



MEDTRONIC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 26 APRIL 2013

Registered Number: 1070807

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MEDTRONIC LIMITED

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MEDTRONIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 26 APRIL 2013

The directors present their annual report and the audited financial statements of the company for the year ended 26 April 2013

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 International Trading Inc

RESULTS AND DIVIDENDS

The results and state of affairs are set out in the attached financial statements. The profit on ordinary activities before taxation is £3,478,000 (2012 £5,044,000). A dividend of £4,000,000 was paid during the year (2012 nil)

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. For the year ended 26 April 2013, underlying gross sales increased by 0.5% versus the previous year which contributed to reported turnover increasing by 1.95%.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk to the company is its dependence on its immediate parent company, Medtronic International Trading Inc, to continue in business. All revenue is derived from this related party and all activities are undertaken on its behalf. Agreements are in place that will ensure all costs incurred on behalf of this related party will be recovered and that a profit will be earned in the process, however, should the related party cease trading the company would be adversely affected.

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.

DIRECTORS

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

P Albert (Appointed 12 November 2012)

M Dovell

M Elsey

J Fielding

A Pleijsier (Resigned 15 November 2012)

DONATIONS

During the year, the company made charitable donations of £94,000 (2012 £91,000). 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 Inc.

MEDTRONIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 26 APRIL 2013 (continued)

FINANCIAL RISK MANAGEMENT

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

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 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 17 January 2014



M Elsey
Director

MEDTRONIC LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDTRONIC LIMITED

We have audited the financial statements of Medtronic Limited for the year ended 26 April 2013 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing 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.

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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 26 April 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Wendy Russell

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

20th January 2014

MEDTRONIC LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 26 APRIL 2013

	Note	2013 £'000	2012 £'000
TURNOVER	2	55,162	54,102
Cost of sales		-	-
GROSS PROFIT		55,162	54,102
Distribution costs		(48,116)	(46,477)
Administrative expenses		(3,993)	(4,420)
Other operating income		-	640
OPERATING PROFIT		3,053	3,845
Interest payable and similar charges	3	(9)	(11)
Other finance income		434	1,210
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	3,478	5,044
Tax on profit on ordinary activities	6	(1,169)	(1,885)
PROFIT FOR THE FINANCIAL YEAR		2,309	3,159

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents

MEDTRONIC LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 26 APRIL 2013

	Note	2013 £'000	2012 £'000
PROFIT FOR THE FINANCIAL YEAR		2,309	3,159
Actuarial loss on pension scheme	18	(9,454)	(1,006)
Movement on deferred tax relating to pension scheme	18	1,134	260
Current tax relief taken to equity		1,084	-
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		(4,927)	2,413

MEDTRONIC LIMITED

Registered number: 1070807

BALANCE SHEET AS AT 26 APRIL 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	7	1,367	1,731
Investments	8	714	714
		2,081	2,445
CURRENT ASSETS			
Debtors	9	17,012	17,797
Cash at bank and in hand		12 800	16,807
		29,812	34,604
CREDITORS: amount falling due within one year	10	(22,248)	(23,539)
NET CURRENT ASSETS		7,564	11,065
TOTAL ASSETS LESS CURRENT LIABILITIES		9,645	13,510
Pension asset	18	1,048	5,411
NET ASSETS		10,693	18,921
CAPITAL AND RESERVES			
Called up share capital	12	6,140	6,140
Other reserves	13	9,139	8,440
Profit and loss account	13	(4,586)	4,341
TOTAL SHAREHOLDERS' FUNDS	14	10,693	18,921

The financial statements on pages 4 to 22 were approved by the board on 17 January 2014 and signed on its behalf by



M Elsey
Director

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

a) Changes to accounting policies

There were no changes to accounting policies during the year.

b) Accounting convention

The 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.

c) Consolidation

The financial statements contain information about Medtronic Limited as an individual company and do not contain consolidated financial information as the parent of a group. The results of the company and its subsidiaries are included in the consolidated financial statements of the ultimate parent company Medtronic Inc, a company incorporated in the USA. The company considers that these financial statements, prepared under US Generally Accepted Accounting Practices, to be equivalent to the requirements of the 7th EU Directive in all material respects and have therefore taken advantage of Companies Act 2006 section 401, and not prepared consolidated financial statements.

d) Foreign currency

Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the year end. Transactions in foreign currencies are translated into sterling at exchange rates ruling at the transaction dates. Exchange differences arising in these cases are dealt with in the profit and loss account.

e) Tangible assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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 calculated so as to write off the cost of tangible fixed assets over the expected useful economic lives by the straight line method at the following rates:

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

f) Pensions

The company operates a funded defined benefit scheme for its employees. The assets of the defined benefit scheme are held separately from those of the company in an independently administered fund. The expected cost of pensions in respect of the company's defined benefit pensions schemes are charged to the profit and loss account over the working lifetime of employees in the schemes. Actuarial surpluses and deficits are spread over the expected working lifetime of employees. The last actuarial valuation was carried out as at 30 April 2012.

The pension surplus recognised in the balance sheet is the value of the assets in the scheme less the obligation of the company being the present value of scheme's assets.

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

1 ACCOUNTING POLICIES (continued)

f) Pensions (continued)

The pension costs for the scheme are analysed into (i) current service cost, (ii) past service cost, (iii) net expected return on pension assets and (iv) interest on pension liabilities. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each year. Past service costs, relating to employee service in prior years arising in the current year as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account. The actuarial gains and losses which arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses.

The additional disclosures required by FRS 17, Retirement benefits, are explained in note 17 to the financial statements.

The company provides no other post-retirement benefits to its employees.

g) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

h) Leasing

Payments made under the terms of operating leases are written off in the year to which they relate. There are no finance lease or hire purchase agreements.

i) Related party transactions

As the company is wholly owned by its ultimate parent company, Medtronic Inc, which prepares publicly available consolidated financial statements, advantage has been taken of paragraph 3(c) of FRS 8, "Related party transactions", not to disclose transactions with group companies.

j) Cash flow statement

The company has taken advantage of the exemptions provided by FRS 1 (Revised 1996) "cash flow statements", not to prepare a cash flow statement as its results are consolidated into the financial statements of its ultimate parent company, Medtronic Inc, which are publicly available.

k) Turnover

Turnover represents commission received from sales made on behalf of the company's immediate parent company, Medtronic International Trading Inc and amounts receivable in respect of compensation for operating expenses incurred by Medtronic Limited.

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

1 ACCOUNTING POLICIES (continued)

l) 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 Inc. 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 Inc., 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.

m) Segmental reporting

Revenue and profit before tax are derived entirely in the United Kingdom.

2 TURNOVER

	2013	2012
	£'000	£'000
<u>Commission received from sales under commissionaire agreement</u>	55,162	54,102

Gross sales made by Medtronic Limited on behalf of the principal, Medtronic International Trading Inc., in the year to 26 April 2013 were £227,980,000 (2012: £226,801,000).

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£'000	£'000
<u>Interest payable on overdrafts and bank loans</u>	9	11

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

4 STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	28,685	27,975
Social security costs	3,065	3,231
Other pension costs (note 18)	3,682	4,091
Share based payment charge (note 19)	699	798
	36,131	36,095
<hr/>		
The average monthly number of employees during the year was as follows	2013	2012
By Activity		
Selling and distribution	320	314
Administration and finance	78	78
	398	392

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2013 £'000	2012 £'000
Depreciation of tangible fixed assets - owned assets	363	400
Operating lease charges		
Plant and machinery	1,570	1,139
Other	833	1,027
Services provided by the company's auditor		
Fees payable for the audit	40	48

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
Current tax		
Corporation tax charge on profit for the year	855	1,378
Adjustments in respect of prior years	(55)	(97)
Total current tax	800	1,281
Deferred tax		
Origination and reversal of timing differences	369	604
Total deferred tax	369	604
Tax on profit on ordinary activities	1,169	1,885

The corporation tax rate changed from 24% to 23% with effect from 1 April 2013. As a result the current tax rate for the year ended 26 April 2013 is 23.93% (2012: 25.85%).

The difference between the profit on ordinary activities at the corporation tax rate of 23.93% ruling in the UK and the actual current tax rate shown above is explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	3,478	5,044
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.93% (2012: 25.85%)	832	1,311
Expenses not deducted for tax purposes	367	671
Accelerated capital allowances	14	(2)
Other timing differences	(358)	(602)
Adjustments in respect of prior years	(55)	(97)
Total current tax charge	800	1,281

The Finance Act 2012, enacted on 19 July 2012, reduced the main rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013. Hence, deferred tax has been stated at 23% in the financial statements. These changes have been substantively enacted at the balance sheet date and consequently their effects are included in these financial statements.

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The effect of this will therefore equal the main rate to the small profits rate.

In the Finance Act 2013, the UK Government has increased the AIA (Annual Investment Allowance) available for the fixed asset additions to £250,000 for a period of two years from 1 January 2013.

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

7 TANGIBLE ASSETS

	Leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
Cost			
At 28 April 2012	2,320	1,345	3,665
Transfer	(5)	5	-
Additions	0	16	16
Disposals	0	(110)	(110)
At 26 April 2013	2,315	1,256	3,571
Accumulated depreciation			
At 28 April 2012	939	995	1,934
Charge for year	194	169	363
Disposals	-	(93)	(93)
At 26 April 2013	1,133	1,071	2,204
Net book value			
At 26 April 2013	1,182	185	1,367
At 28 April 2012	1,381	350	1,731

The company had no capital commitments at 26 April 2013 (2012 £nil)

8 INVESTMENTS

	Group companies £'000
Cost	
At 27 April 2012 and 26 April 2013	714
Net book value	
At 27 April 2012 and 26 April 2013	714

Medtronic Limited's subsidiary undertakings as at 26 April 2013 are

	Share of equity capital	Country of incorporation	Principal activity
Medtronic Physio-Control Limited	100%	Registered in England	Dormant

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

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

9 DEBTORS

	2013	2012
	£'000	£'000
Trade debtors	13	12
Amounts owed by group undertakings	14,608	16,048
Corporation tax	1,119	-
Deferred tax (note 11)	387	259
Prepayments and accrued income	885	1,478
	17,012	17,797

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

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£'000	£'000
Trade creditors	826	1,122
Amounts owed to group undertakings	-	644
Corporation tax	-	474
Other taxation and social security	1,590	1,358
Accruals and deferred income	9,487	8,659
VAT payable	10,345	11,282
	22,248	23,539

Amounts owed to 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 26 APRIL 2013 (continued)

11 DEFERRED TAX

	Excluding Pension £'000	Pension £'000	Total £'000
Balance as at 27 April 2012	259	(420)	(161)
Credit/(debit) to profit and loss account	128	(497)	(369)
Credit to the STRGL	-	1,134	1134
Balance as at 26 April 2013 (note 9)	387	217	604

	2013 £'000	2012 £'000
Accelerated capital allowances	38	26
Other timing differences	349	233
Total deferred tax asset (excluding deferred tax asset on pension scheme liability)	387	259

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

12 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Authorised, allotted, called up and fully paid		
6,140,002 (2012 6,140,002) ordinary shares of £1 each	6,140	6,140

13 RESERVES

	Profit and loss account £'000	Other reserves £'000
Balance as at 27 April 2012	4,341	8,440
Profit for the financial year	2,309	-
Actuarial loss on pension scheme (note 18)	(9,454)	-
Deferred tax relating to pension liability (note 18)	1,134	-
Current year tax relief taken to equity	1,084	-
FRS 20 charge	-	699
Dividends	(4,000)	-
Balance as at 26 April 2013	(4,586)	9,139

Other reserves relate to capital contributions and share based payments charges

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Opening shareholders' funds	18,921	15,710
FRS 20 share based payment	699	798
Actuarial loss on pension scheme (note 18)	(9,454)	(1,006)
Deferred tax relating to pension scheme (note 18)	1,134	260
Current year tax relief taken to equity	1,084	-
Profit for the financial year	2,309	3,159
Dividends	(4,000)	-
Closing shareholders' funds	10,693	18,921

15 DIVIDENDS

	2013 £'000	2012 £'000
Ordinary shares		
65 15p (2012 nil) per £1 share	4,000	-
	4,000	-

16 OPERATING LEASES

The company has annual commitments under operating leases in respect of leases which expire as follows

	Land and buildings 2013 £'000	Other leases 2013 £'000	Total 2013 £'000	Land and buildings 2012 £'000	Other leases 2012 £'000	Total 2012 £'000
Within one year	-	164	164	10	152	162
Between two and five years	29	1,092	1,121	-	797	797
After five years	757	-	757	757	-	757
	786	1,256	2,042	767	949	1,716

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

17 DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows

	2013 £'000	2012 £'000
Aggregate directors emoluments	585	620

Retirement benefits have been accruing to 3 directors (2012: 4) under a defined benefit scheme during the year of 2013 totalling £87,000 (2012: £51,000). Details of the highest paid director are as follows: Emoluments paid in respect of qualifying purposes, £271,000 (2012: £239,000), net value of assets (other than money and share options) received or receivable by the director under such schemes in respect of such services, £79,000 (2012: £76,000).

No director exercised share options as a director of Medtronic Limited in the year (2012: none)

18 PENSIONS - FRS 17 DISCLOSURE

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 2012 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 £3,030,000. The employer paid a special contribution of £3,880,000 into the scheme in March 2013 to eliminate the deficit in the scheme.

For the purpose of FRS17, a full actuarial valuation was carried out at 30 April 2012 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The Employer increased the rate at which it pays contributions from 17.0% to 20.9% of pensionable pay with effect from 1 July 2013. Member contributions are payable in addition at the rate of 5.0% of pensionable pay.

Change in benefit obligation

	2013 £'000	2012 £'000
Benefit obligation at beginning of year	49,780	44,620
Current service cost	3,682	4,091
Interest cost	2,639	2,468
Member contributions	1,122	964
Actuarial losses/(gain)	15,570	(2,098)
Benefits paid, death in service insurance premiums and expenses	(212)	(265)
Benefit obligation at end of year	72,581	49,780

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

18 PENSIONS - FRS 17 DISCLOSURE (continued)

Analysis of defined benefit obligation

	2013 £'000	2012 £'000
Plans that are wholly or partly funded	72,581	49,780
Total	72,581	49,780

Change in plan assets

	2013 £'000	2012 £'000
Fair value of plan assets at beginning of year	55,611	50,061
Expected return on plan assets	3,073	3,678
Actuarial gains/(losses)	6,116	(3,104)
Employer contributions	7,702	4,277
Member contributions	1,112	964
Benefits paid, death in service insurance premiums and expenses	(212)	(265)
Fair value of plan assets at end of year	73,412	55,611
Surplus in scheme	831	5,831
Related deferred tax asset	217	(420)
Net pension asset	1,048	5,411

As all actuarial gains and assets are recognised, the net pension asset 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 2012 was £58,460,000 compared with assets at the same date of £55,430,000.

Components of pension cost

	2013 £'000	2012 £'000
Current service cost	3,682	4,091
Interest cost	2,639	2,468
Expected return on plan assets	(3,073)	(3,678)
Total pension cost recognised in the P&L account	3,248	2,881
Actuarial losses immediately recognised	9,454	1,006
Total pension cost recognised in the STRGL	9,454	1,006
Cumulative amount of actuarial losses immediately recognised at beginning of year	9,275	8,269
Actuarial losses immediately recognised during year	9,454	1,006
Cumulative amount of actuarial losses immediately recognised at end of year	18,729	9,275

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

18 PENSIONS - FRS 17 DISCLOSURE (continued)

Plan assets

The asset allocation at the year-end was as follows

	2013	2012
Equities	69.6%	71.0%
Bonds	30.2%	28.9%
Other	0.2%	0.1%
	100%	100.0%

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 4.80% per annum assumption at 26 April 2013.

	2013 £'000s	2012 £'000s
Actual return on plan assets	9,189	575

Assumptions used to determine benefit obligations:

	2013	2012
Discount rate	4.30%	5.10%
Rate of salary increase	4.90%	4.80%
Inflation (RPI)	3.40%	3.30%
Inflation (CPI)	2.50%	2.40%
Rate of pension increases	3.30%	3.20%

Assumptions used to determine net pension cost:

	2013	2012
Discount rate	5.10%	5.25%
Expected long-term rate of return on plan assets	5.30%	7.00%
Rate of salary increase	4.80%	5.00%
Inflation (RPI)	3.30%	3.50%
Inflation (CPI)	2.40%	3.00%
Rate of pension increases	2.10%	3.30%

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

	2013		2012	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	24.8	26.1	23.5	25.4
Member age 45 (life expectancy at age 65)	26.5	28.1	24.8	26.9

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

18 PENSIONS - FRS 17 DISCLOSURE (continued)

Five year history

	Financial year ended				
	2013	2012	2011	2010	2009
	£'000s	£'000s	£'000s	£'000s	£'000s
Present value of scheme liabilities	72,581	49 780	44,620	40,396	19,252
Fair value of scheme assets	73,412	55,611	50,061	31,239	19,175
Surplus/(deficit) in scheme	831	5,831	5,441	(9,157)	(77)
Difference between actual and expected return on assets					
amount (£'000)	(7,024)	(3,104)	1,679	4,715	(5,454)
percentage of scheme assets	(10%)	(6%)	3%	15%	(28%)
Experience gains and (losses) on scheme liabilities					
amount (£'000)	(5,703)	(428)	(181)	2	(1,524)
percentage of scheme liabilities	(8%)	(1%)	(0%)	0%	(8%)

The best estimate of the pension expense for the year beginning after 26 April 2013 is £4,939,000

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

19 FRS 20 SHARE BASED PAYMENTS

The employees of the company participate in the share-based compensation plans sponsored by the ultimate parent company, Medtronic Inc. Medtronic Inc. issues options to purchase its common stock at the fair market value at the time of grant. In addition to stock options, Medtronic Inc. 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.

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

	2013	2012
Grant dates	30/04/2012	01/08/2011
	30/07/2012	31/10/2011
	29/10/2012	30/01/2012
Weighted average share price at grant date	\$38.81	\$34.88
Number of employees	10	14
Shares under option	8,185	13,187
Vesting period (years)	4	4
Expected volatility	26.31%	26.0%
Option life (years)	10	10
Expected life	6.5	6.4
Risk free rate	0.91%	1.8%
Expected dividends expressed as dividend yield	2.68%	2.8%
Weighted average fair value per option	\$7.23	\$6.86

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.

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

19 FRS 20 SHARE BASED PAYMENTS (continued)

A reconciliation of option movements over the year to 26 April 2013 is shown below

	2013		2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of the year	302,426	\$44.26	373,914	\$44.81
Granted in the year	8,185	\$38.81	13,187	\$34.88
Cancelled in the year	(31,344)	\$47.76	(51,126)	\$48.57
Forfeited in the year	(16,951)	\$39.80	(25,372)	\$41.19
Exercised in the year	(22,053)	\$38.83	(8,177)	\$36.82
Outstanding at end of the year	240,263	\$44.43	302,426	\$44.26
Exercisable at end of the year	200,249	\$45.96	224,224	\$46.71

A reconciliation of restricted stock award movements over the year to 26 April 2013 is shown below

	2013		2012	
	Number	Weighted average grant price	Number	Weighted average grant price
Outstanding at beginning of the year	78,595	\$38.08	74,500	\$41.50
Granted in the year	24,857	\$39.17	26,922	\$35.04
Forfeited in the year	(16,877)	\$37.12	(6,557)	\$67.46
Vested in the year	(14,813)	\$45.05	(16,270)	\$36.87
Outstanding at end of the year	71,762	\$37.24	78,595	\$38.08

The weighted average share price and weighted average remaining contractual life for options outstanding at the year ended 26 April 2013 and the year ended 27 April 2012 are shown below, grouped by range of exercise price

	2013			2012		
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	3	\$27.73	390	4
\$30.01 - \$40	\$36.36	108,756	7	\$36.14	129,677	8
\$40.01 - \$50	\$47.39	52,165	2	\$46.90	81,578	3
\$50.01 - \$57	\$53.67	78,952	3	\$53.54	90,781	4
		240,263			302,426	

The weighted average share price during the year for options exercised over the period was \$44.55 (2012 \$39.72). The total changes for the year relating to employee share based payment plans was £699,000 (2012 £798,000), all recognised from transactions accounted for as equity settled share-based payment transactions.

MEDTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 APRIL 2013 (continued)

20 IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Medtronic International Trading Inc , formally known as Medtronic Avecor Cardiovascular Inc. The ultimate parent company is Medtronic Inc , a company incorporated in the United States of America. Consolidated financial statements for Medtronic Inc , including the results of Medtronic Limited, may be requested from 7000 Central Avenue, Minneapolis MN 55432-3576, USA. The ultimate parent company is the ultimate controlling party, which is the largest group of undertakings to include these financial statements in their consolidation, while the immediate parent company is the smallest.