,004	1,139

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 – 28 5%) The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before tax	7,158	3,667
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28 5%)	2,004	1,045
Effects of		
Expenses not deductible for tax purposes	55	64
Depreciation in excess of capital allowances	612	600
Adjustments in respect of prior year	(54)	9
Other timing differences	14	11
Current tax for the year (note 7(a))	2,631	1,729

Notes to the financial statements
at 31 December 2009

7. Tax (continued)

(c) Deferred tax

The deferred tax asset recognised in the financial statements is as follows

	2009 *£000*	*2008* *£000*
Depreciation in excess of capital allowances	2,123	1,511
Other Short term timing differences	15	-
As at 31 December 2009 (note 10)	2,138	1,511

The movement on deferred tax is as follows

	£000
At 1 January 2009	1,511
Credited to the profit and loss account	627
As at 31 December 2009	2,138

8. Tangible fixed assets

	Freehold land and buildings *£000*	*Computer equipment* *£000*	*Furniture, fixtures and office equipment* *£000*	*Loan sets* *£000*	*Total* *£000*
Cost					
At 1 January 2009	1,388	438	777	34,471	37,074
Additions	-	81	29	5,300	5,410
Disposals	-	(114)	(111)	(604)	(829)
At 31 December 2009	1,388	405	695	39,167	41,655
Depreciation					
At 1 January 2009	448	317	549	26,427	27,741
Charged in the year	89	93	46	6 006	6,234
Disposals	-	(114)	(111)	(604)	(829)
At 31 December 2009	537	296	484	31,829	33,146
Net book value					
At 31 December 2009	851	109	211	7,338	8,509
At 31 December 2008	940	121	228	8 044	9,333

The gross book value of freehold land and buildings includes £1,137,518 (2008 – £1,137,518) of depreciable assets The loan set additions have been transferred from stock

Notes to the financial statements

at 31 December 2009

9 Stocks

	2009 £000	2008 £000
Finished goods and goods for resale	11,073	9,453

Included in finished goods and goods for resale is stock valued at £4,466,803 (2008 – £2,959,000) held on consignment at hospital premises Synthes Limited retains legal title of these goods until sold

10. Debtors

	2009 £000	2008 £000
Trade debtors	10,344	9,870
Amounts owed by group undertakings	73	61
Other debtors	146	16
Deferred tax (note 7(c))	2,138	1,511
Prepayments and accrued income	464	368
	13,165	11,826

Amounts falling due after more than one year included above are

	2009 £000	2008 £000
Deferred tax (note 7(c))	2,138	1,511
	2,138	1,511

11. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	61	152
Amounts owed to group undertakings	700	1,824
Corporation tax	1,342	463
Other taxation and social security	1,830	1,962
Accruals and deferred income	1,584	2,001
	5,517	6,402

Notes to the financial statements

at 31 December 2009

12 Other financial commitments

At 31 December 2009, the company had annual commitments under non-cancellable operating leases as set out below

		2009		2008
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire In two to five years	91	4	121	4

13. Issued share capital

		2009		*2008*
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	20,000	20	20,000	20

14 Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£000	*£000*	*£000*
At 1 January 2008	20	30,143	30,163
Profit for the year	-	2,528	2 528
At 31 December 2008	20	32,671	32,691
Profit for the year	-	5,154	5,154
At 31 December 2009	20	37,825	37,845

15 Related party transactions

As the company is a wholly owned subsidiary of Synthes Inc the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Synthes Inc , within which this company is included, can be obtained from the address given in note 16

16. Ultimate parent undertaking and controlling party

The smallest and largest group in which the results of the company are consolidated is that headed by Synthes Inc , incorporated in Delaware, USA The directors of the company regard Synthes Inc as being the ultimate parent company and controlling party The consolidated financial statements of these groups are available to the public and may be obtained from CH44 36, Oberdorf, Switzerland