

Registered no: 2285007

CDK (UK) Limited

**Annual report
for the year ended 30 September 2003**



CDK (UK) Limited

Annual report for the year ended 30 September 2003

	Pages
Report of the directors	1 - 2
Statement of directors' responsibilities	3
Independent auditors' report	4
Consolidated profit and loss account	5
Balance sheets	6
Notes to the financial statements	7 - 26

Report of the directors for the year ended 30 September 2003

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2003.

Principal activity

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

The group operates a branch in Ballymoney, Northern Ireland and a separate legal entity in Cork, Southern Ireland, called Campeire Limited. Results for these entities are incorporated into the consolidated results.

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.

The Directors reviewed the market value and the anticipated future performance of the group's orthopaedic business at 30 September 2003 and concluded that the remaining book value of the goodwill of £7,638,000 related to that business has been fully impaired and accordingly has been written down at the year-end (see note 4).

On 5 May 2004 the group sold its orthopaedic business, including certain assets and liabilities, and a subsidiary undertaking, Campeire Limited, to a third party for an initial consideration of £2,250,000 and £650,000 respectively. The final consideration is dependent upon completion accounts.

Results and dividends

The profit for the year is £1,530,000 (2002: profit £5,381,000). The directors do not recommend the payment of a dividend for the year ended 30 September 2003.

Directors

The directors of the company who held office during the year ended 30 September 2003 and in the period to date were:

D R West	
L H Swindells	(resigned 6 October 2003)
C Blebta	(appointed 6 October 2003)
B Skeet	

Directors' interests in shares of the company

No director held a beneficial interest in the company at 30 September 2003, or at any time during the year.

The Company has taken advantage of the exemption under Statutory Instrument 85/802 to not 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

The Company's auditors are PricewaterhouseCoopers LLP.

Pursuant to section 386 of the Companies Act 1985, an Elective Resolution has been passed by the Company dispensing with the requirement to appoint auditors annually.

By order of the board:



C Blebta
Director

3rd June 2004

Statement of directors' responsibilities

The directors are required by UK 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 2003. 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.



C Blebta
Director

3rd June 2004.

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

We have audited the financial statements on pages 5 to 26 which have been prepared under the historical cost convention and the accounting policies set out on page 7 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 to you 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

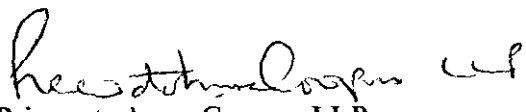
Basis of audit opinion

We conducted our audit in accordance with 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 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

7 June 2004

Consolidated profit and loss account for the year ended 30 September 2003

	Notes	30 September 2003 £'000	30 September 2002 £'000
Turnover – continuing operations	2	194,984	181,882
Cost of sales		(153,498)	(143,392)
Gross profit		41,486	38,490
Net operating expenses	3	(37,343)	(26,740)
Operating profit – continuing operations		4,143	11,750
Interest receivable and similar income		1,730	722
Interest payable and similar charges	6	(3,964)	(4,222)
Profit on ordinary activities before taxation	7	1,909	8,250
Tax on profit on ordinary activities	8	(379)	(2,869)
Profit for the year	21	1,530	5,381

The Group has no recognised gains and losses other than those included in the profits/(losses) above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheets - 30 September 2003

	Notes	Group Restated (see note 11 and 14)	Company Restated (see note 14)		
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets	10	31,442	41,984	-	-
Tangible assets	11	34,930	34,740	-	-
Investments	12	-	-	375	375
		66,372	76,724	375	375
Current assets					
Stocks	13	10,419	14,290	-	-
Debtors: amounts falling due after one year	14	-	-	143,445	143,445
Debtors: amounts falling due within one year	14	165,800	142,411	-	-
Cash at bank and in hand		720	452	-	-
		176,939	157,153	143,445	143,445
Creditors: amounts falling due within one year	15	(99,318)	(90,925)	(13,595)	(13,595)
Net current assets		77,621	66,228	129,850	129,850
Total assets less current liabilities		143,993	142,952	130,225	130,225
Creditors: amounts falling due after more than one year	16	(79,571)	(79,664)	(77,833)	(77,833)
Provisions for liabilities and charges	17	(6,846)	(6,962)	-	-
Deferred income	18	(1,447)	(1,727)	-	-
		(87,864)	(88,353)	(77,833)	(77,833)
Total net assets		56,129	54,599	52,392	52,392
Capital and reserves					
Called up share capital	20	49,453	49,453	49,453	49,453
Share premium account	21	5,621	5,621	5,621	5,621
Profit and loss account	21	1,055	(475)	(2,682)	(2,682)
Equity shareholders' funds	22	56,129	54,599	52,392	52,392

The financial statements on pages 5 to 26 were approved by the board of directors on 3rd June 2004 and were signed on its behalf by:



C Blebta
Director

Notes to the financial statements for the year ended 30 September 2003

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. The company has included the transitional disclosures required under Financial Reporting Standard (FRS) 17 "Retirement benefits", which require the use of market based values for assets in a defined benefits pension scheme, rather than the current actuarial approach of SSAP24.

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 2003. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date 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.

Cashflow 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 2003.

Goodwill and intangible 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 permanent diminution 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.

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
Freehold building improvements	20 years
Leasehold land, buildings and improvements	20 years (or term of lease if shorter)
Plant and machinery	15 years
Computer equipment	5 years
Motor vehicles	3 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 five 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.

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.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Finance leases

Assets held under finance leases are capitalised within fixed assets and the interest thereon is written off to the profit and loss account as incurred.

Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

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.

Principal accounting policies (continued)**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 includes trade discounts, represents the invoiced value of goods and services supplied.

Taxation

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

Deferred 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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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.

FRS17 "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 deficits as the market valuation will be taken at each balance sheet date and be reflective of a particular point in time. At 30 September 2003, the company has adopted the transitional disclosures of FRS17 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 FRS17 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:

	2003 £'000	2002 £'000
Geographical segment		
United Kingdom	191,608	179,178
Rest of Europe	2,634	2,087
Americas/Far East/Australia	742	617
	194,984	181,882

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

3 Net operating expenses

	2003 £'000	2002 £'000
Administrative expenses before exceptional items	10,507	9,096
Exceptional administrative expenses (note 4)	7,735	1,615
Total administrative expenses	18,242	10,711
Selling and marketing costs	18,515	15,493
Distribution and warehousing costs	586	536
	37,343	26,740

4 Exceptional items

	2003 £'000	2002 £'000
Restructuring costs	97	1,615
Impairment of goodwill	7,638	-
	7,735	1,615

The impairment of goodwill writes down the remaining amount that originally arose on the acquisition of the group's orthopaedic business (see note 10). The Directors have reviewed the market value and the anticipated future performance of the orthopaedic business and have concluded that the remaining book value of the goodwill related to that business has been impaired. The impairment charge was determined by comparing the difference between the carrying value of the goodwill and the estimated fair value of the goodwill at 30 September 2003. The estimated fair value of the goodwill was calculated using an income (discounted cash flow) approach. The applied discount rate was 11 %. Accordingly, the remaining book value of £7,638,000 has been written down at the year-end.

Restructuring costs in 2003 mainly relate to the restructuring following acquisition of the Mallinckrodt business during the period ended 30 September 2001. In 2002 these costs mainly related to the write off of inventory following the transfer of production to another group site and the creation of an onerous lease provision.

5 Directors' emoluments and employee information**Directors' emoluments**

	2003 £'000	2002 £'000
Aggregate emoluments	919	905
Amounts paid to money purchase pension schemes	51	47

	2003 £'000	2002 £'000
Highest paid director		
Aggregate emoluments	350	432
Amounts paid to money purchase pension schemes	12	16

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 2003 was £nil (2002: £27,739).

Employee information

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

	2003 Number	2002 Number
Production	875	929
Sales	338	310
Administration	185	194
	1,398	1,433

Employment costs, including executive directors:

	2003 £'000	2002 £'000
Wages and salaries	27,731	25,756
Social security costs	2,712	1,972
Other pension costs	3,066	2,421
	33,509	30,149

6 Interest payable and similar charges

	2003	2002
	£'000	£'000
On bank overdrafts	17	22
On loans from fellow subsidiary companies	3,848	4,095
Interest on finance leases	99	105
	3,964	4,222

7 Profit on ordinary activities before taxation

	2003	(Restated) 2002
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Trading foreign exchange losses, net	79	(35)
Depreciation of tangible fixed assets	3,890	3,158
Depreciation of assets held under finance leases	134	100
(Gain)/loss on disposal of fixed assets	(24)	(21)
Amortisation of government grants	(280)	(294)
Amortisation of intangible assets	2,904	2,904
Auditors' remuneration - audit - (company £6,900 ; 2002: £4,900)	173	159
- non-audit	20	139
Operating lease rentals - plant and machinery	2,012	1,350
- other	465	630
Exceptional costs (note 4)	7,735	1,615

The depreciation charge recorded for the comparative year has been increased from £2,849,000 to £3,158,000 following the reclassification of equipment loaned to customers and demonstration equipment from prepayments and accrued income to tangible fixed assets (see note 11). This reclassification does not change the profit recorded in the comparative year.

8 Tax on profit on ordinary activities

	2003	2002
	£'000	£'000
United Kingdom corporation tax at 30% (2001: 30%)		
Current	-	2,052
(Over)/under provision in respect of prior years	-	(1,433)
Overseas taxation	23	-
Total current tax	23	619
Deferred tax	356	2,250
Tax on profit on ordinary activities	379	2,869

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:

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	1,909	8,250
Tax on profit on ordinary activities at standard		
UK corporation tax rate of 30%	573	2,475
Expenses not deductible for tax purposes	2,969	829
Capital allowances in excess of depreciation	(525)	(1,115)
Other short term timing differences	(47)	(137)
Group relief received	(2,947)	-
(Over)/under provision in respect of prior years	-	(1,433)
Current tax charge for the year	23	619

8 Tax on profit on ordinary activities (continued)

Included within expenses not deductible for tax purposes is £2,291,400 associated with the impairment of goodwill at 30 September 2003.

Based on current plans, the group companies expect to be able to continue to claim capital allowances in excess of depreciation in future years at a similar level to the current year. Deferred tax liabilities have not been discounted.

9 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 included in these financial statements. The profit for the financial year of the holding company was £nil (2002: £nil).

10 Intangible assets

Group	Goodwill £'000
Cost	
At 1 October and 30 September 2003	55,455
Amortisation	
1 October 2002	13,471
Charge for the year	2,904
Impairment of goodwill (see note 4)	7,638
At 30 September 2003	24,013
Net book value	
At 30 September 2003	31,442
At 30 September 2002	41,984

11 Tangible fixed assets

Group

	Plant and machinery	Land and buildings	Loan and demonstration equipment	Total
	£000	£'000	£'000	£'000
Cost				
At 1 October 2002 (restated)	26,973	12,045	1,595	40,613
Additions	1,933	460	2,009	4,402
Disposals	(572)	(98)	-	(670)
At 30 September 2003	28,334	12,407	3,604	44,345
Depreciation				
At 1 October 2002 (restated)	4,393	1,206	274	5,873
Charge for the year	2,968	308	748	4,024
Disposals	(439)	(43)	-	(482)
At 30 September 2003	6,922	1,471	1,022	9,415
Net book value				
At 30 September 2003	21,412	10,936	2,582	34,930
At 30 September 2002	22,580	10,839	1,321	34,740

Included in plant and machinery are assets in the course of construction of £1,074,000 (2002: £1,680,000). The net book value of assets held under finance leases included in plant and machinery above amounts to £1,764,000 (2002: £1,898,000).

The opening balances for tangible fixed assets have been restated to include equipment loaned to customers and demonstration equipment, previously classified within prepayments and accrued income. There is no change to total net assets. Prior to this reclassification, the net book value of tangible fixed assets at 1 October 2002 was £33,419,000.

Included within the net book value of freehold land, buildings and improvements and plant and machinery are cumulative capitalised interest costs of £113,888 (2002: £nil) and £137,738 (2002: £nil) respectively.

Land and buildings represents freehold land and buildings with the exception of net book value £136,281 (2002: £139,711) which relates to building improvements to short leasehold buildings.

12 Fixed asset investments

Company	2003 and 2002 £'000
Interests in subsidiary undertakings (at cost)	375

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%	Distribution of orthopaedic products
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
Campeire Limited (Ireland)	1,000 €1.27 ordinary shares	100%	Supply of orthopaedic products

13 Stocks

	Group	
	2003 £'000	2002 £'000
Raw materials and consumables	6,022	6,830
Work in progress	1,999	4,367
Finished goods and goods for resale	2,398	3,093
	10,419	14,290

14 Debtors

	Group		Company	
	2003	Restated	2003	Restated
	£'000	2002	£'000	2002
		£'000		£'000
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertaking	-	-	143,445	143,445
Amounts falling due within one year:				
Trade debtors	16,417	18,073	-	-
Amounts owed by fellow subsidiary undertakings	148,527	122,991	-	-
Other debtors	89	318	-	-
Corporation tax	-	-	-	-
Prepayments and accrued income	767	1,029	-	-
	165,800	142,411	-	-

Group debtors for the comparative year have been restated to reclassify a balance of £1,032,000 from prepayments to amounts owed by fellow subsidiary undertakings. A separate adjustment to the comparative group prepayments has also been made to reclassify the net book value of £1,321,000 for equipment loaned to customers and demonstration equipment to tangible fixed assets (see note 11). A further adjustment to the comparative amounts owed to the group by subsidiary undertakings has been made to reduce the balance by £10,000,000 in order to correctly state the amounts due from and amounts owed to fellow subsidiary undertakings. The combined effect of these adjustments has been to reduce group prepayments at 30 September 2002 by £2,353,000 from £3,382,000 to £1,029,000 and decrease amounts owed by fellow subsidiary undertakings from £131,959,000 to £122,991,000.

Amounts owed to the company by subsidiary undertakings in the comparative period have been restated by £10,000,000 from £153,445,000 to £143,445,000 while amounts owed by the company to fellow subsidiary undertakings as shown in note 15 have been restated by the same amount from £23,595,000 to £13,595,000 in order to show the amounts due from and amounts owed to other group companies.

These adjustments do not affect the net assets of the group or company.

15 Creditors: amounts falling due within one year

	Group		Company	
	2003	Restated 2002	2003	Restated 2002
	£'000	£'000	£'000	£'000
Trade creditors	6,937	6,425	-	-
Amounts owed to fellow subsidiary undertakings	80,558	75,057	13,595	13,595
Corporation tax	834	1,088	-	-
Other tax and social security payable	4,963	4,145	-	-
Other creditors	146	298	-	-
Obligations under finance leases	99	96	-	-
Accruals and deferred income	5,781	3,816	-	-
	99,318	90,925	13,595	13,595

Amounts owed by the company to fellow subsidiary undertakings at 30 September 2002 have been restated to be reduced from £23,595,000 to £13,595,000 as described in note 14.

Amounts owed by the group to fellow subsidiary undertakings at 30 September 2002 have been restated to be reduced from £85,057,000 to £75,057,000 as described in note 14.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Group obligations	77,833	77,833	77,833	77,833
Obligations under finance leases	1,738	1,831	-	-
	79,571	79,664	77,833	77,833

The loan from Tyco Group S.a.r.l, the immediate parent company, bears interest at a rate of 4.75% and is due for repayment on 30 September 2008.

	2003	2002
	£'000	£'000
Group obligations under finance leases comprise:		
Amounts due within one year – note 15	99	96
Amounts due within two to five years	451	435
Amounts due after more than five years	1,287	1,396
	1,837	1,927

17 Provisions for liabilities and charges

Group	Restructuring provision £'000	Pension provision £'000	Deferred taxation £'000	Total £'000
At 1 October 2002	190	1,211	5,561	6,962
Charged to profit and loss account	-	-	356	356
Utilised during the year	(190)	(282)	-	(472)
At 30 September 2003	-	929	5,917	6,846

The pension provision relates to a pension "best benefit guarantee" affecting around 180 former and current employees. The valuation of this liability was assessed by the company's actuaries in September 2003 (see note 19). It is expected that these pension costs will be incurred as and when current employees retire. Restructuring provisions relate to costs associated with the purchase of the Mallinckrodt business during the year ended 30 September 2001. These costs have been incurred during the year.

Deferred taxation

The provision for deferred tax comprises:

	2003 £'000	2002 £'000
Excess of capital allowances over depreciation	5,637	5,327
Short-term timing differences	280	234
	5,917	5,561

18 Deferred income

Group	2003 £'000	2002 £'000
Government grants		
At 1 October	1,727	1,966
On acquisitions of fixed assets	-	55
Amortisation	(280)	(294)
At 30 September	1,447	1,727

19 Pension and similar obligations

(a) At the start of the year the group operated two funded defined benefit pension schemes providing benefits based on final pensionable salary, the Kendall Camp Retirement and Death Benefit Plan, and the Kendall UK Pension Plan. The two schemes were merged, 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	6.5%
Return on investment post retirement	4.75%
General salary inflation	3.5%
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 £461,602 (2002 : £457,072). 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 contribution 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 as at no later than 31 December 2004). In addition there have been contributions paid in respect of individual members relating to historic benefit augmentations.

Given the closed nature of the scheme, 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.

19 Pension and similar obligations (continued)**Transitional FRS 17 Disclosure**

The defined benefit element of the scheme was valued using the basis prescribed by FRS17 on 30 September 2003. 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>	2003	2002	2001
Rate of increase in pensionable earnings	3.75%	3.75%	3.75%
Rate of increase in pensionable pay	3.75%	3.75%	3.75%
Rate of increase in present and future pensions (where index linked)	2.50%	2.25%	2.25%
Discount rate	5.50%	5.50%	6.25%

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

	Rate of return	2003 £m	Rate of return	2002 £m	Rate of return	2001 £m
Equities	8.0%	5.0	9.0%	4.3	8.1%	5.6
Corporate bonds	5.5%	1.9	5.5%	2.6	6.3%	2.2
Government bonds	4.8%	1.8	5.5%	0.6	6.3%	0.5
Other investments	3.5%	0.1	4.0%	0.8	4.0%	0.5
Total market value of assets		<u>8.8</u>		<u>8.3</u>		<u>8.8</u>
Present value of scheme liabilities		(15.9)		(14.9)		(12.0)
Deficit in the scheme		<u>(7.1)</u>		<u>(6.6)</u>		<u>(3.2)</u>
Deferred tax asset		2.1		2.0		1.0
Net pension liability		<u><u>(5.0)</u></u>		<u><u>(4.6)</u></u>		<u><u>(2.2)</u></u>

This amount has not been recognised in the balance sheet, as this is not required until FRS17 is adopted in full.

Further information required under FRS17 to show the amounts that would have been recognised in the profit and loss account and statement of recognised gains and losses:

19 Pension and similar obligations (continued)

Analysis of amount charged to operating profit in respect of defined benefit schemes	2003 £'000	2002 £'000
Current service	318	251
Past service cost	-	-
Total operating charge	318	251
Movement in surplus in year		
Deficit in the scheme at the beginning of the year	(6,634)	(3,341)
Movement in year:		
Current service cost	(318)	(249)
Contributions	709	486
Past service costs	-	-
Other finance income / (charge)	(230)	(115)
Actuarial loss	(588)	(3,415)
Deficit in the scheme at the end of the year	(7,061)	(6,634)
Analysis of the amount credited/(charged) to other finance income		
Expected return on pension scheme assets	588	648
Interest on pension scheme liabilities	(818)	(762)
	(230)	(114)
Analysis of the amount recognised in statement of total recognised gains and losses	2003 £'000	2002 £'000
Actual return less expected return on pension scheme assets	100	(1,239)
Experience gains and losses arising on the scheme liabilities	207	(133)
Changes in the assumptions underlying the present value of the Scheme liabilities	(895)	(2,043)
Actual loss recognised in the statement of total recognised gains and losses	(588)	(3,415)

19 Pension and similar obligations (continued)

History of experience gains and losses	2003	2002
	£'000	£'000
Difference between the expected and actual return on scheme assets:	100	(1,239)
Percentage of scheme assets	1.1%	(14.9%)
Experience gains and losses arising on the scheme liabilities	207	(133)
Percentage of present value of scheme liabilities	1.3%	(0.9%)
Total amount recognised in the statement of total recognised gains and losses:	(588)	(3,415)
Percentage of present value of scheme liabilities	(3.7%)	(22.9%)

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 is:

	2003	2002
	£'000	£'000
Total net assets	56,129	54,599
Pension schemes' liabilities	(7,061)	(6,634)
Deferred tax asset in relation to pension schemes	2,119	1,980
Total net assets adjusted for pension liability	51,187	49,945

The comparatives shown above relate to the sum of the past year's disclosures for the Kendall Camp Plan and the Kendall UK Plan.

19 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 £2,604,247 (2002: £1,963,546).

Some members of this scheme participate in a best benefits guarantee. Under this guarantee, the group paid £725,000 (2002: £348,912) into the scheme during the year. An accrual for future liabilities of £929,000 (2002: £1,211,000) based on an actuarial valuation undertaken as at 30 September 2003, is held by the group.

The main actuarial assumptions for the calculation of the best benefit guarantee provision at 30 September 2003 are:

Return on investment pre-retirement	6.50 %
Return on investment post retirement	4.75 %
General salary inflation	3.50 %
Pension increases	2.50 %

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 3.5% per annum for cash.

20 Called up share capital

	2003 £'000	2002 £'000
Authorised		
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
	51,299	51,299
Allotted, called up and fully paid		
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
	49,453	49,453

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.

21 Reserves

Group	Goodwill reserve £'000	Profit and loss account £'000	Total £'000	Share premium account £'000
At 1 October 2002	(5,460)	4,985	(475)	5,621
Profit for the year	-	1,530	1,530	-
At 30 September 2003	(5,460)	6,515	1,055	5,621

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
Company	
At 1 October 2002	(2,682)
Profit for the year	-
At 30 September 2003	(2,682)

22 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Opening shareholders' funds	54,599	49,218	52,392	52,392
Profit for the year	1,530	5,381	-	-
Closing equity shareholders' funds	56,129	54,599	52,392	52,392

23 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:

	30 September 2003 £'000	30 September 2002 £'000
Expiring within one year	448	239
Expiring between two and five years inclusive	1,007	1,100
Expiring in over five years	123	123
	1,578	1,462

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

	2003 £'000	2002 £'000
Expiring within one year	3	48
Expiring between two and five years inclusive	414	85
Expiring in over five years	-	339
	417	472

24 Contingent liabilities

The group has indemnified its banker to the amount of £20,000 (2002: £800,000) 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 2003 the maximum guaranteed was £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.

25 Capital commitments

	2003 £'000	2002 £'000
Future capital expenditure contracted but not provided for	395	2,510

26 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.

27 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.

28 Post balance sheet event

On 5 May 2004 the group sold its orthopaedic business, including certain assets and liabilities, and a subsidiary undertaking, Campeire Limited, to a third party for an initial consideration of £2,250,000 and £650,000 respectively. The final consideration is dependent upon completion accounts.