Registered Number: 05208634

Zimmer U.K. Limited Annual report and financial statements for the year ended 31 December 2016

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Annual report and financial statements For the year ended 31 December 2016

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Officers and professional advisers

Directors B Vendelboe

S Orange

J Sahni

Company secretary B Vendelboe

Registered office The Courtyard

Lancaster Place South Marston Park

Swindon Wiltshire SN3 4FP

Independent Auditors PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

3 Forbury Place 23 Forbury Road

Reading Berkshire RG1 3JH 1

Strategic report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

Review of the business

The company operated as a holding company during the financial year.

During the year, Income from shares in group undertakings (the key performance indicator) of the company increased by 63% from £347,000 to £566,000 and the before taxation increased by 99% to £165,000.

During the year, the company acquired two new subsidiaries. Biomet UK Healthcare Limited was acquired for £41,900,000 from a fellow group company, Biomet UK Limited on 19th September 2016 in exchange for a loan note of the same value. On 1st October 2016, the trade and assets of Biomet UK Healthcare Limited were sold to Zimmer Biomet UK Limited for £33,240,000.

In addition, on 19th September 2016, the company purchased Biomet Acquisitions for £13,075,739 from a fellow group company, Zimmer Europe Holdings B.V., in exchange for shares in the company.

The external commercial environment is expected to remain competitive in 2017 and beyond. However, the directors expect continuing growth in the business of its subsidiary in the future which will support future dividend income.

Performance and position of the business

The company's loss for the financial year was £18,000 (2015: profit of £4,000).

The balance sheet for the company shows net assets of £57,146,000 (2015: £44,087,000).

Key Performance Indicators

Locally, progress is monitored via growth in Income from shares in group undertakings compared to the prior year. Performance is shown below with prior year. Performance is shown below with prior year comparatives expressed as %.

		2016	2015
Growth in Income from shares in group undertakings	•	63%	19%

Principal risks and uncertainties

The principal risks and uncertainties that might affect the Company are linked to the principle risks that face our trading subsidiaries, upon which we rely to support the value of our balance sheet.

The risks faced by the trading subsidiaries are shown within the Strategic Report on page 2 of the financial statements of Zimmer Biomet UK Limited.

On behalf of the Board

B Vendelboe

8 December 2017

Directors' report for the year ended 31 December 2016

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2016.

Principal activities

The company operates as a holding company.

Results and dividends

The results for the financial year are shown in the statement of total comprehensive income account on page 9.

The company's loss for the financial year was £18,000 (2015: profit of £4,000). The directors do not recommend the payment of a dividend (2015: £nil).

Directors

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

C Jefferis (resigned 2 February 2017) A Massarella (resigned 2 February 2017)

B Vendelboe

S Orange (appointed 1 April 2017) J Sahni (appointed 1 April 2017)

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

Future developments

The company plans to continue to hold investments and make future acquisitions in line with the strategic goals of the group.

Ultimate parent company

The ultimate parent company is Zimmer Biomet Holdings Inc.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange risk, interest rate risk and liquidity risk.

Foreign exchange risk

The company has no significant exposure to movements in foreign exchange rates. The company's ultimate parent undertaking, Zimmer Biomet Holdings Inc. manages the foreign exchange rate risk associated with the whole group, as disclosed in the financial statements of that company, which are available as disclosed in note 10.

Liquidity risk

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

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Directors' report for the year ended 31 December 2016 (continued)

Financial risk management (continued)

Interest rate risk

The company pays interest on intercompany borrowings at a rate of interest determined by the group and based upon GBP LIBOR, as disclosed in note 12. No financial instruments were used by the company during the financial year to manage interest rate costs, and therefore no hedge accounting has been applied.

Statement of directors' responsibilities

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102, 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 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 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. 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that, so far as each of the directors are individually aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report for the year ended 31 December 2016 (continued)

Independent Auditors

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

On behalf of the board

B Vendelboe

Director

8 December 2017

Independent auditors' report to the members of Zimmer U.K. Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statement (the "Annual Report"), comprise:

- · the Balance sheet as at 31 December 2016;
- Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

What an audit of financial statements involves (continued)

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Katherine Stent (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Reading 8 December 2017

Statement of comprehensive income for the year ended 31 December 2016

2016	2015
£'000	£'000
566	347
566	347
(731)	(430)
(165)	(83)
146	87
(18)	4
-	-
(18)	4
	(165) 146 (18)

Balance sheet as at 31 December 2016

		2016	2015
	Note	£'000	£'000
Fixed assets			
Investments	10	118,976	64,000
Current assets			
Debtors	11	722	87
Creditors amounts falling due within one year	12	-	-
Net current assets		722	87
Total assets less current liabilities		119,698	64,087
Creditors amounts falling due after more than one year	12	(62,553)	(20,000)
Net assets		57,145	44,087
Capital and reserves			
Called up share capital		44,000	44,000
Share premium account		13,076	
Retained earnings		69	87
Total equity		57,145	44,087

The notes on pages 12 to 19 are an integral part of these financial statements.

The financial statements on pages 9 to 19 were approved by the board of directors on 8 December 2017 and were signed on its behalf by:

B Vendelboe Director

Registered Number: 05208634

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2015	44,000	_	83	44,083
Profit for the financial year		_	4	4,000
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	•	-	4	4
Balance as at 31 December 2015	44,000	•	87	44,087
Balance as at 1 January 2016	44,000	-	87	44,087
Loss for the financial year	_	-	(18)	(18)
Other comprehensive income for the year	-	-	-	-
Total comprehensive expense for the year	-	-	(18)	(18)
Proceeds from shares issued	-	13,076	-	13,076
Total transactions with owners, recognised directly in equity	-	13,076	-	13,076
Balance as at 31 December 2016	44,000	13,076	69	57,145

Notes to the financial statements for the year ended 31 December 2016

1 General Information

Zimmer U.K Limited operated as a holding company during the financial year.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is The Courtyard, Lancaster Place, South Marston Park, Swindon, Wiltshire, SN3 4FP.

2 Statement of compliance

The individual financial statements of Zimmer U.K Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Exemptions for qualifying entities under FRS 102

The Directors have opted to report under FRS 102 reduced disclosure framework which allows a qualifying entity certain disclosure exemptions. The Company has therefore exempted from the following:

- a) presenting a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Zimmer Biomet Holdings Inc., includes the company's cash flow in its own consolidated financial statements;
- b) disclosing certain financial instruments;
- c) disclosing key management personnel compensation; and
- d) disclosing related party transactions entered into between two or more members of Zimmer Biomet Holdings Inc. group.

The shareholders have been notified of the disclosure exemptions and have not objected to their use.

3 Accounting policies (continued)

Consolidation

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it and its subsidiary undertakings are included in the audited consolidated financial statements of Zimmer Biomet Holdings Inc. Zimmer Biomet Holdings Inc is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 December 2016.

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

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

Foreign currency

(a) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cashflow hedges.

Dividend income

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

Fixed asset investments

Investments in subsidiary undertakings are stated in the balance sheet of the company at cost, less amounts written off where there has been an impairment in value.

3 Accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date non-financial asses not carried at fair value are assessed to determine whether there is an indication the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Share capital

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

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4 Critical accounting judgements and estimation uncertainty

There are no critical accounting judgments or estimation uncertainty materially affecting the financial statements.

5 Auditors' remuneration

Auditors' remuneration in both financial years is borne by the subsidiary undertaking, no recharge is made to the Company and it is not possible to apportion the auditors' remuneration in respect of the Company.

6 Employee information

There were no employees in 2016 and 2015.

7 Directors' emoluments

Zimmer U.K. Limited shares common directors with its wholly owned subsidiary Zimmer Biomet UK Limited.

The costs associated with the service of the directors are borne by Zimmer Biomet UK Limited. Disclosures in relation to the number of directors and their emoluments are included in the financial statements of Zimmer Biomet UK Limited.

8 Interest payable and similar expenses

	2016	2015
	£'000	£'000
Interest payable on loans from group undertakings	731	430

9 Tax on loss

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on loss for the year	(146)	(87)
Total current tax credit	(146)	(87)
Total tax on loss	(146)	(87)

There is no deferred tax, neither recognised nor unrecognised (2015: nil).

9 Tax on loss (continued)

The tax assessed for the financial year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences in 2016 and 2015 are explained below:

	2016 £'000	2015 £'000
Loss before taxation	(165)	(83)
Loss multiplied by the standard rate of corporation tax of 20.00% (2015: 20.25%)	(33)	(17)
Tax effect of dividend income (not taxable)	(113)	(70)
Total tax credit	(146)	(87)

During the year, changes in UK corporation tax rate were substantively enacted to 17% from 1 April 2020.

10 Investments in subsidiaries

	2016	2015
	£'000	£'000
At 1 January .	64,000	64,000
Additions	54,976	
Disposals	-	-
At 31 December	118,976	64,000
Analysed as		
Zimmer Biomet UK Limited	64,000	64,000
Biomet UK Healthcare Limited	41,900	-
Biomet Acquisitions	13,076	-
	118,976	64,000

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

10 Investments in subsidiaries (continued)

At 31 December 2016 the Company had the following subsidiary undertakings:

Subsidiary undertaking	Address of the registered office	Country of Incorporation	Principal activity	Class and % of nominal value of that class held
Zimmer Biomet UK Limited	The Courtyard, Lancaster Place, South Marston, Swindon, SN3 4FP	England	Sales and marketing of medical devices and other orthopaedic equipment	Ordinary shares 100%
Biomet UK Healthcare Limited	Waterton Industrial Estate, Bridgend, Mid Glamorgan, CF31 3XA	Wales	Non trading	Ordinary shares 100%
Biomet Acquisitions	Waterton Industrial Estate, Bridgend, Mid Glamorgan, CF31 3XA	Wales	Holding company	Ordinary shares 100%

Zimmer Biomet UK Limited owns 100% of the ordinary shares of Centerpulse (UK) Ltd and Zimmer Trustees Ltd both of which are dormant companies incorporated in England and these are disclosed as investments in the Zimmer Biomet UK Limited financial statements.

11 Debtors

	2016	2015
<u></u>	£,000	£,000
Group relief recoverable	156	87
Amounts owed by group undertakings	566	-
	722	87

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

12 Creditors

	2016	2015
	£'000	£'000
Amounts owed to group undertakings (non-instalment)	62,523	20,000
Total	62,523	20,000
Less: Amounts falling due after more than one year		
Amounts owed to group undertakings	62,523	20,000
Total amounts falling due within one year	-	-

Amounts owed to group undertakings consist of the following unsecured loans:

A loan of £17,000,000 from Zimmer Investment Luxembourg S.C.A. Under the initial term of this loan it was a non-instalment loan repayable by 26 September 2025. The interest rate applicable to this loan is the lesser of (i) 12 month GBP LIBOR applicable for the 12 month interest period, based on deposits in GBP with a maturity comparable to such interest period, plus 1.475%, with such rate to reset annually on the first business day of each year until the principal hereof is finally paid and (ii) the maximum non-usurious interest rate that may be contracted for at any given time during which indebtedness shall be outstanding.

A loan of £3,000,000 from Zimmer Investment Luxembourg S.C.A (LU) Winterthur Branch. Under the initial term of this loan it was a non-instalment loan repayable by 26 September 2025. The interest rate applicable to this loan is the lesser of (i) 12 month GBP LIBOR applicable for the 12 month interest period, based on deposits in GBP with a maturity comparable to such interest period, plus 1.475%, with such rate to reset annually on the first business day of each year until the principal hereof is finally paid and (ii) the maximum non-usurious interest rate that may be contracted for at any given time during which indebtedness shall be outstanding.

A loan of £41,900,000 from Biomet UK Limited. Under the initial term of this loan it was a non-instalment loan repayable by 19 September 2023. The interest rate applicable to this loan is the lesser of (i) 12 month GBP LIBOR applicable for the 12 month interest period, based on deposits in GBP with a maturity comparable to such interest period, plus 1.475%, with such rate to reset annually on the first business day of each year until the principal hereof is finally paid and (ii) the maximum non-usurious interest rate that may be contracted for at any given time during which indebtedness shall be outstanding.

13 Called up share capital

	2016	2015
	£'000	£'000
Authorised, allotted and fully paid		
44,000,101 ordinary shares of £1 each (2015: 44,000,100 ordinary shares of £1 each)	44,000	44,000
	44,000	44,000

On 19th September 2016, 1 ordinary share was issued for £13,075,739. There were no expenses on the issue of the shares.

There is a single class of ordinary shares. There are no restriction on the distribution of dividends and the repayment of capital.

14 Immediate and ultimate parent undertaking and controlling party

At the year end the immediate parent company was Zimmer Europe Holdings B.V.

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