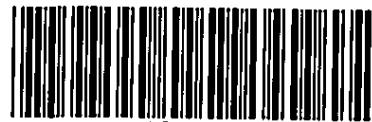


LINVATEC (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

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LINVATEC (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

J J Corasanti
E R Corasanti

SECRETARY

J Corasanti

COMPANY NUMBER

3535936

REGISTERED OFFICE

73/74 Shrivenham Hundred Business Park
Shrivenham
Swindon
Wiltshire
SN6 8TY

AUDITORS

Horwath Clark Whitehill LLP
Chartered Accountants & Registered Auditors
Carrick House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

LINVATEC (UK) LIMITED

DIRECTORS' REPORT **For the year ended 31 December 2006**

The directors present their report and the financial statements for the year ended 31 December 2006

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). 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 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.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity during the year was the supply of medical equipment.

BUSINESS REVIEW

2006 was another successful year for the company, achieving record sales of £16.7 million and sales growth of 9% on the prior year.

Of the £14.1m increased sales revenue the majority stems from the commencement of direct sales (in September 2006 onwards) of the ConMed Endosurgery product range, previously sold in the UK by a distributor.

Our key risks include the budgetary constraints faced by our customers and their cyclical purchasing patterns which can affect the sale of capital goods. Competition and the influence of group buyers has exerted a downward pressure on some prices. However despite this, sales growth remain buoyant across the product range.

With an aging population and a continuing trend towards less invasive procedures, the business is well placed to continue sales growth and maintain profitability.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £212,963 (2005 - £536,618).

LINVATEC (UK) LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2006

DIRECTORS

The directors who served during the year were

J J Corasanti
E R Corasanti

ADDITIONAL INFORMATION RE DIRECTORS

The directors beneficial holdings in the group are disclosed in the notes to the accounts of the ultimate parent company, CONMED Corporation

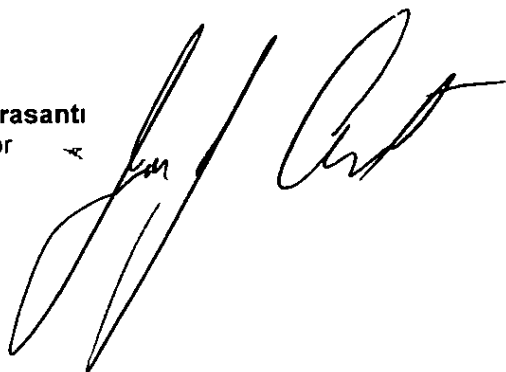
No right to subscribe for shares in the company were issued or granted to the directors during the year

AUDITORS

The auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on *9th July 2007* and signed on its behalf

J J Corasanti
Director

Two handwritten signatures in black ink. The first signature is on the left, appearing to be 'J J Corasanti'. The second signature is on the right, appearing to be 'E R Corasanti'.

LINVATEC (UK) LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	1,2	16,673,360	15,267,720
Cost of sales		<u>(12,401,115)</u>	<u>(11,165,391)</u>
GROSS PROFIT	3	4,272,245	4,102,329
Selling and distribution costs		<u>(2,536,767)</u>	<u>(2,129,941)</u>
Administrative expenses		<u>(1,380,742)</u>	<u>(1,243,166)</u>
OPERATING PROFIT	3	354,736	729,222
Interest receivable		43,222	7,567
Interest payable	5	<u>-</u>	<u>(987)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		397,958	735,802
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>(184,995)</u>	<u>(199,184)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>212,963</u>	<u>536,618</u>

All amounts relate to continuing operations

The notes on pages 9 to 17 form part of these financial statements

LINVATEC (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LINVATEC (UK) LIMITED

We have audited the financial statements of Linvatec (UK) Limited for the year ended 31 December 2006 set out on pages 5 to 17. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

LINVATEC (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LINVATEC (UK) LIMITED

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



HORWATH CLARK WHITEHILL LLP

Chartered Accountants
Registered Auditors

Carrick House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

10 July 2007

LINVATEC (UK) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2006

	Note	2006 £	2005 £
PROFIT FOR THE FINANCIAL YEAR		212,963	536,618
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		212,963	536,618
Prior year adjustment	14	(427,946)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		(214,983)	

The notes on pages 9 to 17 form part of these financial statements

LINVATEC (UK) LIMITED

BALANCE SHEET
As at 31 December 2006

	Note	£	2006 £	£	As restated 2005 £
FIXED ASSETS					
Tangible fixed assets	7		1,517,189		1,314,153
CURRENT ASSETS					
Stocks	8	214,880		182,407	
Debtors	9	2,919,419		2,808,466	
Cash at bank and in hand		76,041		156,713	
			<u>3,210,340</u>	<u>3,147,586</u>	
CREDITORS , amounts falling due within one year	10	(1,988,449)		(1,935,622)	
NET CURRENT ASSETS			<u>1,221,891</u>		<u>1,211,964</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,739,080</u>		<u>2,526,117</u>
CAPITAL AND RESERVES					
Called up share capital	12		215,232		215,232
Profit and loss account	13		2,523,848		2,310,885
SHAREHOLDERS' FUNDS - All equity	15		<u>2,739,080</u>		<u>2,526,117</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

9 July 2007

J J Corasanti
Director

The notes on pages 9 to 17 form part of these financial statements

LINVATEC (UK) LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2006

	Note	2006 £	2005 £
Net cash flow from operating activities	16	909,410	682,738
Returns on investments and servicing of finance	17	43,222	6,580
Taxation		(319,817)	(257,367)
Capital expenditure and financial investment	17	(828,167)	(430,326)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(195,352)	1,625
Financing	17	-	215,230
(DECREASE)/INCREASE IN CASH IN THE YEAR		(195,352)	216,855

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
For the year ended 31 December 2006

	2006 £	2005 £
(Decrease)/Increase in cash in the year	(195,352)	216,855
MOVEMENT IN NET DEBT IN THE YEAR	(195,352)	216,855
Net funds/(debt) at 1 January 2006	156,713	(60,142)
NET (DEBT)/FUNDS AT 31 DECEMBER 2006	(38,639)	156,713

The notes on pages 9 to 17 form part of these financial statements

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Short term leasehold property	-	period of the lease
Hire equipment	-	20% straight line
Fixtures and equipment	-	25-33% straight line

1.4 OPERATING LEASES

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term

1.5 STOCKS

Spare part stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs, transportation and duties

1.6 FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit

1.7 DEFERRED TAXATION

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered

1.8 PENSIONS

The company does not operate a company pension scheme. For the employees the company makes contributions on their behalf to individual personal pensions plans. The company's share of contributions is charged against profits as they arise

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

2. TURNOVER

The whole of the turnover is attributable to the principal activity

A geographical analysis of turnover is as follows

	2006	2005
	£	£
Sales - UK	15,891,385	14,792,985
Sales - Other EU	355,229	410,017
Sales - Rest of world	426,746	64,718
	16,673,360	15,267,720

3. OPERATING PROFIT

The operating profit is stated after charging

	2006	2005
	£	£
Depreciation of tangible fixed assets		
- owned by the company	623,117	662,806
Auditors' remuneration	10,000	8,000
Operating lease rentals		
- other operating leases	116,908	93,423
Difference on foreign exchange	25,242	104,755

During the year, no director received any emoluments (2005 - £NIL)

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

4. STAFF COSTS

Staff costs were as follows

	2006	2005
	£	£
Wages and salaries	2,114,208	1,734,676
Social security costs	229,604	200,663
Other pension costs	151,810	117,872
	<u>2,495,622</u>	<u>2,053,211</u>

Included in Wages and Salaries costs are Stock Options costs of £12,207 (See note 21)

The average monthly number of employees, including the directors, during the year was as follows

	2006	2005
Sales	29	26
Repairs	9	9
Administration	13	11
	<u>51</u>	<u>46</u>

5. INTEREST PAYABLE

	2006	2005
	£	£
Other interest payable	<u>-</u>	<u>987</u>

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

6. TAXATION

	2006 £	2005 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profits of the year	184,995	308,817
Adjustments in respect of prior periods	-	(33,633)
TOTAL CURRENT TAX	<u>184,995</u>	<u>275,184</u>
DEFERRED TAX		
Origination and reversal of timing differences	-	(76,000)
TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>184,995</u>	<u>199,184</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

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

	2006 £	2005 £
Profit on ordinary activities before tax	<u>397,958</u>	<u>735,802</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	119,387	220,741
EFFECTS OF:		
Expenses not deductible for tax purposes	30,458	24,333
Depreciation in excess of capital allowances	35,150	63,743
Adjustments to tax charge in respect of prior periods	-	(33,633)
CURRENT TAX CHARGE FOR THE YEAR (see note above)	<u>184,995</u>	<u>275,184</u>

There were no factors that may affect future tax charges

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

7. TANGIBLE FIXED ASSETS

	Short term leasehold land and buildings £	Hire equipment £	Fixtures and equipment £	Total £
COST				
At 1 January 2006	225,326	3,660,704	333,341	4,219,371
Additions	30,735	713,290	84,456	828,481
Disposals	(314)	-	(32,520)	(32,834)
At 31 December 2006	<u>255,747</u>	<u>4,373,994</u>	<u>385,277</u>	<u>5,015,018</u>
DEPRECIATION				
At 1 January 2006	175,677	2,480,564	248,977	2,905,218
Charge for the year	15,513	552,645	54,959	623,117
On disposals	(314)	-	(30,192)	(30,506)
At 31 December 2006	<u>190,876</u>	<u>3,033,209</u>	<u>273,744</u>	<u>3,497,829</u>
NET BOOK VALUE				
At 31 December 2006	<u>64,871</u>	<u>1,340,785</u>	<u>111,533</u>	<u>1,517,189</u>
At 31 December 2005	<u>49,649</u>	<u>1,180,140</u>	<u>84,364</u>	<u>1,314,153</u>

8. STOCKS

	2006 £	2005 £
Spare parts	<u>214,880</u>	<u>182,407</u>

9. DEBTORS

	2006 £	2005 £
Trade debtors	2,755,895	2,472,287
Other debtors	27,226	225,313
Prepayments and accrued income	136,298	110,866
	<u>2,919,419</u>	<u>2,808,466</u>

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

10 CREDITORS.
AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	<i>As restated</i> 2005
	£	£
Bank loans and overdrafts	114,680	-
Trade creditors	68,005	41,845
Amounts owed to group undertakings	1,072,771	1,086,316
Corporation tax	34,995	169,817
Social security and other taxes	511,138	553,773
Accruals and deferred income	186,860	83,871
	<u>1,988,449</u>	<u>1,935,622</u>

11. DEFERRED TAX ASSET

	Unprovided	
	2006	2005
	£	£
Fixed asset timing differences	<u>62,043</u>	<u>28,887</u>

12. SHARE CAPITAL

	2006	2005
	£	£
AUTHORISED		
216,230 Ordinary shares of £1 each	<u>216,230</u>	<u>216,230</u>
ALLOTTED, CALLED UP AND FULLY PAID		
215,232 Ordinary shares of £1 each	<u>215,232</u>	<u>215,232</u>

13. RESERVES

	Profit and loss account £
At 1 January 2006	2,738,831
Pension reserve prior year adjustment (note 14)	(427,946)
At 1 January 2006 (P & L as restated)	<u>2,310,885</u>
Profit retained for the year	<u>212,963</u>
At 31 December 2006	<u>2,523,848</u>

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

14. PRIOR YEAR ADJUSTMENT

The 2005 Balance Sheet has been restated relating to a transfer price adjustment between the Linvatec (UK) Limited and its parent company CONMED Corporation

The effect of this transfer price adjustment is a decrease in shareholders' funds of £427,946, an increase in the inter-company balance of £615,452 and an increase in corporation tax recoverable of £187,506

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	As restated 2005 £
Opening shareholders' funds (as previously stated)	2,954,063	1,774,269
Prior year adjustment	(427,946)	-
Opening shareholders' funds (as restated)	2,526,117	1,774,269
Profit for the year	212,963	536,618
Shares issued during the year	-	215,230
Closing shareholders' funds	2,739,080	2,526,117

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	354,736	729,222
Depreciation of tangible fixed assets	623,117	662,806
Loss on disposal of tangible fixed assets	2,014	87
Increase in stocks	(32,473)	(52,457)
Increase in debtors	(110,953)	(648,014)
Increase in creditors	86,514	124,749
Decrease in amounts owed to group undertakings	(13,545)	(133,655)
NET CASH INFLOW FROM OPERATIONS	909,410	682,738

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2006 £	2005 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	43,222	7,567
Interest paid	-	(987)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	43,222	6,580

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

17 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2006 £	2005 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(828,481)	(430,418)
Sale of tangible fixed assets	314	92
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	<u>(828,167)</u>	<u>(430,326)</u>
	2006 £	2005 £
FINANCING		
Issue of ordinary shares	<u>-</u>	<u>215,230</u>

18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2006 £	Cash flow £	Other non-cash changes £	31 December 2006 £
Cash at bank and in hand	156,713	(80,672)	-	76,041
Bank overdraft	-	(114,680)	-	(114,680)
NET FUNDS/(DEBT)	<u>156,713</u>	<u>(195,352)</u>	<u>-</u>	<u>(38,639)</u>

19. OPERATING LEASE COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2006 £	2005 £	Other 2006 £	2005 £
EXPIRY DATE.				
Within 1 year	-	-	52,012	21,098
Between 2 and 5 years	-	17,300	74,288	91,762
After more than 5 years	92,660	51,360	-	-

LINVATEC (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

20. RELATED PARTY TRANSACTIONS

During the year Linvatec (UK) Limited had the following transactions with CONMED Corporation, a company registered in the USA, which is deemed to be related, as it is the ultimate parent company

	2006 £	2005 £
Material purchases from CONMED	11,814,078	10,840,455
Sales of services to CONMED	426,746	474,735

At the year end Linvatec (UK) Limited owed CONMED Corporation £1,060,564 (2005 - £1,086,316) This balance is included within creditors amounts falling due within one year

21. SHARE OPTIONS

Options to purchase shares in the ultimate holding company, CONMED Corporation, have been granted to some employees of Linvatec (UK) Limited. The valuation of the options has been calculated by the holding company and a charge made to Linvatec (UK) Limited. Further details of the method and assumptions used are disclosed in the accounts of CONMED Corporation (see note 22)

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is CONMED Corporation, a company registered in New York, USA. A copy of that company's accounts can be obtained from CONMED Corporation, 525 French Road, Utica, New York 13502, USA