

Registered no: 2285007

**CDK (UK) Limited**  
**Annual report**  
**for the year ended 30 September 2004**



# **CDK (UK) Limited**

## **Annual Report and Financial Statements For the year ended 30 September 2004**

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**Report of the directors  
for the year ended 30 September 2004**

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2004.

**Principal activity**

The principal activity of the group is the manufacture, import and distribution of medical and surgical products.

Up until the disposal of the Orthopaedic business on 5 May 2004, the group included a separate legal entity operating out of Cork in Southern Ireland (Campeire Limited). The group's 100% shareholding in Campeire Limited was sold as part of the divestiture and therefore results for that entity up until the point of divestiture are incorporated into the consolidated results of the CDK (UK) Limited group.

**Review of business and future developments**

The consolidated profit and loss account for the year is set out on page 5.

Both the level of business for continuing activities and the year-end financial position were satisfactory.

As indicated above, the group sold its orthopaedic business on 5 May 2004, including certain assets and liabilities and a subsidiary undertaking, Campeire Limited, to a third party for consideration of £2,250,000 and £430,000 respectively.

**Results and dividends**

The profit for the year is £13,818,000 (2003: £1,530,000). The directors do not recommend the payment of a dividend for the year ended 30 September 2004 (2003: £nil).

**Directors**

The directors of the company who held office during the year ended 30 September 2004 and in the period to date were:

D R West  
L H Swindells (resigned 6<sup>th</sup> October 2003)  
C Blebta (appointed 6<sup>th</sup> October 2003)  
B Skeet

## **Report of the directors for the year ended 30 September 2004**

### **Directors' interests in shares of the company**

No director held a beneficial interest in the company at 30 September 2004, or at any time during the year.

The Company has taken advantage of the exemption under Statutory Instrument 85/802 not to disclose details of directors' interests in shares or share options held in the ultimate parent company, Tyco International Limited, which is incorporated outside of the UK.

### **Employees**

The group'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 group's performance.

The group encourages the involvement of employees in its performance through regular communication from the companies' 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.

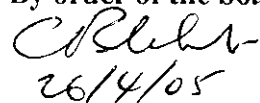
The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible,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

### **Auditors**

On 14<sup>th</sup> July 2004, PricewaterhouseCoopers LLP resigned as auditors. On 20<sup>th</sup> September 2004, Deloitte & Touche LLP were appointed as auditors.

Pursuant to section 386 of the Companies Act 1985, an elective resolution was passed on 23<sup>rd</sup> October 2001 by the company, dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

**By order of the board:**



26/4/05

**C Blebta  
Director**

**Statement of directors' responsibilities**

The directors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of CDK (UK) Limited which comprise the profit and loss account, the balance sheets and the related notes 1 to 28. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

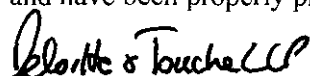
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 30 September 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Southampton

29 April 2005

## Consolidated profit and loss account for the year ended 30 September 2004

	Notes	Continuing Operations	Discontinued Operations	Total 2004	2003 Restated*
		£'000	£'000	£'000	£'000
Turnover	2	176,452	12,248	188,700	194,984
Cost of sales		(137,306)	(10,974)	(148,280)	(155,428)
Gross profit		39,146	1,274	40,420	39,556
Net operating expenses	4	(26,801)	(1,813)	(28,614)	(35,413)
Operating profit		12,345	(539)	11,806	4,143
Loss on disposal of fixed assets				(483)	-
Loss on disposal of business				(2,899)	-
Profit on ordinary activities before interest				8,424	4,143
Interest receivable and similar income				2,299	1,730
Interest payable and similar charges	7			(4,169)	(3,964)
Profit on ordinary activities before taxation	8			6,554	1,909
Tax on profit on ordinary activities	9			7,264	(379)
Profit for the year	22			13,818	1,530

The Group has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.


The split between continuing and discontinued activities for 2003 is stated in note 3.

\* The comparative figures have been restated to reallocate management fee income from cost of sales to administrative overheads.

## Balance sheets as at 30 September 2004

	Notes	Group Restated (notes 16 to 19)		Company	
		2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Fixed assets</b>					
Intangible assets	11	28,797	31,442	-	-
Tangible assets	12	31,255	34,930	-	-
Investments	13	-	-	375	375
		<b>60,052</b>	<b>66,372</b>	<b>375</b>	<b>375</b>
<b>Current assets</b>					
Stocks	14	10,596	10,419	-	-
Debtors: amounts falling due within one year	15	102,926	165,800	58,770	-
Debtors: amounts falling due after one year	15	-	-	57,833	143,445
Cash at bank and in hand		257	720	-	-
		<b>113,779</b>	<b>176,939</b>	<b>116,603</b>	<b>143,445</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(42,151)</b>	<b>(99,373)</b>	<b>(6,648)</b>	<b>(13,595)</b>
<b>Net current assets</b>		<b>71,628</b>	<b>77,566</b>	<b>109,955</b>	<b>129,850</b>
<b>Total assets less current liabilities</b>		<b>131,680</b>	<b>143,938</b>	<b>110,330</b>	<b>130,225</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(60,443)</b>	<b>(80,817)</b>	<b>(57,833)</b>	<b>(77,833)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(1,290)</b>	<b>(6,992)</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>		<b>69,947</b>	<b>56,129</b>	<b>52,497</b>	<b>52,392</b>
<b>Capital and reserves</b>					
Called up share capital	21	49,453	49,453	49,453	49,453
Share premium account	22	5,621	5,621	5,621	5,621
Profit and loss account	22	14,873	1,055	(2,577)	(2,682)
<b>Equity shareholders' funds</b>	23	<b>69,947</b>	<b>56,129</b>	<b>52,497</b>	<b>52,392</b>

The financial statements on pages 5 to 27 were approved by the board of directors on 26<sup>th</sup> April 2005 and were signed on its behalf by:

  
26/4/05

**C Blebta**  
**Director**



## Notes to the financial statements for the year ended 30 September 2004

### 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. A summary of the more important group accounting policies is set out below.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and all its subsidiary undertakings made up to 30 September 2004. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date on which control passes. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account. Intra-group sales and profits are eliminated fully on consolidation.

#### **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 Tyco International Limited. The parent company has prepared a consolidated cash flow statement including cash flows of this company for the year ended 30 September 2004.

#### **Intangible fixed assets**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included as an intangible asset in the balance sheet and is amortised on a straight line basis over no more than 20 years. This is the period over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets. A provision is made for any impairment in the value of goodwill. Goodwill arising in prior years, before the implementation of FRS 10, on the acquisition of subsidiaries has been written off immediately against a reserve set up for that purpose. The directors have decided that this previously eliminated goodwill should remain as such and it has therefore been shown in the profit and loss reserves. This goodwill will be charged/credited to the profit and loss account on subsequent disposal of the related business. Other intangible assets are amortised on a straight-line basis over 10 years, which, in the opinion of the directors, represents their estimated useful life.

## Notes to the financial statements for the year ended 30 September 2004

### 1 Principal accounting policies (continued)

#### 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:

Freehold buildings	40 years
Short leasehold buildings improvements	20 years (or term of lease if shorter)
Plant and machinery	15 years

Freehold land is not depreciated, neither does the group depreciate assets in the course of construction until operationally in use.

Interest is capitalized gross during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

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

Provision is made for any impairment.

#### Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the expected useful life of the related asset.

#### 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.

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.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

## **Notes to the financial statements for the year ended 30 September 2004**

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

#### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products cost includes all direct labour and material costs and production overheads based on the normal level of activity. Net realisable value is based on estimated selling price less costs expected to be incurred on disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

#### **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. Turnover is recognised at the point of delivery to the customer.

#### **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.

## Notes to the financial statements for the year ended 30 September 2004

### 1 Principal accounting policies (continued)

#### Pension costs

The group operates a number of pension schemes in the United Kingdom.

In the case of defined benefit pension schemes, the pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of employees in the pension schemes, in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable salary in the light of current actuarial assumptions. Variations from regular cost are spread over the average remaining service lives of current employees in the pension schemes.

FRS 17 "Retirement Benefits" will require a market rather than an actuarial valuation of defined benefit schemes. This will result in a greater volatility of the pension scheme's surplus or deficit as the market valuation will be taken at each balance sheet date and will be reflective of a particular point in time.

At 30 September 2004, the company has adopted the transitional disclosures of FRS 17 and shown in the notes to the financial statements a valuation of its defined benefit schemes on the market-related basis prescribed by FRS 17 at that date and the amount which would have been charged in the profit and loss account and statement of total recognised gains and losses had FRS 17 been fully implemented.

In the case of defined contribution schemes, the cost is charged to the profit and loss account in the period in which it is incurred.

### 2 Turnover

The analysis by geographical area of the group's turnover, which all relates to the principal activity, is set out below:

	2004 £'000	2003 £'000
<b>Geographical segment</b>		
United Kingdom	187,002	191,608
Rest of Europe	1,675	2,634
Americas/Far East/Australia	23	742
	<b>188,700</b>	<b>194,984</b>

The group's activities consist solely of the manufacture, import and distribution of surgical and medical products. Therefore no further segmental information is reported.

## Notes to the financial statements for the year ended 30 September 2004

### 3 Continuing/discontinued activities

	Continuing	Discontinued	Total 2003
	£'000	£'000	£'000
Turnover	178,665	16,319	194,984
Cost of sales	(140,574)	(14,854)	(155,428)
Gross profit/(loss)	38,091	1,465	39,556
Administrative expenses	(24,451)	(10,962)	(35,413)
Operating profit/(loss)	13,640	(9,497)	4,143

### 4 Net operating expenses

	2004 £'000	2003 £'000
Administrative expenses before exceptional items	6,834	8,577
Exceptional administrative expenses (net) (note 5)	3,173	7,735
<b>Total administrative expenses</b>	<b>10,007</b>	<b>16,312</b>
Selling and marketing costs	18,275	18,515
Distribution and warehousing costs	332	586
<b>Total distribution costs</b>	<b>18,607</b>	<b>19,101</b>
	<b>28,614</b>	<b>35,413</b>

### 5 Exceptional items

	2004 £'000	2003 £'000
Restructuring costs	-	97
Impairment of goodwill	-	7,638
Write off of inter-company balance in Tyco Healthcare UK Ltd	2,697	-
Write off of inter-company balance in CDK (UK) Ltd	(105)	-
Other asset writedowns	581	-
	<b>3,173</b>	<b>7,735</b>

Restructuring costs in 2003 mainly relate to the restructuring following acquisition of the Mallinckrodt business during the period ended 30 September 2001.

## Notes to the financial statements for the year ended 30 September 2004

### 6 Directors' emoluments and employee information

#### Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	827	919
Amounts paid to money purchase pension schemes	20	51

	2004 £'000	2003 £'000
Highest paid director		
Aggregate emoluments	279	350
Amounts paid to money purchase pension schemes	-	12

Retirement benefits are also accruing to two directors under the group's defined benefit scheme. The amount of accrued pension in the defined benefit scheme of the highest paid director as at 30 September 2004 was £nil (2003: £27,739).

#### Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:

	2004 Number	2003 Number
Production	691	875
Sales	349	338
Administration	189	185
	1,229	1,398

Employment costs, including executive directors:

	2004 £'000	2003 £'000
Wages and salaries	25,850	27,731
Social security costs	2,829	2,712
Other pension costs	2,457	3,066
	31,136	33,509

## Notes to the financial statements for the year ended 30 September 2004

### 7 Interest payable and similar charges

	2004	2003
	£'000	£'000
On bank overdrafts	-	17
On loans from fellow subsidiary companies	4,075	3,848
Interest on finance leases	94	99
	<b>4,169</b>	<b>3,964</b>

### 8 Profit on ordinary activities before taxation

	2004	2003
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Trading foreign exchange losses, net	191	79
Depreciation of tangible fixed assets	4,930	3,890
Depreciation of assets held under finance leases	133	134
Gain on disposal of fixed assets	-	(24)
Amortisation of government grants	(201)	(280)
Amortisation of intangible assets	2,645	2,904
Auditors' remuneration - audit - (company £6,900 ; 2003: £4,900)	157	173
- non-audit	-	20
Operating lease rentals - plant and machinery	1,488	2,012
- other	226	465
Operating exceptional items (notes 4 and 5)	3,173	7,735
Non-operating exceptional items - loss on disposal of fixed assets	483	-
- loss on disposal of business	2,899	-

## Notes to the financial statements for the year ended 30 September 2004

### 9 Tax (credit)/charge on profit on ordinary activities

	2004 £'000	2003 £'000
United Kingdom corporation tax at 30% (2001: 30%)		
Current	-	-
Over-provision in respect of prior years	(1,858)	-
Overseas taxation	2	23
<b>Total current tax (credit)/charge</b>	<b>(1,856)</b>	<b>23</b>
Timing differences, origination and reversal	(1,254)	356
Adjustment in respect of prior years	(4,154)	-
<b>Total deferred tax</b>	<b>(5,408)</b>	<b>356</b>
<b>Tax (credit)/charge on profit on ordinary activities</b>	<b>(7,264)</b>	<b>379</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:

Profit on ordinary activities before tax	6,554	1,909
Tax on profit on ordinary activities at standard		
UK corporation tax rate of 30%	1,966	573
(Income)/expenses not deductible for tax purposes, net	1,740	2,969
Capital allowances in excess of depreciation	1,878	(525)
Other short term timing differences	(115)	(47)
Group relief received	(5,467)	(2,947)
(Over)/under provision in respect of prior years	(1,858)	-
<b>Current tax (credit)/charge for the year</b>	<b>(1,856)</b>	<b>23</b>

Included within (income)/expenses not deductible for tax purposes is £31,000 associated with the write-back of an inter-company creditor which is not taxable (see note 10 below) and £(809,000) associated with the write-off of an inter-company debtor which is not tax deductible.

A deferred tax asset of £861,000 has not been recognised in respect of timing differences relating to accelerated capital allowances, as it is anticipated that claims for capital allowances will not be made in the immediate future.



## Notes to the financial statements for the year ended 30 September 2004

### 10 Results for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been separately disclosed in these financial statements therefore these accounts present information about the group, and not about the company as an individual entity. The profit for the financial year of the holding company was £105,000 (2003: £nil) due to the write-back of an inter-company creditor as referred to in note 9.

### 11 Intangible fixed assets

<b>Group</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 October 2003	55,455
Disposals	(11,332)
<b>At 30 September 2004</b>	<b>44,123</b>
<b>Amortisation</b>	
1 October 2003	24,013
Charge for the year	2,645
Disposals	(11,332)
<b>At 30 September 2004</b>	<b>15,326</b>
<b>Net book value</b>	
<b>At 30 September 2004</b>	<b>28,797</b>
At 30 September 2003	31,442

## Notes to the financial statements for the year ended 30 September 2004

### 12 Tangible fixed assets

#### Group

	Land and buildings	Plant and machinery	Loan and demonstration equipment	Total
	£'000	£000	£'000	£'000
<b>Cost</b>				
At 1 October 2003	12,407	28,334	3,604	44,345
Additions	730	2,155	797	3,682
Disposals	(278)	(4,006)	(11)	(4,295)
<b>At 30 September 2004</b>	<b>12,859</b>	<b>26,483</b>	<b>4,390</b>	<b>43,732</b>
<b>Depreciation</b>				
At 1 October 2003	1,471	6,922	1,022	9,415
Charge for the year	509	2,805	1,749	5,063
Disposals	(48)	(1,953)	-	(2,001)
<b>At 30 September 2004</b>	<b>1,932</b>	<b>7,774</b>	<b>2,771</b>	<b>12,477</b>
<b>Net book value</b>				
<b>At 30 September 2004</b>	<b>10,927</b>	<b>18,709</b>	<b>1,619</b>	<b>31,255</b>
At 30 September 2003	10,936	21,412	2,582	34,930

Included in plant and machinery are assets in the course of construction of £2,209,000 (2003: £1,074,000). The net book value of assets held under finance leases included in plant and machinery above amounts to £1,632,000 (2003: £1,764,000).

Included within the net book value of freehold land, buildings and improvements and plant and machinery are cumulative capitalised interest costs of £113,888 (2003: £113,888) and £137,738 (2003: £137,738) respectively.

Land and buildings represents freehold land and buildings, with the exception of net book value of £nil (2003: £136,281) which relates to building improvements to short leasehold buildings.

## Notes to the financial statements for the year ended 30 September 2004

### 13 Fixed asset investments

Company	2004 and 2003 £'000
<b>Shares in subsidiary undertakings (cost and net book value)</b>	<b>375</b>

Details of significant subsidiary undertakings are as follows:

Name of company and country incorporation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Tyco Healthcare UK Limited (England and Wales)	375,000 £1 ordinary shares	100%	Holding company
Tyco Healthcare (UK) Commercial Limited (England and Wales)	1 £1 ordinary share	100% (indirect)	Distribution of surgical, medical and continence care products
Tyco Healthcare (UK) Manufacturing Limited (England and Wales)	1 £1 ordinary share	100% (indirect)	Manufacture of surgical, medical and orthopaedic products

### 14 Stocks

	Group	
	2004 £'000	2003 £'000
Raw materials and consumables	6,411	6,022
Work in progress	3,227	1,999
Finished goods and goods for resale	958	2,398
	<b>10,596</b>	<b>10,419</b>

### 15 Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Amounts falling due after more than one year:</b>				
Amounts owed by subsidiary undertaking	-	-	57,833	143,445
<b>Amounts falling due within one year:</b>				
Trade debtors	16,864	16,417	-	-
Amounts owed by fellow subsidiary undertakings	84,030	148,527	58,770	-
Other debtors	549	89	-	-
Corporation tax	200	-	-	-
Prepayments and accrued income	1,283	767	-	-
	<b>102,926</b>	<b>165,800</b>	<b>58,770</b>	<b>-</b>

## Notes to the financial statements for the year ended 30 September 2004

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

	Group		Company	
	2004	Restated 2003	2004	2003
	£'000	£'000	£'000	£'000
Trade creditors	7,394	6,937	-	-
Amounts owed to fellow subsidiary undertakings	20,942	80,558	6,648	13,595
Corporation tax	-	834	-	-
Other tax and social security	5,403	4,963	-	-
Other creditors	158	-	-	-
Obligations under finance leases (note 17)	104	99	-	-
Accruals and deferred income	8,150	5,982	-	-
	<b>42,151</b>	<b>99,373</b>	<b>6,648</b>	<b>13,595</b>

The figures for 2003 have been restated to re-allocate the deferred income from the face of the balance sheet to creditors less than and more than one year.

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

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Inter-company loan	57,833	77,833	57,833	77,833
Obligations under finance leases	1,634	1,738	-	-
Deferred income (note 19)	976	1,246	-	-
	<b>60,443</b>	<b>80,817</b>	<b>57,833</b>	<b>77,833</b>

The figures for 2003 have been restated to re-allocate the deferred income from the face of the balance sheet to creditors less than and more than one year.

The loan from Tyco Group S.a.r.l, the immediate parent company, bears interest calculated on a 3 month LIBOR rate. The weighted average interest charge for the year was 5.25% (2003: 4.75%). The loan is due for repayment on 30 September 2008.

	2004	2003
	£'000	£'000
Group obligations under finance leases comprise:		
Amounts due within one year – note 16	104	99
Amounts due within two to five years	451	451
Amounts due after more than five years	1,183	1,287
	<b>1,738</b>	<b>1,837</b>

Obligations under finance leases are secured on the related assets.

## Notes to the financial statements for the year ended 30 September 2004

### 18 Provisions for liabilities and charges

Group	Warranty Provision £'000	Pension provision £'000	Deferred taxation £'000	Total £'000
At 1 October 2003	146	929	5,917	6,992
Credited to profit and loss account	-	(87)	(5,434)	(5,521)
Utilised during the year	(92)	(89)	-	(181)
<b>At 30 September 2004</b>	<b>54</b>	<b>753</b>	<b>483</b>	<b>1,290</b>

The pension provision relates to a pension "best benefit guarantee" affecting approximately 180 former and current employees. The valuation of this liability was assessed by the company's actuaries in September 2004 (see note 20). It is expected that these pension costs will be incurred as and when current employees retire.

The figures for 2003 have been restated to re-allocate the warranty provision from creditors due in less than one year to provisions for liabilities and charges.

#### Deferred taxation

The provision for deferred tax comprises:

	2004 £'000	2003 £'000
Excess of capital allowances over depreciation	490	5,637
Short-term timing differences	(225)	280
Fair value adjustments	558	-
Deferred government grants	(340)	-
	<b>483</b>	<b>5,917</b>

### 19 Deferred income

Group	2004 £'000	2003 £'000
<b>Government grants</b>		
At 1 October 2003	1,447	1,727
On disposal of fixed assets	(112)	-
Amortisation	(201)	(280)
<b>At 30 September 2004</b>	<b>1,134</b>	<b>1,447</b>
	2004 £'000	2003 £'000
<b>Government grants</b>		
Due within one year	158	201
Due after more than one year (note 17)	976	1,246
<b>At 30 September 2004</b>	<b>1,134</b>	<b>1,447</b>

The figures for 2003 have been restated to re-allocate the deferred income from the face of the balance sheet to creditors less than and more than one year.

## Notes to the financial statements for the year ended 30 September 2004

### 20 Pension and similar obligations

(a) At the end of the prior year the group merged the Kendall Camp Retirement and Death Benefit Plan, and the Kendall UK Pension Plan, with the Kendall UK Plan transferring in to the Kendall Camp Plan, and the combined scheme being renamed the Tyco Healthcare UK Defined Benefit Pension Scheme. This scheme also includes a defined contribution (money purchase) section that closed to the payment of future contributions on 20 November 2001.

The assets of the scheme are held in separate trustee-administered funds. The contributions are determined by an independent qualified actuary on the basis on triennial valuations using the projected unit method.

The latest actuarial review of the scheme was carried out as at 31 December 2001. The main actuarial assumptions were:-

Return on investments pre retirement	7.50%
Return on investment post retirement	6.00%
General salary inflation	4.25%
Pension increases	2.75% for index-linked pensions

The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

At 31 December 2001 the market value of the scheme's assets amounted to £6,136,000. The actuarial value of those assets represented 77% of the benefits that had accrued to members after allowing for expected future increases in salaries. On a discontinuance basis there was a deficit of 17% of liabilities.

The total pension charge for the group for the scheme was £358,000 (2003: £462,000). This was after allowing for amortisation of deficits that are being recognised over the average working lifetime of active members.

Company contributions were paid in the accounting period at the rate of 30.5% of Pensionable Earnings in respect of members of the Kendall Camp section, and 12.7% of Pensionable Pay in respect of the Kendall UK section until 1 December 2003. Company contributions from 1 December 2003 and going forward will be at the rate of 26.5% of Pensionable Earnings in respect of the Kendall Camp section and 26.5% of Pensionable Pay in respect of members of the Kendall UK section. This will be subject to review at future actuarial valuations (the next actuarial valuation is due imminently). In addition there have been contributions paid in respect of individual members relating to historic benefit augmentations.

## Notes to the financial statements for the year ended 30 September 2004

### 20 Pension and similar obligations (continued)

Given the closed nature of the scheme and all other things being equal, contributions in future periods will be required to rise as the costs under the projected unit method increase with increasing member age.

#### Transitional FRS 17 disclosure

The defined benefit element of the scheme was valued using the basis prescribed by FRS 17 on 30 September 2004. The assumptions which have the most significant effect on the results of the valuation are those which relate the expected rate of return on investments to the rate of increase in pensionable earnings, and the expected rate of increase in pensions.

<u>Assumptions:</u>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Rate of increase in pensionable earnings	4.00%	3.75%	3.75%
Rate of increase in pensionable pay	4.00%	3.75%	3.75%
Rate of increase in present and future pensions (where index linked)	2.75%	2.50%	2.25%
Discount rate	5.50%	5.50%	5.50%

#### The assets in the pension scheme and the expected rate of return :

	<b>Rate of return</b>	<b>2004 £m</b>	<b>Rate of return</b>	<b>2003 £m</b>	<b>Rate of return</b>	<b>2002 £m</b>
Equities	7.9%	5.6	8.0%	5.0	9.0%	4.3
Corporate bonds	5.5%	2.1	5.5%	1.9	5.5%	2.6
Government bonds	0.0%	2.0	4.8%	1.8	5.5%	0.6
Other investments	3.5%	0.1	3.5%	0.1	4.0%	0.8
Total market value of assets		9.8		8.8		8.3
Present value of scheme liabilities		(16.9)		(15.9)		(14.9)
Deficit in the scheme		(7.1)		(7.1)		(6.6)
Deferred tax asset		2.1		2.1		2.0
Net pension liability		<u>(5.0)</u>		<u>(5.0)</u>		<u>(4.6)</u>

This amount has not been recognised in the balance sheet, as this is not required until FRS 17 is adopted in full.

Further information required under FRS 17 to show the amounts that would have been recognised in the profit and loss account and statement of recognised gains and losses:

## Notes to the financial statements for the year ended 30 September 2004

### 20 Pension and similar obligations (continued)

<b>Analysis of amount charged to operating profit in respect of defined benefit schemes</b>	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Current service	327	318
Curtailments	(454)	-
<b>Total operating (credit)/charge</b>	<b>(127)</b>	<b>318</b>
<b>Movement in surplus in year</b>		
Deficit in the scheme at the beginning of the year	(7,061)	(6,634)
Movement in year:		
Current service cost	(327)	(318)
Contributions	499	709
Curtailments	454	-
Other finance charges	(284)	(230)
Actuarial loss	(397)	(588)
<b>Deficit in the scheme at the end of the year</b>	<b>(7,116)</b>	<b>(7,061)</b>
<b>Analysis of the amount credited/(charged) to other finance income</b>		
Expected return on pension scheme assets	600	588
Interest on pension scheme liabilities	(884)	(818)
	<b>(284)</b>	<b>(230)</b>
<b>Analysis of the amount recognised in statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	234	100
Experience gains and losses arising on the scheme liabilities	(316)	207
Changes in the assumptions underlying the present value of the Scheme liabilities	(315)	(895)
<b>Actual loss recognised in the statement of total recognised gains and losses</b>	<b>(397)</b>	<b>(588)</b>



## Notes to the financial statements for the year ended 30 September 2004

### 20 Pension and similar obligations (continued)

History of experience gains and losses	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:	234	100
Percentage of scheme assets	2.39%	1.1%
Experience gains and losses arising on the scheme liabilities	(316)	207
Percentage of present value of scheme liabilities	(1.87)%	1.3%
Total amount recognised in the statement of total recognised gains and losses:	(397)	(588)
Percentage of present value of scheme liabilities	(2.35%)	(3.7%)

#### Effect of pension schemes on Group net assets

The net assets of CDK (UK) Limited group adjusted to include the net pension liabilities and associated deferred tax assets of the defined benefit scheme would be:

	2004 £'000	2003 £'000
Total net assets	69,947	56,129
Pension schemes' liabilities	(7,116)	(7,061)
Deferred tax asset in relation to pension schemes	2,139	2,119
<b>Total net assets adjusted for pension liability</b>	<b>64,970</b>	<b>51,187</b>

## Notes to the financial statements for the year ended 30 September 2004

### 20 Pension and similar obligations (continued)

(b) A Tyco defined contribution pension scheme was set up for certain employees effective from 1 September 1998 under Tyco Holdings (UK) Limited and this scheme received Inland Revenue approval under Chapter 1, Part XIV of ICTA 1988, during 1999. Employee contributions are set at a minimum of 3% of gross earnings, with company contributions (including the age-related NI rebate paid to the scheme by the DSS as a result of contracting out of SERPS) ranging from 3% to 12% depending on the member's age. The assets of this scheme are held in separate trustee administered funds.

Both employee and employer contributions are paid into individual retirement accounts every month for investment by the trustees in accordance with members' investment objectives.

The pension charge for the year was £2,099,000 (2003: £2,604,000).

Some members of this scheme participate in a best benefits guarantee. Under this guarantee, the group paid £ 1,287,000 (2003: £725,000) into the scheme during the year. An accrual for future liabilities of £752,000 (2003: £929,000) based on an actuarial valuation undertaken as at 30 September 2004, is held by the group.

The main actuarial assumptions for the calculation of the best benefit guarantee provision at 30 September 2004 are:

Return on investment pre-retirement	5.50 %
Return on investment post retirement	4.75 %
General salary inflation	4.00 %
Pension increases	2.75 %

The other assumptions that have the most significant effect on the results of the valuation are those that relate to the expected return on investments, being 8% per annum for equities and 4.75% per annum for cash.

## Notes to the financial statements for the year ended 30 September 2004

### 21 Called up share capital

	2004 £'000	2003 £'000
<b>Authorised</b>		
2,000,000 redeemable ordinary shares of £1 each	2,000	2,000
49,298,830 ordinary shares of £1 each	49,299	49,299
	<b>51,299</b>	<b>51,299</b>
<b>Allotted, called up and fully paid</b>		
1,900,000 redeemable ordinary shares of £1 each	1,900	1,900
47,552,830 ordinary shares of £1 each	47,553	47,553
	<b>49,453</b>	<b>49,453</b>

The company has the right to redeem at par some or all of the redeemable ordinary shares after giving to the shareholders not less than 28 days notice in writing.

The redeemable ordinary shares rank equally with the ordinary shares in respect of dividend, voting, and capital distribution rights on a winding up.

### 22 Reserves

Group	Goodwill reserve £'000	Profit and loss account £'000	Total profit and loss account £'000	Share premium account £'000
At 1 October 2003	(5,460)	6,515	1,055	5,621
Profit for the year	-	13,818	13,818	-
<b>At 30 September 2004</b>	<b>(5,460)</b>	<b>20,333</b>	<b>14,873</b>	<b>5,621</b>

In accordance with FRS 10 "Goodwill and intangible assets" the goodwill reserve and the profit and loss account have been combined for disclosure in the balance sheet.

	Profit and loss account £'000
<b>Company</b>	
At 1 October 2003	(2,682)
Profit for the year – exceptional items – note 10	105
<b>At 30 September 2004</b>	<b>(2,577)</b>

## Notes to the financial statements for the year ended 30 September 2004

### 23 Reconciliation of movements in shareholders' funds

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Opening shareholders' funds	56,129	54,599	52,392	52,392
Profit for the year	13,818	1,530	105	-
Closing equity shareholders' funds	69,947	56,129	52,497	52,392

### 24 Financial commitments

#### Lease commitments

The group 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:

	2004 £'000	2003 £'000
Expiring within one year	270	448
Expiring between two and five years inclusive	777	1,007
Expiring in over five years	20	123
	1,067	1,578

In addition the group leases certain land and buildings. The rental payments under these leases in the next year are as follows:

	2004 £'000	2003 £'000
Expiring within one year	-	3
Expiring between two and five years inclusive	85	414
Expiring in over five years	-	-
	85	417

## Notes to the financial statements for the year ended 30 September 2004

### 25 Contingent liabilities

The group has indemnified its banker to the amount of £20,000 (2003: £20,000) in respect of certain Customs and Excise duties secured by a floating charge over stock and debtors.

Together with certain other subsidiaries of Tyco International Limited, the company has given a guarantee of repayment to Tyco International Group S.A. (TIGSA), another group company, in respect of amounts owing or to become owing to TIGSA by Tyco Group SARL, another group company, whether at maturity or at an earlier date. The effective date for this guarantee is the date on which, if ever, the Standard & Poor's rating for the long-term unsecured senior debt of TIGSA is first reduced to a rating lower than 'BBB', as defined by Standard & Poor's. The maximum amount guaranteed by the company is limited to the total of the amounts owing to Tyco Group SARL by the company and its affiliate guarantors, Tyco Healthcare (UK) Manufacturing Limited and Tyco Healthcare (UK) Commercial Limited. At 30 September 2004 the maximum guaranteed was £61 million (2003: £77.8 million). The Directors have considered the impact of the guarantee on the solvency of the company and the group and consider that Tyco Group SARL will be able to meet its repayment obligations under the loans made to it by TIGSA and, as such a call on the guarantee is unlikely to be made, it is not considered necessary to make any financial provision for such a call or demand.

### 26 Capital commitments

	2004 £'000	2003 £'000
Future capital expenditure contracted but not provided for	961	395

### 27 Ultimate parent company and controlling party

The directors regard Tyco Group S.a.r.l., a company registered in Luxembourg, as the immediate controlling party by virtue of its 73.4% holding in the share capital of the company. The remaining 26.6% is held by Tyco Holdings VII APS, a company registered in Denmark. The directors regard Tyco International Limited, a company incorporated in Bermuda, as the ultimate parent company and controlling party. Tyco International Limited is the parent of the largest group to consolidate these financial statements.

Copies of the consolidated financial statements of Tyco International Limited are available from the Company Secretary, Tyco Healthcare UK Limited, 154 Fareham Road, Gosport, Hampshire, PO13 0AS.

### 28 Related party transactions

In accordance with the exemption allowed by FRS 8 "Related Party Disclosures", transactions with other undertakings within the Tyco International Limited group have not been disclosed in these financial statements.