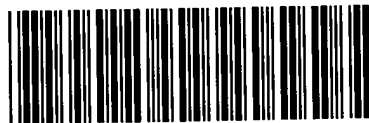


Registered Number: 00740767

Zimmer Limited
Annual report and financial statements
for the year ended 31 December 2014

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Zimmer Limited

Annual report for the year ended 31 December 2014

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Officers and professional advisers

Directors

B Melzi
A Massarella
J Cresser-Brown
C Jefferis
B Vendelboe

Company secretary

C Jefferis

Registered office

The Courtyard
Lancaster Place
South Marston Park
Swindon
Wiltshire
SN3 4FP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
4th Floor
One Reading Central
23 Forbury Road
Reading
Berkshire
RG1 3JH

Strategic report for the year ended 31 December 2014

The directors present their strategic report on the company for the year ended 31 December 2014.

Review of the business

The company is a Limited Risk Distributor responsible for the sale of orthopaedic products acquired from a group undertaking. The company has previously entered into an Advance Pricing Agreement with HM Revenue and Customs to obtain a greater level of assurance over the transfer pricing model.

During the year, the turnover (the key performance indicator) of the company increased by 6.8% from £76,338,000 to £81,525,000 and operating profit also increased by 5.7% to £3,438,000

The external commercial environment is expected to remain competitive in 2015 and beyond. However, the directors expect continuing growth in the UK business in the future resulting in a continued strengthening of the company's balance sheet.

Performance and position of the business

The company's profit for the financial year was £3,394,000 (2013: £3,495,000).

The balance sheet for the company shows net assets including pension surplus of £63,642,000 (2013: £60,292,000).

Key Performance Indicators

Locally, progress is monitored via growth in Sales compared to the prior year. Performance is shown below with prior year comparatives expressed as %.

	2014	2013
Growth in Sales	6.8%	1.8%

Principal risks and uncertainties

The company's success depends upon the Zimmer group's ability to effectively develop its products and the company's ability to market those products against those of our company's competitors.

Further information on risks and uncertainties for the Zimmer group are shown within the Zimmer Holdings Inc. Annual Report on page 9 which does not form part of this report.

On behalf of the Board


C Jefferis
Director

3 September 2015

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

Principal activities

The principal activity of the company is the sales and marketing of medical devices and other orthopaedic products.

Results and dividends

The results for the company show turnover of £81,525,000 (2013: £76,338,000) an increase of 6.8% from 2013.

The results for the financial year are shown in the profit and loss account on page 9.

An interim dividend of 0.23p (2013: 0.21p) per ordinary share amounting to £292,000 was paid during the financial year (2013: £265,000). The directors do not recommend the payment of a final dividend (2013: £nil). See note 8 for further information.

Research and development

Research and development expenditure relates to ongoing clinical trials and regulatory projects. Research and development costs incurred during the financial year was £1,000 (2013: £1,000).

Directors

The directors who held office during the financial year and up to the date of signing the financial statements are given below:

C Ridgwell (resigned 27 January 2014)
M Humphris (resigned 22 May 2015)
B Melzi
C Jefferis (Company secretary)
A Massarella
J Cresser-Brown
B Vendelboe (appointed 28 May 2015)

The directors have the benefit of qualifying third party indemnity provisions for the purpose of sections 234 of the Companies Act 2006. The qualifying third party indemnity provisions were in force during the financial year and also at the date of approval of the financial statements.

Ultimate parent company

On 24 June 2015, Zimmer Holdings Inc. merged with Biomet Holdings Inc. to create a new ultimate parent company called Zimmer Biomet Holdings Inc. However, as at 31 December 2014 the ultimate parent company was still Zimmer Holdings Inc. and shall be referenced as such throughout these financial statements.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange risk, credit risk, liquidity risk and interest rate risk. However the company has limited exposure to commodity price risk. The board of directors sets the financial risk management policies and monitors them.

Directors' report for the year ended 31 December 2014 (continued)

Foreign exchange risk

The company is exposed to movements in foreign exchange rates as a result of transactions with a number of foreign suppliers and customers. The company's ultimate parent undertaking, Zimmer Holdings Inc., manages the foreign exchange rate risk associated with the whole group, as disclosed in the financial statements of that company, which are available as disclosed in note 21.

Credit risk

The company has no significant concentrations of exposure to credit risk. The company has implemented policies that require appropriate credit checks on potential new customers before sales commence and the amount of any individual counterparty is subject to a limit which is reassessed regularly by the company's management.

Liquidity risk

The company manages a liquidity position with the objective of maintaining the ability to fund commitments and repay liabilities in accordance with their required terms. The financing of operations is primarily achieved through retained earnings and cash balances.

Interest rate risk

The company pays and receives interest on intercompany borrowings and lending respectively at a rate of interest determined by the group (one loan being at fixed rate) and its bank deposits and overdraft facilities are at variable rates. No financial instruments were used by the company during the year to manage interest rate costs, and therefore no hedge accounting has been applied.

Charitable donations

The company has made charitable donations during the financial year of £533 (2013: £870).

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 year. Under that law the directors have prepared 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 accounting 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.

Directors' report for the year ended 31 December 2014 (continued)

Statement of directors' responsibilities (continued)

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Creditor payment policy

The company's current policy concerning payments to suppliers of goods and services is to pay in accordance with agreed or customary terms and its practice is to adhere to these terms. The company's average creditor payment period at 31 December 2014 was 37 days (2013: 37 days).


Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that, so far as each of the directors are individually 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 ought to have taken as a director in order to make himself 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



C Jeffers
Director
3 September 2015

Independent auditors' report to the members of Zimmer Limited

Report on the financial statements

Our opinion

In our opinion, Zimmer Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

Zimmer Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the statement of total recognised gains and losses; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 4 and 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Stephen Pascoe (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

3 September 2015

Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	81,525	76,338
Cost of sales		(63,636)	(60,165)
Gross profit		17,889	16,173
Distribution costs		(12,658)	(11,400)
Administrative expenses		(1,970)	(1,719)
Other operating income		177	200
Operating profit	3	3,438	3,254
Interest receivable and similar income	6	506	533
Other finance income	18	164	98
Profit on ordinary activities before taxation		4,108	3,885
Tax on profit on ordinary activities	7	(714)	(390)
Profit for the financial year	16, 17	3,394	3,495

All results derive from continuing operations.

There is no difference between the profits on ordinary activities before taxation and the profits for the financial years stated above, and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		3,394	3,495
Actuarial gain/ (loss) on pension scheme	18	220	(137)
Movement on deferred tax relating to pension scheme	14, 18	(129)	270
Total recognised gains relating to the financial year		3,485	3,628

Balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	9	290	118
Investments	10	4,347	4,347
		4,637	4,465
Current assets			
Debtors – amounts falling due within one year	11	15,874	13,552
Debtors – amounts falling due after more than one year	11	37,216	37,216
Cash at bank and in hand		19,883	17,161
		72,973	67,929
Creditors – amounts falling due within one year	12	(16,694)	(14,542)
Net current assets		56,279	53,387
Total assets less current liabilities		60,916	57,852
Provisions for liabilities	13	(965)	(736)
Net assets excluding pension asset		59,951	57,116
Pension surplus	18	3,691	3,176
Net assets including pension asset		63,642	60,292
Capital and reserves			
Called up share capital	15	31,628	31,628
Share premium account	16	89	89
Profit and loss account	16	27,816	24,623
Other reserves	16	4,109	3,952
Total shareholders' funds	17	63,642	60,292

The financial statements on pages 9 to 32 were approved by the board of directors on 3 September 2015 and were signed on its behalf by:



C Jefferys
Director

Registered Number: 00740767

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies

Basis of accounting

These financial statements are 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 applied consistently throughout the financial year, are set out below.

Consolidation

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it and its subsidiary undertakings are included in the audited consolidated financial statements of Zimmer Holdings Inc. Zimmer Holdings Inc is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 December 2014.

Copies of the consolidated financial statements of Zimmer Holdings Inc can be obtained from:

The Company Secretary
Zimmer Holdings Inc
345 East Main Street
Warsaw
Indiana 46580-0708
United States of America

Turnover

Turnover represents the value of goods and services provided to customers exclusive of value added tax.

The company sells product through two principal channels, direct to health care institutions and through stocking distributors and healthcare dealers.

Through the direct channel, inventory is generally consigned to sales agents or customers so that products are available when needed for surgical procedures. No revenue is recognised upon the placement of inventory into consignment as the Zimmer Group retains title and maintains the inventory on its consolidated balance sheet. Upon use, the company issues an invoice and revenue is recognised.

Pricing for products is generally predetermined by contracts with customers, agents acting on behalf of customer groups or by government regulatory bodies, depending on the market. Price discounts under group purchasing contracts are generally linked to volume of implant purchases by customer health care institutions within a specified group. At negotiated thresholds within a contract buying period, price discounts increase. The company tracks sales volumes by contract and as contractual volume thresholds are achieved, the higher discounts are applied at an item level on customer invoices. As such, discounts are reflected in revenue as earned.

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Turnover (continued)

Revenue is recognised on sales to stocking distributors and healthcare dealers when title to product passes to the distributor or healthcare dealer, generally upon shipment. Products are generally sold to distributors on secured credit terms at fixed prices for specified periods. A distributor may return the product in the event that the company terminates the relationship. Under those circumstances, the company records an estimated sales return in the period in which notice of termination is given to a distributor.

Tangible assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation.

The cost of fixed assets is their historic purchase cost, together with any incidental cost of acquisition.

Depreciation is provided to spread the cost, less their estimated residual values, on a straight line basis over their estimated useful economic lives. The principal annual rates used for this purpose are:

Short term leasehold improvements	10%
Motor vehicles, fixtures and fittings	10-33%

Operating leases

Operating lease rentals are charged to the profit and loss account, on a straight line basis over the lease term.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Foreign currency

Transactions denominated in foreign currencies are translated to sterling at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling on the balance sheet date. Exchange differences are included in the profit and loss account in the period in which they arise.

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.

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Deferred taxation (continued)

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 an undiscounted basis.

Pension cost

The company operates both a defined benefit and defined contribution scheme on behalf of the company's employees. Details of the pension schemes for the company are set out in note 18 to the financial statements.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

For the defined contribution scheme, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Any difference between contributions payable and contributions paid are included as either a prepayment or an accrual in the balance sheet.

Dividends

Interim dividends are recognised when they are paid. Final dividends are recognized when they are approved by shareholders.

Onerous lease provision

When leasehold properties become redundant or excess space arises in those properties, the company provides for all costs to the end of the lease or the anticipated date of surrender of the lease, net of anticipated income.

Dilapidation provision

Where the terms of a property lease require that at the end of the lease the building shall be returned to its original condition, a provision is made over the life of the lease for the estimated dilapidations expenditure.

Investments

Investments in subsidiaries are stated in the balance sheet of the company at cost, less amounts written off where there has been an impairment in value. Impairment reviews are conducted when there is an indication that assets might be impaired.

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Trade debtors

Trade debtors are carried at fair value. As a Limited Risk Distributor the credit risk for trade debtors is borne by a fellow group company and therefore no bad debt provision is maintained by the company.

Other operating income

The company earns management services fees on the provision of certain services to a group undertaking. This income is recognised when it is earned i.e. when the services are performed.

Share-based payment

The ultimate parent company, Zimmer Holdings Inc, operates an equity-settled, share-based compensation plan. 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 over the vesting period, with a corresponding increase in other reserves. 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.

Upon exercise, Zimmer Holdings Inc. 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. If the amount of the intercompany charge exceeds the original charge, that excess is treated as a distribution from the company to its parent.

Cash flow statement

The company is a wholly-owned subsidiary of Zimmer Holdings Inc. and is included in the consolidated financial statements of Zimmer Holdings Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) 'Cash flow statement'.

Related party disclosure

The company is exempt under the terms of Financial Reporting Standard 8 'Related party disclosures' from disclosing related party transactions with entities that are part of the Zimmer Holdings Inc. group as it is a wholly owned subsidiary of the group.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2 Turnover

The geographical analysis of turnover by destination is as follows:

	2014 £'000	2013 £'000
United Kingdom	79,342	75,658
Rest of Europe	2,183	680
	81,525	76,338

In the opinion of the directors there is only one class of business.

3 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging:		
Wages and salaries	6,853	6,276
Social security costs	1,218	1,315
Other pension costs (note 18)	677	648
Share based payment – fair value of employee services (note 20)	438	541
Staff costs	9,186	8,780
Research and Development expenditure	1	1
Depreciation of owned tangible fixed assets	94	95
Loss on disposal of tangible fixed assets	2	6
Operating lease charges		
- other	560	578
(Gain) on foreign currency movements	(113)	(294)

Included in social security costs is a charge of £214,000 (2013: charge of £311,000) in relation to the movement on the provision for National Insurance payable on share options. See note 13 for further details.

Notes to the financial statements for the year ended 31 December 2014 (continued)

3 Operating profit (continued)

	2014 £'000	2013 £'000
Services provided by the company's auditors and network firms		
Fees payable to company auditors for the audit	53	72
Fees payable to company auditors and its associates for other services:		
Other assurance services pursuant to legislation	16	4

4 Employee information

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

By activity	2014 Number	2013 Number
Selling and marketing	103	100
Administration	15	13
	118	113

5 Directors' emoluments

	2014 £'000	2013 £'000
Aggregate emoluments	762	754
Employer's pension contributions	82	103

In addition to the above amounts one (2013: one) director is employed by an Italian subsidiary of Zimmer Holdings Inc. This director was remunerated by the Italian company for his services to the Zimmer Holdings Inc. worldwide group, which included certain responsibilities relating to Zimmer Limited. However, the exact value of these services cannot be determined and therefore not included in the financial statements.

Four directors (2013: Five) exercised options over the shares in the parent company Zimmer Holdings Inc., during the financial year. Retirement benefits are accruing to three (2013: four) directors under a defined benefit scheme and no (2013: none) directors under a money purchase scheme.

Notes to the financial statements for the year ended 31 December 2014 (continued)

5 Directors' emoluments (continued)

The emoluments of the highest paid director were as follows:

	2014	2013
	£'000	£'000
Aggregate emoluments	229	209
Defined benefit pension scheme:		
Accrued pension at end of year	50	47

The highest paid director did exercise options over the shares in the parent company Zimmer Holdings Inc., during the financial year (2013: did exercise).

6 Interest receivable and similar income

	2014	2013
	£'000	£'000
Interest receivable on loans to group undertakings	437	477
Third party interest receivable	69	56
Total interest receivable and similar income	506	533

Notes to the financial statements for the year ended 31 December 2014 (continued)

7 Tax on the profit on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax on profits for the year	606	504
Adjustment in respect of prior years	-	-
Total current tax	606	504
Deferred tax		
Origination and reversal of timing differences	125	(222)
Effect of changes in tax rate on opening balance	(17)	106
Adjustment in respect of prior years	-	2
Total deferred tax (note 14)	108	(114)
Total tax on profit on ordinary activities	714	390

The tax assessed for the financial year is lower (2013: lower) than the effective rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	4,108	3,885
Profit on ordinary activities multiplied by the standard rate of corporation tax of 21.49% (2013: 23.25%)	883	902
Effects of:		
Expenses not deductible for tax purposes	28	25
Other timing differences	(236)	(396)
Capital allowances in excess of depreciation	(69)	(27)
Adjustments to tax charge in respect of previous periods	-	-
Amounts transferred to statement of total recognised gains and losses	-	-
Total current tax	606	504

Factors that may affect future tax charges:

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Deferred tax balances have not been discounted.

During the year, as a result of the changes in UK corporation tax rate to 21% that was substantively enacted on 2 July 2013 and will be effective from 1 April 2014; and to 20% that was substantively enacted on the same date and will be effective from 1 April 2015, the relevant deferred tax balances have been re-measured at 20%.

Notes to the financial statements for the year ended 31 December 2014 (continued)

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £58,000 and increase the tax expense for the period by £58,000.

8 Dividends

	2014 £'000	2013 £'000
Equity – Ordinary		
Interim paid: £0.0023 (2013: £0.0021) per £0.25 share	292	265

No final dividend is proposed.

9 Tangible assets

	Short term leasehold improvements £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2014	687	1,090	1,777
Additions	3	265	268
Disposals	-	(44)	(44)
At 31 December 2014	690	1,311	2,001
Accumulated depreciation			
At 1 January 2014	662	997	1,659
Charge for the year	5	89	94
Disposals	-	(42)	(42)
At 31 December 2014	667	1,044	1,711
Net book amount			
At 31 December 2014	23	267	290
At 31 December 2013	25	93	118

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 Investments

Shares in group undertakings	2014 £'000	2013 £'000
At 1 January and 31 December	4,347	4,347

Investments are stated at cost which is equal to net book value.

At 31 December 2014 the company had the following subsidiary undertakings:

Subsidiary Undertaking	Country of incorporation	Principal activity	Class and % of nominal value of that class held
Centerpulse (UK) Limited	England	Dormant	Ordinary shares 100%
Zimmer Trustees Limited	England	Dormant	Ordinary shares 100%

The capital and reserves of Zimmer Trustees Limited at 31 December 2014 was £nil (2013: £nil). Zimmer Trustees Limited was dormant throughout the whole year.

The capital and reserves of Centerpulse (UK) Limited at 31 December 2014 was £4,347,000 (2013: £4,347,000). Centerpulse (UK) Limited was dormant throughout the whole year.

The directors believe that the book value of investments is supported by their underlying net assets.

11 Debtors

	2014 £'000	2013 £'000
Trade debtors	13,288	11,089
Amounts owed by group undertakings	38,573	38,403
Other debtors	58	16
Corporation Tax Recoverable	122	67
Deferred tax (note 14)	579	687
Prepayments and accrued income	470	506
Total	53,090	50,768
Less: Amounts falling due in more than one year		
Amounts owed by group undertakings	37,216	37,216
Total amounts falling due within one year	15,874	13,552

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Debtors (continued)

The amounts falling due in more than one year owed by group undertakings is owed by Zimmer Investment Luxembourg SCA. Under the terms of this loan agreement the loan will continue until no later than 31 July 2016 and is unsecured. 31 July 2016 is the earliest date that repayment of the loan can be demanded, except in the event of default by the borrower. Interest is calculated on a daily basis on the net daily balance. Interest rate initially applied is determined on the date of the first draw down and thereafter on the first business day of each subsequent calendar year at a rate equivalent to 12 month GBP LIBOR plus 25 basis points. Interest accruing is payable by 2 instalments due in January and July.

All other amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

12 Creditors – Amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	329	93
Amounts owed to group undertakings	12,138	10,890
Other taxation and social security	1,111	568
Accruals and deferred income	3,113	2,990
Other creditors	3	1
	16,694	14,542

All amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 Provisions for liabilities

	Share Options – National Insurance £'000	Dilapidation £'000	Total £'000
1 January 2014	514	222	736
Credit to profit and loss	-	-	-
Charge to profit and loss	558	15	229
Utilised during the year	(344)	-	-
31 December 2014	728	237	965

Share options – National Insurance

The ultimate parent company, Zimmer Holdings Inc, operates an unapproved share-based compensation plan. Under an unapproved share option scheme, the company is required to pay National Insurance on the difference between the grant 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 grant prices. A full provision is made upon grant of the option. 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.

Dilapidation

Dilapidation provision represents the estimated liability for dilapidations costs in respect of the company's leasehold premises. The liability will be payable at the end of the lease term of each of the premises. The average remaining time until this provision will be utilised is nine years.

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Deferred taxation

	2014 £'000	2013 £'000
Capital allowances in excess of depreciation	80	144
Other timing differences	499	543
Deferred tax asset excluding that relating to pension asset (note 11)	579	687
Deferred tax liability on pension asset (note 18)	(923)	(794)
Total deferred tax asset	(344)	(107)
1 January	687	573
Deferred tax (charged) / credited to profit and loss account (note 7)	(108)	114
31 December	579	687
Deferred tax liability relating to pension asset	2014 £'000	2013 £'000
1 January	(794)	(1,064)
Deferred tax charged to profit and loss account (note 7)	-	-
Deferred tax credited to the statement of total recognised gains and losses	(129)	270
31 December	(923)	(794)

15 Called up share capital

	2014 £'000	2013 £'000
Authorised, allotted and fully paid		
126,513,000 (2013: 126,513,000) ordinary shares of 25p each	31,628	31,628

Notes to the financial statements for the year ended 31 December 2014 (continued)

16 Reserves

	Share premium account £'000	Profit and loss account £'000	Other reserves £'000
At 1 January 2014	89	24,623	3,952
Profit for the financial year	-	3,394	-
Dividends (note 8)	-	(292)	-
Actuarial gain on pension scheme (note 18)	-	220	-
Movement on deferred tax relating to pension scheme (note 14)	-	(129)	-
Share based payment: services provided (note 20)	-	-	438
Share based payment: recharge paid to ultimate parent	-	-	(281)
At 31 December 2014	89	27,816	4,109

17 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	3,394	3,495
Dividends (note 8)	(292)	(265)
Actuarial gain/(loss) on pension scheme (note 18)	220	(137)
Movement on deferred tax relating to pension scheme (note 14)	(129)	270
Net increase in profit and loss account	3,193	3,363
Share based payment: services provided (note 20)	438	541
Share based payment: recharge paid to ultimate parent	(281)	(261)
Net increase in other reserves	157	280
Net addition to shareholders' funds	3,350	3,643
Opening shareholders' funds	60,292	56,649
Closing shareholders' funds	63,642	60,292

Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Pension costs

Defined contribution scheme

The company operates a defined contribution scheme for employees and directors. The scheme assets are held in a separately administered fund. Contributions paid in to the scheme during the financial year amounted to £275,000 (2013: £261,000). £24,000 was outstanding at the year end (2013: £24,000 outstanding).

Defined benefit scheme

Zimmer Limited operates a defined benefit scheme. A full actuarial valuation was carried out as at 31 December 2011 and updated to 31 December 2014 by a qualified independent actuary at Mercer Human Resource Consulting to take account of the requirements of Financial Reporting Standard 17 'Retirement benefits'. The contribution made to the fund in the financial year was £660,000 (2013: £1,143,000).

Scheme assets are stated at their market value at 31 December 2014.

The valuation method and key assumptions used by the actuary are as follows:

	2014	2013	2012
Valuation method:	Projected unit:	Projected unit:	Projected unit:
Discount rate	3.70%	4.60%	4.50%
Inflation assumption	3.05%	3.65%	3.10%
Increases to deferred benefits during deferment	3.05%	3.65%	3.10%
Expected rate of future pension increases	3.05%	3.65%	3.10%
Rate of increase in salaries	4.05%	4.65%	4.10%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the S1NA Light table rated down by 1 year for females with CMI 2009 projections and a 1.25% minimum improvement floor.

The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	2014	2013
	£'000	£'000
Retiring at the end of the reporting period:		
Male	24.10	24.0
Female	26.30	26.1
Retiring 20 years after the end of the reporting period:		
Male	26.20	26.1
Female	28.60	28.5

Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Pension costs (continued)

The assets in the scheme and the expected rate of return were:

	As at 31 December 2014		As at 31 December 2013		As at 31 December 2012	
	Expected rate of return	Value £'000	Expected rate of return	Value £'000	Expected rate of return	Value £'000
Equities	3.70%	15,925	4.60%	14,187	4.20%	12,501
Bonds	3.70%	11,066	4.01%	9,858	3.55%	8,334
Total market value of assets		26,991		24,045		20,835
Present value of scheme liabilities		(22,377)		(19,298)		(16,206)
Effect of asset limit		-		(777)		(1,379)
Surplus in scheme		4,614		3,970		3,250
Related deferred tax liability (note 14)		(923)		(794)		(1,064)
Net pension surplus		3,691		3,176		2,186

	2014 £'000	2013 £'000
Reconciliation of present value of scheme liabilities		
1 January	19,298	16,206
Current service cost	400	384
Interest cost	887	735
Insurance premiums	(6)	-
Contributions paid by members	93	103
Benefits paid	(514)	(206)
Actuarial loss	2,219	2,076
31 December	22,377	19,298

	2014 £'000	2013 £'000
Reconciliation of present value of scheme assets		
1 January	24,045	20,835
Expected return on scheme assets	1,051	833
Actuarial gain	1,662	1,337
Insurance premiums	(6)	-
Contributions paid by members	93	103
Benefits paid	(514)	(206)
Contributions paid by employer	660	1,143
31 December	26,991	24,045

Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Pension costs (continued)

The proportion of the Zimmer Limited scheme's assets to liabilities was 121% (2013: 125 %).

Analysis of the amount charged to operating profit:	2014	2013
	£'000	£'000
Current service cost	400	384
Analysis of amount credited to other finance income:	2014	2013
	£'000	£'000
Expected return on pension scheme assets	(1,051)	(833)
Interest on pension scheme liabilities	887	735
Other finance income	(164)	(98)
Analysis of amount recognised in statement of total recognised gains and losses	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	1,662	1,337
Changes in assumptions underlying the present value of the scheme liabilities	(2,219)	(2,076)
Effect of asset limit	777	602
Actuarial gain / (loss) recognised in statement of total recognised gains and losses	220	(137)

Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Pension costs (continued)

History of experience gains/(losses)	2014	2013	2012	2011	2010
Benefit obligation at end of year (£'000)	22,377	19,298	16,206	15,053	14,220
Fair value of plan assets at end of year (£'000)	26,991	24,045	20,835	17,781	16,034
Surplus (£'000)	4,614	4,747	4,629	2,728	1,814
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	1,662	1,337	1,005	(606)	757
Percentage of scheme assets	6%	6%	5%	3%	5%
Experience gain on scheme liabilities:					
Amount (£'000)	-	(8)	(369)	71	-
Percentage of the present value of scheme liabilities	0%	0%	2%	0%	0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	220	(137)	(826)	(463)	(324)
Percentage of the present value of scheme liabilities	1%	(1%)	(5%)	(3%)	(2%)

The Directors expect to make contributions of £660,000 in 2015.

19 Financial commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Within one year	-	-	105	91
Within two to five years	-	-	191	244
After five years	153	76	-	-
	153	76	296	335

Notes to the financial statements for the year ended 31 December 2014 (continued)

20 Share-based payment

Zimmer Holdings Inc. has established equity settled stock option plans which permit employees of Zimmer Limited to acquire shares in Zimmer Holdings Inc. The 2009 Stock Incentive Plan (which replaced the 2006 Stock Incentive Plan and TeamShare Stock Option Plan) provides for the grant of non-qualified stock options and incentive stock options, long-term performance awards in the form of performance shares or units, restricted stock, RSUs (Restricted Stock Units) and stock appreciation rights.

Stock options granted to date generally vest over four years, although in no event in less than one year, and expire ten years from the date of the grant. Stock options are granted with an exercise price equal to the market price of common stock on the date of grant.

A reconciliation of option movements over the year to 31 December 2014 is shown below:

	2014		2013	
	Number of options	Weighted average Exercise Price \$	Number of options	Weighted average Exercise Price \$
Outstanding at start of the year	184,221	71.52	261,013	69.77
Granted	13,150	94.34	25,745	73.15
Cancelled	(5,064)	70.45	(7,109)	68.52
Exercised	(50,887)	76.60	(95,428)	67.40
Outstanding at end of the year	141,420	71.85	184,221	71.52
Exercisable at end of the year	101,703	69.79	130,684	73.43

The weighted average fair value of options granted during the financial year was \$298,000 (2013: \$422,000).

RSUs granted to date generally vest over four years, although in no event in less than one year, and expire ten years from the date of the grant. The fair value of RSUs granted is based upon the fair market value of common stock on the date of grant.

A reconciliation of RSU movements over the year to 31 December 2014 is shown below:

	2014	2013
	Number of RSUs	Number of RSUs
Outstanding at start of the year	22,677	24,058
Granted	4,870	8,990
Cancelled	(1,801)	(1,518)
Vested	(4,747)	(8,853)
Outstanding at end of the year	20,999	22,677

Notes to the financial statements for the year ended 31 December 2014 (continued)

20 Share-based payment (continued)

The weighted average fair value of RSUs granted during the year was \$459,000 (2013: \$658,000).

The total charge for the financial year relating to employee share based payment plans for which fair value accounting is being applied was £438,000 (2013: £541,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £393,000 (2013: £375,000).

The USD to GBP exchange rate at 31 December 2014 was \$1.5636/£ (2013: \$1.6355/£).

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

31 December 2014:

Range of exercise prices:	Number of shares	Options outstanding			Number of shares	Options exercisable	
		Weighted average Remaining expected life (years)	Weighted average remaining contractual life (years)	Weighted average exercise price \$		Weighted average remaining contractual life (years)	Weighted average exercise price \$
\$20.00 - \$40.00	6,050	4.13	4.13	39.94	6,050	4.13	39.94
\$40.01 - \$60.00	9,787	5.21	5.21	58.02	9,787	5.21	58.02
\$60.01 - \$70.00	38,130	6.76	6.76	62.81	25,528	6.63	62.43
\$70.01 - \$80.00	56,728	4.10	4.10	74.84	42,763	2.75	75.40
\$80.01 - \$90.00	17,575	2.10	2.10	83.68	17,575	2.10	83.68
\$90.01 - \$100.00	13,150	9.21	9.21	94.34	-	-	-

31 December 2013:

Range of exercise prices:	Number of shares	Options outstanding			Number of shares	Options exercisable	
		Weighted average Remaining expected life (years)	Weighted average remaining contractual life (years)	Weighted average exercise price \$		Weighted average remaining contractual life (years)	Weighted average exercise price \$
\$20.00 - \$40.00	6,050	5.13	5.13	39.94	6,050	5.13	39.94
\$40.01 - \$60.00	12,561	6.12	6.12	58.02	7,164	6.21	58.02
\$60.01 - \$70.00	43,786	7.33	7.33	62.94	18,131	6.89	62.58
\$70.01 - \$80.00	98,999	3.56	3.56	76.15	76,514	2.36	77.03
\$80.01 - \$90.00	22,825	3.10	3.10	83.68	22,825	3.10	83.68

The weighted average share price during the financial year for options exercised over the year was \$103.94 (2013: \$83.34).

Notes to the financial statements for the year ended 31 December 2014 (continued)

20 Share-based payment (continued)

For RSUs outstanding at the end of the year weighted average remaining contractual life is as follows:

Exercise price:	31 December 2014			31 December 2013		
	Number of shares	Weighted average remaining expected life (years)	Weighted average remaining contractual life (years)	Number of shares	Weighted average remaining expected life (years)	Weighted average remaining contractual life (years)
\$0.00	20,999	9.32	9.32	22,677	9.94	9.94

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

	2014	2013
Vesting period (years)	4	4
Expected volatility	25.3%	24.8%
Option life (years)	10	10
Expected life (years)	5.5	6.1
Risk free rate	1.792	1.07
Expected dividend yield	0.9%	1.10%
Fair value per option	\$22.66	\$16.40

Expected volatility is a statistical measure of the amount by which a stock price is expected to fluctuate during a period. For stock options granted in 2014 and 2013 expected volatility was derived from the implied volatility of traded options that were actively traded around the grant date of the stock options.

The expected term assumption has been derived from historical employee exercise behaviour.

The risk free rate of return is determined using the implied yield currently available for zero coupon US government bonds with a remaining term equal to the expected life of the options.

Notes to the financial statements for the year ended 31 December 2014 (continued)

21 Ultimate parent undertakings and controlling party

At the year end and at the date of signing the financial statements the immediate parent company was Zimmer U.K. Limited.

The ultimate parent company and controlling party is Zimmer Holdings Inc., which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Zimmer Holdings Inc. is incorporated in the State of Indiana, United States of America. Consolidated financial statements for Zimmer Holdings Inc. can be obtained from The Secretary, Zimmer Holdings Inc., 345 East Main Street, Warsaw, Indiana 46580-0708, United States of America.

On 24 June 2015, Zimmer Holdings Inc. merged with Biomet Holdings Inc. to create a new ultimate parent company called Zimmer Biomet Holdings Inc. Going forward this will be the parent undertaking of the smallest and largest group to consolidate these financial statements from 31 December 2015. The offices from which these financial statements can be obtained has not changed.