

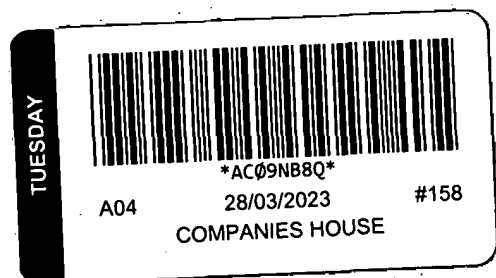
Registered number: 03319712

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**DEPUY INTERNATIONAL LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**



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DEPUY INTERNATIONAL LIMITED

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DEPUY INTERNATIONAL LIMITED

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COMPANY INFORMATION

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<b>Directors</b>	A J Scholes D Corbin (resigned 26 January 2022) G Kurring D O'Mahony N J Sheppard J Bridgens (appointed 22 June 2021) N Keedy (appointed 22 June 2021)
<b>Registered number</b>	03319712
<b>Registered office</b>	St Anthony's Road Beeston Leeds West Yorkshire LS11 8DT
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH
<b>Solicitors</b>	DLA Piper UK LLP Princes Exchange Princes Square Leeds LS1 4BY

**STRATEGIC REPORT  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

The directors present their Strategic report on the company for the financial year ended 2 January 2022.

**Principal activities**

The principal activities of the company are the manufacture and supply of orthopaedic products in the UK.

**Business review**

Overall the directors are satisfied with the performance of the company during the financial year and its financial position at the financial year end.

The key financial and other performance measures year on year were as follows:

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000	Change %
Revenue	32,596	32,059	2
Operating profit/(loss)	12,481	(7,963)	257
Total equity	109,385	85,328	28
Average monthly number of employees	467	459	2

The results and dividend section within the directors' report and the income statement on page 15 show the full results for the financial year.

The company moved from an operating loss in the prior year to an operating profit in the current year mainly due a pension salary linked of £3,239,000 of past service income.

Total equity has increased by 28% year on year.

The statement of financial position on page 17 of the financial statements shows the company's financial position at the end of the year.

The average monthly number of employees has increased by 2% year on year.

**Future outlook**

The market in which the company operates remained challenging throughout 2022 and up to the date of approving the financial statements. It is expected to remain competitive for the remainder of the year and into the future. The development of new and existing products and processes continues to be important to the success of the company in all areas of the business.

The directors remain confident that the company will continue to perform well in the future.

The directors consideration of COVID-19 is outlined with the Directors' report.

**Events since the year end**

*Impacts of Russia's invasion of Ukraine*

Although the long-term implications of Russia's invasion of Ukraine are difficult to predict at this time, the financial impact of the conflict in the 2021 fiscal year ending January 2, 2022, including accounts receivable or inventory reserves, was not material. Overall, the J&J Group continued to supply its products throughout the second quarter of 2022 as patients rely on many of the products for healthcare purposes. However, in early March 2022, the Group took steps to suspend all advertising, enrolment in clinical trials, and any additional investment in Russia. Additionally, at the end of March 2022, the Group made the decision to suspend supply of personal care products in Russia.

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 2 JANUARY 2022**

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**Events since the year end (continued)**

On 12th November 2021, Johnson & Johnson announced its intention to separate the Consumer Health business to create a new publicly traded company, with a new name. The New Consumer Health Company should be better positioned to deliver for patients and consumers, pursue more targeted business strategies and accelerate growth as an independent company. The separation process is expected to be completed in 18-24 months, subject to legal requirements, regulatory approvals and other customary conditions and approvals. In the meantime, DePuy International Limited continues to operate as part of the global Johnson & Johnson.

There have been no other significant events affecting the company since the year end.

**Principal risks and uncertainties**

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

The key business risks and uncertainties affecting the company are considered to relate to general industry conditions and competition; economic conditions, such as currency exchange rate fluctuations; technological advances; challenges inherent in new product development; and trends toward health care cost containment. The risks and uncertainties are managed at regular board meetings, and where applicable, actions are taken to mitigate the risks.

**Section 172 Report**

This statement sets out how the directors of the company have complied with section 172 ("section 172") of the Companies Act 2006 ("Act") in the course of the financial year subject to this report.

**Decision making processes**

The company is part of the Johnson & Johnson sub-group of companies in the UK and is ultimately owned by Johnson & Johnson, a corporation registered in New Jersey, USA and listed on the New York Stock Exchange. It is a member of the wider Johnson & Johnson international group of companies ("Group").

The company has a culture of high standards of business conduct, which the directors ensure is maintained throughout the company's operations and which is ultimately underpinned by *Our Credo*. Created more than 75 years ago, *Our Credo* declares the Group's responsibility to its key stakeholders. It is the Group's values and principles as set out in *Our Credo*, together with the duties and responsibilities which the directors are subject to by virtue of the Act and other applicable law and regulation, which guide the directors' decision-making. All employees, including the company's operational and functional managers, are required to comply with the ethical values and principles set out in *Our Credo* which is further supported by the company's Code of Business Conduct which sets out basic requirements for business conduct and serves as a foundation for the Company policies, procedures and guidelines, all of which provide additional guidance on expected employee behaviours in every market where Johnson & Johnson operates, including the UK.

The directors ensure that the company operates in a way consistent with the wider Johnson & Johnson Group strategy and governance processes. Authority for day-to-day management of the company is delegated to individual operational and functional managers who have clear processes to follow when considering decisions, including principal decisions which impact the company's key stakeholders. Common with other international groups, certain of these operational and functional managers have a wider Group remit. Responsibility for decision making on certain matters is delegated to the key operational and functional management within the Group except where they cannot be delegated under the Act.

Director meetings are held as required where the directors consider the company's activities and make and approve decisions, as appropriate. Business strategies and decisions are subject to a rigorous review process involving various levels of employees from numerous departments. As part of the company's governance framework, information submitted to the directors and operational and functional managers to support decision-making must be prepared to a high standard of accuracy and integrity and provide sufficient information to enable directors to discharge their duties effectively. This information includes data in relation to customers, supplier relationships, market developments and trends and company financial information.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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Potential legal and ethical risks which may compromise the performance of the company are monitored and discussed with senior management alongside risk and compliance. Stakeholders from within the wider Johnson & Johnson Group are consulted with on key business decisions where appropriate and their input on company strategy and objectives sought.

The directors received training on their statutory duties, including under section 172 of the Act, during the financial year.

**Key board considerations during the financial year**

During the financial year, the directors considered the following aspects:

- Financial risks associated with the ongoing impact of both COVID-19 including opportunities improving efficiencies and Business Continuity Planning.
- Business Impact in Relation to Brexit- The United Kingdom (UK) withdrew from the European Union (EU) on 31 January 2020. The transition period lasted until 31 December 2020. During the transition period, negotiations were completed and a trade agreement between the two parties was reached. No lasting or significant impact on the company's activities as a result of this agreement was experienced, however monitoring and ongoing supply chain risk mitigation activities continued through 2021.
- Medical Device Regulation- risks associated with the timing for completing regulatory submissions continued to be a focus; specifically resourcing and implications for new regulations.

**Stakeholder engagement**

The directors work to promote the success of the company as they implement the company strategy and day to day operational activities, by giving due consideration to the impact that any of their decisions may have on both the company and its key stakeholders. The directors acknowledge that the views of, and effects on, the company's key stakeholders regarding key business decisions are of critical importance to the continued success of the company.

As a member of a global healthcare group, the company interacts with numerous stakeholder groups at the global, national, and local levels.

***Patients, Clinicians and Consumers***

Enshrined in *Our Credo* is a recognition that the Group's first responsibility is to patients, doctors and nurses, customers, consumers, and all others who use Johnson & Johnson's products and services. The well-being of patients is the reason for the company's existence.

The company works closely with patients, clinicians, and consumers. The company seeks to foster its business relationship with such groups through a variety of forums and initiatives from clinical trials, customer focus groups, Patient Engagement Research Councils (PERCs), joint product design initiatives, patient advocacy conferences, direct contact through sales, via dedicated customer relationship managers, attendance at industry trade groups and meetings and through the company's websites and social media platforms.

The company regularly seeks patient, clinician, and consumer input on matters such as product effectiveness, quality, safety, reliability, performance, composition, price and pricing transparency, access, ease of use or application and disposal. Other matters on which input has been sought from patient organisations include development of AI, data science and digital health solutions, product packaging, sales and distribution channels, patient demand, pricing, and manufacturing processes. A summary of consumer complaints, comments and interactions is provided to the Board on a quarterly basis and the feedback received used to improve product and service levels.

The directors recognise that working with these stakeholders is key to the company's success as it helps the company better understand the needs of patients living with diseases and conditions that the company is committed to help, prevent, treat, and cure.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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### **Employees**

The directors recognise that the company owes its success to its employees and those of the wider Johnson & Johnson Group. The directors are aware of their responsibility to the company's employees and further recognise that key to providing an inclusive work environment, where individuals have a sense of fulfilment and purpose in their roles, is regular consultation on matters affecting the company and them individually.

The company continually communicates with its employees through a variety of formats and media leveraging Group functions and initiatives. Through these forums, the company provides employees with information on matters that are of concern to them as well as obtaining their views on company matters likely to affect them or in which they may be interested. The engagement forums used by the company include performance reviews, formal and informal meetings, offline and online communication including newsletters, 'Town Hall' meetings, Leadership blogs, digital daily digests, quarterly business updates, TED talks and events, conferences, *Our Credo* survey, webcasts, and seminars and through employee representative forums.

In the financial year, the company re-ran its biennial *Our Voice* Survey, which is part of a wider Group engagement initiative, the detailed results of which are communicated to all employees and plans then developed to address the main areas of opportunity identified by employees both at a corporate Group level and within individual teams.

The company also operates a 24/7 toll free employee hotline, run by external providers, to offer employees an alternative method of voicing their views outside of normal business channels. An Escalation Procedure is also in place by which employees can bring issues of concern to the attention of senior management. During the financial year, the company updated its Escalation Procedure and communicated it broadly to all employees, emphasising that every employee is empowered to speak up on any matter relating to ethical conduct or compliance.

During the financial year, the company has engaged with employees on a variety of key business matters including,

- the Group's refresh of its Enterprise diversity, equity and inclusion strategy and increased global representation of women and ethnic, racially diverse employees, specifically the forming of the site DE&I council. This group works to promote engagement, awareness, and recommendations for improvements in employee experience.
- the Group's implementation of J&J Flex, the Group's new hybrid working model; specifically, engagement with employee forums to help consolidate feedback and support with management and transition to the new model.
- the continued development of the Group's Environmental, Social and Governance (ESG) strategy to keep pace with industry ESG best practice and ensure the strategy aligns with the priority views and needs of the Group's stakeholders.
- Continuous information and dialogue on health and safety regarding COVID, mental health support and well-being.

Other matters on which the company has engaged with employees include personal development, trends in self-care talent acquisition and career opportunities, support for family, health and well-being, COVID-19 pandemic crisis management response, awareness and support, ethical business practices, business performance, sustainable innovation, workplace health and safety, compensation and benefits, human rights, community engagement and volunteering initiatives, and data protection and privacy.

Employees have the ability to participate in a share option plan operated by the company's ultimate parent company Johnson & Johnson. The purpose of the plan is to motivate employees to contribute towards the creation of long-term shareholder value whilst providing them with an opportunity to share in the wider Group's success.

### **Suppliers**

Each supplier engaged by the company is required to uphold the Group's *Our Credo* values and comply with the Group's Code of Business Conduct and Responsibility Standards for Suppliers. The Group has in place an audit and assurance programme against which suppliers' adherence to these standards and applicable legal and regulatory requirements is regularly monitored and assessed. The company maintains robust continuity plans

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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across our global supply chain network to prepare for unforeseen events and to meet the needs of patients, customers and consumers who depend on our products and services.

The company seeks to foster its business relationship with its suppliers through several engagement initiatives including direct engagement by product category leaders, collaborative partnerships, face-to-face meetings, supplier conferences, surveys and scorecards, supplier audits and post-audit engagement and through participating in initiatives such as the Group's Onward Sustainability, Sustainable Procurement and Supplier Diversity Programmes.

During the financial year, the company has engaged centrally with suppliers on a variety of key business matters including:

- Decarbonisation strategies.
- Advancing sustainable packaging, circular solutions, and green chemistry principles.
- Responsible sourcing.
- Development of a long-term human right's strategic framework

Other matters on which the company has engaged with suppliers include product innovation initiatives, information security and data privacy and COVID-19 crisis management and supply continuity in response to COVID-19.

The directors monitor payment performance to the company's suppliers and to ensure the company complies with the wider Group's fair payment policies.

***Local community and the environment***

The directors believe that human health is inextricably linked to environmental health and recognise the need to protect the environment and natural resources. Much of the company's environmental and sustainability initiatives are managed and delivered centrally through wider Group initiatives including the Group's Health for Humanity 2025 Goals, We Sustain Sustainability Accelerator Grants challenge, New Plastics Economy Global Commitment, Healthy Lives Mission, and We Sustain Environmental sustainability employee programme. The Group has made a series of public commitments in respect of carbon reduction, advancing climate resilience, water and waste management, and improving product sustainability.

The directors and operational and functional management are responsible for ensuring the company participates in achieving these Group wide targets. Consideration of these targets, together with wider environmental impact considerations are incorporated into the company's decision-making processes.

The company also partners with other Johnson & Johnson Group UK companies in the delivery of the Group's Corporate Social Responsibility Vision programme in the UK. To achieve this Vision, the UK Group companies (including the company) have partnered with a number of organisations both nationally and across local sites to co-create innovative solutions to address health and societal challenges in the UK and to find new ways of collaborating to make a long-term, sustainable impact. The initiatives which the company chooses to support through its Corporate Social Responsibility Vision can have a significant impact on the local community. In determining which initiatives to support the directors and operational and functional management will consider which initiatives are most aligned to the Group's strategy, Health for Humanity 2025 Goals and which are likely to have the most impact.

During the financial year company led initiatives also included activities from the STEM (Science Technology Engineering & Maths) working groups; leading activities focussed on spreading awareness, providing resources to schools virtually, developing new in person activities for remote and in person learning, broadening and diversifying target reach through new partnerships and increasing diversity in the talent pipeline.

***Johnson & Johnson Group companies***

The company is a wholly owned subsidiary of another Johnson & Johnson Group entity. A key principle applied by the directors and key management personnel is to always consider whether the decision they are about to take leads to a positive long-term increase in the value of the company for the benefit of its immediate Group shareholder, and ultimately Johnson & Johnson and Johnson & Johnson stockholders.



**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

**Government and Regulators**

The company works in close partnership with the UK National Health Service (NHS), UK government and devolved administrations and other national and local organisations involved in the delivery and regulation of healthcare.

During the financial year, the Group's Chief Executive Officer joined other members of the International Leadership Group for a Net Zero National Health Service in their support of the NHS Climate Plan and ambition to be the world's first net zero health care system.

The company has also contributed to other specific matters which include focus groups on UKCA Classification and the Medical Device Regulations as well as the specific challenges associated with MDR labelling. The company has also supported roundtable discussions regarding the Government's Life Sciences Vision and considerations for attracting investment into the UK.

**Shareholder**

The Company is a wholly owned subsidiary of another Johnson & Johnson Group entity. A key principle applied by the directors and key management personnel is to always consider whether the decision they are about to take leads to a positive long-term increase in the value of the Company for the benefit of its immediate Group shareholder, and ultimately Johnson & Johnson.

**Streamlined Energy and Carbon Reporting (SECR) disclosure**

We believe industry has an important role to play in responding to climate change by implementing voluntary reductions of the greenhouse gases within their control. We have made strong progress in transitioning to renewable electricity, and plan to make further investments in energy efficiency across our operations.

In 2021, various energy efficiency actions were undertaken. This includes reducing AHU air volume at the Leeds Beeston site to account for lower occupation and adjusting boiler controls at Leeds Capitol Park to ensure no unnecessary usage.

The Scope 1 emissions are based on the vehicle fleet and facilities' gas and fuel consumption.

The Scope 2 emissions have been calculated according to the dual reporting principals of the Greenhouse Gas Protocol Scope 2 Guidance (market and location-based method). In our total carbon footprint calculations, the location Scope 2 emissions are used.

We have not qualified nor disclosed scope 3 emissions for the business.

Carbon emissions conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting 2021'

<b>Greenhouse gas emissions in tCO2e</b>	<b>Financial year ended 2 January 2022</b>	<b>Financial year ended 3 January 2021</b>
Scope 1 emission TCO2e	705	679
Scope 2 emissions TCO2e	1,544	1,668
Total	2,249	2,347
<b>Energy consumption</b>	<b>Financial year ended 2 January 2022</b>	<b>Financial year ended 3 January 2021</b>
Energy consumption in kwh	10,987,300	10,188,000

Intensity ratio for 2021 is 3.7547 TCO2e per full time employees.

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DEPUY INTERNATIONAL LIMITED

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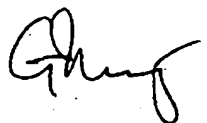
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 2 JANUARY 2022**

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The prior year Scope 2 emissions TCO2e has been changed to reflect a correction in the calculations. There is no financial impact as a result of this correction.

This report was approved by the board and signed on its behalf.

G Kurring  
Director  
Date:

  
24/MAR/23

**DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

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The directors present their report and the audited financial statements for the financial year ended 2 January 2022.

The company's reporting period ends on the Sunday closest to 31 December, being 2 January 2022 for the current year (52 weeks) and 3 January 2021 for the prior year (52 weeks).

**Statement of directors' responsibilities in respect of the financial statements**

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

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

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 jurisdiction.

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Director's would like to highlight that there is an issue with the documentation of various entries to intercompany accounts in the GAAP to statutory adjustment bridge. The Director's were unable to produce the documentation explaining these entries prior to the finalization of the 2021 financial statements, though the Directors note that an action plan to resolve this issue has been put in place prior to the issuance of these financial statements.

**Future outlook**

The directors' expectations for the future of the business are set out in the Strategic report included within the annual report and financial statements.

**Financial risk management**

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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*Price risk*

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

*Credit risk*

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

*Liquidity risk*

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

*Interest rate cash flow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets earn interest at a variable rate.

*Foreign exchange risk*

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

**Results and dividends**

The profit for the financial year amounted to £11,425,000 (2020: Loss £5,683,000).

No dividend was paid in 2021 (2020: £nil). The aggregate dividends on the ordinary shares recognized during the year amounts to £Nil (2020: £Nil).

**Directors**

The directors who served during the financial year and up to the date of signing the financial statements, unless otherwise stated, are given below:

A J Schöles  
D Corbin (resigned 26 January 2022)  
G Kurring  
D O'Mahony  
N J Sheppard  
J Bridgens (appointed 22 June 2021)  
N Keedy (appointed 22 June 2021)

**Employee involvement and engagement**

The company is committed to the continued development of employee involvement by an effective communications and consultative framework. Consultative committees covering broad business areas, pensions, health and safety, quality and employee services are well established and meet regularly in order to take on the views of the employees in decision making. Team briefings, which complement other forms of management communication, ensure that all levels in the organisation are kept up-to-date on the performance of the company, thereby increasing employee engagement. In addition, surveys such as the annual Credo Survey are conducted to provide opportunities for employees to feed back to senior management on the health of the business and general working environment.

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**Employee involvement and engagement (continued)**

The company is committed to the principle of employee share participation and accordingly during the year have continued the Johnson & Johnson Employee Share Incentive Plan. This scheme provides employees with the opportunity to acquire shares in the US parent company of the Johnson & Johnson group on an advantageous basis and it is operated with tax benefits under HM Revenue & Customs approved share scheme arrangements.

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

**Stakeholder involvement and engagement**

The statement for the stakeholder involvement is set out in the Strategic report S172 reporting included within the annual report and financial statements.

**Disabled persons**

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

**Going concern**

Management have considered the impact of the COVID-19 pandemic on the company's ability to continue as a going concern and are satisfied with that basis having reviewed forecasts and future cash flows.

**Modern slavery statement**

The company, as a member of the Johnson & Johnson family of companies, is committed to ensuring that it conducts its business worldwide with respect for human rights and in compliance with all applicable laws and fair labour practices. The company has prepared a statement in accordance with the requirements of The Modern Slavery Act 2015, a copy of which is available on request or on certain of the company's website.

**Independent Auditors**

PricewaterhouseCoopers LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place in accordance with section 487 of the Companies Act 2006 for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report was approved by the board and signed on its behalf.

G Kurring  
Director

Date: 24/mar/23

# Independent auditors' report to the members of Depuy International Limited

## Report on the audit of the financial statements

### Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph below, Depuy International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2022 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 2 January 2022; the income statement, statement of comprehensive income and statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for qualified opinion

We were unable to obtain sufficient appropriate audit evidence to support amounts owed by and owed to group undertakings. The value of the amounts owed by group undertakings as at 2 January 2022 included within trade and other receivables for which we could not obtain sufficient appropriate audit evidence is £51,071,000. The value of amounts owed to group undertakings as at 2 January 2022 included within trade and other payables for which we could not obtain sufficient appropriate audit evidence is £73,618,000. As a result of this matter, we were unable to determine whether any adjustments might have been necessary in respect of amounts owed by and owed to group undertakings and any consequential impact on the income statement, statement of comprehensive income and statement of changes in equity.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 2 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Medical Devices Regulation as prescribed by the Medicines and Healthcare products Regulatory Agency, employment law, and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK taxation regulations and the Companies Act 2006. We evaluated management's

incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through posting of fraudulent journals as well as adjustments between the trial balance and the financial statements. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the legal and regulatory framework applicable to the company and how the company monitors its compliance with that framework.
- Enquiry of management and directors around known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of minutes of meetings with the Board of Directors.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations in respect of revenue, unusual users, and post close journals.
- Assessing reasonableness of accounting estimates, and incorporating elements of unpredictability to the nature and extent of audit procedures performed by us.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

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.

## Other required reporting

### Companies Act 2006 exception reporting

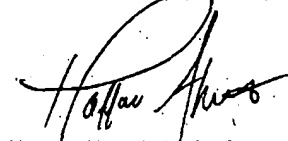
In respect solely of the limitation on our work relating to amount owed to group undertakings and amount owed by group undertakings, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Hassan Ahmed (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
24 March 2023



DEPUY INTERNATIONAL LIMITED

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

	Note	Financial year ended 2 January 2022 £000	Restated* Financial year ended 3 January 2021 £000
Revenue	4	32,596	32,059
Cost of sales		(30,267)	(36,538)*
<b>Gross profit/(loss)</b>		<b>2,329</b>	<b>(4,479)</b>
Administrative expenses		(41,620)	(54,516)*
Other operating income	5	51,772	51,032
<b>Operating profit/(loss)</b>	6	<b>12,481</b>	<b>(7,963)</b>
Interest receivable and similar income	10	—	54
Other net finance income	11	560	856
<b>Profit/(loss) before income tax</b>		<b>13,041</b>	<b>(7,053)</b>
Income tax (expense)/credit	12	(1,616)	1,370
<b>Profit/(loss) for the financial year</b>		<b>11,425</b>	<b>(5,683)</b>

The notes on pages 19 to 47 form part of these financial statements.

All amounts relate to continuing operations

Restatement in the prior year have been made to the financial statements. Please refer to note 29.

DEPUY INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

		Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
	Note		
Profit/(loss) for the financial year		11,425	(5,683)
<b>Other comprehensive income/(expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurements on defined benefit schemes	22	19,612	8,823
Re-measurements on defined benefit schemes - Plan 16	23	808	(144)
Movement of deferred tax relating to pension asset	20	(7,973)	(2,431)
<b>Total other comprehensive income</b>		<b>12,447</b>	<b>6,248</b>
<b>Total comprehensive income for the financial year</b>		<b>23,872</b>	<b>565</b>

The notes on pages 19 to 47 form part of these financial statements.

DEPUY INTERNATIONAL LIMITED  
REGISTERED NUMBER: 03319712

STATEMENT OF FINANCIAL POSITION  
AS AT 2 JANUARY 2022

	Note(s)	2 January 2022 £000	2 January 2022 £000	3 January 2021 £000	3 January 2021 £000
<b>Non-current assets</b>					
Property, plant and equipment	13		38,778		39,045
Investments	14		48		48
Pension assets	22, 23		42,885		20,324
			<u>81,711</u>		<u>59,417</u>
<b>Current assets</b>					
Inventories	15	4,001		2,627	
Trade and other receivables	16	127,756		123,535	
Cash and cash equivalents		<u>104</u>		<u>78</u>	
		131,861		126,240	
Trade and other payables: amounts falling due within one year	17, 19	<u>(89,492)</u>		<u>(91,841)</u>	
<b>Net current assets</b>			42,369		34,399
Trade and other payables: amounts falling due after more than one year	18		<u>(3,148)</u>		<u>(3,725)</u>
<b>Total assets less current liabilities</b>			<u>120,932</u>		<u>90,091</u>
<b>Provisions for liabilities</b>					
Deferred tax	20	(10,642)		(4,198)	
Other provisions	21	<u>(905)</u>		<u>(565)</u>	
			(11,547)		(4,763)
<b>Net assets</b>			<u>109,385</u>		<u>85,328</u>
<b>(Capital and reserves</b>					
Called up share capital	25		46,654		46,654
Capital Contribution			1		1
Retained earnings			62,730		38,673
<b>Total equity</b>			<u>109,385</u>		<u>85,328</u>

The financial statements on pages 15 - 47 were approved and authorised for issue by the board and were signed on its behalf by:

G Kurring  
Director

Date: 24/MAR/23

The notes on pages 19 to 47 form part of these financial statements.

DEPUY INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

	Called up share capital £000	Capital Contribution £000	Retained Earnings £000	Total Equity £000
<b>At 29 December 2019</b>	<b>46,654</b>	<b>1</b>	<b>37,725</b>	<b>84,380</b>
<b>Total comprehensive income for the financial year</b>				
Loss for the financial year	—	—	(5,683)	(5,683)
Re-measurements on defined benefit pension scheme (note 22)	—	—	8,823	8,823
Re-measurements on defined benefit pension Plan 16 scheme (note 23)	—	—	(144)	(144)
Deferred tax on actuarial pension gains/(losses) (note 20)	—	—	(2,431)	(2,431)
<b>Other comprehensive income for the financial year</b>	<b>—</b>	<b>—</b>	<b>6,248</b>	<b>6,248</b>
<b>Total comprehensive income for the financial year</b>	<b>—</b>	<b>—</b>	<b>565</b>	<b>565</b>
Charge from parent for equity-settled share-based payments	—	—	(3,862)	(3,862)
Credit relating to equity-settled share-based payments	—	—	4,059	4,059
Excess current tax credit on share-based payments	—	—	225	225
Deferred tax on share-based payments in excess of fair value at grant (note 20)	—	—	(39)	(39)
<b>Total transactions with owners</b>	<b>—</b>	<b>—</b>	<b>383</b>	<b>383</b>
<b>At 3 January 2021</b>	<b>46,654</b>	<b>1</b>	<b>38,673</b>	<b>85,328</b>
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	—	—	11,425	11,425
Re-measurements on defined benefit pension scheme note 22	—	—	19,612	19,612
Re-measurements on defined benefit pension Plan 16 scheme (note 23)	—	—	808	808
Deferred tax on actuarial pension gains/(losses) (note 20)	—	—	(7,973)	(7,973)
<b>Other comprehensive income for the financial year</b>	<b>—</b>	<b>—</b>	<b>12,447</b>	<b>12,447</b>
<b>Total comprehensive income for the financial year</b>	<b>—</b>	<b>—</b>	<b>23,872</b>	<b>23,872</b>
Charge from parent for equity-settled share-based payments	—	—	(1,477)	(1,477)
Credit relating to equity-settled share-based payments	—	—	1,064	1,064
Excess current tax credit on share-based payments	—	—	130	130
Deferred tax on share-based payments in excess of fair value at grant (note 20)	—	—	468	468
<b>Total transactions with owners</b>	<b>—</b>	<b>—</b>	<b>185</b>	<b>185</b>
<b>At 2 January 2022</b>	<b>46,654</b>	<b>1</b>	<b>62,730</b>	<b>109,385</b>

The notes on pages 19 to 47 form part of these financial statements.

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## DEPUY INTERNATIONAL LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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#### 1. General Information

DePuy International Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is St Anthonys Road, Beeston, West Yorkshire, LS11 8DT. The company manufactures and supplies orthopaedic products in the UK and performs R&D services on behalf of fellow group companies.

Johnson & Johnson Medical Limited, a company incorporated in the United Kingdom, is the company's immediate parent company.

Johnson & Johnson, incorporated in the United States of America, is the company's ultimate parent undertaking.

Johnson & Johnson prepares group financial statements and is both the smallest and largest group for which group financial statements are drawn up and of which DePuy International Limited is a member. Copies of the consolidated financial statements may be obtained from the Secretary, Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, United States of America.

As the company is a wholly owned subsidiary of Johnson & Johnson Medical Limited and of its ultimate parent, Johnson & Johnson, it is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

As the company is a wholly owned subsidiary of Johnson & Johnson, the group financial statements of which are publicly available, advantage is also taken of the exemption from disclosing transactions with group companies and from presenting a cash flow statement.

These financial statements are the company's separate financial statements for the financial year beginning 4 January 2021 and ending 2 January 2022.

The company's reporting period ends on the Sunday closest to 31 December, being 2 January 2022 for the current year (52 weeks) and 3 January 2021 for the prior year (53 weeks).

#### 2. Accounting policies

##### 2.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on the historical cost convention, unless otherwise stated within the financial statements and in accordance with the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

As permitted by the Companies Act 2006, the directors have adapted the prescribed format of the income statement in a manner appropriate to the nature of the company's business:

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 (critical accounting estimates and judgements).

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted IFRS.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

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**2. Accounting policies (continued)**

**2.1 Basis of preparation (continued)**

The company is a qualifying entity for the purposes of FRS 101. Details of the company's parent and from where its consolidated financial statements prepared in accordance with a Generally Accepted Accounting Practice considered to be an equivalent to IFRS may be obtained are set out in note 1 to the financial statements.

The company has taken advantage of the following disclosure exemptions, where applicable, under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group; provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The remaining exemptions available under the framework are not applicable to the company at this time.

**2.2 New standards, amendments and IFRIC interpretations**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 2 January 2023 that have had a material impact on the company's financial statements.

**2.3 Foreign currencies**

*a. Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Pounds Sterling (£), which is also the company's functional currency.

*b. Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.4 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold land and buildings	– 30 years
Leasehold improvements	– over the term of the lease
Plant and machinery	– 3 - 12 years
Fixtures, fittings and equipment	– 3 - 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

2.5 Financial instruments

The company classifies its financial assets in the following categories: at amortised cost; and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial liabilities are measured at amortised cost.

*(a) Financial assets at amortised cost*

The company classifies its financial assets as at amortised cost if the recognition criteria is met. Subsequent to initial recognition these are measured at amortised cost using the effective interest method.

*(b) Financial assets at fair value through profit or loss*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' and are categorised as fair value through profit or loss.

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.5 Financial Instruments (continued)

*(c) Financial liabilities at amortised cost*

Financial liabilities are measured at amortised cost

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2.6 Impairment of financial assets

*Assets carried at amortised cost*

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.7 Derivative financial instruments and hedge accounting

The company has chosen not to apply hedge accounting and all derivatives are measured at fair value through profit and loss.

2.8 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses

*Impairment*

The company assesses at the end of each financial year, whether there are any indicators that an investment is impaired. This process involves consideration of internal sources of information, including dividend distributions, foreign exchange movements, plans or events expected to take place in the near future. Where an impairment indicator is identified, an assessment is made to impair the carrying value of investment to the higher of fair value less costs to sell or its value in use. When an impairment loss is recognised, if applicable, the impairment will be recognised within the current year income statement.

2.9 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads, based on the normal level of activity. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective inventory.

2.10 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

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**2. Accounting policies (continued)**

**2.10 Trade and other receivables (continued)**

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

**2.11 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less

**2.12 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Accruals and deferred income comprise expenses relating to the current year, which will not be invoiced until after the date of the statement of financial position, and income received in advance relating to the following year.

**2.13 Leases**

**The Company as a lessee**

The Company leases various buildings and vehicles. Rental contracts are typically made for fixed periods of 9 years for buildings and 3 years for plant and machinery.

The Company assesses whether a contract is or contains a lease at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Under IFRS 16, at lease commencement, the lease payments (which determine the lease liability) consist of all of the following payments relating to the use of the underlying asset during the lease term

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate (such as the Consumer price Index or a market interest rate), initially measured using the index or rate at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise the option;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Trade and other payables' on the Balance sheet.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.13 Leases (continued)

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.
- The amount of the initial measurement of lease liability.

The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

Right-of-use assets are included in the heading "Property, plant and equipment" and the lease liabilities in the headings "Trade and other payables: amounts falling due within one year" and "Trade and other payables: amounts falling due after more than one year".

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.14 Current and deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Pension Obligations

The company participates in the Johnson & Johnson UK Group Retirement Plan. The UK Group operates a funded defined benefit pension scheme and defined contribution scheme for all UK employees. New entrants are eligible to join the funded defined benefit scheme and the defined contribution scheme is closed to new entrants. There is also an unfunded, unapproved defined benefit pension scheme arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Past service cost are recognised immediately in the income statement.

Under the defined contribution plan, the company has no further payment obligations once the contributions have been paid. Contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Past service costs/(income) is recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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2: Accounting policies (continued)

2.16 Share based payments

The company operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments (options) of the ultimate parent company, Johnson & Johnson. The awards are granted by Johnson & Johnson, and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price)
- excluding the impact of any service and non-market vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company is recharged the options' original fair value as of the grant date from Johnson & Johnson. These intercompany charges are accounted for as a deduction from equity.

**Employer's national insurance on share options**

Under unapproved share option schemes, the company is required to pay National Insurance on the difference between the exercise price and market value at the exercise date of the shares issued. The company becomes unconditionally liable to pay the National Insurance upon exercise of the options.

The company therefore calculates the provision by applying the latest enacted National Insurance rate to the difference between the market value of the underlying options at the date of the statement of the financial position and the option exercise prices. The initial provision calculated upon grant of the option follows the underlying option and the charge to the income statement is therefore spread over the vesting period. At each date of the statement of financial position until the date of exercise the provision is adjusted by using the market value of the options at that date. The amount of the National Insurance actually payable will depend on the number of employees who remain with the company and exercise their options, the market price of the ultimate parent company's shares at the time of exercise and the prevailing National Insurance rates at the time.

**Employee benefits – Certificates of Extra Compensation (CEC's)**

CEC's were granted up until 31 December 2009 by the company if it wished to reward an employee for faithful service in the past and to encourage employees in their future work by permitting them to share in the growth and success of the company's enterprises by issuing to them Units of Agreements of Additional Remuneration ("AAR Units") and to that end receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the ultimate parent company and (b) by the formula value of AAR Units as established in the AAR agreement, at the time of termination of employment or death while in such employment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.16 Share based payments (continued)

**Employee benefits – Certificates of Long-Term Performance (CLP's)**

Since 1 January 2010 CLP's may be granted by the company if it wishes to reward an employee for faithful service in the past and to encourage employees in their future work by permitting them to share in the growth and success of the company's enterprises by issuing to them Units of Agreements of Additional Remuneration ("AAR Units") and to that end receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the ultimate parent company and (b) by the formula value of AAR Units as established in the AAR agreement. This award represents a deferred compensation instrument with the vested value being paid out at the tenth anniversary of the date of the grant or upon termination or retirement, whichever occurs earlier.

2.17 Provisions

Provisions for restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied exclusive of discounts, returns and value added tax.

The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods have been transferred to the customer, the amount can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the criteria included in the sales agreements have been met.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

2.19 Other operating income

Other operating income represents income receivable from fellow group companies for services provided. It is recognised when the related expenses are incurred by the company.

2.20 Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.21 Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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DEPUY INTERNATIONAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Inventory provisioning

The company regularly reviews the inventory balances and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around saleability of finished goods and future usage of raw materials.

(b) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors based on actuarial valuation reports in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

3.2. Critical judgements in applying the entity's accounting policies

The company's management considers that there are no significant judgements impacting the financial statements.

4. Revenue

An analysis of turnover by class of business as follows:

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Manufacturing service income	29,564	28,138
Royalty income	3,032	3,921
	<u>32,596</u>	<u>32,059</u>

Analysis of turnover by country of destination:

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Ireland	32,596	32,059
	<u>32,596</u>	<u>32,059</u>

**DEPUY INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

**5. Other operating income**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Other operating income	51,772	50,371
Gain on disposal of investment (Note 14)	—	661
	<u>51,772</u>	<u>51,032</u>

Other operating income represents income receivable from fellow group companies for services provided and expenses incurred by the company on behalf of DePuy Ireland Unlimited Company.

**6. Operating profit/(loss)**

The operating profit/(loss) is stated after charging/(crediting):

	Financial year ended 2 January 2022 £000	Restated* Financial year ended 3 January 2021 £000
Research & development charged as an expense	22,704	20,665
Depreciation of property, plant and equipment (note 13)	4,570	3,556
Loss on disposal of property, plant and equipment	29	149
Staff costs (Note 8)	29,534	53,381
Inventory recognised as an expense	30,267	36,538
Foreign exchange gains	<u>(967)</u>	<u>(59)</u>

Restatement in the prior year have been made to the financial statements. Please refer to note 29.

**7. Auditors' remuneration**

Remuneration for the statutory audit services carried out for the company by the company's auditors is as follows:

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Audit of entity's financial statements (including expenses)	59	53
	<u>59</u>	<u>53</u>

**DEPUY INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Wages and salaries	25,305	22,641
Social security costs	3,010	2,931
Other pension costs	155	26,768
Share based payments	1,064	1,041
	<u>29,534</u>	<u>53,381</u>

The defined benefit cost for the fiscal year ending 2 January 2022 includes a past service income due to a plan amendment of £29,554,000 (of which £3,239,000 relates to Depuy International Limited) in relation to the CARE Plan. This has arisen due to the reinstatement of the final salary link on pre 2012 benefits due to change in legal interpretation of the CARE Plan Rules.

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

	Financial year ended 2 January 2022 No.	Financial year ended 3 January 2021 No.
Management and Administration	254	265
Production	213	194
	<u>467</u>	<u>459</u>

**9. Directors' remuneration**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Aggregate remuneration for qualifying services	821	587
	<u>821</u>	<u>587</u>

Retirement benefits are accruing to six directors (2020: four directors) under the company's defined benefit pension scheme and to no directors (2020: no directors) under the money purchase scheme.

Three directors (2020: three directors) exercised share options in the ultimate parent company during the year.

Compensation for loss of office was accruing to no directors (2020: no directors).



**DEPUY INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Directors' remuneration (continued)**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
<b>Highest paid director</b>		
Total amounts of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	185	175
Defined benefit pension scheme:		
-Accrued pension at the end of the year	63	58
	<u>248</u>	<u>233</u>

The highest paid director did not exercise share options in the year (2020: options not exercised).

**10. Interest receivable and similar income**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Interest receivable on UK group banking arrangements	—	54
	<u>—</u>	<u>54</u>

**11. Other net finance income**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Net interest income on pension scheme (note 22)	340	695
Net interest income on pension Plan 16 scheme (note 23)	16	21
Gain on derivative financial instruments	222	169
Lease interest expense (note 24)	(17)	(29)
	<u>561</u>	<u>856</u>

DEPUY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

12. Income tax expense

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
<b>Tax included in the income statement</b>		
Current tax on profits for the year	2,406	2,184
Adjustments in respect of previous periods	271	(53)
<b>Total current tax</b>	<b>2,677</b>	<b>2,131</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	265	(3,370)
Adjustments in respect of prior periods	—	(16)
Impact of change in tax rate	(1,326)	(115)
<b>Total deferred tax expense</b>	<b>(1,061)</b>	<b>(3,501)</b>
<b>Total tax on profit/(loss) on ordinary activities</b>	<b>1,616</b>	<b>(1,370)</b>

Factors affecting tax charge for the year

The tax assessed for the period is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
Profit/(Loss) before tax	13,041	(7,053)
Profit/(Loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,478	(1,340)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	230	334
Effects of group relief/other relief	(1)	—
Adjustments to tax charge in respect of prior periods	271	(69)
Tax rate changes	(1,326)	(115)
Share options	5	7
Proceed tax as capital gain	—	(126)
Income not taxable	—	(61)
<b>Total tax included in the income statement</b>	<b>1,657</b>	<b>(1,370)</b>

**DEPUY INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

**12. Income tax expense (continued)**

**Factors that may affect future tax charges**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This new rate was substantively enacted on 24 May 2021. At 31 December 2021, the relevant UK deferred tax assets and liabilities of the company were carried at this increased 25% rate.

**Tax (income)/expense included in other comprehensive income/(expense):**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
<b>Deferred tax</b>		
Origination and reversal of temporary difference	7,973	2,431
<b>Total tax expense included in other comprehensive income/ (expense)</b>	<b>7,973</b>	<b>2,431</b>

**Tax (income)/ expense included in equity**

	Financial year ended 2 January 2022 £000	Financial year ended 3 January 2021 £000
<b>Current tax</b>		
Current tax on items in equity	(130)	(225)
<b>Deferred tax</b>		
Origination and reversal of temporary difference	(468)	39
<b>Total deferred tax included in equity</b>	<b>(468)</b>	<b>39</b>
<b>Total tax income included in equity</b>	<b>(598)</b>	<b>(186)</b>

DEPUY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

13. Property, plant and equipment

	Right of use assets - Buildings £000	Right of use assets - Machinery & equipment £000	Freehold land and buildings £000	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Construction in progress £000	Total £000
<b>Cost</b>								
At 4 January 2021	1,056	136	19,779	11,191	48,984	7,467	7,860	96,473
Additions	62	32	—	—	—	—	4,243	4,337
Disposals	—	—	(20)	—	(130)	(15)	(6)	(171)
Transfer between classes	—	—	668	(1,170)	6,974	1,048	(7,520)	—
At 2 January 2022	1,118	168	20,427	10,021	55,828	8,500	4,577	100,639
<b>Accumulated Depreciation</b>								
At 4 January 2021	303	71	5,274	9,010	38,251	4,517	—	57,426
Charge for the year on owned assets	381	55	700	218	2,380	836	—	4,570
Disposals	—	—	(14)	—	(106)	(15)	—	(135)
At 2 January 2022	684	126	5,960	9,228	40,525	5,338	—	61,861
<b>Net book value</b>								
At 2 January 2022	434	42	14,467	793	15,303	3,162	4,577	38,778
At 3 January 2021	753	65	14,505	2,181	10,733	2,950	7,860	39,047

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

**14. Investments**

	Investments in subsidiary undertakings £000
<b>Cost</b>	
At 4 January 2021	4,106
At 2 January 2022	4,106
<b>Impairment</b>	
At 4 January 2021	4,058
At 2 January 2022	4,058
<b>Net book value</b>	
At 2 January 2022	48
At 3 January 2021	48

**Subsidiary undertakings**

The following was subsidiary undertakings of the company:

Name	Country of incorporation and registered office	Principal Activity	Class of shares	Holding (%)
DePuy Hellas S.A.	Greece, Agias Kiriakis 20, 14561 Kifisia, Athens, Greece	Manufacture and sale of surgical and hospital products (inactive)	Ordinary 2.93 Euro shares	100%

**15. Inventories**

	2 January 2022 £000	3 January 2021 £000
Raw materials and consumables	1,914	896
Work in progress	1,587	1,205
Finished goods and goods for resale	500	526
	<u>4,001</u>	<u>2,627</u>

The replacement cost of inventory does not differ materially from the value stated in the statement of financial position.

The amount of write-downs of inventories recognised as an expense in the year is £134,000 (2020: £275,000).

Inventories are stated after provisions for impairment of £1,895,000 (2020: £1,974,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

**16. Trade and other receivables**

	<b>2 January 2022 £000</b>	<b>3 January 2021 £000</b>
Trade debtors	153	152
Amounts owed by group undertakings	117,643	115,433
Corporation tax	6,218	4,467
Other receivables	3,742	3,483
	<u>127,756</u>	<u>123,535</u>

Amounts owed by group undertakings includes an amount of £36,261,000 (2020: £31,582,000) invested with the In-House Treasury Cash Pool.

The company, together with other UK based affiliate companies, participates in one or more In-House Treasury Cash Pool arrangements administrated by J.C. General Services CVBA, a company incorporated under Belgian law with registered office at Turnhoutseweg 30, 2340 Beerse, Belgium. The centralised financial management provided in relation to the In-House Treasury Cash Pool is intended to, among other things, enable the Cash Pool participants, by acting collectively, to have access to the broadest range of credit options at arm's length conditions, while optimising the use and investment of the liquidities available within the In-House Treasury Cash Pool.

All investments with J.C. General Services CVBA are made on behalf of the UK group companies by Johnson & Johnson Management Limited. Transactions between Johnson & Johnson Management Limited and UK group affiliates to fund these investments are treated as separate arrangements. Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Other receivables include an amount of £1,291,900 (2020: £1,291,900) receivable from DePuy Hellas SA for a payment made on its behalf by the company in the prior years. DePuy Hellas SA is currently in the process of being liquidated. The management expects the amount to be recovered from DePuy Hellas SA after the completion of the liquidation proceedings.

The presentation of £3,742,000 (2020: £3,483,000) has been changed to other receivable in the current year from prepayments and accrued income in the prior year, as it has been considered to be a more appropriate heading with respect to the nature of the balance within.

DEPUY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

17. Trade and other payables: amounts falling due within one year

	2 January 2022 £000	3 January 2021 £000
Trade payables	5,294	1,686
Amounts owed to group undertakings	78,510	81,751
Lease liabilities (Note 24)	422	423
Accruals and deferred income	5,103	7,596
Derivative financial instruments (Note 19)	163	385
	<u>89,492</u>	<u>91,841</u>

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

18. Trade and other payables: amounts falling due after more than one year

	2 January 2022 £000	3 January 2021 £000
Government grants received	3,135	3,305
Lease liabilities (Note 24)	13	420
	<u>3,148</u>	<u>3,725</u>

Government grants were received as part of a Regional Growth Fund initiative to create economic growth and lasting employment.

19. Derivative and financial instruments

	2 January 2022 £000	3 January 2021 £000
Forward foreign exchange contract liability	(163)	(385)
	<u>(163)</u>	<u>(385)</u>

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing derivatives are the exchange rates for USD: GBP and USD: EUR.

DEPUY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

20. Deferred tax

	Accelerated/ decelerated capital allowances £000	Retirement benefits £000	Provisions for liabilities £000	Share-based payments £000	Total £000
At 29 December 2019	(1,039)	(5,185)	107	888	(5,229)
(Charge)/credit to the income statement	(302)	3,755	—	48	3,501
Credit to other comprehensive income	—	(2,431)	—	—	(2,431)
Charge to equity	—	—	—	(39)	(39)
At 3 January 2021	(1,341)	(3,861)	107	897	(4,198)
(Charge)/credit to the income statement	(379)	1,114	119	207	1,061
Credit to other comprehensive income	—	(7,973)	—	—	(7,973)
Charge to equity	—	—	—	468	468
At 2 January 2022	(1,720)	(10,720)	226	1,572	(10,642)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2 January 2022 £000	3 January 2021 £000
Deferred tax assets	1,798	1,004
Deferred tax liabilities	(12,440)	(5,202)
Net deferred tax reported in the statement of financial position	(10,642)	(4,198)

At 2 January 2022, the company has no unused tax losses (3 January 2021: no unused tax losses) available for offset against future profits.



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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022

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21. Other provisions

The company had the following provisions during the year:

	Employer's national insurance on share-based payments £000
At 4 January 2021	565
Charged to profit or loss	539
Utilised in financial year	(199)
At 2 January 2022	<u>905</u>

22. Post-employment benefits

The company participates in three pension arrangements in conjunction with other companies in the Johnson & Johnson Group. These are a funded, defined benefit plan called the "Johnson & Johnson UK Group Retirement Plan", a defined contribution Plan with some underlying guarantees for employees called the "Johnson & Johnson UK Group Retirement Plan 16", and an unfunded, unapproved defined benefit arrangement.

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

Johnson & Johnson UK Group Retirement Plan

The risks of the plans are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. However, the plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term but do provide increased volatility and risk in the short-term.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

A significant proportion of the pension obligation is linked to inflation, and higher inflation will lead to higher liabilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 2 JANUARY 2022**

**22. Post-employment benefits (continued)**

A comprehensive actuarial valuation of the UK Group Retirement Plan was carried out at 19 May 2022. The valuation results at this date have been updated to 2 January 2022 by a qualified independent actuary. The valuation in the financial statements has been made based on the following assumptions:

	2 January 2022	3 January 2021
Expected rate of salary increases	4.45 %	4.05 %
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	3.05 %	2.70 %
Discount rate	1.80 %	1.50 %
RPI inflation assumption	3.20 %	2.80 %
CPI inflation assumption	2.60 %	2.20 %

Assumptions regarding future mortality are set, based on actuarial advice, in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy for a pensioner retiring at age 65:

	2 January 2022	3 January 2021
Longevity at age 65 for current pensioners		
Men	22.2	22.1
Women	23.7	23.6
Longevity at age 65 for future pensioners		
Men	23.5	23.4
Women	25.4	25.4

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

There is a small unfunded unapproved pension arrangement for a small number of employees who were either affected by the old "Inland Revenue Earnings Cap" – which was abolished from 6 April 2006, or whose benefits are in excess of the Lifetime Allowance. These members' benefits are paid directly by the company. In addition, following the benefit changes that were implemented with effect from 1 April 2012 (and further benefit changes that were implemented with effect from 1 April 2014), more benefits are accrued outside of the registered pension arrangement. These benefits are also provided through this unfunded arrangement.

This unfunded arrangement has been included within the Johnson & Johnson UK Group Retirement Plan in determining the total plan assets and liabilities. The financial assumptions underlying the calculation of the unfunded, unapproved liability are identical to those underlying the calculation of the funded liability.

**NOTES TO THE FINANCIAL STATEMENTS  
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**22. Post-employment benefits (continued)**

	Fair value of plan assets £000	Defined benefit obligation £000	Total £000
At 4 January 2021	373,797	(354,447)	19,350
Benefits paid	(6,659)	6,659	—
Employer and other contributions	2,556	(10)	2,546
Current service cost	—	(3,394)	(3,394)
Past service income	—	3,239	3,239
Administrative expenses paid from plan	(760)	—	(760)
Interest income/(expense)	5,570	(5,230)	340
<b>Remeasurement (losses)/gains</b>			
Effect of changes in financial assumptions	—	3,799	3,799
Effect of experience adjustments	—	739	739
Return on plan assets	15,076	—	15,076
<b>At 2 January 2022</b>	<b>389,580</b>	<b>(348,645)</b>	<b>40,935</b>

The expected contributions to the UK Group Retirement Plan in the year ended 2 January 2022 are £1,798,000 (2020: £3,093,000).

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5 %	Decrease by 10.4%	Increase by 12.2%
Pension growth rate	0.5 %	Increase by 6.2%	Decrease by 5.6%
Life expectancy	1 year	Decrease by 3.4%	Increase by 3.4%

The above sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

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22. Post-employment benefits (continued)

The total defined benefit cost recognised as an expense in the income statement is as follows:

	2 January 2022	3 January 2021
	£000	£000
Current service cost	3,394	9,439
Past service (income)/cost	(3,239)	17,329
Administrative expenses	760	757
Net interest income	(340)	(695)
	<u>575</u>	<u>26,830</u>

The defined benefit cost for the fiscal year ending 2 January 2022 includes a past service income due to a plan amendment of £29,554,000 (of which £3,239,000 relates to Depuy International Limited) in relation to the CARE Plan. This has arisen due to the reinstatement of the final salary link on pre 2012 benefits due to change in legal interpretation of the CARE Plan Rules.

The fair value of the UK Group Retirement Plan assets was

	2 January 2022	3 January 2021
	£000	£000
Equity instruments	96,570	185,150
Debt instruments	289,711	185,150
Cash and cash equivalents	2,611	2,865
Other	688	632
	<u>389,580</u>	<u>373,797</u>

The return on the UK Group Retirement plan assets was:

	2 January 2022	3 January 2021
	£000	£000
Interest income	5,570	7,017
Remeasurements	15,076	32,673
	<u>20,646</u>	<u>39,690</u>

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**23. Post-employment benefits plan 16**

The total contributions paid by the company to Plan 16 and recognised as a defined contribution expense in the year were £226,000 (2020: £224,000). The best estimate of the company contributions expected in the year from 2 January 2022 to 31 December 2022 to be paid to Johnson & Johnson UK Group Retirement Plan 16 is £56,000,000.

The valuation in the financial statements for the UK Group Retirement Plan 16 has been made based on the following assumptions:

	2 January 2022	3 January 2021
Expected rate of salary increases	4.45 %	4.05 %
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	3.05 %	2.70 %
Discount rate	1.80 %	1.50 %
RPI inflation assumption	3.20 %	2.80 %
CPI inflation assumption	2.60 %	2.20 %

Assumptions regarding future mortality are set, based on actuarial advice, in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy for a pensioner retiring at age 65:

	2 January 2022	3 January 2021
Longevity at age 65 for current pensioners		
Men	22.2	22.2
Women	23.7	24.1
Longevity at age 65 for future pensioners		
Men	23.0	23.6
Women	25.3	25.8

This unfunded arrangement has been included within the Johnson & Johnson UK Group Retirement Plan in determining the total plan assets and liabilities. The financial assumptions underlying the calculation of the unfunded, unapproved liability are identical to those underlying the calculation of the funded liability.

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23. Post-employment benefits plan 16 (continued)

	Fair value of plan assets £000	Defined benefit obligation £000	Total £000
At 4 January 2021	16,319	(15,349)	970
Benefits paid	(55)	55	—
Employer and other contributions	226	—	226
Administrative expenses paid from plan	(73)	—	(73)
Interest income/(expense)	246	(230)	16
Remeasurement (losses)/gains			
Effect of changes in financial assumptions	—	65	65
Effect of experience adjustments	—	(266)	(266)
Return on plan assets	1,012	—	1,012
At 2 January 2022	<u>17,675</u>	<u>(15,725)</u>	<u>1,950</u>

The total defined benefit cost recognised as an expense in the income statement is as follows:

	2 January 2022 £000	3 January 2021 £000
Administrative expenses	73	77
Net interest income	(16)	(21)
	<u>57</u>	<u>56</u>

The fair value of the UK Group Retirement Plan 16 assets was:

	2 January 2022 £000	3 January 2021 £000
Equity instruments	12,373	11,423
Debt instruments	5,302	4,896
	<u>17,675</u>	<u>16,319</u>

NOTES TO THE FINANCIAL STATEMENTS  
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23. Post-employment benefits plan 16 (continued)

The return on the UK Group Retirement plan 16 assets was:

	2 January 2022 £000	3 January 2021 £000
Interest income	246	292
Remeasurements	1,012	2,071
	<u>1,258</u>	<u>2,363</u>

24. Leases

The company has lease contracts for various buildings, machinery and equipment used in the operations. The right of use asset as at 2 January 2022 is £476,000 (2020: £818,000), please refer to note 13.

The following shows the following amounts due relating to associated lease liabilities arising from these rights of use assets:

	2 January 2022 £000	3 January 2021 £000
<b>Lease liabilities</b>		
Current	422	423
Non-current	13	420
	<u>435</u>	<u>843</u>

The statement of financial position shows the following amounts relating to lease assets:

	2 January 2022 £000	3 January 2021 £000
<b>Right of use assets</b>		
Buildings	434	753
Machinery & Equipment	42	65
	<u>476</u>	<u>818</u>

DEPUY INTERNATIONAL LIMITED

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24. Leases (continued)

The income statement shows the following amounts relating to leases:

	2 January 2022 £000	3 January 2021 £000
<b>Depreciation charge of right of use assets</b>		
Buildings	381	303
Machinery & Equipment	55	71
	<u>436</u>	<u>374</u>

	2 January 2022 £000	3 January 2021 £000
Interest expense (included in finance costs)	17	29
	<u>17</u>	<u>29</u>

25. Called up share capital

	2 January 2022 £000	3 January 2021 £000
Allotted, called up and fully paid		
46,653,706 (2020 - 46,653,706) Ordinary shares of £1 each	<u>46,654</u>	<u>46,654</u>

26. Share based payments

Johnson & Johnson, the company's ultimate parent undertaking, operates a share option plan, a restricted stock unit plan (RSU), and a performance stock unit (PSU) plan, whereby options, RSUs and PSUs are granted to employees to acquire shares in Johnson & Johnson. The purpose of the plan is to motivate employees to contribute towards the creation of long-term shareholder value. The plan is an equity settled share based payment plan. Share options expire 10 years from the date of grant. Share options, RSUs and PSUs vest after three years. All options are granted at current market price on the date of grant. The company settles employee stock option exercises with treasury shares of the parent company.

The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by Johnson & Johnson. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

The weighted average share price at the date of exercise for options exercised in the financial year was £104.97 (2020: £113.48).



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26. Share based payments (continued)

Share options outstanding at the end of the financial year have the following expiry dates and exercise prices:

Year of expiry	Number of options	Weighted average exercise price (US\$)
2021	—	148
2023	7,042	73
2024	5,760	90
2025	7,049	100
2026	14,398	102
2027	19,321	116
2028	20,225	130
2029	29,128	132
2030	27,121	151
2031	24,360	165

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

27. Other commitments and contingencies

	2 January 2022 £000	3 January 2021 £000
Future capital expenditure contracted but not provided for	413	356
Hedged currency contract commitments	—	15
Bank guarantees	200	200
	<b>613</b>	<b>571</b>

The company enters into forward foreign currency contracts to eliminate currency exposures arising on sales and purchases made in foreign currencies. The company does not hold derivative financial instruments for speculative purposes. The fair value of forward foreign currency contracts held is disclosed in Note 19.

28. Events since the year end

*Impacts of Russia's invasion of Ukraine*

Although the long-term implications of Russia's invasion of Ukraine are difficult to predict at this time, the financial impact of the conflict in the 2021 fiscal year ending January 2, 2022, including accounts receivable or inventory reserves, was not material. Overall, the J&J Group continued to supply its products throughout the second quarter of 2022 as patients rely on many of the products for healthcare purposes. However, in early March 2022, the Group took steps to suspend all advertising, enrolment in clinical trials, and any additional investment in Russia. Additionally, at the end of March 2022, the Group made the decision to suspend supply of personal care products in Russia.

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**28. Events since the year end (continued)**

On 12th November 2021, Johnson & Johnson announced its intention to separate the Consumer Health business to create a new publicly traded company, with a new name. The New Consumer Health Company should be better positioned to deliver for patients and consumers, pursue more targeted business strategies and accelerate growth as an independent company. The separation process is expected to be completed in 18-24 months, subject to legal requirements, regulatory approvals and other customary conditions and approvals. In the meantime, DePuy International Limited continues to operate as part of the global Johnson & Johnson.

There have been no other significant events affecting the company since the year end requiring disclosure in the financial statements.

**29. Restatement**

This note explains the impact of restatement in financial statements.

**Impact on the Income statement**

		<b>Restated Financial year ended 3 January 2021 £000</b>	<b>Adjustment £000</b>	<b>Financial year ended 3 January 2021 £000</b>
Cost of sales	1	(36,538)	1,324	(37,862)
<b>Gross (loss)/profit</b>		<b>(4,479)</b>	<b>1,324</b>	<b>(5,803)</b>
Administrative expenses	1	(54,516)	(1,324)	(53,192)

- 1 The presentation of Cost of Sales in the period ended 03 January 2021 has been restated with respect to an incorrect allocation of depreciation to cost of sales amounting to £1,324,000. The restatement resulted in the decrease in cost of sales and an increase in administrative expenses.