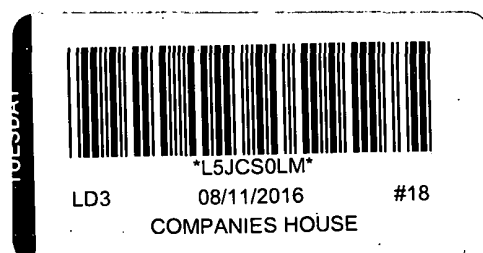


**MEDTRONIC LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 29 April 2016**

**Registered Number: 1070807**



## **MEDTRONIC LIMITED**

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# **MEDTRONIC LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 29 April 2016**

### **PRINCIPAL ACTIVITIES**

The Company's principal activity is to carry out sales, marketing, promotion and support activities with respect to the United Kingdom customers of its immediate parent company Medtronic Holding BV.

### **BUSINESS REVIEW**

Medtronic Limited is the market leader in medical technology; alleviating pain, restoring health and extending life for people throughout the UK. The medical device industry is highly competitive and Medtronic Limited continues to market leading edge technological products in order to maintain and indeed grow market share in many of the medical areas in which it operates.

The results and state of affairs are set out in the attached financial statements. The profit on ordinary activities before taxation is £9,404,000 (2015: £6,564,000).

At the end of the year, the Company had net assets of £29,263,000 compared to £11,928,000 at the end of the prior period.

The Company has shifted its business model from 'commissionaire' to 'limited risk distributor' (LRD). Thus, the Company now recognises trade accounts receivable and accounts payable in its books.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk to the Company is its dependence on its immediate parent company, Medtronic Holding BV., to continue in business. In addition to pressures within the current, general economic climate, the directors feel that the main risk to the company is the increased pressure on prices since the NHS have focused on centralising payments and the supply chain to reduce their costs. The pressure on prices has also been increased as a result of consolidation/acquisition in the private sector,

The company manages these risks by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

### **KEY PERFORMANCE INDICATORS**

Given the straightforward nature of the business we are of the opinion that further analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

### **FUTURE STRATEGY FOR GROWTH AND RETURN**

Our three growth strategies are new therapy, economic value, and globalisation as we transform ourselves from a medical device provider to a truly global medical technology healthcare solution leader. This requires us to evolve as a company, becoming broader in our offerings while remaining grounded in our therapies.

The directors are satisfied with the performance for the year and believe the successful implementation of the growth strategies will improve performance in the next financial year.

## **MEDTRONIC LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 29 April 2016**

The directors present their annual report and the audited financial statements of the Company for the year ended 29 April 2016.

#### **DIRECTORS**

The directors of the Company during the year and up to the date of signing the financial statements were as follows:

P Albert  
M Dovell  
M Elsey  
J Fielding

#### **DIVIDENDS**

No dividend was paid during the year (2015: Nil).

#### **FINANCIAL RISK MANAGEMENT**

All areas of financial risk are managed by the Company's immediate parent company, Medtronic Holding BV. Credit risk is mitigated by controls surrounding trade debtors. Liquidity risk and cash flow risk is managed through regular cash flow reviews.

#### **DONATIONS**

During the year, the Company made charitable donations of £51,571 (2015: £20,950). The Company makes charitable donations to predominantly medical research causes.

#### **EMPLOYEES**

The Company's policy is to consult and discuss with employees, through meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

The involvement of the employees of the company in the Company's performance is encouraged through an employee share-based compensation plan, sponsored by the ultimate parent company, Medtronic Plc.

#### **FUTURE DEVELOPMENTS**

The future developments of the company have been disclosed in the Strategic Report.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial

## **MEDTRONIC LIMITED**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 29 April 2016 (continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)**

Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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. 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.

#### **STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each of the persons who are directors at the date when the report is approved, the following applies:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **INDEPENDENT AUDITORS**

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

On behalf of the board on 21 October 2016



M Elsey  
Director

## MEDTRONIC LIMITED

# ***Independent auditors' report to the members of Medtronic Limited***

## **Report on the financial statements**

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### **Our opinion**

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

- give a true and fair view of the state of the company's affairs as at 29 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 29 April 2016;
- the 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.

## **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Other matters on which we are required to report by exception**

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### **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.

## MEDTRONIC LIMITED

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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.

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#### What an audit of financial statements involves

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

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

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

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

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.

*Wendy Russell*

Wendy Russell (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

21 October 2016





# MEDTRONIC LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 April 2016

	Note	2016 £'000	2015 £'000
<b>TURNOVER</b>	4	<b>313,815</b>	59,943
Cost of sales		(243,200)	-
<b>GROSS PROFIT</b>		<b>70,615</b>	59,943
Distribution costs		(52,924)	(48,475)
Administrative expenses		(8,277)	(5,986)
<b>OPERATING PROFIT</b>		<b>9,414</b>	5,482
Interest receivable and similar income	5	127	75
Other finance income		(137)	1,007
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	<b>9,404</b>	6,564
Tax on profit on ordinary activities	8	(1,607)	(1,501)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>7,797</b>	5,063
<b>Other comprehensive income:</b>			
Actuarial gain/ (loss) on pension scheme	16	10,929	(12,354)
Movement on deferred tax relating to pension scheme		(2,386)	2,104
Current tax credit to reserve		-	384
<b>Other comprehensive income for the year, net of tax</b>		<b>8,543</b>	(9,866)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>16,340</b>	(4,803)

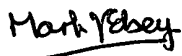
All amounts relate to continuing operations.

# MEDTRONIC LIMITED

## BALANCE SHEET AS AT 29 April 2016

	Note	2016 £'000	2015 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	777	852
		<b>777</b>	<b>852</b>
<b>CURRENT ASSETS</b>			
Debtors	10	102,532	34,509
Cash at bank and in hand		26,270	10,493
		<b>128,802</b>	<b>45,002</b>
<b>CREDITORS: amounts falling due within one year</b>	11	<b>(100,316)</b>	<b>(33,926)</b>
<b>NET CURRENT ASSETS</b>		<b>28,486</b>	<b>11,076</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>29,263</b>	<b>11,928</b>
<b>NET ASSETS</b>		<b>29,263</b>	<b>11,928</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	6,140	6,140
Capital contribution reserve		4,248	4,248
Share option reserve		7,212	6,217
Retained earnings		11,663	(4,677)
<b>TOTAL EQUITY</b>		<b>29,263</b>	<b>11,928</b>

The financial statements on pages 6 to 30 were approved by the board **21 October 2016** and signed on its behalf by:



M Elsey  
Director

# MEDTRONIC LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 April 2016

Note	Called-up share capital £'000	Retained earnings £'000	Capital contribution £'000	Share option reserve £'000	Total £'000
<b>BALANCE AS AT 26 April 2014</b>	6,140	126	4,248	5,546	16,060
Profit for the financial year	-	3,424	-	-	5,063
<b>Other comprehensive income:</b>					
Actuarial loss on pension scheme	-	(10,715)	-	-	(10,715)
Deferred tax relating to pension liability	-	2,104	-	-	2,104
Deferred tax relating to corporation tax	-	384	-	-	384
<b>Other comprehensive income for the year, net of tax</b>	-	(8,227)	-	-	(8,227)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	(4,803)	-	-	(4,803)
Credit relating to equity-settled share-based payments	-	-	-	671	671
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	671	671
<b>BALANCE AS AT 24 April 2015</b>	6,140	(4,677)	4,248	6,217	11,928

# MEDTRONIC LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 April 2016 (continued)

Note	Called-up share capital £'000	Retained earnings £'000	Capital contribution £'000	Share option reserve £'000	Total £'000
<b>BALANCE AS AT 25 April 2015</b>	6,140	(4,677)	4,248	6,217	11,928
Profit for the financial year	-	7,797	-	-	7,797
Actuarial (loss) on pension scheme	-	10,929	-	-	10,929
Deferred tax relating to pension liability	-	(2,386)	-	-	(2,386)
	-	-	-	-	-
<b>Other comprehensive income for the year, net of tax</b>	-	8,543	-	-	8,543
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		16,340	-		16,340
Credit relating to equity-settled share-based payments	-	-	-	995	995
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	995	995
<b>BALANCE AS AT 29 April 2016</b>	6,140	11,663	4,248	7,212	29,263

# **MEDTRONIC LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016**

### **1 GENERAL INFORMATION**

Medtronic Limited is a private company limited by shares and it is incorporated and domiciled in United Kingdom. The address of its registered office is Building 9 Croxley Green Business Park, Hatters Lane, Watford, Herts, WD18 8WW.

The principal activity of the Company is the distribution of surgical and medical care products.

### **2 STATEMENT OF COMPLIANCE**

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

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 26 April 2014. Details of the transition to FRS 102 are disclosed in Note 20.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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 'Critical accounting judgement and key source of estimation uncertainty' section below.

#### **b) Going concern**

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **c) Exemption for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Medtronic Plc. which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- (i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- (iii) from disclosing share based payments arrangements, required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23 of FRS 102, concerning its own equity instruments;

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### c) Exemption for qualifying entities under FRS 102 (continued)

- (iv) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- (v) From the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

#### d) Foreign currency

##### (i) *Functional and presentation currency*

The Company's functional and presentation currency is the pound sterling and rounded to thousands.

##### (ii) *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.

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 profit or loss.

#### e) Turnover

The company activities consist solely of the distribution of surgical and medical care products which arise wholly within the United Kingdom. Consequently, no further segmental information is reported.

#### f) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, defined benefit and defined contribution pension plans and share based payments.

##### (i) *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### (ii) *Defined benefit pension plan*

The Company sponsors the Medtronic Limited Retirement and Death Benefit Plan which is a defined benefit arrangement. The assets of the scheme are held in separate funds administered by the trustees.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### f) Employee benefits (continued)

##### (ii) Defined benefit pension plan (continued)

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

##### (iii) Share based payments

As part of the Company's employee incentive program, the Company operates a number of equity-settled, share-based compensation plans for stock in Medtronic Plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Wherever a recharge is made by Medtronic Plc., an offsetting entry is recorded in equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The Company has taken advantage of the exemption under paragraph 35.10(b) of FRS 102 in respect of share based payment transactions on the date of transition to FRS 102 (1 January 2014) and have elected not to apply Section 26 Share based payments to equity instruments granted before the date of transition to FRS 102. The previous framework has been applied to instruments granted prior to the date of transition.

#### g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### g) Taxation (continued)

##### (ii) *Deferred taxation*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### h) Tangible assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost of tangible fixed assets on a straight line basis over its expected useful life, as follows:

Short Leasehold improvements	-	Over the lease period
Office furniture and equipment	-	over 3 to 5 years

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

#### i) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### (i) *Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

##### (ii) *Lease incentives*

Incentives received to enter into an operating lease are credited to the consolidated statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.



## **MEDTRONIC LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)**

#### **j) Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset 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 continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset 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 or loss, 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 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 loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

#### **k) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### **l) Provisions and contingencies**

##### *(i) Provisions*

Provisions 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 of the obligation can be estimated reliably.

##### *(ii) Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### **m) Financial instruments**

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *(i) Financial assets*

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method where applicable.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### m) Financial instruments (continued)

##### (i) Financial assets(continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### (ii) Financial Liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

##### (iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally 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.

#### n) Related party transactions

As the Company is wholly owned by its ultimate parent company, Medtronic Plc., which prepares publicly available consolidated financial statements, it has taken advantage of the exemption contained in 33.1A of FRS 102 and has therefore not disclosed details of transactions and balances with group companies.

#### o) Critical accounting judgement and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### **o) Critical accounting judgement and key source of estimation uncertainty (continued)**

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.

##### *(i) Useful economic lives of property, plant and equipment (Section 17)*

The annual depreciation or amortisation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives of assets. The useful economic lives are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of property, plant and equipment and accounting policy note 3 (h) for the useful economic lives for each class of asset.

##### *(ii) 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 in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures relating to the defined benefit pension scheme.

#### **p) Future amendments to FRS 102**

Amendments to FRS 102 were issued in July 2015 as a result of changes in the EU-directives and UK Companies Regulation. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities will have to adopt and comply with all amendments if they elect to early adopt the Amendments to FRS 102 (issued in July 2015). None of these are expected to have a significant effect on the financial statements of the Company.

# MEDTRONIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

### 4 TURNOVER

	2016 £'000	2015 £'000
Commission received from sales under commissionaire agreement	-	59,943
Sales of goods	313,815	-

The Company has shifted its business model from 'commissionaire' to 'limited risk distributor' (LRD). Gross sales made by Medtronic Limited on behalf of the principal, Medtronic Holding BV, in the year to 30 April 2015 were £273,337,000.

The total revenue and profit before tax are derived entirely within United Kingdom.

### 5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable	127	75

### 6 STAFF COSTS

	2016 £'000	2015 £'000
Wages and salaries	31,669	29,675
Social security costs	3,784	3,542
Other pension costs (note 17)	7,380	5,472
Share based payment charge (note 18)	995	671
	43,828	39,360

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

	2016	2015
By Activity:		
Selling and distribution	343	281
Administration and finance	136	112
	479	393

# MEDTRONIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

### 7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following:

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets - owned assets	597	290
Operating lease charges:		
Plant and machinery	1,702	1,386
Other	799	399
<b>Auditors' remuneration</b>		
Fees payable to the company's auditors for the audit of the company's financial statements	46	46
FRS 102 advisory fees	15	-
Statutory tax services	1	1

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Tax expense/(income) included in profit or loss

	2016 £'000	2015 £'000
<b>Current tax</b>		
Corporation tax charge on profit for the year	2,404	1,510
Adjustments in respect of prior years	37	53
<b>Total current tax</b>	<b>2,441</b>	<b>1,563</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(834)	(62)
<b>Total deferred tax</b>	<b>(834)</b>	<b>(62)</b>
<b>Tax on profit on ordinary activities</b>	<b>1,607</b>	<b>1,501</b>

#### (b) Tax expense/ (income) included in other comprehensive income

	2016 £'000	2015 £'000
Current tax:	-	-
Deferred tax:		
- Origination and reversal of timing differences	2,169	(2,488)
- Adjustment in respect of previous years	217	-
<b>Total tax expense included in other comprehensive income</b>	<b>2,386</b>	<b>(2,488)</b>

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

##### (c) Reconciliation of tax charge

The corporation tax rate changed from 21% to 20% with effect from 1 April 2015. As a result the current tax rate for the year ended 29 April 2016 is 20% (2015: 20.93%).

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.93%) applied to the pre-tax profit of the Company. The differences are explained below:

	2016 £'000	2015 £'000
<b>Profit on ordinary activities before taxation</b>	<b>9,404</b>	<b>6,564</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.93%)	1,880	1,374
Expenses not deducted for tax purposes	279	258
Accelerated capital allowances	-	40
Share option timing differences	(323)	-
Other timing differences	-	-
Items charged elsewhere (e.g. extraordinary, reserve)	-	(384)
Adjustments in respect of prior years	(180)	113
Tax rate changes	(49)	100
<b>Total tax charge for the year</b>	<b>1,607</b>	<b>1,501</b>

##### (d) Tax rate changes

The Finance Act 2013 reduced the main rate of corporation tax to 20% from 1 April 2015, was substantively enacted on 2 July 2013. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date. In July 2015 it was announced further reduction in the main rate, which falls to 19% with effect from 1 April 2017 and 18% from 1 April 2020. A decrease to 17% with effect from 1 April 2020 was also announced in the 2016 UK Budget. These further reductions had not been substantively enacted at the balance sheet date and their effects are therefore not included in these financial statements.

# MEDTRONIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

### 9 TANGIBLE ASSETS

	Leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
<b>Cost</b>			
At 24 April 2015	2,331	692	3,023
Additions	522	-	522
Disposals	-	-	-
<b>At 29 April 2016</b>	<b>2,853</b>	<b>692</b>	<b>3,545</b>
<b>Accumulated depreciation</b>			
At 24 April 2015	1,526	645	2,171
Charge for year	564	33	597
Disposals	-	-	-
<b>At 29 April 2016</b>	<b>2,090</b>	<b>678</b>	<b>2,768</b>
<b>Net book value</b>			
<b>At 29 April 2016</b>	<b>763</b>	<b>14</b>	<b>777</b>
At 24 April 2015	806	47	852

The Company had no capital commitments at 29 April 2016 (2015: £nil).

All leasehold improvements are short leasehold having remaining lease term of less than 3 years.

### 10 DEBTORS

	2016 £'000	2015 £'000
Trade debtors	82,115	9
Amounts owed by group undertakings	15,215	31,534
Pension asset	1,171	-
Corporation tax	-	523
Deferred tax (note 12)	747	550
Prepayments and accrued income	3,283	1,893
	<b>102,531</b>	<b>34,509</b>

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

# MEDTRONIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

### 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	1,256	1,226
Amounts owed to group undertakings	67,545	1,471
Net pension Liability	-	6,520
Corporation tax	1,137	-
Other taxation and social security	3,303	2,319
VAT payable	9,809	11,162
Accruals and deferred income	17,266	11,228
	<b>100,316</b>	<b>33,926</b>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 12 DEFERRED TAX

	Excluding Pension £'000	Pension £'000	Total £'000
Balance as at 24 April 2015	550	1,490	2,040
Credit to profit and loss account	197	638	834
Debit to other comprehensive income	-	(2,386)	(2,386)
Balance as at 29 April 2016	<b>747</b>	<b>(258)</b>	<b>489</b>

	2016 £'000	2015 £'000
Accelerated capital allowances	110	42
Other timing differences	637	508
Total deferred tax asset (excluding deferred tax asset on pension scheme liability)	<b>747</b>	<b>550</b>

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has recognised in these financial statements.

### 13 CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised, issued, allotted, called up and fully paid		
6,140,002 (2015: 6,140,002) ordinary shares of £1 each	<b>6,140</b>	<b>6,140</b>

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



## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### 14 OPERATING LEASES

At 29 April 2016, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

Payments due:	Land and buildings 2016 £'000	Other leases 2016 £'000	Total 2016 £'000	Land and buildings 2015 £'000	Other leases 2015 £'000	Total 2015 £'000
Not later than one year,	-	296	296	-	327	327
Later than one year and not later than five years	-	621	621	28	490	518
Later than five years	917	-	917	757	-	757
	917	917	1,834	785	817	1,602

#### 15 DIRECTORS' REMUNERATIONS

The emoluments of the directors were as follows:

	2016 £'000	2015 £'000
Aggregate directors remunerations	801	671

Retirement benefits have been accruing to 3 directors (2015: 3) under a defined benefit scheme during the year of 2016 totalling £136,000 (2015: £110,000). Details of the highest paid director are as follows: remunerations paid in respect of qualifying purposes; £371,000 (2015: £314,000), net value of assets (other than money and share options) received or receivable by the director under such schemes in respect of such services; £107,000 (2015: £90,000).

Three directors exercised share options as a director of Medtronic Limited in the year (2015: One).

#### 16 PENSIONS

The Company sponsors the Medtronic Limited Retirement and Death Benefit Plan which is a defined benefit arrangement. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities for some past and present employees. The level of retirement benefit is principally based on salary earned in the last three years of employment.

The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. In accordance with the trust deed, the trustees are appointed and may be dismissed by the employer. Under the provisions of the

Pensions Act 2004 there is a requirement that one third of all members of a trustee board should be member nominated and steps are currently being taken to ensure that this is complied with.

A full actuarial valuation of the scheme was carried out as at 30 April 2015 and the funding of the scheme is agreed between the employer and the trustees. The deficit has been calculated using prudent, as opposed to best estimate, actuarial assumptions. This actuarial valuation showed a deficit of £10,630,000. The Trustees and the Employer have agreed a plan to pay off the shortfall of £10.63m which requires the Employer to make a payment of £12.4m to the Plan by 31 December 2016.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### 16 PENSIONS (continued)

For the purpose of section 28 of FRS 102, the actuarial valuation carried out at 30 April 2015 was rolled forward to 29 April 2016 and switched to the section 28 of FRS 102 basis by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The Employer increased its contributions rate from 24.2% to 27.2% of Pensionable Salaries with effect from 1 May 2016. Member contributions are payable in addition at the rate of 5.0% of pensionable pay until 30 April 2016. With effective from 1 May 2016, this rate increases to 6% of their pensionable pay.

#### Change in benefit obligation

	2016 £'000	2015 £'000
Benefit obligation at beginning of year	107,657	78,851
Current service cost	7,380	5,472
Interest cost	3,867	3,672
Member contributions	1,389	1,269
Actuarial losses	(18,207)	(19,044)
Benefits paid, death in service insurance premiums and expenses	(653)	(651)
Benefit obligation at end of year	101,433	107,657

#### Analysis of defined benefit obligation

	2016 £'000	2015 £'000
Plans that are wholly or partly funded	101,433	107,657
Total	101,433	107,657

#### Change in plan assets

	2016 £'000	2015 £'000
Fair value of plan assets at beginning of year	100,203	81,915
Expected return on plan assets	(7,881)	8,148
Interest income	3,730	3,828
Administrative expenses	(493)	(607)
Employer contributions	6,567	6,301
Member contributions	1,389	1,269
Benefits paid, death in service insurance premiums and expenses	(653)	(651)
Fair value of plan assets at end of year	102,862	100,203
Surplus in scheme	1,429	(8,010)
Related deferred tax (liability)/asset	(258)	1,490
Net pension (liability)/asset	1,171	(6,520)

As all actuarial gains and assets are recognised, the net pension asset/(liability) shown above is that recognised in the balance sheet.

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. The value calculated in this way is reflected in the net asset in the balance sheet as shown above.

The estimated value of liabilities at the date of the last full actuarial valuation prepared for the trustees of the pension scheme as at 30 April 2015 was £109,670,000 compared with assets at the same date of £99,040,000.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### 16 PENSIONS (continued)

##### Components of pension cost

	2016 £'000	2015 £'000
Current service cost	7,380	5,472
Interest cost	3,867	3,672
Expected return on plan assets	(3,730)	(4,679)
Total pension cost recognised in the P&L account	8,010	4,465
Actuarial losses immediately recognised	10,929	(12,354)
Total pension cost recognised in other comprehensive income	10,929	(12,354)
Cumulative amount of actuarial losses immediately recognised at beginning of year	(28,945)	(16,591)
Actuarial losses immediately recognised during year	10,929	(12,354)
Cumulative amount of actuarial losses immediately recognised at end of year	(18,016)	(28,945)

##### Plan assets

The asset allocation at the year-end was as follows:

	2016	2015
Growth Fund	34.6%	33.9%
Equity	35.5%	35.8%
Debt Equity	26.3%	26.8%
Bonds	3.0%	3.0%
Other	0.6%	0.5%
	100%	100%

To develop the expected long-term rate of return on asset assumptions, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium above the risk-free return associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on asset assumptions for the portfolio. This resulted in the selection of a 4.30% per annum assumption at 29 April 2016.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### 16 PENSIONS (continued)

	2016 £'000	2015 £'000
Actual return on plan assets	(4,151)	11,369

#### Assumptions used to determine benefit obligations:

	2016	2015
Discount rate	3.70%	3.60%
Rate of salary increase	3.95%	4.20%
Inflation (RPI)	2.95%	3.20%
Inflation (CPI)	2.05%	2.30%
Rate of pension increases	1.75%	1.90%

#### Assumptions used to determine net pension cost:

	2016	2015
Discount rate	3.60%	4.50%
Rate of salary increase	3.95%	4.85%
Inflation (RPI)	3.20%	3.35%
Inflation (CPI)	2.30%	2.45%
Rate of pension increases	1.75%	2.20%

#### Average life expectancy for mortality tables used to determine benefit obligations at:

	2016		2015
	Male	Female	Male
Member age 65 (current life expectancy)	24.0	25.0	25.0
Member age 45 (life expectancy at age 65)	25.7	26.8	26.7
			28.2

The best estimate of the pension expense for the year beginning after 29 April 2016 is £6,729,000.

#### 17 SHARE BASED PAYMENTS

The employees of the company participate in the share-based compensation plans sponsored by the ultimate parent company, Medtronic Plc. Medtronic Plc. issue options to purchase its common stock at the fair market value at the time of grant. In addition to stock options, Medtronic Plc. grants restricted stock awards ("RSAs") to certain management level employees.

Stock option awards are granted at exercise prices equal to the closing price of the Company's common stock on the grant date. The majority of the Company's stock option awards are non-qualified stock options with a ten-year life and a four-year vesting term.

Restricted stock and restricted stock units (collectively referred to as RSAs) are granted to directors and key employees. Restricted stock awards are subject to forfeiture if employment terminates prior to the lapse of the restrictions. The Company grants restricted stock awards that typically vest in full vest in three and five-year periods. Restricted stock awards are expensed over the vesting period. The Company also grants shares of performance-based restricted stock that will vest in full only if the Company has also achieved certain performance objectives. Performance awards are expensed over the performance period based on the probability of achieving the performance objectives.

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

The fair value of the awards is determined and fixed on the grant date based on Medtronic Plc. stock price. Options are valued using the Black-Sholes option pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

	2016	2015
<b>Grant dates</b>	<b>3/06/2015</b>	<b>28/07/2014</b>
	<b>3/08/2015</b>	<b>27/10/2014</b>
	<b>2/11/2015</b>	<b>27/01/2015</b>
	<b>1/02/2016</b>	<b>2/02/2015</b>
Weighted average share price at grant date	<b>\$74.73</b>	\$74.50
Number of employees granted shares under option in the year	<b>28</b>	466
Total number of options outstanding at year end	<b>160,166</b>	190,786
Vesting period (years)	<b>3.4 to 4</b>	3.4 to 4
Expected volatility	<b>21.17%</b>	25.3%
Option life (years)	<b>10</b>	10
Expected life	<b>6.06</b>	6.8
Risk free rate	<b>1.84%</b>	1.5%
Expected dividends expressed as dividend yield	<b>1.96%</b>	1.69%
Weighted average fair value per option	<b>\$13.95</b>	\$14.98

The expected volatility is estimated using a blend of historical and implied volatility. The historical component is based on historical monthly price changes. The expected life is the average expected period to exercise. The risk free rate is based on the rate at date of grant of five-year U.S. Treasury Notes.

A reconciliation of option movements over the year to 29 April 2016 is shown below:

	2016		2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of the year	<b>190,786</b>	\$61.09	130,858	\$44.77
Transfers in	<b>8,498</b>	\$51.06	-	-
Transfers out	-	-	-	-
Granted in the year	<b>11,818</b>	\$77.50	112,881	\$74.50
Cancelled in the year	-	-	-	-
Forfeited in the year	<b>(13,743)</b>	\$72.46	(3,905)	\$63.69
Exercised in the year	<b>(37,193)</b>	\$48.06	(49,048)	\$46.16
Outstanding at end of the year	<b>160,166</b>	\$63.82	190,786	\$61.62
Exercisable at end of the year	<b>45,587</b>	\$41.73	70,739	\$43.59

## MEDTRONIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

#### 17 SHARE BASED PAYMENTS (continued)

A reconciliation of restricted stock award movements over the year to 29 April 2016 is shown below:

	2016		2015	
	Number	Weighted average grant price	Number	Weighted average grant price
Outstanding at beginning of the year	80,024	\$48.77	91,899	\$42.61
Transfers in	1,486	\$36.59	-	-
Transfers out	-	-	-	-
Granted in the year	20,727	\$77.26	18,006	\$64.48
Forfeited in the year	(3,133)	\$46.26	(7,976)	\$44.43
Vested in the year	(19,294)	\$35.31	(21,905)	\$37.42
Outstanding at end of the year	79,810	\$59.29	80,024	\$48.77

The weighted average share price and weighted average remaining contractual life for options outstanding at the year ended 29 April 2016 and the year ended 24 April 2015 are shown below, grouped by range of exercise price:

	2016			2015		
Range of exercise prices	Weighted average share price	Number of shares	Weighted average remaining contractual life	Weighted average share price	Number of shares	Weighted average remaining contractual life
\$20.01 - \$30	-	-	-	\$27.73	390	1
\$30.01 - \$40	\$36.58	32,296	4.06	\$36.54	43,538	5
\$40.01 - \$50	\$47.63	5,999	1.25	\$47.54	10,430	2
\$50.01 - \$60	\$53.94	9,701	4.59	\$54.90	26,077	3
\$60.01 - \$70	\$62.76	10,242	8.25	\$62.76	10,988	9
\$70.01 - \$80	\$75.15	101,928	8.79	\$74.84	99,363	9
		160,166			190,786	

The weighted average share price during the year for options exercised over the period was \$74.73 (2015: \$69.83). The total charges for the year relating to employee share based payment plans was £995,000 (2015: £671,000), all recognised from transactions accounted for as equity settled share-based payment transactions.

#### 18 COMMITMENT AND CONTINGENCIES

The company has a bank guarantee of £150,000 (2015: £700,000) in respect of VAT deferment facilities with HM Revenue and Custom renewed on a yearly basis.

#### 19 IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Medtronic Holding BV, a company incorporated in Netherlands. The ultimate parent undertaking and controlling party is Medtronic Plc., a company incorporated in Republic of Ireland. Medtronic Plc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 29 April 2016. The consolidated financial statements are available at [www.medtronic.com](http://www.medtronic.com).

# MEDTRONIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

### 20 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 24 April 2015. The date of transition to FRS 102 was 26 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 24 April 2015 and the total equity as at 25 April 2014 and 24 April 2015 between UK GAAP as previously reported and FRS 102.

#### Transition exemptions

The Company has taken the following transition exemptions in preparing its first financial statements under FRS 102.

- (i) The Company has taken advantage of the exemption under paragraph 35.10(b) of FRS 102 in respect of share based payment transactions on the date of transition to FRS 102 (1 January 2014) and have elected not to apply Section 26 Share based payments to equity instruments granted before the date of transition to FRS 102. The previous framework has been applied to instruments granted prior to the date of transition.
- (ii) The Company have taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

#### Reconciliations

In accordance with the requirements of FRS 102 a reconciliation of the prior year profit and opening balances is provided below:

Reconciliation of profit for the year		24 April 2015 £000
Profit for the year as previously reported under UK GAAP		5,063
<i>Correction to retained earnings as result of pension adjustments for FY15 in line with FRS 102</i>		(1,639)
Profit for the year as reported under FRS 102		3,424
Reconciliation of other comprehensive income for the year		24 April 2015 £000
Other comprehensive income for the year as previously reported under UK GAAP		(9,866)
<i>Correction to retained earnings as result of pension adjustments for FY15 in line with FRS 102</i>		1,639
Other comprehensive income for the year as reported under FRS 102		(8,227)

# MEDTRONIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 April 2016 (continued)

### 20 Transition to FRS 102 (continued)

Reconciliation of equity	Note	25 April 2014 £000	24 April 2015 £000
Total reserves as previously reported under UK GAAP		16,060	11,928
Total reserves as reported under FRS 102		16,060	11,928

#### Notes to reconciliation

The adjustments above relate to corrections required as a result of changed pension actuarial gain/(loss) under FRS 102.

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expenses, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 26 April 2014 or 24 April 2015. The effect of the change has been reduce the credit to the profit and loss account in the year to 24 April 2015 by £1,639,000 and increase the credit in other comprehensive income by an equivalent amount.

Under FRS 102 the deferred tax asset at 26 April 2014 of £1,490,000 arising on the post-employment benefit liability, is now included within deferred tax on the balance sheet. Under the previous UK GAAP, and applying FRSs 17 and 19, the deferred tax asset arising on the post-employment liability was offset against the liability. This has no effect on the company's equity or profit for the year.