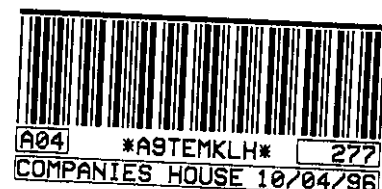


CDK (UK) Limited and its subsidiary companies**Annual report
for the period ended 30 June 1995**

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**Report of the directors
for the period ended 30 June 1995**

The directors present their report and the audited financial statements for the period ended 30 June 1995.

Principal activities

The principal activity of the group are the manufacture, import and distribution of medical products, including hosiery and dressings.

Review of business and future developments

The company and its subsidiary companies have changed their accounting reference date and consequently the accounts represent an eighteen month trading period.

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

Both level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the period ended 30 June 1995 were:

J L Davies
D R West

Directors' interests in shares of the company

No director held a beneficial interest in the company at 30 June 1995, or at any time during the period.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 9 and 10 to the financial statements.

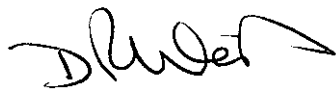
Close company provisions

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company and there has been no change in this respect since the end of the financial period.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'D R West', with a stylized flourish at the end.

D R West
Secretary

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period 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 period and of the profit or loss of the group for that period.

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 period ended 30 June 1995. 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, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

A handwritten signature in black ink, appearing to read 'D R West', with a stylized flourish at the end.

D R West
Director

Report of the auditors to the members of CDK (UK) Limited and its subsidiary Companies

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

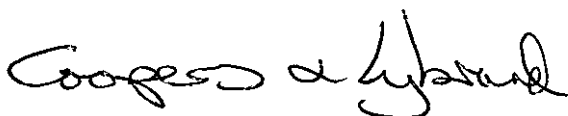
Basis of opinion

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 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 company's and the group's affairs at 30 June 1995 and of the group's profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London 13 March 1996

**Consolidated profit and loss account
for the period ended 30 June 1995**

	Notes	1995 (18 months) £'000	1993 (12 months) £'000
Turnover	2	21,367	12,210
Cost of sales		(11,410)	(7,272)
Gross profit		9,957	4,938
Net operating expenses	3	(6,515)	(3,505)
Operating profit		3,442	1,433
Interest receivable and similar income		41	10
Interest payable and similar charges	5	(177)	(247)
Profit on ordinary activities before taxation	6	3,306	1,196
Tax on profit in ordinary activities	7	(550)	-
Profit retained for the financial period	8	2,756	1,196

The movement on reserves is shown in note 18 to the accounts.

All of the group's business activities are of a continuing nature.

The group has no recognised gains and losses other than those included in the profits 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 period stated above, and their historical cost equivalents.

Balance sheets - 30 June 1995

	Notes	Group		Company	
		30 June 1995 £'000	31 December 1993 £'000	30 June 1995 £'000	31 December 1993 £'000
Fixed assets					
Tangible assets	9	1,655	1,396	-	-
Investments	10	-	-	375	375
		<u>1,655</u>	<u>1,396</u>	<u>375</u>	<u>375</u>
Current assets					
Stocks	11	2,734	1,592	-	-
Debtors: amounts falling due after one year	12	-	-	3,941	3,498
Debtors: amounts falling due within one year	12	3,824	3,225	-	-
Cash at bank and in hand		453	148	-	-
		<u>7,011</u>	<u>4,965</u>	<u>3,941</u>	<u>3,498</u>
Creditors: amounts falling due within one year	13	<u>(4,045)</u>	<u>(2,856)</u>	<u>(26)</u>	<u>(26)</u>
Net current assets		<u>2,966</u>	<u>2,109</u>	<u>3,915</u>	<u>3,472</u>
Total assets less current liabilities		<u>4,621</u>	<u>3,505</u>	<u>4,290</u>	<u>3,847</u>
Creditors: amounts falling due after more than one year	14	<u>(503)</u>	<u>(2,130)</u>	<u>-</u>	<u>-</u>
Deferred income	15	<u>(110)</u>	<u>(123)</u>	<u>-</u>	<u>-</u>
		<u>(613)</u>	<u>(2,253)</u>	<u>-</u>	<u>-</u>
Total net assets		<u>4,008</u>	<u>1,252</u>	<u>4,290</u>	<u>3,847</u>
Capital and reserves					
Called up share capital	17	13,154	13,154	13,154	13,154
Goodwill reserve	18	(5,460)	(5,460)	-	-
Profit and loss account	18	(3,686)	(6,442)	(8,864)	(9,307)
Equity shareholders' funds	19	<u>4,008</u>	<u>1,252</u>	<u>4,290</u>	<u>3,847</u>

The financial statements on pages 5 to 20 were approved by the board of directors on 13-03-1996 and were signed on its behalf by:



Director

**Cash flow statement
for the period ended 30 June 1995**

	Notes	1995 (18 months) £'000	1993 (12 months) £'000
Net cash inflow from operating activities	20	<u>2,385</u>	<u>937</u>
Returns on investments and servicing of finance			
Interest received		42	8
Interest paid		<u>(25)</u>	<u>(155)</u>
Net cash outflow from returns on investments and servicing of finance		<u>17</u>	<u>(147)</u>
Tax paid		<u>-</u>	<u>-</u>
Investment activities			
Purchase of tangible fixed assets		(470)	(254)
Sale of tangible fixed assets		<u>-</u>	<u>86</u>
Net cash outflow from investing activities		<u>(470)</u>	<u>(168)</u>
Net cash inflow before financing		<u>1,932</u>	<u>622</u>
Financing			
Repayment of loans		(1,627)	(810)
Net cash (outflow) from financing	22	<u>(1,627)</u>	<u>(810)</u>
Increase/(decrease) in cash and cash equivalents	21	<u><u>305</u></u>	<u><u>(188)</u></u>

**Notes to the financial statements
for the year ended 30 June 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the company and all its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

Goodwill

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 arising on the acquisition of subsidiaries is written off immediately against a reserve set up for that purpose.

Fixed assets

The cost of tangible fixed assets is 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. The principal annual rates used for this purpose are:

Freehold buildings	25 years
Freehold building improvements	15 years
Leasehold land, buildings and improvements	25 years (or term of lease if shorter)
Plant and machinery	15 years

Freehold land is not depreciated.

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 related asset's useful life.

**Notes to the financial statements continued
for the period ended 30 June 1995**

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct labour and material costs and production overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less costs expected to be incurred on disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All exchange gains and losses are reported as part of the results for the period.

Turnover

Turnover, which excludes value added tax, and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the pension scheme.

CDK (UK) Limited and its subsidiary companies

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Notes to the financial statements continued for the period ended 30 June 1995

2 Turnover

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

Geographical segment	1995 (18 months) £'000	1993 (12 months) £'000
United Kingdom	10,056	5,471
Rest of Europe	11,227	6,722
Other	84	17
	<u>21,367</u>	<u>12,210</u>

European turnover includes £2,814,000 (1993: £1,599,400) of sales to fellow subsidiary companies.

3 Net operating expenses

Net operating expenses are made up as follows:

	1995 (18 months) £'000	1993 (12 months) £'000
Royalty charge from fellow subsidiary company	926	537
Management charge from fellow subsidiary company	142	63
Selling and marketing costs	3,757	1,934
Distribution and warehousing costs	749	472
Administrative expenses	1,150	720
Other net operating (income)/expenses	(209)	(221)
	<u>6,515</u>	<u>3,505</u>

4 Directors' emoluments and employee information

(a) Directors' emoluments

	1995 (18 months) £'000	1993 (12 months) £'000
For management services (including pension contributions and benefits in kind)	<u>351</u>	<u>144</u>

CDK (UK) Limited and its subsidiary companies

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Notes to the financial statements continued for the period ended 30 June 1995

Directors' emoluments excluding pension contributions are as follows:

	1995 (18 months) £'000	1993 (12 months) £'000
Emoluments of the chairman and highest paid director	<u>200</u>	<u>72</u>

The number of directors (including the highest paid director) whose emoluments were within the ranges was:

	1995	1993
£65,001 to £70,000	-	1
£70,001 to £75,000	-	1
£150,001 to £155,000	1	-
£195,001 to £200,000	<u>1</u>	<u>-</u>

(b) Employee information

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

	1995	1993
Production	122	103
Sales	34	29
Administration	<u>11</u>	<u>11</u>
	<u>167</u>	<u>143</u>

Employment costs, including executive directors:

	1995 (18 months) £'000	1993 (12 months) £'000
Wages and salaries	3,904	1,996
Social security costs	335	171
Other pension costs	<u>114</u>	<u>58</u>
	<u>4,353</u>	<u>2,225</u>

CDK (UK) Limited and its subsidiary companies

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Notes to the financial statements continued for the period ended 30 June 1995

5 Interest payable and similar charges

	1995 (18 months) £'000	1993 (12 months) £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	25	5
On loans from fellow subsidiary companies	152	242
	<u>177</u>	<u>247</u>

6 Profit on ordinary activities before taxation

	1995 (18 months) £'000	1993 (12 months) £'000
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	14	9
Trading foreign exchange gains	204	224
	<u>218</u>	<u>233</u>
And after charging:		
Depreciation of tangible fixed assets	211	127
Auditors' remuneration		
- audit (company £2,000; 1993: £2,000)	30	27
Operating lease rentals - plant and machinery	482	346
- other	446	287
Hire of plant and machinery	2	7
	<u>1,176</u>	<u>794</u>

Remuneration of the company's auditors was £41,000 (1993: £21,000) for provision of non-audit services includes taxation compliance and advisory fees and non-statutory audit services.

**Notes to the financial statements continued
for the period ended 30 June 1995**

7 Taxation

Tax on profit on ordinary activities

	1995 (18 months) £'000	1993 (12 months) £'000
Taxation on profit on ordinary activities at 33%	550	-

The taxation on profit on ordinary activities has been reduced by the use of trading losses brought forward from prior periods.

8 Results for the financial period

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 period of the holding company was £443,000 (1993: £193,000).

9 Tangible fixed assets

Group

	Freehold land, buildings and improvements £'000	Long leasehold land, buildings and improvements £'000	Plant and machinery £'000	Total £'000
Cost or valuation				
At 1 January 1994	834	116	1,173	2,123
Additions	62	-	408	470
Disposals	-	-	(15)	(15)
At 30 June 1995	896	116	1,566	2,578
Depreciation				
At 1 January 1994	177	14	536	727
Charge for period	63	7	141	211
Disposals	-	-	(15)	(15)
At 30 June 1995	240	21	662	923
Net book value				
At 30 June 1995	656	95	904	1,655
At 31 December 1993	657	102	637	1,396

CDK (UK) Limited and its subsidiary companies

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Notes to the financial statements continued for the period ended 30 June 1995

10 Fixed asset investments

	1995 and 1993 £'000
Investment in subsidiary companies	
Cost	9,363
Provision	(8,988)
Net book value	<u>375</u>

Interests in subsidiary companies comprise the cost of investments less provisions. There has been no movement in the investments during the period.

Details of subsidiary companies are as follows:

Name of company and country of registration and operation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
The Kendall Company (UK) Limited (England and Wales)	375,000 £1 ordinary shares	100%	Manufacture, import and distribution of medical products
Litepeel Limited (England and Wales)	645,000 £1 ordinary shares	100%	Dormant
Lastonet Products Limited (England and Wales)	10,000 £1 ordinary shares	100%	Dormant
Leprodux Limited (England and Wales)	4,000 £1 ordinary shares	100%	Dormant

11 Stocks

	1995 £'000	1993 £'000
Raw materials and consumables	288	262
Work in progress	213	110
Finished goods and goods for resale	2,233	1,220
	<u>2,734</u>	<u>1,592</u>

**Notes to the financial statements continued
for the period ended 30 June 1995**

12 Debtors

	Group		Company	
	1995	1993	1995	1993
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Amounts owed by subsidiary company	-	-	3,941	3,498
	<u>-</u>	<u>-</u>	<u>3,941</u>	<u>3,498</u>
Amounts falling due within one year:				
Trade debtors	2,553	1,626	-	-
Amounts owed by fellow subsidiary companies	669	1,226	-	-
Other debtors	20	20	-	-
VAT recoverable	48	36	-	-
Prepayments and accrued income	534	317	-	-
	<u>3,824</u>	<u>3,225</u>	<u>-</u>	<u>-</u>
	<u>3,824</u>	<u>3,225</u>	<u>3,941</u>	<u>3,498</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	1995	1993	1995	1993
	£'000	£'000	£'000	£'000
Trade creditors	1,089	712	-	-
Amounts owed to fellow subsidiary companies	1,918	1,607	-	-
PAYE and Social Security	98	54	-	-
Corporate taxation	550	-	-	-
Accruals and deferred income	390	473	26	26
Other creditors	-	10	-	-
	<u>4,045</u>	<u>2,856</u>	<u>26</u>	<u>26</u>

Notes to the financial statements continued for the period ended 30 June 1995

14 Creditors: amounts falling due after more than one year

	Group	
	1995 £'000	1993 £'000
Amounts owed to fellow subsidiary companies	503	2,130

The amounts due to fellow subsidiary companies have no fixed repayment date and are denominated in US dollars. These group companies have indicated that repayment will not be demanded in the foreseeable future.

Deferred income

15 Government grants

	1995 £'000	1993 £'000
At 1 January 1994	124	132
Amortisation in period	(14)	(9)
At 30 June 1995	110	123

16 Pension and similar obligations

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

The latest actuarial review of the scheme was carried out as at 6 April 1994. The main actuarial assumptions were:

Return on investments	9% per annum
General Salary investments	6.5% per annum
Pension increases	4% per annum
Dividend increases	4.5% per annum

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, pensions and dividends.

At 5 April 1994 the market value of the scheme's amounted to £999,000. The actuarial value of those assets represented 79% 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 some £20,000.

Notes to the financial statements continued for the period ended 30 June 1995

Pension and similar obligations (continued)

Pension costs charged in the profit and loss account amounted to £114,000 (1993: £58,000). This is after allowing for amortisation of deficiencies that are being recognised over 15 years. The significant increase in the pension cost reflects the combined effect of extended accounting period, results of the latest valuation and the amortisation of the deficit.

17 Called up share capital

	1995 £'000	1993 £'000
Authorised		
Redeemable ordinary shares of £1 each	2,000	2,000
Ordinary shares of £1 each	13,000	13,000
	<u>15,000</u>	<u>15,000</u>
Allotted, called up and fully paid		
Redeemable ordinary shares of £1 each	1,900	1,900
Ordinary shares of £1 each	11,254	11,254
	<u>13,154</u>	<u>13,154</u>

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.

18 Reserves

	Goodwill reserve £'000	Profit and loss account £'000
Group		
At 1 January 1994	(5,460)	(6,442)
Profit retained for the period	-	2,756
At 30 June 1995	<u>(5,460)</u>	<u>(3,686)</u>
Company		
At 1 January 1994		(9,307)
Profit retained for the period		443
At 30 June 1995		<u>(8,864)</u>

**Notes to the financial statements continued
for the period ended 30 June 1995**

19 Reconciliation of movements in shareholders' funds

	Group		Company	
	1995	1993	1995	1993
	£'000	£'000	£'000	£'000
Opening shareholders' funds	1,252	57	3,847	3,655
Profit retained for the period	2,756	1,195	443	192
Closing shareholders' funds	<u>4,008</u>	<u>1,252</u>	<u>4,290</u>	<u>3,847</u>

20 Reconciliation of operating profit to net cash inflow from operating activities.

	1995	1993
	(18 months)	(12 months)
	£'000	£'000
Operating profit	3,442	1,433
Depreciation on tangible fixed assets	211	127
Amortisation of government grant	(14)	(9)
Decrease in stocks	(1,142)	374
(Decrease)/increase in trade debtors	(926)	141
Increase in amounts owed by immediate parent company and fellow subsidiaries	557	(962)
Decrease in other debtors	1	14
(Increase)/decrease in VAT recoverable	(12)	(20)
Decrease/(increase) in prepayments and accrued income	(218)	31
Increase/(Decrease) in trade creditors	377	156
Increase in amounts owed to immediate parent company and fellow subsidiaries	158	510
Increase/(decrease) in PAYE and social security	44	2
Increase in accruals and deferred income	(83)	170
Increase/(decrease) in other creditors	(10)	(10)
Transfer of financing loans to operating liabilities	-	(1,020)
	<u>2,385</u>	<u>937</u>

Notes to the financial statements continued for the period ended 30 June 1995

21 Cash and cash equivalents

	1995 £'000	1993 £'000
Changes during the period		
At 1 January	148	336
Net cash inflow/(outflow)	305	(188)
At 30 June	<u>453</u>	<u>148</u>

	1995 £'000	1993 £'000	Change in period £'000
Analysis of balances			
Cash at bank and in hand	<u>453</u>	<u>148</u>	<u>305</u>

22 Analysis of changes in financing during the period

	Share capital £'000	Loans £'000
At 1 January 1994	13,155	2,130
Repayment of loans	-	(1,627)
At 30 June 1995	<u>13,155</u>	<u>503</u>

23 Contingent liabilities and 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:

	1995 £'000	1993 £'000
Date of lease termination:		
Within one year	44	80
In second to fifth years inclusive	96	168
	<u>140</u>	<u>248</u>

**Notes to the financial statements continued
for the period ended 30 June 1995**

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

	1995 £'000	1993 £'000
Date of lease termination:		
In more than five years	302	287
	<u>302</u>	<u>287</u>

24 Financial Commitments

The bank facilities of a subsidiary company are secured by a floating charge over its stock and debtors.

A subsidiary company has indemnified its bankers in the amount of £150,000 in respect of certain Custom and Excise duties.

25 Ultimate and immediate parent companies

The directors regard Tyco International Inc, a company incorporated in the State of Delaware, USA, as the ultimate parent company. Copies of the consolidated accounts of Tyco International Inc, are available on request from the company secretary, CDK (UK) Limited, 2 Elmwood, Chineham Business Park, Crockford Lane, Basinstoke, Hants.