

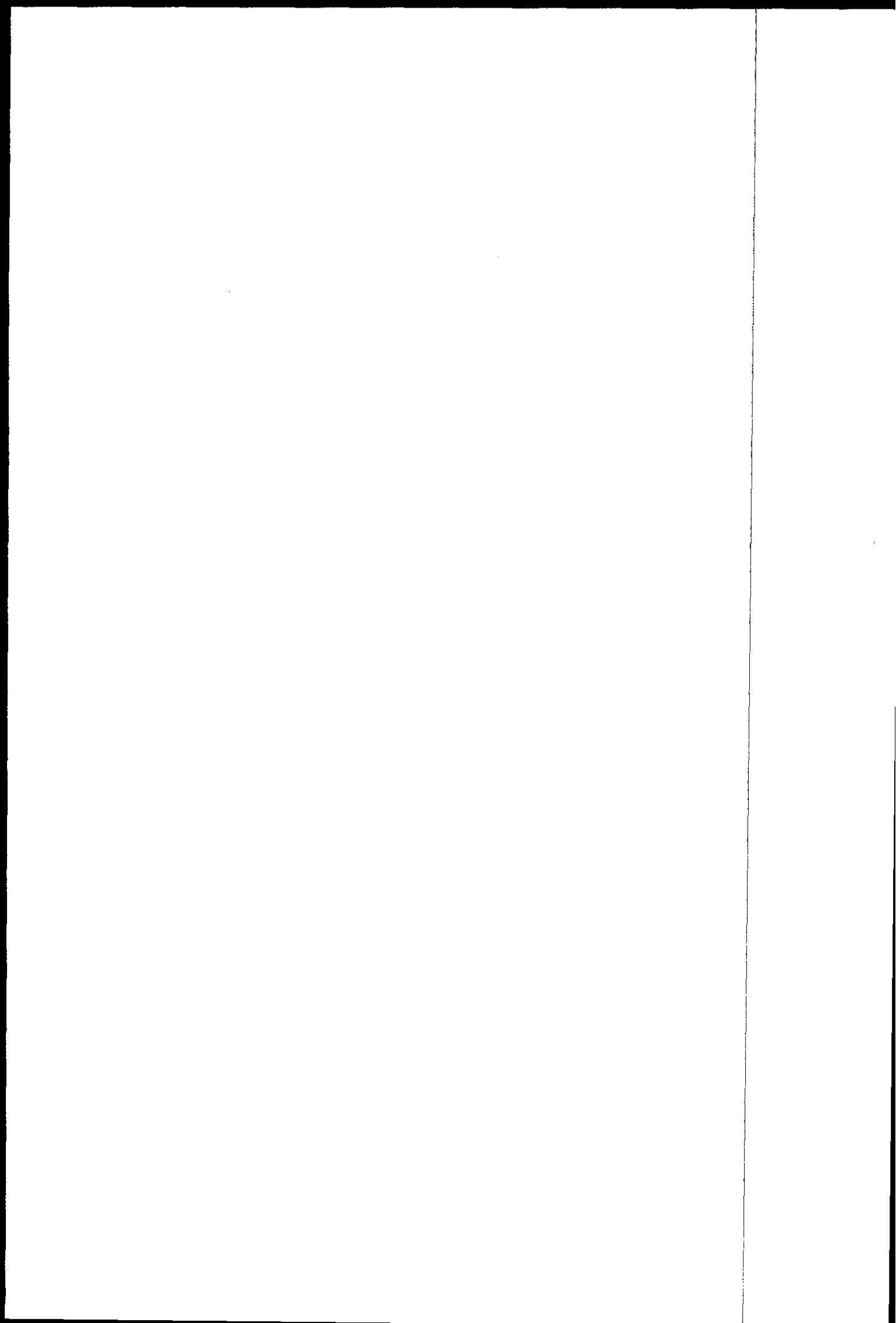
DePuy International Limited
Annual Report
for the year ended 31 December 2000

Registered Number 3319712



DePuy International Limited
Annual Report
for the year ended 31 December 2000

	Pages
Directors' report	1
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6



DePuy International Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

Principal activities

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

Review of business and future developments

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

On 31 March 2000, the company acquired Cemvac System AB, a company incorporated in Sweden for cash consideration of £1,605,000. Cemvac manufactures a vacuum system for bone cement delivery for the implanting of orthopaedic products.

On 1 January 2000, the company acquired the business and assets of DePuy Motech Limited, a company incorporated in the United Kingdom. The principal activity of DePuy Motech Limited was the purchase and sale of spinal orthopaedic products.

Subsequent events

On 1 January 2001, the company acquired Medec SA, a company incorporated in Greece for cash consideration of £4,169,000. Medec SA distributes orthopaedic products.

On 1 April 2001, the members of the DePuy defined benefit pension scheme transferred to the J&J Group Retirement Plan. Details are set out in note 24 to the financial statements.

Results and dividends

The company's retained profit for the financial year is £9,822,000 (1999: £11,400,000). A dividend of £10,000,000 was paid on 22 December 2000.

Directors and their interests

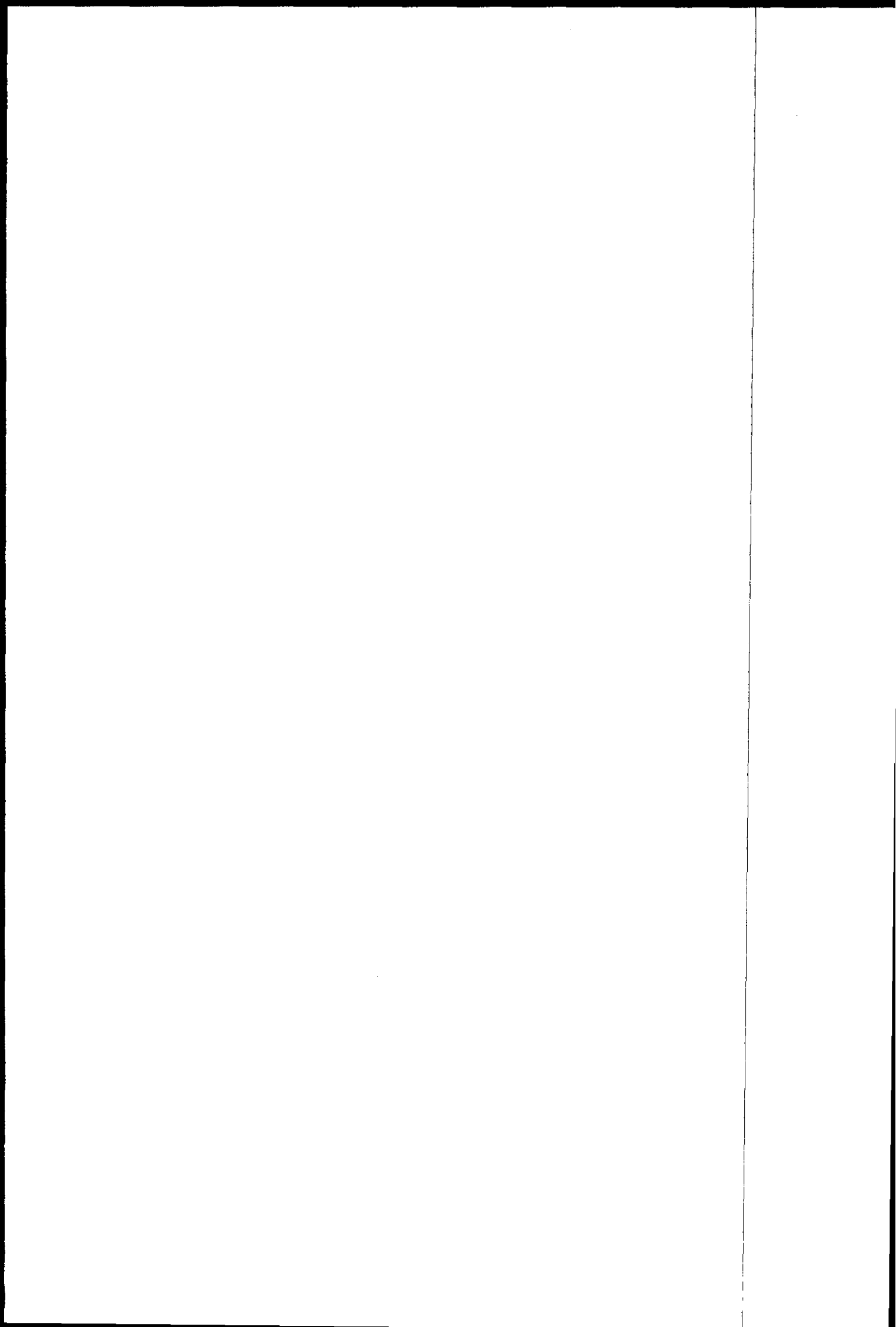
The directors who held office during the year were as follows:

G M Franks	
J A Coppack	
J F Lettin	
P J McCullagh	(resigned 17 May 2000)
M J Dormer	
C M Thrush	(resigned 22 July 2000)
G N Fitzpatrick	

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

Policy on payment of creditors

Standard terms of payment are 30 days after date of invoice and the company endeavours to pay within these terms at all times. Terms of payment are agreed at the time of negotiation for supply. If any difference from standard terms is required, it must first be authorised by the financial controller. Trade creditors at the year end represented 58 days of purchases (1999: 68 days).



DePuy International Limited

Research and development

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

Employees

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

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

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

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on page 6 under 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

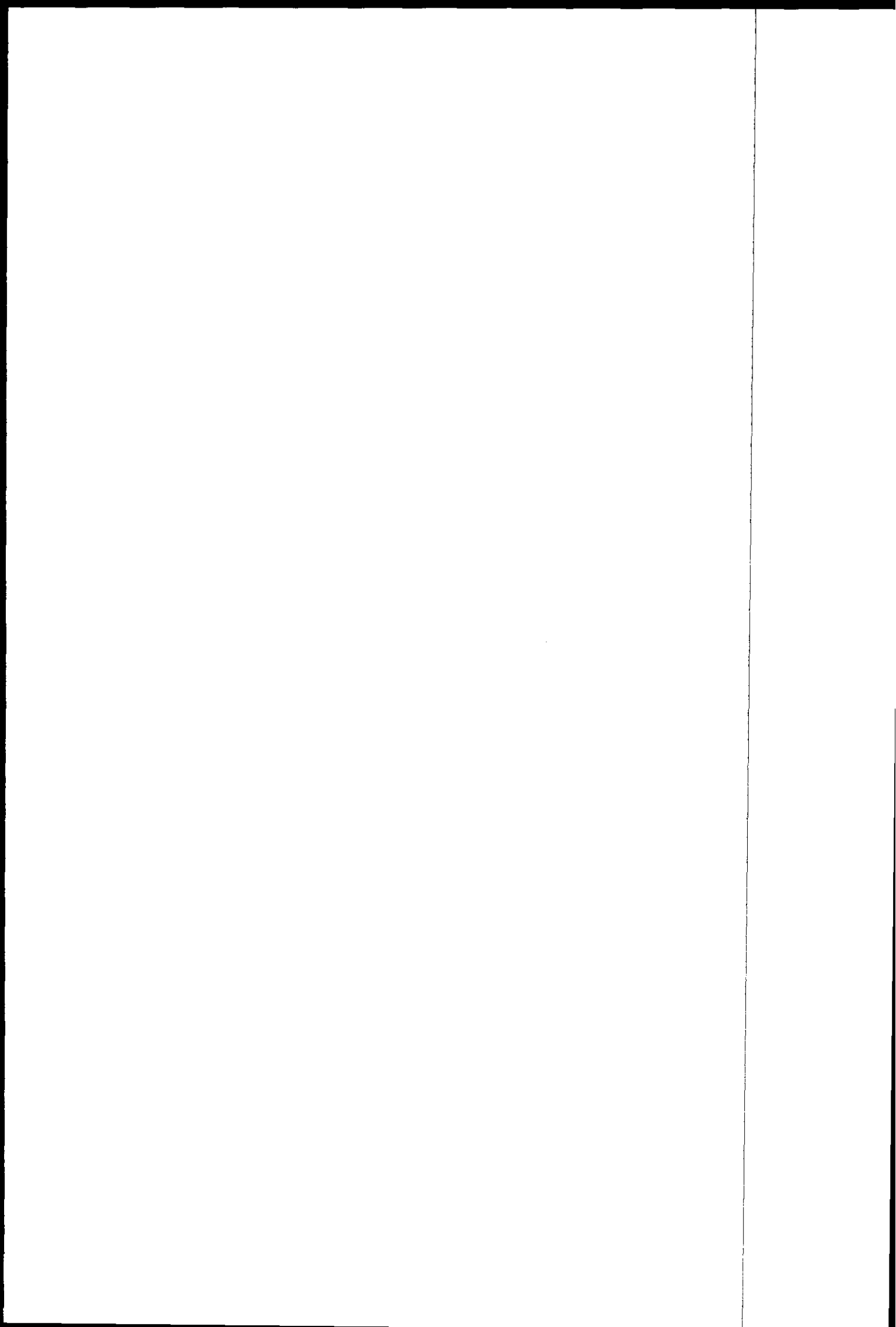
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



JA Coppack
Secretary

30th August 2001



DePuy International Limited

Auditors' report to the members of DePuy International Limited

We have audited the financial statements on pages 4 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 2, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

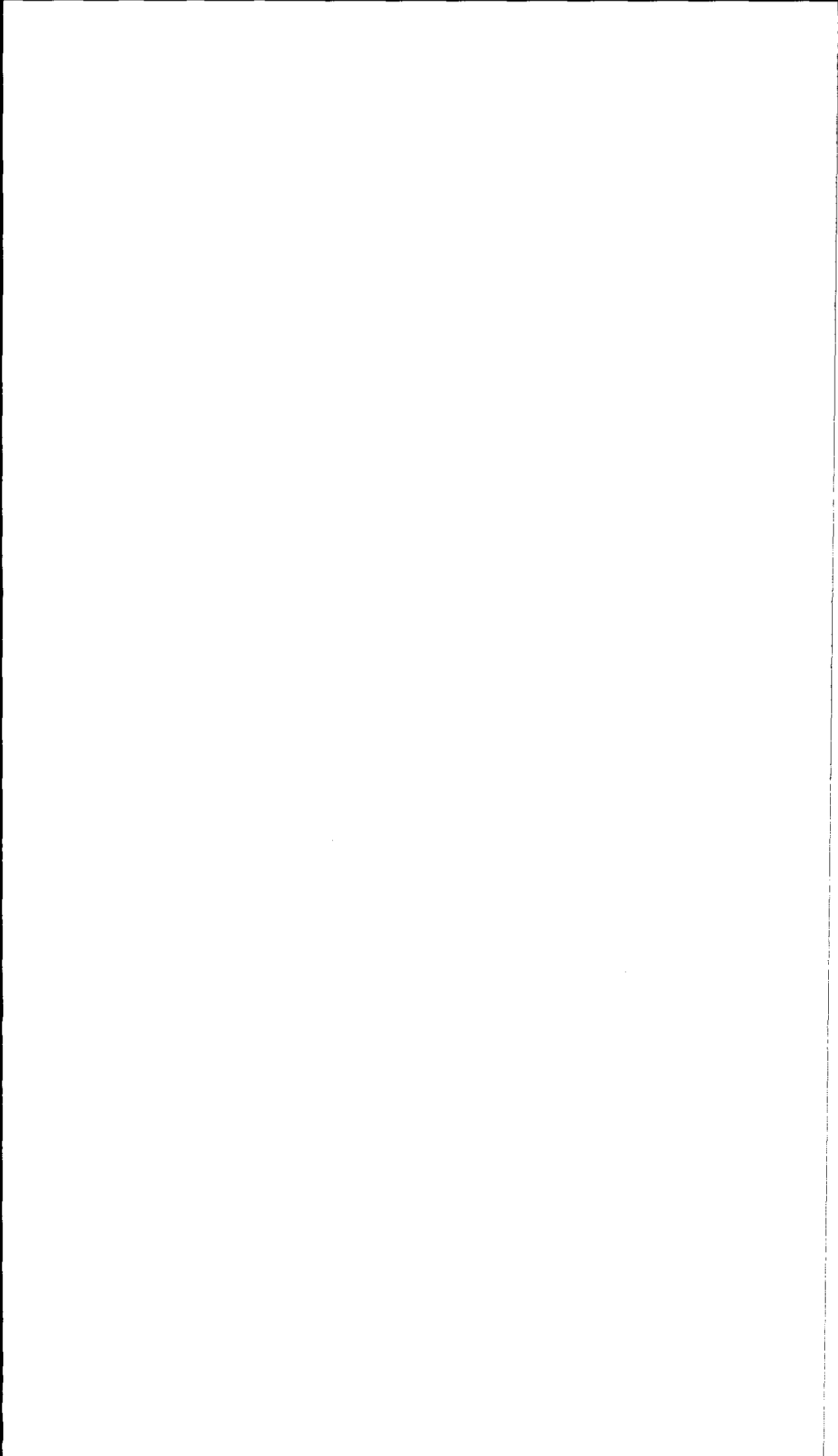
Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds

10 October 2001



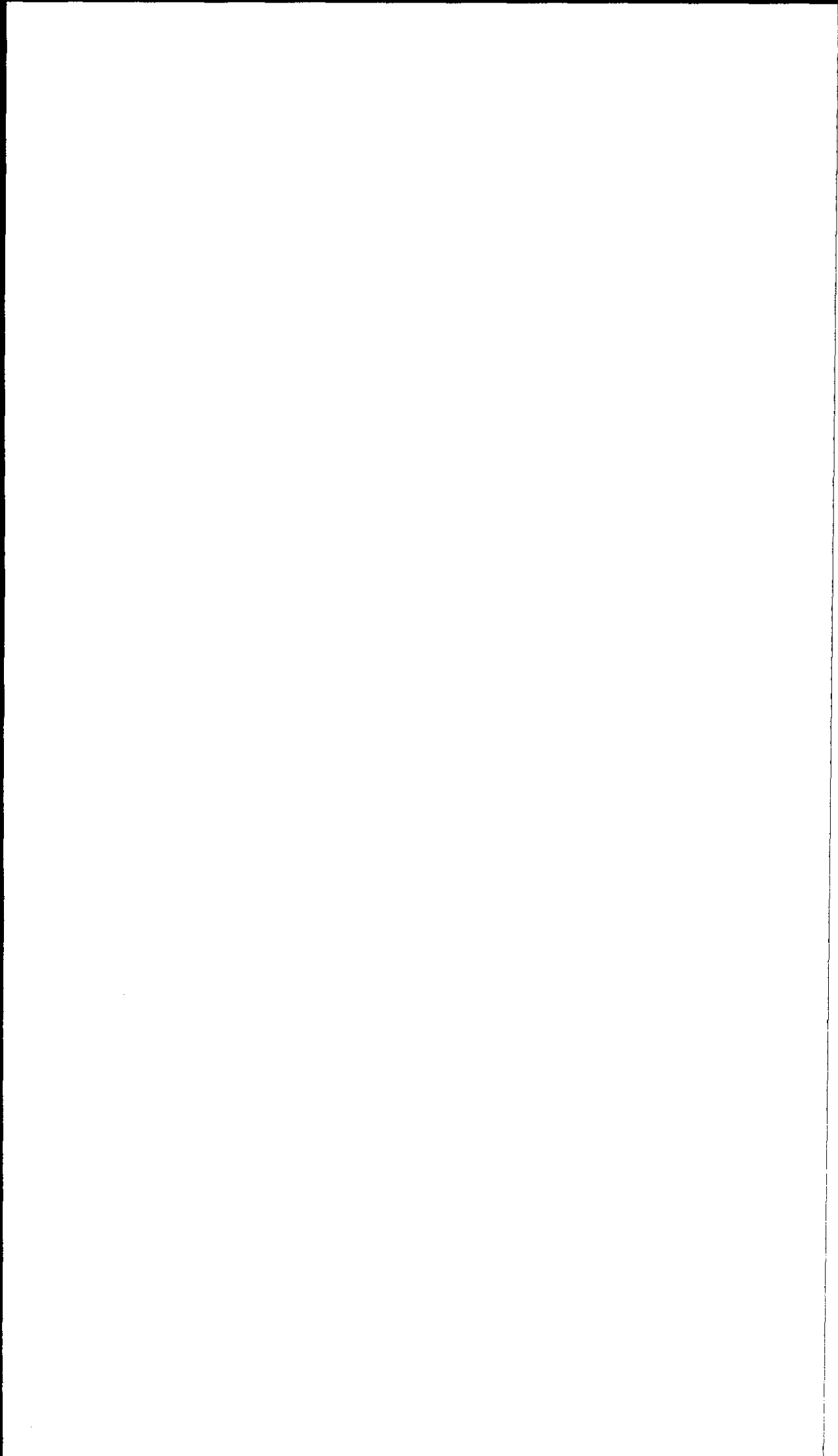
DePuy International Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover	3	220,392	166,656
Cost of sales		(137,117)	(112,918)
Gross profit		83,275	53,738
Net operating expenses	4	(57,119)	(51,125)
Operating profit	5	26,156	2,613
Dividend from subsidiary undertaking		-	8,219
Net interest receivable	7	2,642	1,997
Profit on ordinary activities before taxation	8	28,798	12,829
Tax on profit on ordinary activities	11	(8,976)	(1,429)
Profit on ordinary activities after taxation	20	19,822	11,400
Dividend paid		(10,000)	-
Retained profit for the financial year	20	9,822	11,400

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

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



DePuy International Limited

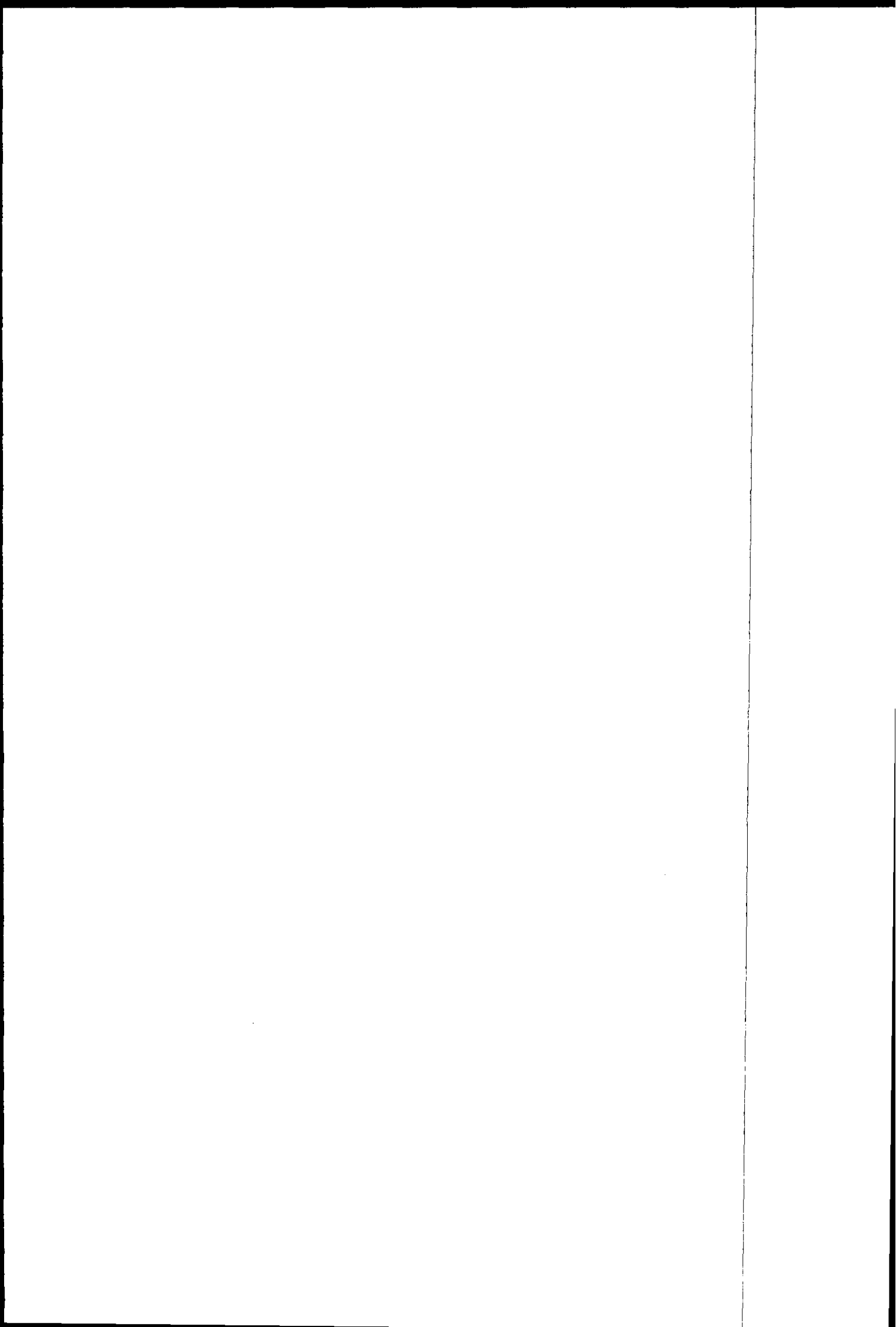
Balance sheet as at 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	12	41,337	45,333
Tangible assets	13	22,176	22,887
Investments	14	2,056	451
		65,569	68,671
Current assets			
Stock	15	61,352	45,630
Debtors	16	45,817	58,117
Cash at bank and in hand		48,592	32,913
		155,761	136,660
Creditors: amounts falling due within one year	17	(130,460)	(126,415)
Net current assets		25,301	10,245
Total assets less current liabilities		90,870	78,916
Creditors: amounts falling due after one year	17	(83)	(47)
Provisions for liabilities and charges	18	(8,408)	(6,312)
Net assets		82,379	72,557
Capital and reserves			
Called up share capital	19	46,654	46,654
Profit and loss account	20	35,725	25,903
Equity shareholders' funds	21	82,379	72,557

The financial statements on pages 4 to 18 were approved by the board of directors on 30th August 2001 and were signed on its behalf by:



G N Fitzpatrick
Director



DePuy International Limited

Notes to the financial statements for the year ended 31 December 2000

1 Accounting policies

Basis of accounting

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

Foreign exchange

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

Intangible assets

Purchased know-how, goodwill and technology transfer are amortised on a straight line basis over their useful lives, estimated at between 11 and 20 years.

Depreciation

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

Freehold land and buildings	50 years
Plant and machinery	3 - 7 years
Fixtures, fittings and equipment	5 - 8 years

Stock

Stock and work in progress is valued at the lower of cost and net realisable value. Cost includes appropriate manufacturing overheads.

Deferred taxation

Provision is made for deferred taxation to the extent that there is a reasonable probability that a liability will arise in the foreseeable future.

Research and development

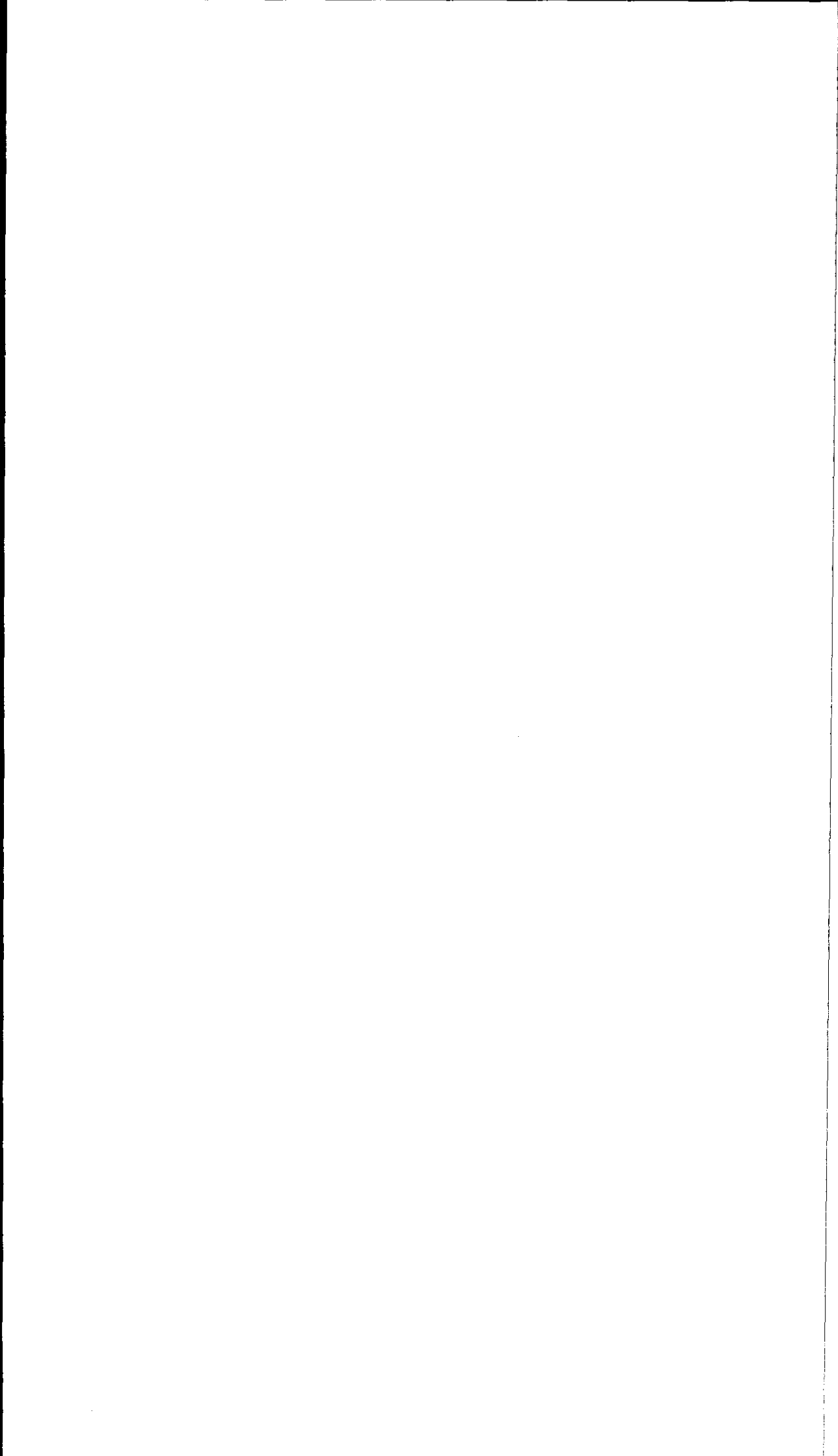
Expenditure on research and development is written off in the period in which it is incurred.

Leasing and hire purchase of fixed assets

Fixed assets acquired under finance leases and hire purchase contracts are included under tangible fixed assets in the balance sheet. The capital element of the future payments is treated as a liability and interest is charged to the profit and loss account on a straight line basis. Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

Pension costs

Independent actuaries prepare valuations of the company pension scheme at least every three years. In accordance with their recommendations, and after adjustment for any changes in the actuarial assumptions or the company's employees, the company makes contributions which are charged to the profit and loss account on a consistent basis over the expected remaining working lives of the employees.



DePuy International Limited

2 Cash flow statement and related party disclosure

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

3 Turnover

Turnover represents the total amount receivable, excluding Value Added Tax, in the ordinary course of business for goods sold and services provided.

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

	2000	1999
	£'000	£'000
United Kingdom	63,316	45,860
Export	157,076	120,796
	220,392	166,656

4 Net operating expenses

	2000	1999
	£'000	£'000
Selling and distribution costs	23,978	26,551
Administrative expenses	33,141	24,574
	57,119	51,125

DePuy International Limited

5 Exceptional items

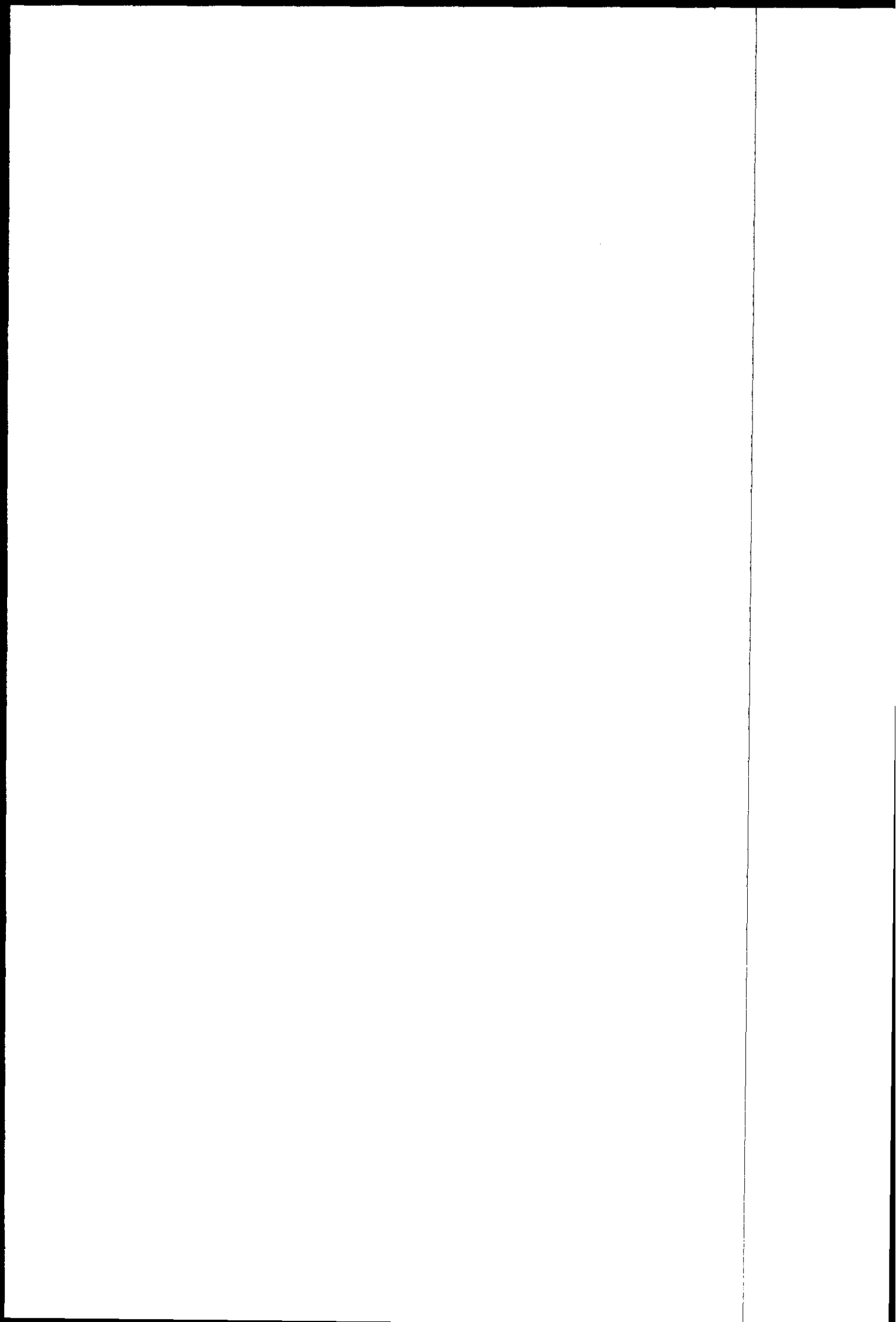
	2000	1999
	£'000	£'000
Recognised in arriving at operating profit:		
Cost of sales:		
Provision for obsolete, slow moving and rationalised products	2,270	5,500
Selling and distribution expenses:		
Write off of instrumentation	-	5,240
Administrative expenses:		
Business integration costs	1,962	2,494
	4,232	13,234

6 Acquisitions

On 1 January 2000 the company acquired the business and assets of DePuy Motech Limited, a company within the Johnson & Johnson Inc group. DePuy Motech Limited were engaged in the purchase and sale of spinal orthopaedic products. Details of the fair value of the net assets acquired are set out below:

	£'000
Finished goods	531
Discharged by consideration	531

The business acquired has been fully absorbed into the DePuy International Limited from the date of acquisition. As a result of this it is not possible to determine the impact of the acquisition of the result of the business for the year.



DePuy International Limited

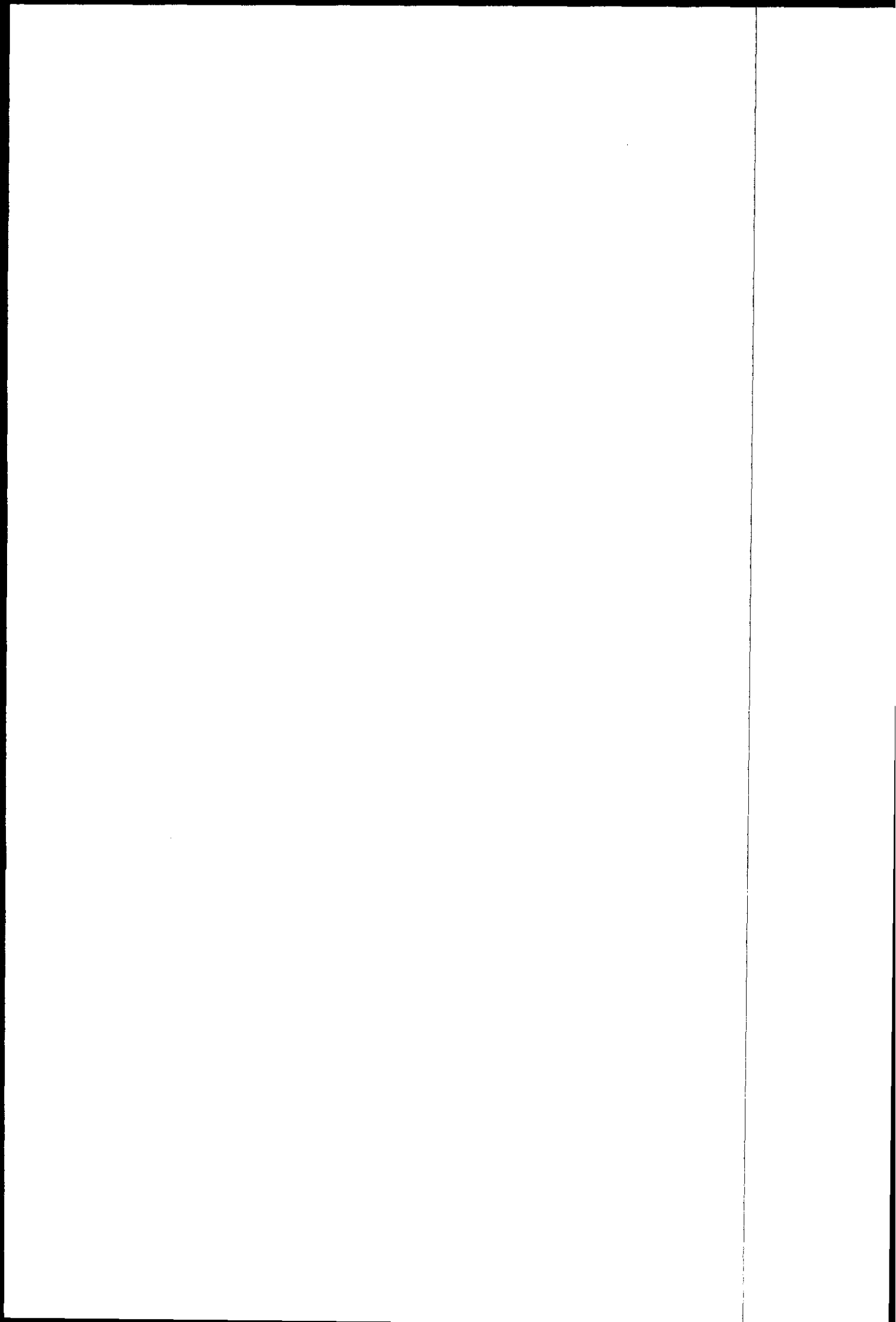
7 Net Interest receivable

	2000	1999
	£'000	£'000
Interest receivable	2,678	2,032
Interest payable on bank loans, overdrafts and other loans repayable within 5 years	-	(33)
On hire purchase and finance lease contracts	(36)	(2)
	2,642	1,997

None of the interest receivable shown above relates to amounts due from other group companies (1999: £Nil).

8 Profit on ordinary activities before taxation

	2000	1999
	£'000	£'000
Profit before taxation is stated after charging the following:		
Depreciation of tangible fixed assets		
- Owned assets	3,702	2,855
- Leased assets	147	21
Amortisation of intangible assets	3,996	3,870
Operating lease rentals	826	546
Auditors' remuneration		
- Audit services	55	40
- Non - audit services	48	244
Research and development expenditure	7,579	8,235
Provision for share options	920	931
Group management fee	1,188	550



DePuy International Limited

9 Directors emoluments

	2000	1999
	£'000	£'000
Aggregate emoluments	734	950
Number of directors to whom retirement benefits are accruing under defined benefit schemes	4	5
Highest paid director:		
Aggregate emoluments	223	248
Defined benefit pension scheme:		
Accrued pension at end of year	19	15

Aggregate emoluments include compensation for loss of office of £44,000 (1999: £Nil) of which £Nil (1999: £Nil) relates to the highest paid director.

10 Staff numbers and costs

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

	2000	1999
	Number	Number
Management, administration and sales	395	303
Production	324	350
	719	653

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	22,168	20,189
Social security costs	2,112	1,864
Other pension costs	1,260	976
	25,540	23,029

DePuy International Limited

11 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
Taxation based on profit for the year:		
UK corporation tax at 30% (1999: 30.25%)	8,286	1,130
Deferred taxation	724	1,043
(Over)/under provision in respect of prior years		
- current	(11)	(847)
- deferred	(23)	103
	8,976	1,429

12 Intangible Assets

	Know-how £'000	Purchased goodwill £'000	Technology transfer £'000	Total £'000
Cost				
At 1 January and 31 December 2000	16,412	8,095	29,787	54,294
Amortisation				
At 1 January 2000	4,136	2,181	2,644	8,961
Charge for the year	820	405	2,771	3,996
At 31 December 2000	4,956	2,586	5,415	12,958
Net book amount				
At 31 December 2000	11,456	5,509	24,372	41,337
At 31 December 1999	12,276	5,914	27,143	45,333

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

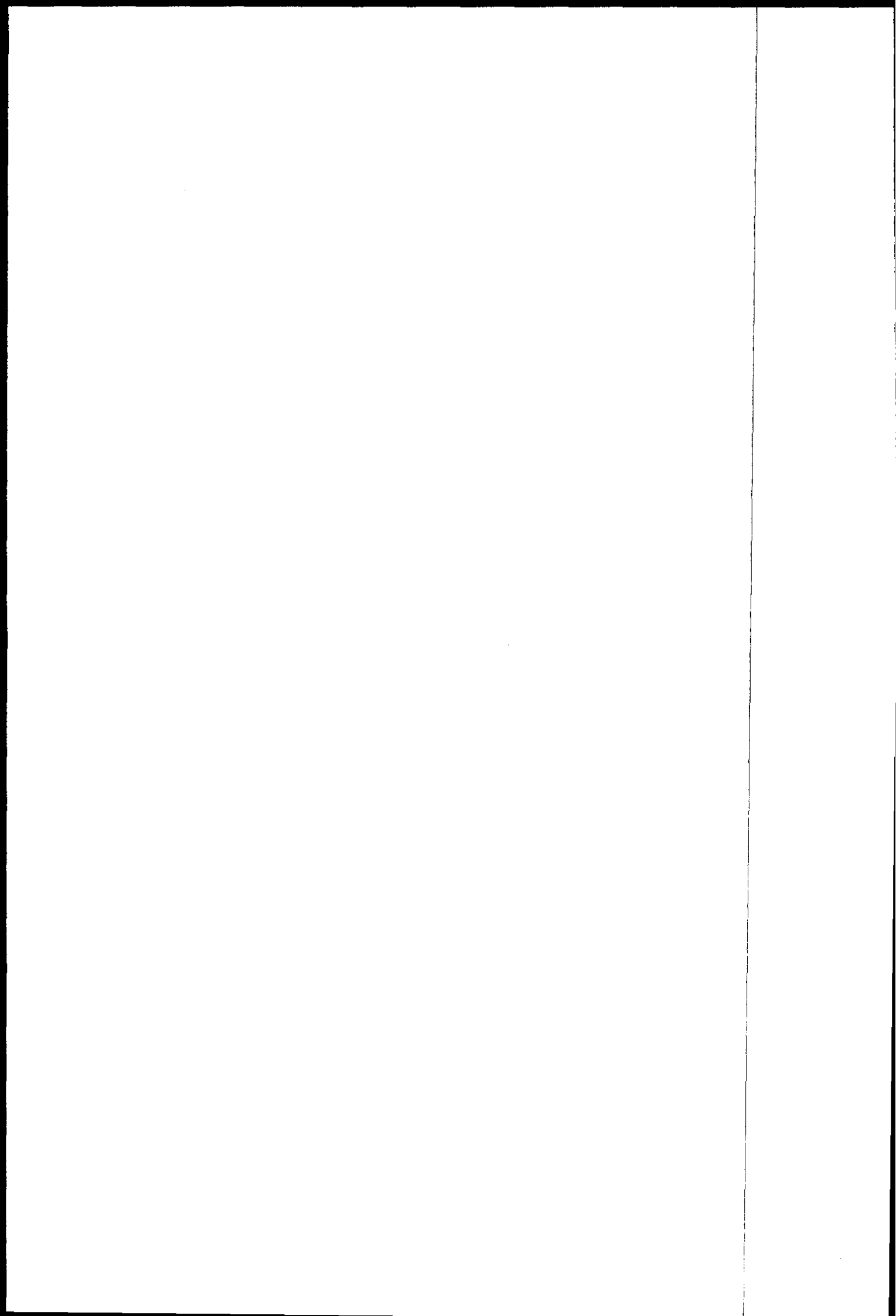
DePuy International Limited

13 Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2000	8,197	26,396	5,778	40,371
Additions	130	2,322	2,813	5,265
Disposals	-	(2,450)	(174)	(2,624)
At 31 December 2000	8,327	26,268	8,417	43,012
Accumulated depreciation				
At 1 January 2000	1,820	12,825	2,839	17,484
Charge for the year	336	2,282	1,231	3,849
Disposals		(471)	(26)	(497)
At 31 December 2000	2,156	14,636	4,043	20,836
Net book amount				
At 31 December 2000	6,171	11,632	4,374	22,176
At 31 December 1999	6,377	13,571	2,939	22,887

Assets held under finance leases and capitalised at 31 December 2000:

	£'000
Cost	1,860
Accumulated depreciation	1,606
Net book amount	254



DePuy International Limited

14 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2000	451
Acquisitions	1,605
At 31 December 2000	2,056

On 31 March 2000 the company acquired the whole of the ordinary share capital of Cemvac System AB for consideration of £1,605,000 consisting of cash consideration of £1,130,000 and deferred consideration of £475,000. The deferred consideration is due to be paid on 31 March 2001, one year after the acquisition.

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

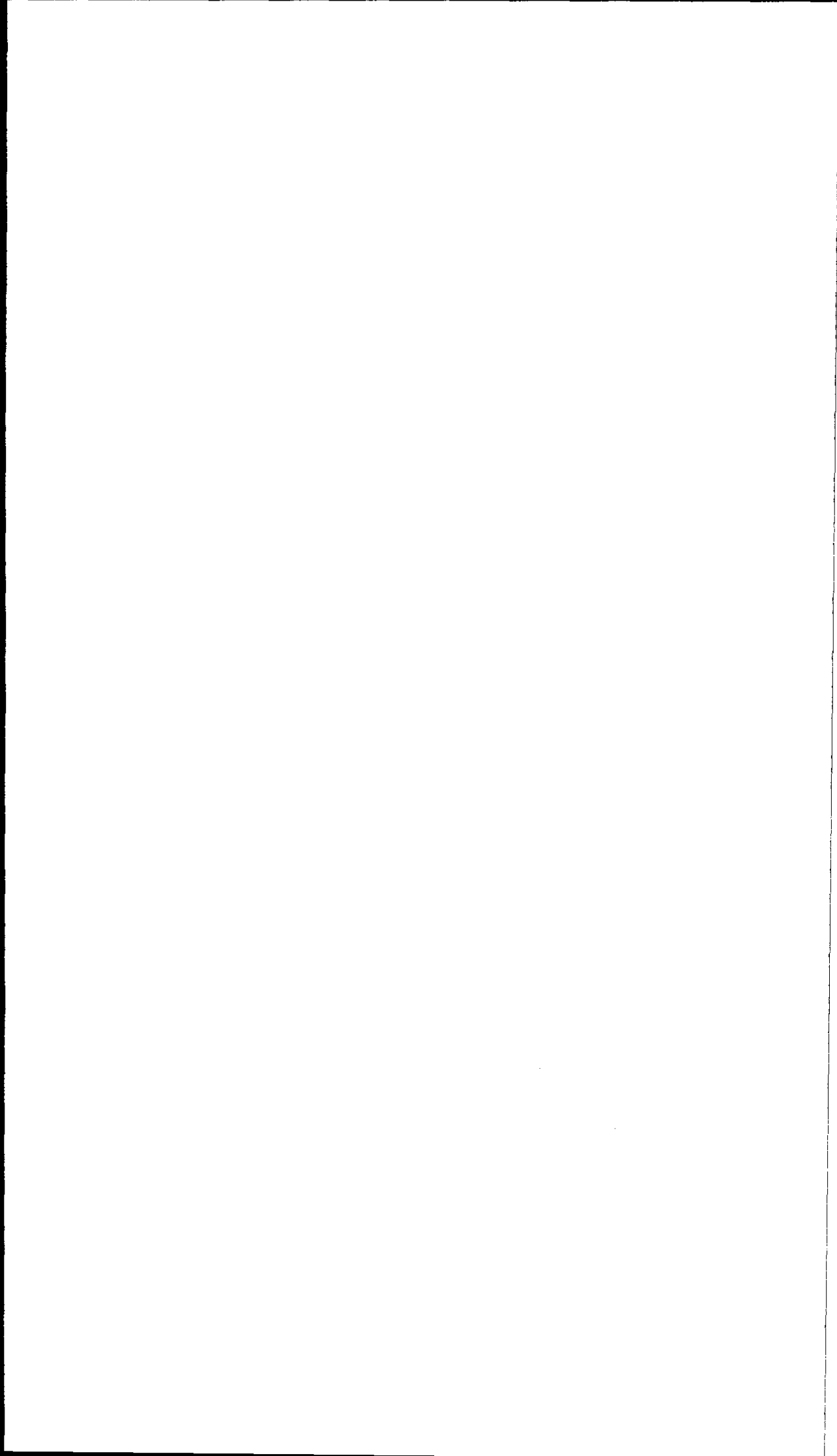
The company is a wholly owned subsidiary of Johnson & Johnson Management Limited, a company registered in England and Wales, and thus under Section 228 of the Companies Act 1985 is exempt from producing group accounts.

(1) Registered in England and Wales

Shares held
31 December 2000

BCCO (1992) Limited (non-trading)	8,299
Tweedbank Surgical Engineering Limited (non-trading)	1,000
CMW Laboratories Limited (non-trading)	4,995
Orthogenesis Limited (non-trading)	1
Charles F Thackray (1991) Limited (non-trading)	999
Charnley Limited (non-trading)	99

The above holdings are of £1 ordinary shares.



DePuy International Limited

14 Investments (continued)

(2) Incorporated in Australia

Shares held
31 December 2000

DePuy Australia Pty Limited	700,000
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The above holdings are part-paid 1 A\$ shares.

(3) Incorporated in Sweden

Shares held
31 December 2000

Cemvac Systems AB	5,000
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The above holdings are ordinary 100 Swedish Krone shares.

15 Stock

	2000	1999
	£'000	£'000
Raw materials and consumables	5,724	6,103
Work in progress	2,422	928
Finished goods and goods for resale	53,206	38,599
	61,352	45,630

16 Debtors

	2000	1999
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	17,364	17,240
Amounts owed by subsidiary undertakings	3,532	3,852
Amounts owed by group undertakings	20,149	30,725
Corporation tax recoverable	-	2,452
Prepayments and accrued income	4,772	3,848
	45,817	58,117

DePuy International Limited

17 Creditors

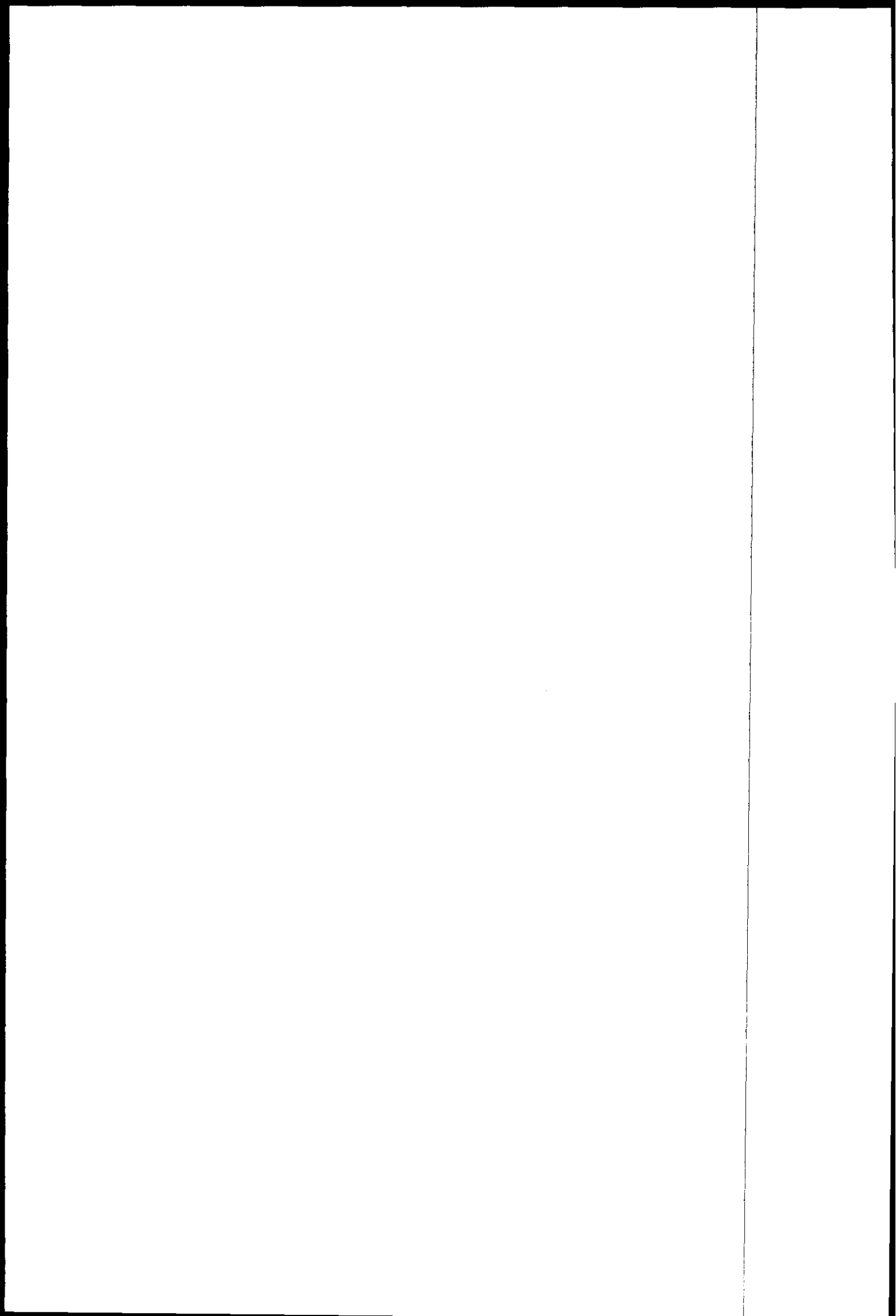
	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade creditors	2,451	1,755
Amounts owed to group undertakings	103,995	92,861
Amounts owed to subsidiary undertakings	840	11,994
Obligations under hire purchase contracts	129	46
Corporation tax	4,745	-
Other taxation and social security payable	1,380	1,284
Accruals and deferred income	16,920	18,475
	130,460	126,415

	2000 £'000	1999 £'000
Amounts falling due after more than one year:		
Obligations under hire purchase contracts	83	47

Finance leases

Future minimum payments under finance leases are as follows:

	2000 £'000	1999 £'000
Within one year	130	47
In more than one year, but not more than five years	83	53
Total gross payments	213	100
Less finance charges included above	(1)	(7)
	212	93



DePuy International Limited

18 Provisions for liabilities and charges

	Deferred consideration £'000	Provisions for share options £'000	Deferred taxation £'000	Total £'000
At 1 January 2000	-	931	5,381	6,312
Acquisitions – deferred consideration	475	-	-	475
Profit and loss account	-	920	701	1,621
At 31 December 2000	475	1,851	6,082	8,408

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

The amount provided for deferred taxation and the full potential liability calculated using the liability method and a rate of corporation tax of 30% are as follows:

	2000		1999	
	Amount provided £'000	Full potential liability £'000	Amount provided £'000	Full potential liability £'000
Difference between accumulated depreciation and capital allowances	6,507	6,507	5,395	5,395
Short term timing differences	(425)	(425)	(14)	(14)
Capital gains rolled over	-	148	-	148
	6,082	6,230	5,381	5,529

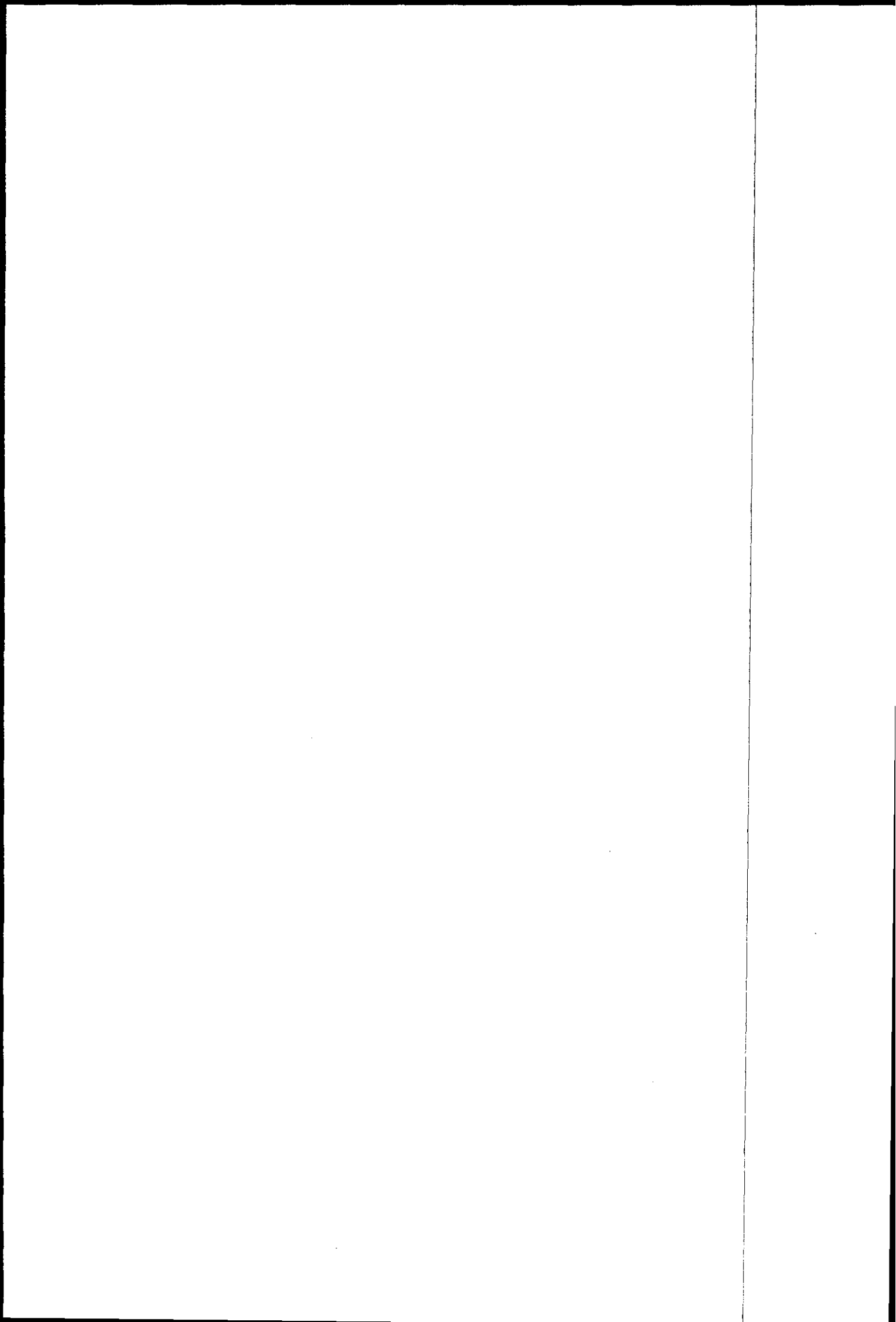
19 Called up share capital

£'000

At 31 December 1999 and 31 December 2000

Authorised, allotted, called up and fully paid:

46,653,706 £1 ordinary shares 46,654



DePuy International Limited

20 Reserves

	2000 £'000
Profit and loss account	
At 1 January 2000	25,903
Retained profit for the financial year	9,822
At 31 December 2000	35,725

21 Reconciliation of movements in shareholders' funds

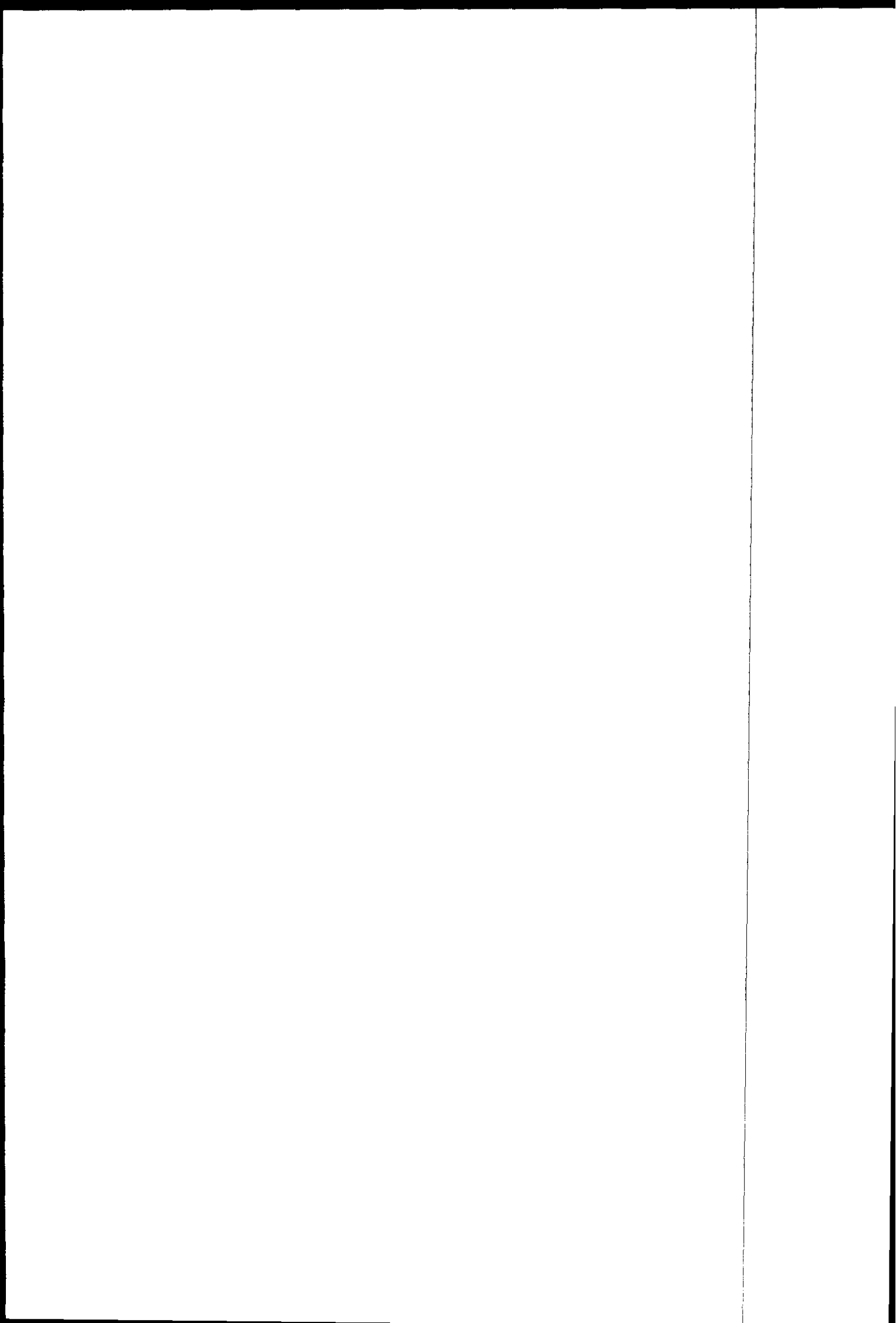
	2000 £'000
Profit for the financial year	9,822
Shareholders' funds as at 1 January	72,557
Shareholders' funds as at 31 December	82,379

22 Capital and other commitments

Contracted capital commitments for which no provision has been made in the accounts total £110,000 at 31 December 2000 (1999: £649,988).

At 31 December 2000 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2000 Land and Buildings £'000	2000 Other £'000	1999 Land and Buildings £'000	1999 Other £'000
Within one year	173	92	-	433
Within two to five years	-	456	55	447
	173	548	55	880



DePuy International Limited

23 Contingencies

The company has given unlimited guarantees in respect of certain fellow subsidiaries' liabilities to Royal Bank of Scotland plc.

The company hedges the value of future foreign currency commitments by taking out foreign currency forward contracts with a fellow group subsidiary. At 31 December the value of these contracts amounted to £169,287,000 (1999: £132,458,000).

The company has given other bank guarantees arising in the ordinary course of business amounting to £1,503,962 (1999: £1,500,000).

24 Pension costs

The company operates a defined benefit pension scheme, the assets of which are administered by the trustees and kept separate from those of the group.

The last available actuarial valuation of the Scheme was undertaken at 5 April 1999 using the projected unit method. At the date of the last actuarial valuation the market value of the Scheme's assets was £25,982,000. The actuarial value of these assets represented 125% of the benefits that had accrued to members after allowing for expected future increases in earnings. The pension cost for the year for this Scheme was £729,000 (1999: £576,000). An amount of £1,089,000 (1999: £947,000) is included in prepayments and accrued income. This represents the excess of payment of contributions to the pension fund over the accumulated pension cost.

The company pay life assurance and health insurance premiums in respect of employees who make contributions to the company's pension scheme. The cost for the year in respect of these premiums was £286,000 (1999: £282,000).

In addition certain employees contribute to the J&J Group Retirement Plan. This scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. Particulars of the latest actuarial valuation are contained in the accounts of J&J Management Limited. The pension cost for the year in respect of this scheme was £245,000 (1999: £118,000).

Subsequent to the year end, on 1 April 2001, the members of the company defined benefit pension scheme transferred to the J&J Group Retirement Plan. The company scheme currently still exists as the assets and liabilities of the scheme are yet to be transferred to the group plan.

25 Ultimate parent undertaking

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

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

