

Financial Statements

HeartWare (UK) Limited

For the Year Ended 31 December 2016

Registered number: 07162873

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HeartWare (UK) Limited

Company Information

Director	J Fielding
Company secretary	Corporation Service Company (UK) Limited
Registered number	07162873
Registered office	40 Bank Street Level 29 London E14 5DS
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS

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Directors' Report

For the Year Ended 31 December 2016

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

Principal activity

The principal activity of the Company is the sale of miniaturised circulatory support technologies for the treatment of advanced heart failure.

Directors

The directors who served during the year were:

D Godshall (resigned 14 February 2017)
P McAree (resigned 14 February 2017)
L Knopf (resigned 14 February 2017)

In addition, J Fielding was appointed as a director on 14 February 2017

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

For the Year Ended 31 December 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

J Fielding

Director

Date:


28.08.17



Independent Auditor's Report to the Members of HeartWare (UK) Limited

We have audited the financial statements of HeartWare (UK) Limited for the year ended 31 December 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 1, 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). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion 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.



Independent Auditor's Report to the Members of HeartWare (UK) Limited (continued)

Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic report.

Grant Thornton UK LLP

Steven Cenci FCA (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Reading

Date: 31/8/2017

Statement of Comprehensive Income

For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	4,321,772	6,245,754
Cost of sales		(4,206,591)	(5,676,471)
Gross profit		115,181	569,283
Administrative expenses		(2,179,885)	(1,435,792)
Other operating income	5	2,160,247	1,010,101
Operating profit	6	95,543	143,592
Tax on profit	9	(129,232)	129,233
(Loss)/profit for the year		(33,689)	272,825
Total comprehensive income for the year		(33,689)	272,825

The notes on pages 8 to 19 form part of these financial statements.

Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Stocks	10	722,477	816,294
Debtors: amounts falling due within one year	11	1,000,157	1,096,355
Cash at bank and in hand		434,686	632,506
		<u>2,157,320</u>	<u>2,545,155</u>
Creditors: amounts falling due within one year	13	<u>(3,770,955)</u>	<u>(4,498,461)</u>
Net current liabilities		<u>(1,613,635)</u>	<u>(1,953,306)</u>
Total assets less current liabilities		<u>(1,613,635)</u>	<u>(1,953,306)</u>
Net liabilities		<u>(1,613,635)</u>	<u>(1,953,306)</u>
Capital and reserves			
Called up share capital	17	1	1
Other reserves	18	854,919	481,559
Profit and loss account	18	<u>(2,468,555)</u>	<u>(2,434,866)</u>
		<u>(1,613,635)</u>	<u>(1,953,306)</u>

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

J Fielding
Director

Date:

28/08/17
The notes on pages 8 to 19 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2016

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	1	289,621	(2,707,691)	(2,418,069)
Comprehensive income for the year				
Profit for the year	-	-	272,825	272,825
Total comprehensive income for the year	-	-	272,825	272,825
Share options reserve movement	-	191,938	-	191,938
At 1 January 2016	1	481,559	(2,434,866)	(1,953,306)
Comprehensive income for the year				
Loss for the year	-	-	(33,689)	(33,689)
Total comprehensive income for the year	-	-	(33,689)	(33,689)
Share options reserve movement	-	373,360	-	373,360
At 31 December 2016	1	854,919	(2,468,555)	(1,613,635)

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. General information

The Company is a private company limited by shares incorporated in England & Wales. Its registered address is shown on the company information page, and its registered number is 07162873.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Medtronic plc as at 31 December 2016 and these financial statements may be obtained from the US Securities and Exchange Commission.

2.3 Going concern

The company is dependent upon its immediate parent company, Medtronic plc., for financial support. The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. Having received confirmation from the parent company that it will provide sufficient financial support to enable the business to meet its debts as they fall due, for a period of at least 12 months from the date of approval of these financial statements, the directors have concluded that it is appropriate to prepare the financial statements on this basis.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.8 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

Share option charges are credit to the capital contribution reserve, as the shares vest in the ultimate parent company.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Intercompany recharges

The Company incurs costs on behalf of other group companies, and charges a management fee to its parent company for the provision of these services.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The following critical judgements made by management in applying the Company's accounting policies have the most significant impact on the amounts recognised in the financial statements.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are:

Impairment of inventory

Although the Company manufactures a generic product range, there is a risk that this product could become obsolete or damaged and as such would not be usable for its expected purpose. As a result it is necessary to consider the recoverability of the cost of inventory and any associated impairment provisioning required. When calculating the inventory impairment provision, management considers the nature and condition of the inventory as well as applying assumptions about the future usage of components.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade receivables. When assessing impairment, management considers factors including the current credit rating of the customer, the ageing profile of the receivable and historical experience.

Deferred tax

Management applies judgment in assessing the recoverability of the deferred tax asset recognised on the balance sheet, based on estimated future profitability against which the deferred tax asset can be released. The judgments used to gain comfort over the recoverability of the asset are based on currently known factors which may vary over time, and estimated future revenues and profits based on current levels of trading and historic trends. This could result in changes in the measurement of recorded profits as compared to initial estimates, and therefore release of the deferred tax asset over a shorter or longer timeframe than initially forecast.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

	2016 £	2015 £
United Kingdom	4,321,772	6,245,754
	<u>4,321,772</u>	<u>6,245,754</u>

5. Other operating income

	2016 £	2015 £
Management charges to parent undertaking	2,160,247	1,010,101
	<u>2,160,247</u>	<u>1,010,101</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

6. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	20,250	13,250
Taxation compliance services	3,800	2,840
All other assurance related services	250	250
Exchange differences	12,613	271
	<u>12,613</u>	<u>271</u>

During the year no directors received any emoluments for their services to the company (2015 - £nil).

7. Employees

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	1,420,548	746,814
Social security costs	129,760	108,033
	<u>1,550,308</u>	<u>854,847</u>

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

2016	2015
No.	No.
9	10
<u>9</u>	<u>10</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

8. Share based payments

HeartWare International, Inc., a group member fully owned by Medtronic plc, operates a share option scheme for various employees, which also applies to employees of HeartWare (UK) Limited.

Awards granted include Restricted Stock Units and Stock Options. Restricted Stock Units are exercisable at a price of \$nil. These units vest annually over a period of four years. Upon vesting, the Restricted Stock Units are exercised automatically and settled in equity. Fair value of shares granted is the value of the HeartWare International Inc shares per the NASDAQ on date of grant.

Stock options

The fair value of Stock Options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Stock Options are forfeited if the employee leaves the company before they vest. If the Stock Options remain unexercised after a period of 10 years from the date of grant, they expire.

During the year 3,790 Stock Options were awarded to employees of the company at a weighted average exercise price of \$33.49. No stock options were exercised during the year, and all options were cancelled during the year. There are no outstanding Stock Options exercisable at year end.

The expense recognised in the statement of comprehensive income under Financial Reporting Standard (FRS) 102 Section 26 'Share-Based Payment' in respect of employee services received during the period ended 31 December 2016 is £41,953

Restricted Stock Units

The fair value of Restricted Stock Units granted is estimated as at the date of the grant based on their intrinsic value. Restricted Stock Units are forfeited if the employee leaves the company before they vest. If the Restricted Stock Units remain unexercised after a period of 10 years from the date of grant, they expire.

The expense recognised in the profit and loss account under Financial Reporting Standard (FRS) 102 Section 26 'Share-Based Payment' in respect of employee services received during the period ended 31 December 2016 is £331,407

Details of the number of Restricted Stock Units and the weighted average exercise price ("WAEP") outstanding during the year are as follows:

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	93.57	7,217	93.54	8,350
Granted during the year	32.98	4,350	89.63	4,130
Forfeited during the year	71.35	(9,222)	89.76	(3,675)
Exercised during the year	92.74	(2,345)	90.54	(1,588)
Outstanding at the end of the year	-	-	93.57	7,217

Notes to the Financial Statements

For the Year Ended 31 December 2016

9. Taxation

	2016 £	2015 £
Deferred tax		
Origination and reversal of timing differences	129,232	(129,233)
Total deferred tax	129,232	(129,233)
Taxation on profit/(loss) on ordinary activities	129,232	(129,233)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	95,543	143,592
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	19,109	29,077
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,024	3,255
Other permanent differences	-	1,073
Adjust closing deferred tax to average rate of 20% (2015 - 20.25%)	70,781	55,604
Adjust opening deferred tax to average rate of 20% (2015 - 20.25%)	(49,501)	(6,510)
Deferred tax not recognised	84,819	(211,732)
Total tax charge for the year	129,232	(129,233)

Factors that may affect future tax charges

The Company has trading losses of £1,789,703 (2015 - £2,265,866) available for offset against future taxable profits. No deferred tax asset has been recognised against these losses due to the uncertainty over the timing of future profits (2015 - £129,233).

Notes to the Financial Statements

For the Year Ended 31 December 2016

10. Stocks

	2016 £	2015 £
Finished goods and goods for resale	722,477	816,294
	<u>722,477</u>	<u>816,294</u>

11. Debtors

	2016 £	2015 £
Trade debtors	959,033	966,758
Amounts owed by group undertakings	40,389	-
Other debtors	735	364
Deferred taxation	-	129,233
	<u>1,000,157</u>	<u>1,096,355</u>

12. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	434,686	632,506
	<u>434,686</u>	<u>632,506</u>

13. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	-	2,272
Amounts owed to group undertakings	3,253,147	4,126,685
Other taxation and social security	240,402	268,544
Accruals and deferred income	277,406	100,960
	<u>3,770,955</u>	<u>4,498,461</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

14. Financial instruments

	2016 £	2015 £
Financial assets measured at amortised cost		
Cash and cash equivalents	434,686	632,506
Trade debtors	959,033	966,758
Amounts owed by group undertakings	40,389	-
Other debtors	735	364
	<u>1,434,843</u>	<u>1,599,628</u>
Financial liabilities measured at amortised cost		
Trade creditors	-	(2,272)
Amounts owed to group undertakings	(3,253,147)	(4,126,685)
Accruals	(42,501)	(84,660)
	<u>(3,295,648)</u>	<u>(4,213,617)</u>

15. Deferred taxation

	2016 £
At beginning of year	129,232
Charged to profit or loss	(129,232)
At end of year	<u>-</u>

	2016 £	2015 £
Tax losses carried forward	-	129,233
	<u>-</u>	<u>129,233</u>

16. Related party transactions

As a wholly owned subsidiary undertaking of the group headed by Medtronic plc., the company has taken advantage of the exemption as provided by Financial Reporting Standard (FRS) 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group.

Key management personal are remunerated by other group companies, and as such no charge is included within this company for costs relating to them.

Notes to the Financial Statements

For the Year Ended 31 December 2016

17. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

18. Reserves

Other reserves

The capital contribution reserve represents the accumulated charges related to share options throughout the life of the scheme.

Profit & loss account

Includes all accumulated gains and losses, less dividends paid, since the incorporation of the Company.

19. Capital commitments

The Company had no capital commitments which should be disclosed as at 31 December 2016 or 31 December 2015.

20. Controlling party

The directors consider that the ultimate and immediate parent undertaking of this company is Medtronic plc, which is registered in the Republic of Ireland.

The largest and smallest group of undertakings which group financial statements have been drawn up is that headed by Medtronic plc. Consolidated financial statements can be obtained from 20 Lower Hatch Street, Dublin 2, Ireland.

21. Financial support

At 31 December 2016 the company had net liabilities of £1,613,635 (2015 - £1,953,306). Medtronic plc., the ultimate parent undertaking, has indicated its intention to support the company to enable its operations to continue for the foreseeable future and to meet its obligations as they fall due for at least one year after these financial statements are signed. Accordingly the directors believe it is appropriate to adopt the going concern basis in the preparation of these financial statements.