

Registered no: 03970512

**Covidien (UK) Commercial Ltd**

**Annual Report**

**For the 52 weeks to 25 September 2009**



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# **Covidien (UK) Commercial Ltd**

## **Annual Report and Financial Statements For the 52 weeks to 25 September 2009**

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# **Covidien (UK) Commercial Ltd**

## **Officers and Professional Advisors**

### **Directors**

The directors of the company who held office during the 52 weeks ended 25 September 2009 and in the period to date (unless otherwise stated) were

S Stokes  
N Beukman  
S Dunkley  
D Green  
D Reynolds (appointed 16 January 2009)  
L Dunkley  
M Stefani  
A Marsden  
T Ford

### **Secretary**

D Reynolds (appointed 16 January 2009)

### **Registered Office**

154 Fareham Road  
Gosport  
Hampshire  
PO13 0AS

### **Bankers**

Barclays Bank plc  
London  
United Kingdom

### **Actuaries and Consultants**

Buck Consultants Ltd  
Manchester  
United Kingdom

PricewaterhouseCoopers LLP  
Southampton  
United Kingdom

### **Auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Southampton  
United Kingdom

# **Covidien (UK) Commercial Ltd**

## **Report of the directors For the 52 weeks to 25 September 2009**

The directors of the company who held office during the 52 weeks ended 25 September 2009 and in the year to date present their report and the audited financial statements for the 52 weeks to 25 September 2009

### **Principal activity**

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

### **Review of business and future developments**

The profit and loss account for the year is set out on page 9.

Both the results for the year and the year-end financial position were satisfactory

Turnover during the 52 weeks to 25 September 2009 of £148,204,000 (2008: £148,337,000) was in line with the prior period and gross profit improved in comparison to the prior period from 24.65% to 26.10%

Covidien (UK) Commercial Limited operates solely within the surgical and medical continence care products business, within the UK so does not segment its business, but manages its operations on a divisional basis.

All key financial performance indicators, including sales comparisons, gross margin and operating income, customer returns and credit notes are reviewed against budget and prior periods

Cash flow is reviewed by management on an ongoing basis to ensure that the company is generating sufficient cash flow to enable reinvestment in the business.

The level and reasoning for product returns are monitored to identify any issues which are occurring in the business, enabling appropriate actions to be taken

During the second quarter of the 52 week period ending 25 September 2009, the company migrated certain accounting processes to a Shared Service Centre operating out of Prague in the Czech Republic, as well as migrating the Customer Services function to Dublin, Ireland in order to improve services and generate cost savings

# **Covidien (UK) Commercial Ltd**

## **Report of the directors**

### **For the 52 weeks to 25 September 2009 (continued)**

#### **Results and dividends**

The profit after tax for the financial year was £7,647,000 (2008: £11,487,000) The directors have elected not to pay a dividend in the current or previous year

Profit before tax decreased 27.47% from £12,435,000 to £9,019,000 due to an increase in operating expenses The directors expect the current level of activity to continue in the foreseeable future.

#### **Going concern**

The company has sound financial resources with £24.0m (2008: £60.2m) sitting within a group wide cash pooling arrangement Its credit risk is spread over numerous customers within the medical continence care and surgical care products sector with its main customer being in the public sector Orderbook levels remain constant and rolling 10-week cashflow forecasting is undertaken weekly and to ensure the business has enough cash resource to sustain it in excess of the next year As a consequence the directors believe that the company is well prepared for further growth beyond the current global economic situation.

Considering the above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They continue to adopt the going concern basis in preparing the annual report and accounts accordingly.

#### **Capital structure**

Details of the authorised shares and shares issued are disclosed in note 18 There is only one class of share held in the company which all carry the same voting right and right to equal distribution

#### **Principal risks and uncertainties**

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 activity 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

# **Covidien (UK) Commercial Ltd**

## **Report of the directors**

### **For the 52 weeks to 25 September 2009 (continued)**

#### **Employees**

The company's policy is to consult and discuss with employees, through staff 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 encourages the involvement of employees in its performance through regular communication from the company's managers to all employees providing up to date information on business matters and results. Also, where possible, employees' remuneration contains an element linked to business performance to give an opportunity to participate in the success of the business

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

#### **Donations**

During the year charitable donations exceeding £200 amounted to £nil (2008 £643)

#### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditors. An elective resolution was passed on 20 September 2004 by the company, dispensing with the requirement to appoint auditors annually. Therefore, Deloitte LLP are deemed to continue as auditors

#### **Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of the payment. Trade creditors of the Company at 30 September 2009 were equivalent to 10 (2008 10) days' purchases, based on the average daily amount invoiced by suppliers during the year

# **Covidien (UK) Commercial Ltd**

## **Report of the directors**

**For the 52 weeks to 25 September 2009 (continued)**

### **Provision of information to auditors**

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board of Directors and signed on behalf of the Board by

**By order of the board**

A handwritten signature in black ink, appearing to read 'Debra Reynolds', with a stylized flourish at the end.

**Debra Reynolds**  
**Director**  
**25 June 2010**

# **Covidien (UK) Commercial Ltd**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

# **Covidien (UK) Commercial Ltd**

## **Independent auditors' report to the members of Covidien (UK) Commercial Limited**

We have audited the financial statements of Covidien (UK) Commercial Limited for the 52 weeks ended 25 September 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 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 Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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.

### **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 25 September 2009 and of its profit for the 52 week period 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

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

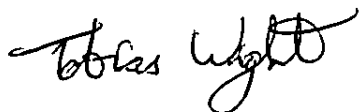
In our opinion the information given in the Directors' Report for the 52 week period for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of Covidien (UK) Commercial Limited (continued)**

### **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



Tobias Wright

For and behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Southampton, United Kingdom  
25 June 2010

# Covidien (UK) Commercial Ltd

## Profit and loss account

For the 52 weeks to 25 September 2009

	Note	2009 £'000	2008 £'000
<b>Turnover</b> - continuing	2	<b>148,204</b>	141,776
- discontinued	2	-	6,561
<b>Cost of sales</b> - continuing		<b>(109,521)</b>	(106,329)
- discontinued		-	(5,436)
<b>Gross profit</b> - continuing		<b>38,683</b>	35,447
- discontinued		-	1,125
<b>Net operating expenses</b> - continuing	3	<b>(30,049)</b>	(26,653)
- discontinued	3	-	(367)
<b>Operating profit</b>	7	<b>8,634</b>	9,552
Interest receivable and similar income	4	<b>492</b>	3,036
Interest payable and similar charges	5	<b>(106)</b>	(153)
<b>Profit on ordinary activities before taxation</b>		<b>9,019</b>	12,435
Tax charge on profit on ordinary activities	8	<b>(1,372)</b>	(948)
<b>Profit on ordinary activities after taxation</b>		<b>7,647</b>	11,487

There are no gains and losses in this or the preceding year other than those recorded above and accordingly a statement of total recognised gains and losses is not presented.

# Covidien (UK) Commercial Ltd

## Balance sheet as at 25 September 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Investments	11	1,952	-
Tangible assets	12	9,903	7,714
		<b>11,855</b>	<b>7,714</b>
<b>Current assets</b>			
Stock		226	5
Debtors	13	42,398	90,728
Deferred tax asset	13	1,334	355
Cash at bank and in hand		24	62
		<b>43,981</b>	<b>91,150</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(23,852)</b>	<b>(75,547)</b>
<b>Net current assets</b>		<b>20,129</b>	<b>15,603</b>
<b>Total assets less current liabilities</b>		<b>31,983</b>	<b>23,317</b>
Creditors: amounts falling due after more than one year	15	(1,024)	-
Provisions for liabilities and charges	16	(1)	(6)
<b>Net assets</b>		<b>30,958</b>	<b>23,311</b>
<b>Capital and reserves</b>			
Called up share capital	18	-	-
Profit and loss account	19	30,958	23,311
<b>Shareholders' funds</b>	20	<b>30,958</b>	<b>23,311</b>

The financial statements for Covidien (UK) Commercial Ltd, registered no 03970512, on pages 9 to 28 were approved by the board of directors and were signed on its behalf by



**Debra Reynolds**  
**Director**  
**25 June 2010**

# **Covidien (UK) Commercial Ltd**

## **Notes to the financial statements For the 52 weeks to 25 September 2009**

### **1 Principal accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and have been applied consistently in current and prior year. A summary of the principal accounting policies is set out below. As detailed in the directors' report, the directors continue to adopt a going concern basis in preparing the financial statements.

#### **Cash flow statement**

The company has taken advantage of the exemption in FRS 1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of Covidien Limited. The parent company has prepared a consolidated cash flow statement including cash flows of this company for the 52 weeks to 25 September 2009.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned as follows:

Short leasehold buildings and improvements	20 years (or term of lease if shorter)
Plant and machinery	3-10 years

The company does not depreciate assets in the course of construction until operationally in use. Land is not depreciated.

Demonstration equipment is depreciated over its useful economic life of between three to five years. Equipment loaned to customers to generate income from the sale of related consumable products is depreciated over the duration of the loan which is one to three years.

Provision is made for any impairment.

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

# **Covidien (UK) Commercial Ltd**

## **Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)**

### **1 Principal accounting policies (continued)**

#### **Finance leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded in sterling at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All exchange gains and losses are reported as part of the results for the year.

#### **Turnover**

Turnover, which excludes Value Added Tax and is stated net of trade discounts, represents the invoiced value of goods and services supplied.

#### **Taxation**

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted as the effects of this would not be material.

#### **Pension costs**

The company participates in a number of multi employer pension schemes, the assets and liabilities of which are held independently from the group. In the case of defined benefit pension schemes, FRS 17 "Retirement Benefits" requires the expected cost of providing pensions, as calculated periodically by a professionally qualified independent actuary, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. This is based on the cost of providing pensions across all participating group companies. The defined benefits schemes are valued every three years by a professionally qualified independent actuary.

# **Covidien (UK) Commercial Ltd**

## **Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)**

### **1 Principal accounting policies (continued)**

#### **Pension costs (continued)**

The company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore the cost of providing pensions is not determined for each individual company, and thus the schemes are accounted for as if they were defined contribution schemes. See note 17 for the summary of key details of the group pension scheme.

In the case of defined contribution schemes, the costs are charged to the profit and loss account in the period in which they are incurred.

#### **Share-based payment**

This is the second year the company has applied the requirements of FRS 20 (IFRS 2) *Share-based Payment*. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 October 2005.

The company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

# Covidien (UK) Commercial Ltd

## Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)

### 1 Principal accounting policies (continued)

#### Share-based payment (continued)

The company also maintains another employee stock purchase plan for the benefit of employees of certain qualified non-US subsidiaries. The terms of this plan provides for the company to grant to its employees the right to purchase shares of the company's stock at a stated price and receive certain tax benefits. Under this plan, eligible employees in the UK are granted options to purchase shares at the end of three years of service at 85% of the market price at the time of grant. All of the shares purchased under this plan are purchased on the open market. The company records an expense, based on an estimate of the 15% discount related to shares expected to vest on a straight-line basis over the vesting period.

### 2 Turnover

The company's 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.

### 3 Net operating expenses

	2009 £'000	2008 £'000
Administrative expenses	4,194	3,119
Distribution costs	25,855	23,901
Net operating expenses	30,049	27,020

### 4 Interest receivable and similar income

	2009 £'000	2008 £'000
Intercompany interest receivable	492	3,036
Bank interest receivable	-	-
	492	3,036

# Covidien (UK) Commercial Ltd

## Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)

### 5 Interest payable and similar charges

	2009 £'000	2008 £'000
Intercompany interest payable	53	143
Bank interest payable	53	10
	<b>106</b>	<b>153</b>

### 6 Directors' emoluments and employee information

#### Directors' emoluments

The remuneration for the directors T Ford, A Marsden and M Stefani of Covidien (UK) Commercial Limited was paid for by Covidien AG in both the current financial year (2008 D West, L Iglesias-Fernandez and M Stefani), and has been disclosed accordingly within this company's financial statements. The directors represent a number of Covidien Healthcare entities and it is neither feasible nor practical to separate the services they perform for Covidien (UK) Commercial Limited from their total remuneration. The 6 directors, S Stokes, N Beukman, S Dunkley, L Dunkley, D Green and D Reynolds are paid by Covidien (UK) Commercial Limited in the year (2008 7 directors, O Millet Lopez; S Stokes, N Beukman, S Dunkley, A Nisbet; D Green, and D Plotts) are disclosed below

	2009 £'000	2008 £'000
Aggregate emoluments	781	777
Highest paid director	169	157
Amounts paid to money purchase pension schemes	62	194
Highest paid director	169	157

All costs associated with these directors' retirement benefits are being paid for by Covidien AG.

#### Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

	2009 Number	2008 Number
Sales and marketing	297	278
Administration	40	47
	<b>337</b>	<b>325</b>

# Covidien (UK) Commercial Ltd

## Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)

### 6 Directors' emoluments and employee information (continued)

Employment costs, including executive directors

	2009 £'000	2008 £'000
Wages and salaries	15,275	15,161
Social security costs	1,624	1,550
Pension costs (see note 17)	1,144	853
Share based payment expense (see note 10)	276	268
	<b>18,319</b>	<b>17,832</b>

### 7 Operating Profit

	2009 £'000	2008 £'000
Operating profit is stated after charging		
Trading foreign exchange loss	646	291
Share based payment expense (note 10)	276	268
Loss on disposal of fixed assets	34	2
Depreciation of tangible fixed assets (see note 12)	2,950	2,756
Auditors' remuneration (see note below)	83	54
Operating lease rentals - plant and machinery	1,500	1,532
- other	144	137

Auditors remuneration	2009 £'000	2008 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	83	54
Total audit fees	<b>83</b>	<b>54</b>

There were no non-audit fees charged by the company's auditors in the current or previous year.

# Covidien (UK) Commercial Ltd

## Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)

### 8 Tax charge on profit on ordinary activities

	2009 £'000	2008 £'000
United Kingdom corporation tax at average rate of 28% (2008 29%)		
Current	2,350	1,034
Adjustments in respect of previous periods	-	(188)
<b>Total current tax charge</b>	<b>2,350</b>	<b>846</b>
Deferred tax		
Origination & reversal of timing differences	(978)	102
Changes in tax rates or laws	-	-
<b>Total deferred tax charge</b>	<b>(978)</b>	<b>102</b>
<b>Tax charge on profit on ordinary activities</b>	<b>1,372</b>	<b>948</b>

The differences between the total current tax shown and the amount calculated by applying the standard rate of UK Corporation tax to profit before tax are as follows

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	9,027	12,436
Tax on profit on ordinary activities at standard		
UK corporation tax rate average of 28% (2008 29%)	2,528	3,606
Expenses not deductible for tax purposes	26	125
Capital allowances in excess of depreciation	257	(29)
Other timing differences	663	-
Group relief claimed, not paid	(1,124)	(2,668)
Adjustments to tax in respect of previous period	-	(188)
<b>Current tax charge for the year</b>	<b>2,350</b>	<b>846</b>

### 9 Dividends

No final dividend proposed (2008: £nil)

# Covidien (UK) Commercial Ltd

## Notes to the financial statements

### For the 52 weeks to 25 September 2009 (continued)

#### 10 Share-based payments

##### Share Compensation Plans

Prior to the Separation of Covidien from Tyco, the company adopted the Covidien Ltd 2008 Stock and Incentive Plan (the "2008 Plan"). The 2008 Plan provides for the award of stock options, stock appreciation rights, annual performance bonuses, long-term performance awards, restricted units, restricted stock, deferred stock units, promissory stock and other stock-based awards (collectively, "Awards")

##### Equity-settled share option scheme

The company has a share option scheme for all employees. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of five years from the date of grant the options expire. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the year are as follows:

Non-qualified scheme	2009		2008	
	Number of Share Options	Weighted Average Exercise Price £	Number of Share Options	Weighted Average Exercise Price £
Outstanding at beginning of the period	61,889	8.94	69,618	9.07
Granted during the period	10,945	10.11	-	-
Transferred during the period (prior year number of share options restated)	(16,331)	9.08	(1,431)	14.98
Expired during the period	(969)	9.34	-	-
Cancelled during the period (prior year number of share options restated)	(969)	9.34	(1,415)	10.90
Exercised during the period (prior year number of share options restated)	-	-	(4,883)	8.45
Outstanding at the end of the period	54,565	9.12	61,889	8.94
Exercisable at the end of the period	28,542		42,810	

Following completion of the prior year's accounts, more detailed information was received which showed that the stated number of share options exercised included transfers and cancellations in the period, and these values have been disclosed separately in these accounts.

# Covidien (UK) Commercial Ltd

## Notes to the financial statements

For the 52 weeks to 25 September 2009 (continued)

### 10 Share-based payments (continued)

#### Non-qualified scheme (continued)

There were no exercises during the period. The restated weighted average share price at the date of exercise for share options exercised during the prior period was £24.28. The options outstanding at the end of the period had a weighted average share price of £9.12 (2008: £8.94) and a weighted average remaining contractual life of 1.82 years (2008 restated: 1.47 years. Previously 4.61 years based on total expected life rather than remaining contractual life only). 10,945 options were granted in the current period (2008: nil). The aggregate of the estimated fair values of those options was £110,654.

The inputs into the Black-Scholes Option Pricing Model are as follows:

	2009	2008
Weighted average share price	2301p	-p
Weighted average exercise price	-p	-p
Expected volatility	32.00%	-%
Expected life	5.00years	- years
Risk-free rate	1.85%	-%
Expected dividend yield volatility	1.29%	-%

Expected volatility was determined by calculating the historical volatility of the company's share price in previous periods. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### Restricted stock scheme

	2009		2008	
	Number of Share Options	Weighted Average Exercise Price £	Number of Share Options	Weighted Average Exercise Price £
Outstanding at beginning of the period (prior year weighted average exercise price restated)	320	23.49	11,621	23.12
Granted during the period	5,262	23.06	-	-
Transferred during the period (prior year number of share options restated)	4,636	21.40	(8,441)	23.44
Cancelled during the period (prior year number of share options restated)	(272)	20.92	(917)	21.57
Exercised during the period (prior year number of share options restated)	(2,252)	22.72	(1,943)	22.41
Outstanding at the end of the year	7,694	22.25	320	23.49
Exercisable at the end of the year	-	-	-	-

# **Covidien (UK) Commercial Ltd**

## **Notes to the financial statements**

**For the 52 weeks to 25 September 2009 (continued)**

### **10 Share-based payments (continued)**

#### **Restricted stock scheme (continued)**

Following completion of the prior year's accounts, more detailed information was received which showed that the stated number of share options exercised included transfers and cancellations in the period, and these values have been disclosed separately in these accounts. Additionally, a review of exchange rates utilised to value outstanding shares at the beginning of the period highlighted errors which have been adjusted in these accounts

The weighted average share price at the date of exercise for share options exercised during the period was £22.66 (2008: £24.34). The options outstanding at the end of the period had a weighted average exercise price of £22.25 (2008: £23.49) and a weighted average remaining contractual life of 2.80 years (2008 restated: 1.72 years. Previously 3.00 years based on total expected life rather than remaining contractual life only). 5,262 options were granted in the current period (2008: nil). The aggregate of the estimated fair values of the options granted was £121,319.

#### **Other share-based payment plans**

The employee share purchase plans are open to almost all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 15%. The shares can be purchased during a two-week period each year. The shares to be purchased are generally placed in the employee share savings plan for a five-year period. Pursuant to these plans, the company issued no ordinary shares in the current year.

# Covidien (UK) Commercial Ltd

## Notes to the financial statements

For the 52 weeks to 25 September 2009 (continued)

### 11 Fixed Asset Investments

#### Acquisition of subsidiary undertaking

On 24 September 2009 Covidien (UK) Commercial Ltd acquired 100 percent of the issued share capital of Vnus Medical Technologies UK Limited for cash consideration of £1,956,588. There were no fair value adjustments to book value. The principal activity of VNUS Medical Technologies UK Ltd is to create innovative products & procedures for the treatment of venous disease.

The following table sets out the book values of the identifiable assets and liabilities acquired

	Book value & Fair Value £
<b>Fixed assets</b>	
Tangible	20,624
<b>Current assets</b>	
Stocks	107,633
Debtors	428,736
Cash	944,751
Prepayments	5,294
<b>Total assets</b>	<u>1,507,038</u>
<b>Creditors</b>	
Bank loans	
Trade creditors	123,442
Accruals	108,291
Intercompany Creditor	1,180,471
Vat Payable	52,195
<b>Total liabilities</b>	<u>1,464,398</u>
Net assets	42,639
Foreign exchange Loss	(4,685)
Goodwill	1,913,949
	<u>1,951,903</u>
<b>Satisfied by</b>	
Cash	1,951,903
	<u>1,951,903</u>

The difference between cash consideration paid and book and fair value of £4,685 was attributable to foreign exchange loss

# Covidien (UK) Commercial Ltd

## Notes to the financial statements

### For the 52 weeks to 25 September 2009 (continued)

#### 12 Tangible fixed assets

	Plant and machinery	Short leasehold land, buildings and improvements	Loan and demonstration equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 October 2008	12,335	2,282	3,937	18,554
Additions	327	110	842	1,279
Transfers from Gos Mfg	1,998	5,547	-	7,545
Disposals	(2,035)	(27)	(120)	(2,182)
<b>At 30 September 2009</b>	<b>12,624</b>	<b>7,912</b>	<b>4,658</b>	<b>25,195</b>
<b>Depreciation</b>				
At 1 October 2008	6,905	561	3,374	10,840
Charge for the year	1,896	324	730	2,950
Transfers from Gos Mfg	1,558	1,972	-	3,530
Disposals	(1,935)	(25)	(66)	(2,027)
<b>At 30 September 2009</b>	<b>8,424</b>	<b>2,831</b>	<b>4,037</b>	<b>15,292</b>
<b>Net book value</b>				
At 30 September 2008	5,430	1,721	563	7,714
<b>At 30 September 2009</b>	<b>4,201</b>	<b>5,080</b>	<b>621</b>	<b>9,903</b>

Included in plant and machinery are assets in the course of construction of £113,000 (2008: £1,818,000) and assets under finance leases transferred from Gosport manufacturing with a book cost of £1,997,607, accelerated depreciation of £1,558,134 and current year depreciation of £133,173.

#### 13 Debtors

	2009 £'000	2008 £'000
<b>Amounts falling due after more than one year:</b>		
Deferred tax	1,334	355
	<b>1,334</b>	<b>355</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	15,191	18,402
Amounts owed by fellow subsidiary undertakings	23,123	66,199
Other debtors	2,781	4,780
Prepayments and accrued income	1,303	1,299
Corporation tax	-	48
	<b>42,398</b>	<b>90,728</b>

# Covidien (UK) Commercial Ltd

## Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)

### 13 Debtors (continued)

The deferred tax asset comprises:

	2009 £'000	2008 £'000
Excess of capital allowances over depreciation	544	238
Short-term timing differences	151	76
Pensions	639	41
<b>Deferred tax asset</b>	<b>1,334</b>	<b>355</b>

The movement of the deferred tax asset is as follows

	Deferred Taxation £'000
At 1 October 2008	355
Charge during the year	979
<b>At 25 September 2009</b>	<b>1,334</b>

### 14 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	2,372	3,038
Amounts owed to parent company and fellow subsidiary undertakings	13,048	63,145
Obligations under finance leases	135	-
Other tax and social security	4,554	6,500
Corporation tax	342	-
Accruals and deferred income	3,402	2,864
	<b>23,510</b>	<b>75,547</b>

### 15 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Finance Lease		
Due in 2-5 years	616	-
Due in more than 5 years	408	-
	<b>1,024</b>	<b>-</b>

Obligations under finance leases are secured on the related assets

# Covidien (UK) Commercial Ltd

## Notes to the financial statements For the 52 weeks to 25 September 2009 (continued)

### 16 Provisions for liabilities and charges

	Warranty Provision £'000
At 1 October 2008	6
Utilised and charged	(5)
<b>At 30 September 2009</b>	<b>1</b>

Warranty provision represents estimated costs beyond 12 months of the balance sheet date for repairing products under warranties sold at the time of product / service sale or sold subsequent to the initial product / service sale

### 17 Pensions commitments

#### Tyco UK Group Pension Scheme – Non Tube and Strip Section ('the Scheme')

The Scheme is a defined contribution scheme with a Best Benefit Guarantee that, more often than not provides benefits that are linked to salary near retirement or earlier date of leaving service. The Scheme is closed to new entrants. Active members in the Scheme were accruing benefits until 31 January 2009. From 1 February 2009 members ceased accruing benefits in the Scheme and started accruing benefits in the Covidien UK Pension Plan ('the Covidien Scheme') As such, this disclosure does not make allowance for any benefits accrued since 31 January 2009 Although the accrued benefits in the Scheme were later transferred into the Covidien Scheme, at 25 September 2009 the liability of the accrued benefits remained in the Scheme As a result, this disclosure sets out the position of the Scheme as at 25 September in respect of these accrued benefits An approximate actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 25 September 2009.

# Covidien (UK) Commercial Ltd

## 17 Pensions commitments (continued)

The major financial assumptions used by the actuary on this scheme were in nominal terms

	2009	2008	2007
<b>Tyco UK Group Pension Scheme</b>			
Rate of increase in salaries	4.35%	4.25%	4.25%
Expected return on assets - equities	7.35%	8.20%	8.00%
- cash	4.15%	5.00%	6.00%
Discount rate - pre retirement	5.60%	6.75%	5.75%
- post retirement	2.60%	3.50%	3.70%
Inflation assumption	3.35%	3.25%	3.25%

	2009 Value £'000	2008 Value £'000	2007 Value £'000
Equities	622	2,078	2,408
Government stock	393	1,424	1,604
Cash	893	585	214
Total market value of assets	1,908	4,087	4,226
Present value of scheme assets/(liabilities)	3,422	4,228	3,927
(Deficit)/surplus in scheme	(1,514)	(141)	299

<b>Analysis of the movement in the scheme (deficit)/surplus during the year</b>	2009 £'000	2008 £'000	2007 £'000
Opening surplus / (deficit) in the scheme	(141)	299	(1,134)
Current service cost	62	(245)	(321)
Contributions	487	609	951
Other finance (expense) / income	7	(198)	53
Actuarial (losses) / gains	(1,929)	(606)	751
<b>Closing (deficit)/surplus in the scheme</b>	<b>(1,514)</b>	<b>(141)</b>	<b>299</b>

## History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000
Difference between the expected and actual return on scheme assets	(305)	(617)	(46)
Percentage of scheme assets	(16.0%)	(15.1%)	(1.1%)
Experience of gains and losses arising on the scheme liabilities	(103)	1	188
Percentage of present value of scheme liabilities	(3.0%)	0.0%	4.8%

# Covidien (UK) Commercial Ltd

## 17 Pensions commitments (continued)

In addition there are individual insurance policies held in the name of the Trustees in respect of pensioners in the Scheme. These policies have not been included in the above because it is not possible to split the Defined Contribution and top-up Defined Benefit elements of the liability. The value of these policies as at 25 September 2009 on the basis used to value the liabilities above is £6,862,000 and, because this liability is insured, it is also valued as an asset of equal value to the liability. It therefore has no net effect on the pension deficit, although the ultimate liability for these members remains with the Scheme.

The value of the Scheme assets disclosed as at 25 September 2009 takes no account of any net current assets or liabilities other than cash in the Trustees' bank account.

Consistency has been maintained with previous years' treatment in that no allowance has been made in assets of the Scheme for National Insurance age-related rebates that were accrued before the year-end but not paid.

The Scheme does not invest in the sponsor's own financial instruments, including property or other assets owned by the sponsor.

From 1 February 2009 the active members in the Scheme ceased accruing benefits in the Scheme and started to accrue benefits in the Covidien Scheme. However, at 25 September 2009 the benefits of the active members continued to be linked to the members' salaries and all liabilities in the Scheme were transferred to the Covidien Scheme after the year end, on 8 December 2009.

The disclosure above reflects pension accrued in the Scheme, therefore no contributions in respect of future accrual of benefits will be paid to the Scheme during the following financial year.

## 18 Share capital

	2009 £	2008 £
<b>Authorised</b>		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1 each	1	1

## 19 Reserves

	Profit and loss account £'000
At 1 October 2008	23,311
Profit for the year	7,647
<b>At 30 September 2009</b>	<b>30,958</b>

# Covidien (UK) Commercial Ltd

## Notes to the financial statements

### For the 52 weeks to 25 September 2009 (continued)

#### 20 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the year	7,647	11,487
Opening shareholders' funds as previously stated	23,311	11,824
Closing shareholders' funds	30,958	23,311

#### 21 Financial commitment

##### Lease commitments

The company has financial commitments in respect of non-cancellable operating leases of plant and machinery. The rentals payable under these leases in the next year are as follows

	2009 £'000	2008 £'000
Expiring within one year	338	490
Expiring between two and five years inclusive	2,253	1,406
	2,591	1,896

#### 22 Contingent liabilities

The company is included in the Covidien (UK) Commercial Limited VAT grouping which covers the Tyco Healthcare UK Limited statutory group. Under this arrangement, Tyco Healthcare UK Limited has indemnified its banker to the amount of £20,000 (2008 £20,000) in respect of certain Customs and Excise duties secured by a floating charge over stock and debtors of the group

#### 23 Capital commitments

	2009 £'000	2008 £'000
Future capital expenditure authorised and contracted for within one year	3,551	4,076

The decrease between the current and previous years is due to the migration of the Finance function to Prague in the 2009 financial year.

# **Covidien (UK) Commercial Ltd**

## **Notes to the financial statements**

### **For the 52 weeks to 25 September 2009 (continued)**

#### **24 Subsequent events**

On 24 September 2009 Covidien Commercial agreed to purchase the entire share capital of Vnus Medical Technologies Limited for £1,951,903. On the 28 September 2009 the net assets of the business of £42,639 were hived up after the 2009 financial year end. In essence the technology and future cash flows that Vnus Medical Technologies Limited will generate were purchased.

#### **25 Ultimate parent company and controlling party**

The company is a wholly owned subsidiary of Tyco Healthcare UK Limited, which is in turn a wholly owned subsidiary of CDK (UK) Limited, a company registered in England and Wales.

The directors regard Covidien Plc, a company registered in Dublin, Ireland, as the ultimate parent company and controlling party since its purchase of Covidien Limited on 4 June 2009. Covidien Plc is the parent of the largest group to consolidate these financial statements. Copies of the consolidated financial statements of Covidien Plc are available from the Company Secretary, Covidien (UK) Commercial Ltd, 154 Fareham Road, Gosport, Hampshire, PO13 0AS.

#### **26 Related party transactions**

Covidien (UK) Commercial Limited is taking advantage of an exemption conferred by FRS 8 which provides exemption for disclosure of transactions between two or more members of a group, provided that all subsidiaries which are party to the transaction are wholly owned by the same group.