Aircraft Medical Limited

Report and Financial Statements

For the 16 month period ended 30 April 2016

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Corporate information

Directors
Matthew J R McGrath (resigned on 16 November 2015)
Alison J Williamson (resigned on 31 August 2016)
Bryan G Morton (resigned on 16 November 2015)
Malcolm J Gillies (resigned on 16 November 2015)
Charles A E Spicer (resigned on 16 November 2015)
Philippa M W Montgomerie
Christopher Eric Peterson (appointed on 1 September 2016)
Duncan Robertson (appointed on 1 September 2016)

Secretary
Alison J Williamson (resigned on 31 August 2016)
Philippa M W Montgomerie (appointed on 31 August 2016)

Auditors
Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Bankers
Clydesdale Bank Plc
30 St Vincent Place
Glasgow
G1 2HL

Solicitors
Shepherd and Wedderburn LLP
Exchange Crescent
Edinburgh
EH3 8UL

Registered Office
10 Saint Andrew Square
Edinburgh
EH2 2AF

Registered number
SC220767

Strategic Report

The directors present their strategic report for the period ended 30 April 2016.

Review of the business

During the 16 month period to 30 April 2016 the Company's principal activities was the manufacture, export and servicing of its McGrath ® MAC and Series 5 laryngoscope product lines.

The key financial and other performance indicators during the period were as follows:

	16 months	*12 months*	
	2016	*2014*	*Change*
	$	*$*	*%*
Turnover	15,220,162	12,845,757	18.5%
Gross Profit Margin	42.7%	59.2%	(16.5%)
Operating (Loss)/Profit	(6,508,087)	2,659,181	(344.7%)
Operating (Loss)/Profit before exceptionals	(815,009)	3,814,834	(121.3%)
(Loss)/Profit after tax	(5,299,298)	2,100,963	(352.2%)
Equity shareholders' funds	(681,859)	(1,246,468)	53.4%
Current assets as a % of current liabilities ('quick ratio')	1.17	0.82	42%

The decrease in underlying operating profit before exceptionals is due to:

The launch of our new laryngoscope with a lower price point in the market; and

Changes in our sales route to market which developed through the end of the period to April 2016.

Both of these elements reduced profitability short term until take up of the new product and route to market are established. It is the view of the Directors that during 2017 the benefits of these changes will result in future sustainable profitability.

On the 16th November 2015 the board agreed to accept the recommended cash offer to acquire the entire issued and to be issued share capital of Aircraft Medical Limited from Covidien Group S.a.r.l.

Operating profit reduction in this period is due primarily to the consultation and professional fees involved in the sale of shares.

As part of the integration to Medtronic the company have been tasked with developing the manufacturing facilities and maximizing supply for accessories this will allow the Medtronic sales network to market and develop the brand. Additionally, we will continue to supply and develop laryngoscopes into the Emergency Services Market with plans to expand into new territories.

During the period the company adopted FRS 102 – The Financial Reporting Standard Applicable in the UK and Republic of Ireland has taken advantage of the disclosure exemptions allowed under this standard. The company's immediate controlling party Covidien Group S.A.R.L. were notified of and did not object to the use of the FRS 102. The impact on transition to FRS 102 is disclosed in note 20.

Strategic Report

Principal risks and uncertainties

The main risks associated with the company's financial assets and liabilities are set out below.

Competitive risks

Our strategic intent is to advance our product offering to include a mixture of high quality capital and consumable medical devices. Over time this will offer the opportunity for continued growth in a wide range of markets internationally and it will also give the company a stronger foundation with a broader range of products. We continue to innovate and look to develop features desired by users in order to maintain a loyal customer base.

Legislative risks

As part of Medtronic we monitor changes to medical device legislation across all countries, possible impacts are assessed and communicated across the group. We continue to strive for excellence in quality in excess of any prescribed requirement in order to ensure maximum patient safety in the use of our equipment.

Foreign currency risks

The company has limited its foreign exchange risk by dealing in sterling, euros and US dollars only. These are reviewed on an ongoing basis. The company maintains a sufficient level of funds to ensure it can meet all its obligations as they fall due and adequately finance the company's future development plans.

Price risk

The integration to Medtronic offers new opportunities for us to develop better relationships and drive for cost savings across our purchase agreements. We operate on a cost plus profit basis with Medtronic so whilst we have to ensure a certain continual cost reduction we are largely protected from external commercial pressures.

Credit risk

Intercompany sales accounts for almost all of the revenue generated by the company so this risk is linked with the liquidity risk as detailed below. We are benefiting as part of Medtronic for more favourable credit terms from our suppliers both here in the UK and abroad.

Liquidity Risk

The company is dependant on its immediate parent company Covidien Group S.A.R.L. continued trading, we have however been provided with a letter of support for ongoing concern confirming support as from April 2016.

By the order of the Board

Duncan Robertson

Director 21 Sep 2017

Directors' Report

Registered No. SC220767

The directors present their report and financial statements for the accounting period ended 30 April 2016.

Directors of the Company

The current directors are shown on page 2.

Christopher Eric Peterson and Duncan Robertson were appointed on 1 September 2016. Matthew J R McGrath, , Bryan G Morton, Malcolm J Gillies and Charles A E Spicer resigned on 16 November 2015. Alison J Williamson resigned on 31 August 2016.

Dividends

The directors do not recommend a final dividend (2014: $Nil).

Research and development

Despite launching the latest lower price point Laryngoscope we are continually developing the next generation to add additional features as per customers' requests, and take advantage of any technological advances in the selection of components. Significant resources are being applied to deliver not only the next generation laryngoscopes but also reduce the cost per unit.

During 2015/2016 the Directors have made a voluntary change in the company's accounting policy for development cost to align with Medtronic group financial policies, the impact of this change is disclosed in Note 1.

Future developments

We are continuing to develop our market as standard of care to replace the traditional laryngoscope, our product improves outcomes for patients by reducing injury and in extreme cases through speed of intubation can save lives. Using the extensive sales reach of Medtronic we aim to expand our existing markets and develop into the many significant regions we have not yet entered.

Going Concern

The company recorded a pre-tax loss of $6,667,817 for the 16 month period and shows a closing shareholder surplus of $681,859 at 30 April 2016. The company has received confirmation from its parent undertaking, Covidien International Finance SA, as authorised to act on behalf of Medtronic group of companies, will continues to provide financial support to meet its obligations for a minimum period of 12 months from the date of the signing of these financial statements.

Based on the information above, the company's forecasts and the continued availability of financial resources from its parent, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparing the financial statements.

Change of financial year end

The financial year end of the Company was changed from 31 December to 30 April.

Accordingly, the comparative figures for the income statements, statements of changes in equity and the related notes are for twelve months from 1 January 2014 to 31 December 2014 whereas the current period represents a period of 16 months from 1 January 2015 to 30 April 2016.

On transition to FRS 102 the Directors have adopted US Dollars as our functional currency.

Directors' Report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

Ernst & Young LLP were appointed as auditors during the period. Ernst & Young LLP have expressed their willingness to continue in office and will be proposed for re-appointment at the Annual General Meeting.

By order of the Board

Duncan Robertson
Director

21 Sep 2017

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Director's 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) , including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper 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.

Independent auditors' report

to the members of Aircraft Medical Limited

We have audited the financial statements of Aircraft Medical Limited for the period ended 30 April 2016 which comprise the Income Statement, Statement of changes in Equity, Statement of Financial Position and the related notes 1 to 19. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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.

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 Report and Financial Statements 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.

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 30 April 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Aircraft Medical 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.

Ernst & Young LLP

Mark Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

21 September 2017

Income Statement

***For the 16 month period ended 30* April 2016**

	Notes	2016 $	Restated 2014 $
Turnover	1	15,220,162	12,845,757
Cost of sales		(8,276,203)	(5,242,378)
Gross profit		6,493,959	7,603,379
Distribution costs		(917,301)	(615,314)
Administrative expenses:			
Before exceptional items		(7,077,570)	(3,105,720)
Exceptional items	2	(5,693,078)	(1,439,103)
Total administrative expenses		(12,770,648)	(4,544,823)
Other operating income		235,903	215,939
Operating (loss)/profit	3	(6,508,087)	2,659,181
Interest receivable and similar income		19	22
Interest payable and similar charges	6	(159,748)	(283,472)
(Loss)/Profit on ordinary activities before taxation		(6,667,816)	2,375,731
Tax on profit on ordinary activities	7	1,368,518	(274,768)
(Loss)/Profit for the financial year		(5,299,298)	2,100,963

Statement of changes in Equity

***For the 16 month period ended 30* April 2016**

	Called up share capital (note 16)	*Share premium reserve*	*Profit and loss account*	*Total equity*
	$	*$*	*$*	*$*
At 1 January 2014	579	7,939,902	(11,287,912)	(3,347,431)
Profit for the year	-	-	2,100,963	2,100,963
At 31 December 2014	579	7,939,902	(9,186,949)	(1,246,468)
Profit for the period	-	-	(5,299,298)	(5,299,298)
Shares Issued	32	197,999	-	198,031
Share based payments	41	2,318,071	-	2,318,112
At 30 April 2016	652	10,455,972	(14,486,247)	(4,029,623)

Statement of financial position

at 30 April 2016

	Notes	2016 $	Restated 2014 $
Fixed assets			
Tangible assets	8	517,467	734,147
Current assets			
Stocks	9	1,332,565	698,830
Debtors:			
amounts falling due within one year	10	2,823,818	1,520,588
amounts falling due after one year	10	661,756	1,031
		3,485,574	1,521,619
Cash at bank and in hand		1,835,329	1,732,494
		6,653,468	3,952,943
Creditors: amounts falling due within one year	11	(6,134,593)	(4,796,710)
Net current assets/(liabilities)		518,875	(843,767)
Total assets less current liabilities		1,036,342	(109,620)
Creditors: amounts falling due after more than one year	12	(206,489)	(910,780)
Provision for liabilities	14	(147,995)	(226,068)
Net assets/(liabilities)		681,858	(1,246,468)
Capital and reserves			
Called up share capital	16	652	579
Share premium account		10,455,971	7,939,902
Capital contribution		4,711,485	-
Profit and loss account		(14,486,250)	(9,186,949)
		681,858	(1,246,468)

The notes on pages 13 to 29 are an integral part of these financial statements.

Approved by the Board

Duncan Robertson
Director
Date: 21 SEP 2017

Notes to the financial statements

1. Accounting policies

a) Statement of compliance

Aircraft Medical Limited is a private company limited by shares incorporated in United Kingdom. The registered office is situated in 10 Saint Andrew Square, Edinburgh, EH2 2AF.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the period ended 30 April 2016.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 20.

b) Basis of preparation

The financial statements of Aircraft Medical Limited were authorised for issue by the Board of Directors on 21 September 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in dollars which is also the functional currency of the company and rounded to the nearest $.

Following the adoption of FRS 102, the directors have assessed the functional currency of the company to be US Dollars to align with the requirements of FRS 102. The change in functional currency has been applied retrospectively on transition to FRS 102 at 1 January 2014. The impact of the functional currency translation has been disclosed in note 20.

c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The view of the Directors is that there is no signification judgement or estimation uncertainties.

d) Significant accounting policies

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the financial statements

Interest income

Revenue is recognised as interest accrued using the effective interest method.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing parts of the tangible assets directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible asset, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Plant and machinery	- 25% on straightline
Tooling	- 20% on straightline
Computer equipment	- 33% on straightline
Office equipment	- 25% on straightline

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

1. Accounting policies (continued)

d) Significant accounting policies (continued)

Basic financial instruments

(a) Financial assets

Basic financial assets represents stocks, trade debtors including amounts due by group undertakings; and cash and bank balances are initially recognised at transaction price. At 30 April 2016, the company had only financial assets classified as basic financial assets.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) 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.

(b) Financial liabilities

Basic financial liabilities represents bank loans, amounts owed to group undertakings as interest bearing loans and borrowings; finance lease obligations, creditors i.e. initially recognised at transaction price. At 30 April 2016, the company had financial liabilities classified as basic financial liabilities.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in interest receivable in the profit and loss account.

Creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Amount owed to group undertakings which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are 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.

Notes to the financial statements

1. Accounting policies (continued)

d) Significant accounting policies (continued)

Income taxes

Current income tax

Corporation tax payable is provided on taxable profits at current rates.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/ (asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Pensions

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The company recognised the contribution payable for a period:

- As a liability, after deducting any amount already paid.
- As an expense, unless requires the cost to be recognised as part of the cost of an asset such as stocks or tangible assets.

Notes to the financial statements

1. Accounting policies (continued)

d) Significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on the basis of occurrence.

Share-based payments

The company operated a share option scheme for employees (including senior executives). Options were exercisable at a price agreed with HM Revenue and Customs as the market value of the company's shares on the date of grant. On 16th November 2015 all options were exercised and settled in full and the company has no further share based payment options.

Change of financial year end

The financial year end of thc Company was changed from 31 December to 30 April.

Accordingly, the comparative figures for the income statements, statements of changes in equity and the related notes are for twelve months from 1 January 2014 to 31 December 2014 whereas the current period represents a period of 16 months from 1 January 2015 to 30 April 2016.

Research and development – change in accounting policy

During the year, the Company has changed its accounting policy with respect to research and development expenditure.
Development expenditure will be expensed on an as incurred basis. This previously was capitalised on the balance sheet and amortised over its useful life, the change in accounting policy has been applied retrospectively and brings the company's accounting policies in line with Medtronic Groups.

The impact of this voluntary change in accounting policy on the financial statements is stated in note 17.

Notes to the financial statements

1. Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the group's continuing ordinary activities and is stated net of value added tax.

An analysis of turnover by geographical market is given below:

Geographical area

	UK and Europe		*North America*		*Asia Pacific*		*Total*	
	2016	*2014*	*2016*	*2014*	*2016*	*2014*	*2016*	*2014*
	$'000	*$,000*	*$,000*	*$,000*	*$,000*	*$,000*	*$,000*	*$,000*
Turnover by destination:								
Sales to third parties	4,099	2,364	5,822	9,457	1,575	1,024	11,497	12,845
Intercompany Sales	469	-	3,173	-	81	-	3,723	-
Total sales	4,569	2,364	8,995	9,457	1,656	1,024	15,220	12,845

2. Exceptional Items

		2016	2014
		$	$
Impairment of investment		-	(317,640)
Impairment of intangibles		-	(1,652,315)
Early release of deferred income		-	530,852
Impairment of fixed assets	(i)	(83,609)	-
Transaction expenses	(ii)	(3,067,762)	-
Distributor termination settlements	(iii)	(2,541,707)	-
		(5,693,078)	(1,439,103)

Prior year exceptional items were related to the discontinuation of operations from a base in Barcelona Spain. The exceptional items for 2016 are as follows:

(i) A review by the Directors as part of the alignment to Medtronic financial policies led to capitalised assets under an original purchase price of $2,500 being removed from the asset register – this impairment represents the adjustment to expense.

(ii) Significant expense was incurred in the preparation and review of all documentation and general advise in the sale of shares in Aircraft Medical Limited to Covidien Group S.a.r.l.

(iii) An estimate has been made to the settlement of all liabilities due to our distributor network on our existing supply agreements, with the intention of using Medtronic sales force to advance sales in these regions.

Notes to the financial statements

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting):

This is stated after charging/(crediting):

	2016	*2014*
	$	*$*
Auditors' remuneration (note 4)	145,290	53,987
Provision for slow moving and obsolete stock	308,913	-
Depreciation of owned fixed assets (note 8)	1,351,416	1,605,372
Foreign exchange differences	(70,719)	42,885
Warranty provision	64,843	124,028
Operating lease rentals- land and buildings	252,810	224,593

4. Auditors' remuneration

	2016	*2014*
	$	*$*
Audit of the financial statements	18,617	19,060
Taxation compliance services	27,465	34,927
Other non-audit services	99,208	-
	145,290	53,987

5. Staff costs

a) Staff costs

	2016	*2014*
	$	*$*
Wages and salaries	3,552,288	1,680,704
Social security costs	1,004,326	770,275
Other pension costs	153,512	108,737
	4,710,126	2,559,716

Notes to the financial statements

5. Staff costs (Continued)

a) *Staff costs* (continued)

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

	2016	*2014*
	No.	*No.*
Research & development	7	7
Manufacturing & Engineering	24	10
Sales and marketing	2	2
Board, administration and support	9	6
	42	25

b) *Director's remuneration*

	2016	*2014*
	$	*$*
Aggregate remuneration in respect of qualifying services	1,793,134	879,181
Aggregate amounts receivable under defined contribution schemes	29,507	28,239
	1,822,641	907,420

In respect of the highest paid director:

	2016	*2014*
	$	*$*
Aggregate remuneration	1,124,248	312,684

The number of directors to whom retirement benefits were accruing was as follows:

b) *Director's remuneration* (continued)

	2016	*2014*
	No.	*No.*
Money purchase schemes	3	3

The number of directors to whom share options were granted was as follows:

	2016	*2014*
	No.	*No.*
Options over Ordinary 0.0001p shares	4	4

Notes to the financial statements

6. Interest payable and similar charges

	2016	2014
	$	$
Interest on term loans from bank	68,949	178,153
Interest on other loans	830	683
Deferred Finance costs	89,969	104,636
	159,748	283,472

7. Taxation

a) *Tax on profit on ordinary activities*

	2016	2014
	$	$
The tax charge is made up as follows:		
Current tax:		
UK corporation tax at 20.19% (2014: 20%)	-	-
Adjustment in respect of previous years	-	1,530
Total current tax	-	1,530
Deferred tax	(1,368,518)	274,768
Tax on profit on ordinary activities (note 7(b))	(1,368,518)	276,298

Notes to the financial statements

7. Taxation (Continued)

b) *Factors affecting the total tax charge*

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.19% (2014:20%).

The differences are reconciled as below:

	2016	*2014*
	$	*$*
Profit on ordinary activities before tax	(6,667,816)	2,375,731
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.19% (2014 – 20.0%)	(1,345,911)	475,146
Expenses not deductible	709,676	94,753
Adjustment from previous periods	(6,106)	(60,922)
Tax rate changes	134,429	-
Statutory share option relief	(881,920)	-
Foreign exchange differences	21,314	(6)
Deductible expenditure including R&D relief	-	(232,673)
Total tax expense	(1,368,518)	276,298

c) *Factors that may affect future tax charges*

Adjustments to the UK corporation tax rate to 17% (effective from April 2020) was announced in the Budget on 16 March 2016, this will reduce the Company's future current tax charge.

d) *Deferred tax*

The company's net deferred tax asset of ($2,299,324) (2014 – $0), mainly in respect of trading losses, has not been recognised due to insufficient evidence as to its recoverability. This asset would be recoverable against future trading profits of the company. The unrecognised deferred tax asset has been calculated at 20.19%.

Notes to the financial statements

8. Tangible fixed assets

	Plant and Machinery	Computer equipment	Office equipment	Motor vehicles	Total
	$	*$*	*$*	*$*	*$*
Cost:					
At 1 January 2015	1,716,837	191,564	117,830	38,783	2,065,014
Additions	223,608	18,869	5,423	-	247,899
Disposals	(302,850)	(29,095)	-	-	(331,944)
At 30 April 2016	1,637,595	181,338	123,253	38,783	1,980,969
Depreciation:					
At 1 January 2015	1,034,026	172,063	108,636	16,142	1,330,867
Charge for the period	223,886	5,697	4,354	16,020	249,957
Disposal	(113,266)	(4,056)	-	-	(117,322)
At 30 April 2016	1,144,646	173,704	112,990	32,162	1,463,502
Carrying amount:					
At 30 April 2016	492,949	7,635	10,263	6,621	517,467
At 1 January 2015	682,811	19,501	9,194	22,641	734,147

Notes to the financial statements

9. Stocks

	2016	2014
	$	$
Raw materials	1,033,630	566,392
Finished goods	298,935	132,438
	1,332,565	698,830

The difference between purchase price or production cost of stocks and their replacement cost is not material. The value of inventory expensed during the year was $7,967,290 (2014: $5,242,378).

10. Debtors

	2016	2014
	$	$
Trade debtors	2,574,952	1,268,935
Other debtors	65,006	241,465
Prepayments and accrued income	183,860	10,188
	2,823,818	1,520,588

Amounts falling due after more than one year are:

	2016	2014
	$	$
Deferred tax asset	661,756	1,031
	661,756	1,031

Notes to the financial statements

11. **Creditors:** amounts falling due within one year

	2016	*2014*
	$	*$*
Bank loans (note 13)	-	1,232,663
Other loans (note 13)	-	1,405,587
Trade creditors	1,327,672	997,092
Other taxes and social security	58,248	90,318
Other creditors and accruals	4,748,673	1,035,618
Amounts due to subsidiary undertakings	-	35,432
	6,134,593	4,796,710

12. **Creditors**: amounts falling due after more than one year

	2016	*2014*
	$	*$*
Bank loans (note 13)	-	184,936
Deferred Tax Liability	-	721,309
Other creditors and accruals	206,489	4,536
	206,489	910,781

13. Loans

Loans repayable, included within creditors, are analysed as follows:

	2016	*2014*
	$	*$*
Wholly repayable within five years	-	1,405,587
Not wholly repayable within five years	-	1,232,663
	-	2,638,250

Following the acquisition of Aircraft Medical on 16th November 2015 all outstanding loans were settled in full.

Notes to the financial statements

14. Provisions

	Warranty Provision
	$
As at 1 January 2015	(226,068)
Impact of FX differences	10,433
Utilised	10,628
Released	57,012
At 30 April 2016	(147,995)

Maintenance warranties

A provision is recognised for expected warranty claims on products sold during the last 2 years. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

15. Obligations under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

Operating lease arrangements

The company has an operating lease for its office and warehouse which will expire on 30 May 2018. In addition the company has an operating lease for 1 vehicle expiring 30 November 2017

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	*2014*
	$	$
Not later than one year	54,235	50,576
Later than one year and not later than five years	64,711	112,517
Later than five years	-	-
	118,946	163,093

Notes to the financial statements

16. Allotted and issued share capital

	2016	2016	2014	2014
	No.	$	No.	$
Allotted, called up and fully paid:				
Ordinary shares of 0.0001p each	36,973,509	652	32,075,676	579
		652		579

17. Change in Accounting policy

During the year, the Company has changed its accounting policy with respect to research and development expenditure.
Development expenditure will be expensed on an as incurred basis. This previously was capitalised on the balance sheet and amortised over its useful life, the change in accounting policy has been applied retrospectively and brings the company's accounting policies in line with Medtronic Groups.

The impact of this voluntary change in accounting policy on the financial statements is:

Impact on Financial year 2014

	$
Opening P&L Reserve brought forward at 1 Jan 2014	(2,916,398)
Intangible asset value as at 1 Jan 2014	(8,371,514)
Re-stated P&L Reserve brought forward at 1 Jan 2014	**(11,287,912)**
Closing P&L Reserve as at 31 Dec 2014	(8,112,103)
Depreciation charged in 2014	2,079,820
Expensed additions	(2,997,101)
Deferred tax adjustment on change in accounting policy	(157,565)
Re-stated Closing reserve as at 31 December 2014	**(9,186,949)**
Profit after tax 2014	
Financial statements profit for the year ended 31 Dec 2014	3,175,809
Reversal of depreciation charged 2014	2,079,820
Expensed additions	(2,997,101)
Deferred tax adjustment on change in accounting policy	(157,565)
Re-stated profit for year ended 31 December 2014	**2,100,963**

18. Controlling party

At 30 April 2016, by virtue of shareholding, Covidien Group S.A.R.L. (a subsidiary of Medtronic plc) is deemed to immediate controlling party. Medtronic plc is deemed to be the ultimate controlling party.

Notes to the financial statements

19. Transition to FRS 102

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the company has prepared in accordance with FRS 102.

Accordingly, the company has prepared financial statements which comply with FRS 102 applicable for periods ending on or after 30 April 2016, together with the comparative period data as at and for the year ended 31 December 2014, as described in the summary of significant accounting policies. This note explains the principal adjustments made by the company in restating its UK GAAP financial statements, including the balance sheet as at and for the year ended 31 December 2014.

The impact from the transition to FRS 102 is as follows:

Reconciliation of equity at 31 December 2014:	**£**
Equity Shareholders' funds at 31 December 2014 under previous UK GAAP	3,917,407
Conversion to USD	$
Equity Shareholders' funds at 31 December 2014 under previous UK GAAP	6,671,426
Intangible asset removal	(7,454,401)
Foreign Exchange loss	(305,928)
Deferred tax adjustment	(157,565)
Equity shareholders' funds at 31 December 2014 under FRS 102	(1,246,468)

Reconciliation of profit and loss for the year ended 31 December 2014:	**£**
Profit for the year ended 31 December 2014 under previous UK GAAP	941,043
Conversion to USD	$
Profit for the year ended 31 December 2014 under previous UK GAAP	1,647,342
Intangible asset removal	917,114
Foreign Exchange Loss	(305,928)
Deferred tax adjustment	(157,565)
Profit for the year ended 31 December 2014 under FRS 102	2,100,963

Notes to the financial statements

19. Transition to FRS 102 (Continued)

Functional currency adjustments

Group Balance Sheet

The following schedule shows the comparison of the Balance Sheet position as at 31 December 2014 reported under UK GAAP and restated under FRS102 including the transitional adjustments.

		At 31 Dec 2014		
		Restated UK GAAP		*As reported under FRS102*
	Ref	*£000*	*Translation rate to USD*	*$000*
Fixed assets				
Tangible assets		447,871	1.6392	734,147
		447,871		734,147
Current assets				
Stocks		459,128	1.5221	698,830
Debtors:		1,085,233	1.4021	1,521,619
Cash at bank and in hand		1,110,772	1.5597	1,732,494
		2,655,133		3,952,943
Creditors: amounts falling due within one year		(3,078,652)	1.5581	(4,796,710)
Net current liabilities		(423,519)		(843,767)
Total assets less current liabilities		24,351		(109,620)
Creditors: amounts falling due after more than		(591,783)	1.5390	(910,781)
Provision				
Warranty Provision		(145,220)	1.5567	(226,068)
		(145,220)		(226,068)
		(712,651)		(1,246,468)
Capital and reserves				
Called up share capital		321	1.8048	579
Share premium account		4,810,057	1.6507	7,939,902
Profit and loss account		(5,523,029)	1.6634	(9,186,948)
		(712,651)		(1,246,468)