

Registered no: 2285007

CDK (UK) Limited

**Annual report
for the year ended 30 September 2002**



CDK (UK) Limited

Annual report for the year ended 30 September 2002

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**Report of the directors
for the year ended 30 September 2002**

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2002.

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. 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 and the year end financial position were satisfactory. The directors expect the current level of activity to continue in the foreseeable future.

Results and dividends

The profit for the year is £5,381,000 (2001: loss £737,000). The directors do not recommend the payment of a dividend for the year ended 30 September 2002.

Directors

The directors of the company who held office during the year ended 30 September 2002 were:

D R West
L H Swindells
T Settevik (resigned 14 January 2002)
B Skeet (appointed 17 January 2002)

Directors' interests in shares of the company

No director held a beneficial interest in the company at 30 September 2002, 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.

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers have resigned as auditors and the directors have appointed its successor, PricewaterhouseCoopers LLP, as auditors.

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:



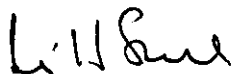
L H Swindells
Director

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 2002. 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.



L H Swindells
Director

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

We have audited the financial statements on pages 5 to 24 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.

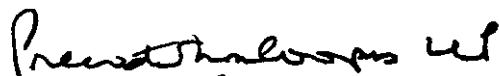
Basis of audit opinion

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 state of affairs of the company and the group at 30 September 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCooper LLP
Chartered Accountants and Registered Auditors
Southampton

27 Mar 2003

Consolidated profit and loss account for the year ended 30 September 2002

	Notes	30 September 2002 £'000	30 September 2001 £'000
Turnover – continuing operations	2	181,882	175,769
Cost of sales		(143,392)	(136,202)
Gross profit		38,490	39,567
Net operating expenses	3	(26,740)	(33,733)
Operating profit – continuing operations		11,750	5,834
Interest receivable and similar income		722	370
Interest payable and similar charges	6	(4,222)	(5,592)
Profit on ordinary activities before taxation	7	8,250	612
Tax on profit on ordinary activities	8	(2,869)	(1,349)
Profit/(loss) for the year	21	5,381	(737)

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/(loss) for the year stated above, and their historical cost equivalents.

Balance sheets - 30 September 2002

	Notes	Group		Company	
		2002	2001	2002	2001
		£'000	Restated £'000	£'000	Restated £'000
Fixed assets					
Intangible assets	10	41,984	44,888	-	-
Tangible assets	11	33,419	29,825	-	-
Investments	12	-	-	375	375
		75,403	74,713	375	375
Current assets					
Stocks	13	14,290	17,283	-	-
Debtors: amounts falling due after one year	14	-	-	153,445	153,445
Debtors: amounts falling due within one year	14	153,732	194,144	-	-
Cash at bank and in hand		452	369	-	-
		168,474	211,796	153,445	153,445
Creditors: amounts falling due within one year	15	(100,925)	(151,728)	(23,595)	(23,595)
Net current assets		67,549	60,068	129,850	129,850
Total assets less current liabilities		142,952	134,781	130,225	130,225
Creditors: amounts falling due after more than one year	16	(79,664)	(77,833)	(77,833)	(77,833)
Provisions for liabilities and charges	17	(6,962)	(5,764)	-	-
Deferred income	18	(1,727)	(1,966)	-	-
		(88,353)	(85,563)	(77,833)	(77,833)
Total net assets		54,599	49,218	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	(475)	(5,856)	(2,682)	(2,682)
Equity shareholders' funds	22	54,599	49,218	52,392	52,392

The financial statements on pages 5 to 24 were approved by the board of directors on 25th March 2003 and were signed on its behalf by:



L H Swindells
Director

Notes to the financial statements for the year ended 30 September 2002

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.

Change in accounting policy

The company has adopted FRS 19 "Deferred Taxation" in these financial statements. The adoption of this standard represents a change in accounting policy. The introduction of FRS 19 has not resulted in any adjustment to prior year comparatives.

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 2002. 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 2002.

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.

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 2002, 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:

	2002 £'000	2001 £'000
Geographical segment		
United Kingdom	179,178	174,912
Rest of Europe	2,087	486
Americas/Far East/Australia	617	371
	181,882	175,769

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

	2002 £'000	2001 £'000
Administrative expenses before exceptional items	9,096	9,390
Exceptional administrative expenses (note 4)	1,615	9,174
Total administrative expenses	10,711	18,564
Selling and marketing costs	15,493	14,473
Distribution and warehousing costs	536	696
	26,740	33,733

4 Exceptional items

	2002 £'000	2001 £'000
Restructuring costs	1,615	9,174

In 2002 these costs primarily relate to the write off of inventory following the transfer of certain production to another group site and the creation of an onerous lease provision. In 2001, these costs primarily related to redundancy expenses and other costs in the respect of termination distributor agreements and the provision of a pension scheme best benefit guarantee commitment to certain past and current employees.

5 Directors' emoluments and employee information

Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	905	761
Amounts paid to money purchase pension schemes	47	41

	2002 £'000	2001 £'000
Highest paid director		
Aggregate emoluments	432	465
Amounts paid to money purchase pension schemes	16	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 2002 was £ 27,739 (2001: £23,874).

Employee information

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

	2002 Number	2001 Restated Number
Production	929	921
Sales	310	332
Administration	194	205
	1,433	1,458

Employment costs, including executive directors:

	2002 £'000	2001 £'000
Wages and salaries	25,756	29,540
Social security costs	1,972	2,100
Other pension costs	2,421	2,513
	30,149	34,153

6 Interest payable and similar charges

	2002 £'000	2001 £'000
On bank overdrafts	22	28
On loans from fellow subsidiary companies	4,095	5,564
Interest on finance leases	105	-
	4,222	5,592

7 Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Trading foreign exchange losses, net	(35)	(671)
Depreciation of tangible fixed assets	2,849	2,276
Depreciation of assets held under finance leases	100	-
(Gain)/loss on disposal of fixed assets	(21)	7
Amortisation of government grants	(294)	(314)
Amortisation of intangible assets	2,904	2,903
Auditors' remuneration - audit - (company £ 4,900; 2001: £20,000)	159	157
- non-audit	139	410
Operating lease rentals - plant and machinery	1,350	1,281
- other	630	543
Restructuring costs (note 4)	1,615	9,174

8 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
United Kingdom corporation tax at 30% (2001: 30%)		
Current	2,052	1,262
(Over)/under provision in respect of prior years	(1,433)	49
Total current tax	619	1,311
Deferred	2,250	38
Tax on profit on ordinary activities	2,869	1,349

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	8,250	612
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	2,475	184
Expenses not deductible for tax purposes	829	1,172
Capital allowances in excess of depreciation	(1,115)	(1,278)
Other short term timing differences	(137)	1,184
(Over)/under provision in respect of prior years	(1,433)	49
Current tax charge for the year	619	1,311

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 (2001: £nil).

10 Intangible assets

Group	Goodwill £'000
Cost	
At 1 October and 30 September 2002	55,455
Amortisation	
1 October 2001	10,567
Charge for the year	2,904
At 30 September 2002	13,471
Net book value	
At 30 September 2002	41,984
At 30 September 2001	44,888

11 Tangible fixed assets

Group

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 October 2001	8,715	23,834	32,549
Additions	3,330	3,828	7,158
Disposals	-	(689)	(689)
At 30 September 2002	12,045	26,973	39,018
Depreciation			
At 1 October 2001	869	1,855	2,724
Charge for the year	337	2,612	2,949
Disposals	-	(74)	(74)
At 30 September 2002	1,206	4,393	5,599
Net book value			
At 30 September 2002	10,839	22,580	33,419
At 30 September 2001	7,846	21,979	29,825

Land and buildings represents freehold land and buildings with the exception of net book value £19,000 (2001: £20,000) which relates to leasehold land and buildings.

Included in plant and machinery are assets in the course of construction of £1,680,000 (2001: £8,656,000). The net book value of assets held under finance leases included in plant and machinery above amounts to £1,898,000 (2001: £nil).

12 Fixed asset investments

Company

2002 and 2001
£'000

Interests in subsidiary undertakings (at cost)	375
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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 ordinary shares	100%	Supply of orthopaedic products

13 Stocks

	Group	
	2002	2001
	£'000	£'000
Raw materials and consumables	6,830	10,004
Work in progress	4,367	3,603
Finished goods and goods for resale	3,093	3,676
	14,290	17,283

14 Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	Restated £'000
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertaking	-	-	153,445	153,445
Amounts falling due within one year:				
Trade debtors	18,073	19,033	-	-
Amounts owed by fellow subsidiary undertakings	131,959	171,711	-	-
Other debtors	318	141	-	-
Prepayments and accrued income	3,382	3,259	-	-
	153,732	194,144	-	-

The Company comparative for 2001 has been restated by way of reclassification to show correctly the total amounts falling due within one year from other group companies. The figure previously excluded some inter-company balances of £3,621,000 that were instead classified in debtors, amounts falling due within one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	Restated £'000	£'000	Restated £'000
Trade creditors	6,425	11,084	-	-
Amounts owed to fellow subsidiary undertakings	85,057	128,760	23,595	23,595
Corporation tax	1,088	1,391	-	-
Other tax and social security payable	4,145	3,187	-	-
Other creditors	298	494	-	-
Obligations under finance leases	96	-	-	-
Accruals and deferred income	3,816	6,812	-	-
	100,925	151,728	23,595	23,595

The comparatives for 2001 have been restated by way of reclassification to show correctly the total amounts falling due within one year from other group companies. The figures previously excluded some inter-company balances that were instead classified in creditors, amounts falling due after more than one year (see note 16).

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
		Restated		Restated
	£'000	£'000	£'000	£'000
Amounts owed to immediate parent company	77,833	77,833	77,833	77,833
Obligations under finance leases	1,831	-	-	-
	79,664	77,833	77,833	77,833

The loan from Tyco Group S.a.r.l, the immediate parent company, bears interest at a rate of 5% and is due for repayment on 30 September 2003. However, the repayment date is to be extended, and repayment is not going to be sought in the foreseeable future. Therefore classification as a non-current liability remains appropriate.

The comparatives for 2001 have been restated to show correctly the total amounts falling due after more than one year to other group companies. £13,302,000 and £16,922,000 have been reclassified from creditors, amounts falling due after more than one year, to creditors, amounts falling due within one year, for the Group and Company respectively.

	2002	2001
	£'000	£'000
Obligations under finance leases include:		
Amounts due within one year – note 15	96	-
Amounts due within two to five years	435	-
Amounts due after more than five years	1,396	-
	1,927	-

17 Provisions for liabilities and charges

Group	Restructuring provision	Pension provision	Deferred taxation	Total
	£'000	£'000	£'000	£'000
At 1 October 2001	890	1,563	3,311	5,764
Charged to profit and loss account	190	-	2,250	2,440
Utilised during the year	(890)	(352)	-	(1,242)
At 30 September 2002	190	1,211	5,561	6,962

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 2002 (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. It is expected that these costs will be incurred within 12 months of the balance sheet date.

Deferred taxation

	2002	2001
	£'000	£'000
The provision for deferred tax comprises:		
Excess of capital allowances over depreciation	5,327	3,959
Short-term timing differences	234	(648)
	5,561	3,311

18 Deferred income**Group**

	2002 £'000	2001 £'000
Government grants		
At 1 October	1,966	2,218
On acquisitions of fixed assets	55	62
Amortisation	(294)	(314)
At 30 September	1,727	1,966

19 Pension and similar obligations

(a) The group operates a funded defined benefit pension plan providing benefits based on final pensionable pay. The assets of the plan are held in separate trustee administered funds. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The latest actuarial review of the scheme was carried out as at 5 April 2000. The main actuarial assumptions were:

Return on investments pre retirement	7.5%
Return on investments post retirement	6.0%
General salary inflation	4.5%
Price inflation	3.0%
Pension increases:	
Pre 1997 pension	2.5%
Post 1997 pension	3.0%

Assets were valued at mid-market prices.

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 5 April 2000 the market value of the Plan's assets amounted to £3,466,000. The value of those assets represented 92% 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 9.8% of liabilities.

The total pension charge for the group for this plan was £221,086 (2001: £222,572). This was after allowing for amortisation of deficiencies that are being recognized over the average working lifetime of active members.

19 Pension and similar obligations (continued)

Contributions were paid in the accounting period at the rate of 13.5% of Pensionable Pay until June 2001, and at 12.7% of Pensionable Pay from July 2001. Contributions will be paid going forward at the rate of 12.7% of Pensionable Pay subject to review at future valuations (the next valuation being as at no later than 5 April 2003). Given the closed nature of the Plan, 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 Plan was valued on 30 September 2002 using the basis prescribed by FRS 17. The assumptions which have the most significant effect on the results of the valuation are those which relate to the expected rate of return on investments, to the rate of increase in Pensionable Pay, and the expected rate of increase in pensions. It has been assumed that investment returns would be 7.4% pa being 9.0% for equities, 5.5% for bonds and 4.0% for other investments (2001: 8%; being 8.1% for equities, 6.25% for bonds and 4% for other investments), Pensionable Pay increases would be 3.75% pa (2001: 3.75%), present and future pensions would increase at 2.25% pa (2001: 2.25%) where linked to inflation and that liabilities in the future should be discounted at 5.5% (6.25% pa). The valuation shows that the fair value of the assets of the Plan was £3.0m (2001: £3.1m), comprising equities £1.7m (£2.5m), bonds £1.3m (2001: £0.4m) and other classes £nil, (2001: £0.2m). The present value of the liabilities of the defined benefit element of the scheme was £5.7m (2001: £4.5m). The deficit of the fair value of the assets against the present value of the liabilities was £2.7m (2001: £1.4m). This amount has not been recognised in the balance sheet, as this is not required until FRS 17 is adopted in full.

The related deferred tax asset in relation to this scheme is £810,000 (2001: £420,000).

The two Kendall pension schemes (a) and (b) were merged on 1st January 2003.

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:

Analysis of amount charged to operating profit in	2002
Respect of defined benefit schemes	£'000
Current service	131
Past service cost	-
Total operating charge	131
Movement in surplus in the year	
Deficit in the scheme at the beginning of the year	(1,358)
Movement in year:	
Current service cost	(131)
Contributions	275
Past service costs	-
Other finance income	(44)
Actuarial loss	(1,443)
Deficit in scheme at the end of the year	(2,701)
Analysis of the amount credited to other finance income	
Expected return on pension scheme assets	245
Interest on pension scheme liabilities	(288)
	(43)

19 Pension and similar obligations (continued)

	2002 £'000
Analysis of amount recognised in statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	(563)
Experience gains and losses arising on the scheme liabilities	(44)
Changes in the assumptions underlying the present value of the scheme liabilities	(836)
Actual loss recognised in the statement of total recognised gains and losses	(1,443)

	2002 £'000
History of experience gains and losses	
Difference between the expected and actual return on scheme assets:	(563)
Percentage of scheme assets	(18.7%)
Experience gains and losses arising on the scheme liabilities	(44)
Percentage of present value of scheme liabilities	(0.8%)
Total amount recognised in the statement of total recognised gains and losses:	(1,443)
Percentage of present value of scheme liabilities	(25.3%)

The net assets of CDK (UK) Limited group adjusted to include the net pension liabilities and associated deferred tax assets of both defined benefit schemes is shown at the end of note (b).

(b) The group operates a funded pension plan providing benefits based on Final Pensionable Earnings and which also includes a defined contribution (money purchase) section. The assets of the plan 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 Plan'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 this plan was £235,986 (2001: £264,562). This was after allowing for amortisation of deficiencies that are being recognized over the average working lifetime of active members.

19 Pension and similar obligations (continued)

Contributions were paid in the accounting period at the rate of 16.2% of Pensionable Earnings in respect of the defined benefit element of the Plan, and are due to continue at this rate, subject to review at future actuarial valuations (the next actuarial valuation is due as at no later than 31 December 2004).

Given the closed nature of the defined benefit element of the Plan, 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 Plan was valued using the basis prescribed by FRS 17 on 30 September 2002. 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. It has been assumed that investment returns would be 7% pa being 9.0% for equities, 5.5% for bonds and 4.0% for other investments (2001:8.0%; being 8.1% for equities, 6.25% for bonds and 4% for other investments), Pensionable Earnings increases would be 3.75% pa (2001:3.75%), present and future pensions would increase at 2.25% pa (2001: 2.25%) (where index-linked) and that liabilities in the future should be discounted at 5.5% pa (2001: 6.25%). The valuation shows that the fair value of the assets of the defined benefit element of the Plan was £5.3m (2001:£5.7m), comprising equities £2.6m (2001: £3.1m), bonds £1.9m (£2.3m) and other classes £0.8m (2001: £0.3m). The present value of the liabilities of the defined benefit element of the Plan was £9.2m (£7.5m). The deficit of the fair value of the assets against the present value of the liabilities was £3.9m (2001: £1.8m). This amount has not been recognised in the balance sheet, as this is not required until FRS 17 is adopted in full.

The related deferred tax asset in relation to this scheme is £1,170,000 (2001: £540,000).

The two Kendall pension schemes (a) and (b) were merged on 1st January 2003.

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:

Analysis of amount charged to operating profit in respect of defined benefit schemes	2002 £'000
Current service	120
Past service cost	-
Total operating charge	120
Movement in surplus in the year	
Deficit in the scheme at the beginning of the year	(1,983)
Movement in year:	
Current service cost	(118)
Contributions	211
Past service costs	-
Other finance income	(71)
Actuarial loss	(1,972)
Deficit in scheme at the end of the year	(3,933)
Analysis of the amount credited to other finance income	
Expected return on pension scheme assets	403
Interest on pension scheme liabilities	(474)
	(71)

19 Pension and similar obligations (continued)

	2002
	£'000
Analysis of amount recognised in statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	(676)
Experience gains and losses arising on the scheme liabilities	(89)
Changes in the assumptions underlying the present value of the Scheme liabilities	(1,207)
Actual loss recognised in the statement of total recognised gains and losses	(1,972)

	2002
	£'000
History of experience gains and losses	
Difference between the expected and actual return on scheme assets:	(676)
Percentage of scheme assets	(12.8%)
Experience gains and losses arising on the scheme liabilities	(89)
Percentage of present value of scheme liabilities	(1.0%)
Total amount recognised in the statement of total recognised gains and losses:	(1,972)
Percentage of present value of scheme liabilities	(21.3%)

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 both defined benefit schemes are:

	2002	2001
	£'000	£'000
Total net assets	54,599	52,392
Pension schemes' liabilities	(6,694)	(3,340)
Deferred tax asset in relation to pension schemes	1,980	990
Total net assets adjusted for pension liability	49,885	50,042

(c) 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 £1,963,546 (2001: £2,025,458).

Some members of this scheme participate in a best benefits guarantee. Under this guarantee, the group paid £ 348,912 (2001: £378,782) into the scheme during the year. An accrual for future liabilities of £1,211,000 (2002: £1,563,000) based on an actuarial valuation undertaken as at 30 September 2002, is held by the group.

20 Called up share capital

	2002 £'000	2001 £'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 2001	(5,460)	(396)	(5,856)	5,621
Profit for the year	-	5,381	5,381	-
At 30 September 2002	(5,460)	4,985	(475)	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 2001	(2,682)
Profit for the year	-
At 30 September 2002	(2,682)

22 Reconciliation of movements in shareholders' funds

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Opening shareholders' funds	49,218	49,955	52,392	52,392
Profit/(loss) for the year	5,381	(737)	-	-
Closing equity shareholders' funds	54,599	49,218	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 2002 £'000	30 September 2001 £'000
Expiring within one year	239	413
Expiring between two and five years inclusive	1,100	977
Expiring in over five years	123	13
	1,462	1,403

In addition the group leases certain land and buildings on long-term leases. The rents payable under these leases, which are subject to re-negotiation at various intervals specified in the leases, and in respect of which the company pays all insurance, maintenance and repairs of these properties, in the next year, are as follows:

	2002 £'000	2001 £'000
Expiring within one year	48	8
Expiring between two and five years inclusive	85	280
Expiring in over five years	339	339
	472	627

24 Contingent liabilities

The group has indemnified its banker to the amount of £800,000 (2001: £800,000) in respect of certain Customs and Excise duties secured by a floating charge over stock and debtors.

25 Capital commitments

	2002 £'000	2001 £'000
Future capital expenditure contracted but not provided for	2,510	5,576

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.