Registered no: 3970512

Covidien (UK) Commercial Limited (formerly Tyco Healthcare (UK) Commercial Limited)

Annual Report

For The Year Ended 30 September 2007

Covidien (UK) Commercial Ltd (formerly Tyco Healthcare (UK) Commercial Limited)

Annual Report and Financial Statements For The Year Ended 30 September 2007

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Officers and Professional Advisors

Directors

D R West (resigned 12 November 2007)
L Iglesias–Fernandez
O Millet Lopez (appointed 1 December 2006)
C Blebta (resigned 1 December 2006)
S Stokes (appointed 1 October 2007)
N Beukman (appointed 1 October 2007)
S Dunkley (appointed 1 October 2007)
D Plotts (appointed 1 October 2007)
A Nisbet (resigned 1 July 2008)
D Green (appointed 1 July 2008)

Secretary

O Millet Lopez

Registered Office

154 Fareham Road
Gosport
Hampshire
PO13 0AS

Bankers

Barclays Bank plc
London
United Kingdom

Actuaries and Consultants

Buck Consultants Ltd
Manchester
United Kingdom

PricewaterhouseCoopers LLP
Southampton
United Kingdom

Auditors

Deloitte & Touche LLP
Southampton
United Kingdom

Report of the directors for the year ended 30 September 2007

The directors of the company who held office during the year ended 30 September 2007 and in the period to date present their report and the audited financial statements for the year ended 30 September 2007

Change of Name and Ultimate Parent Company

Tyco International Limited carried through with plans discussed in last year's report to spin off the Healthcare division from the Tyco Group which has resulted in the name change from Tyco (UK) Commercial Limited to Covidien (UK) Commercial Limited in July 2007 As part of the restructuring, the company reviewed its internal procedures and updated them where necessary for changes in UK laws and regulations. Health and safety procedures, in particular, underwent a full review and were updated and implemented where appropriate

Principal activity

The principal activity of the company is the distribution of surgical, medical and continence care products

Review of business and future developments

The profit and loss account for the year is set out on page 10

Both the results for the year and the year-end financial position were satisfactory

Turnover grew during the financial year ended 30 September 2007 by 6.29% to £133,169,000 (2006 £125,287,000) and sales margins improved slightly during the year from 23 33% to 24 50%

There is a regular head count review focusing on vacancies within the organisation which may be an impediment to growth or efficiency In 2007 the average monthly sales force headcount rate was 4 9% in excess of forecast (2006. 1.3% below forecast)

Covidien (UK) Commercial Limited operates solely within the surgical, medical and continence care products business, within the UK so does not segment its business, but manages its operations on a divisional basis

All key financial performance indicators, including sales comparisons, gross margin and operating income, customer returns and credit notes are reviewed against budget and prior periods

Cash flow is reviewed by management on an ongoing basis to ensure that the company is generating sufficient cash flow to enable reinvestment in the business

The level and reasoning for product returns are monitored to identify any issues which are occurring in the business, enabling appropriate actions to be taken

Report of the directors
for the year ended 30 September 2007 (continued)

Results and dividends

The profit for the financial year was £6,066,000 (2006 £8,660,000) The directors have elected not to pay a dividend (2006 £27,500,000)

Profit before tax increased 5 35% from £8,660,000 to £9,124,000 due to an reduction in administration expenses The directors expect the current level of activity to continue in the foreseeable future.

Capital structure

Details of the authorised shares and shares issued are disclosed in note 19 There is only one class of share held in the company which all carry the same voting right and right to equal distribution

Share Compensation Plans

Prior to the Separation, the Company adopted the Covidien Ltd 2007 Stock and Incentive Plan (the "2007 Plan") The 2007 Plan provides for the award of stock options, stock appreciation rights, annual performance bonuses, long-term performance awards, restricted units, restricted stock, deferred stock units, promissory stock and other stock-based awards (collectively, "Awards")

Share Options are granted to purchase common shares at prices that are equal to the fair market value of the common shares on the date the option is granted Conditions of vesting are determined at the time of grant under the 2007 Plan Options granted under the 2007 Plan generally vest in equal annual instalments over a period of four years and generally expire 10 years after the date of grant The grant-date fair value of each option grant is estimated using the Black-Scholes option pricing model The fair value is then amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period The compensation expense recognised is net of estimated forfeitures Forfeitures are estimated based on voluntary termination behaviour, as well as an analysis of actual option forfeitures

The Company utilised the Black-Scholes pricing model to estimate the fair value of each option on the date of each grant The fair value is amortised on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period Use of a valuation model requires management to make certain assumptions with respect to selected model inputs The Company utilised the historical and implied volatility of its peer group with similar business models to estimate the Company's volatility The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behaviour The expected annual dividend per share was based on the Company's expected dividend rate The risk-free interest rate is based on US Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The compensation expense recognised is net of estimated forfeitures Forfeitures are estimated based on voluntary termination behaviour, as well as an analysis of actual option forfeitures

Report of the directors
for the year ended 30 September 2007 (continued)

Share Compensation Plans (continued)

Restricted stock unit awards are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant under the 2007 Plan Restrictions on awards lapse upon normal retirement, death or disability of the employee Recipients of restricted stock units have no voting rights and receive dividend equivalents For grants that vest through passage of time, the fair market value of the award at the time of the grant is amortized to expense over the period of vesting The fair market value of restricted stock unit awards is determined based on the market value of the Company's shares on the grant date Restricted stock unit awards granted under the 2007 Plan generally vest in equal annual instalments over a four-year period The compensation expense recognised for restricted stock unit awards is net of estimated forfeitures

Prior year adjustment

The company has adopted FRS20 Share-based payments in the year which means that the fair value for the Share Compensation Plans has been recognised within the financial statements The change in accounting policy has led to a prior year adjustment within the financial statements and the details of this are recorded within note 10

Future developments

Following a business, economic and financial review of global operations the Incontinence business was divested on 30 April 2008 to a private company and renamed Lille Healthcare

Principle risks and uncertainties

The directors' feel that the main risk to the company is the increased pressure on prices since the NHS have focused on centralising payments and the supply chain to reduce their costs The pressure on prices has also been increased as a result of consolidation/ acquisition activity in the private sector

The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers

Directors' interests in shares of the company

No director held a beneficial interest in the shares of the company or in the CDK (UK) Limited group of companies at 30 September 2007, or at any time during the year

Report of the directors for the year ended 30 September 2007 (continued)

Employees

The company'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 company's performance

The company encourages the involvement of employees in its performance through regular communication from the company's 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 company'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

Donations

During the year charitable donations exceeding £200 amounted to £1,274 (2006 £1,690)

Auditors

Pursuant to section 386 of the Companies Act 1985, an elective resolution was passed on September 20 2004 by the company, dispensing with the requirement to appoint auditors annually Therefore, Deloitte & Touche LLP are deemed to continue as auditors

Report of the directors
for the year ended 30 September 2007 (continued)

Provision of information to auditors

Each of the persons who is a director at the date of approval of this annual report confirms that

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

By order of the board

Oriol Millet Lopez
Director
October 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to·

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
  and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditors' report to the members of Covidien (UK) Commercial Limited (formerly Tyco Healthcare (UK) Commercial Limited)

We have audited the financial statements of Covidien (UK) Commercial Limited (formerly Tyco Healthcare (UK) Commercial Limited) for the year ended 30 September 2007 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 27 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report to the members of Covidien (UK) Commercial Limited (formerly Tyco Healthcare (UK) Commercial Limited)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom
31 October 2008

Profit and loss account for the year ended 30 September 2007

	Note	2007 £'000	Restated For adoption of FRS 20 (see note 10) 2006 £'000
Turnover	2	**133,169**	125,287
Cost of sales		**(100,542)**	(96,061)
Gross profit		**32,627**	29,226
Net operating expenses	3	**(26,206)**	(23,186)
Operating profit		**6,421**	6,040
Interest receivable and similar income	4	**2,753**	2,624
Interest payable and similar charges	5	**(50)**	(4)
Profit on ordinary activities before taxation	7	**9,124**	8,660
Tax charge on profit on ordinary activities	8	**(3,058)**	(2,934)
Profit on ordinary activities after taxation	20	**6,066**	5,726

All amounts derive from continuing operations in the current and preceding year

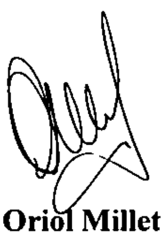
Statement of total recognised gains and losses for the year ended 30 September 2007

	Note	2007 £'000	Restated 2006 £'000
Profit for the year	20	**6,066**	5,726
Prior year adjustment (as explained in note 10)		**(260)**	
Total gains and losses recognised since last annual report and financial statements		**(260)**	

Balance sheet as at 30 September 2007

	Note	2007 £'000	Restated 2006 £'000
Fixed assets			
Intangible assets	12	-	2,828
Tangible assets	13	**8,231**	9,268
		8,231	12,096
Current assets			
Debtors	14	**80,101**	72,151
Deferred tax asset	14	**458**	779
Cash at bank and in hand		**321**	1,025
		80,880	73,955
Creditors: amounts falling due within one year	15	**(77,272)**	(80,118)
Net current assets / (liabilities)		**3,608**	(6,163)
Total assets less current liabilities		**11,839**	5,933
Creditors: amounts falling due after more than one year	16	-	(165)
Provisions for liabilities and charges	17	**(15)**	(10)
Net assets		**11,824**	5,758
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	**11,824**	5,758
Shareholders' funds	21	**11,824**	5,758

The financial statements on pages 10 to 31 were approved by the board of directors on October 2008 and were signed on its behalf by



Oriol Millet Lopez
Director
October 2008

Notes to the financial statements for the year ended 30 September 2007

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 and have been applied consistently in current and prior year A summary of the principal accounting policies is set out below

Cash flow statement
The company has taken advantage of the exemption in FRS 1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of Covidien Limited The parent company has prepared a consolidated cash flow statement including cash flows of this company for the year ended 30 September 2007

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

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

The company does not depreciate assets in the course of construction until operationally in use Land is not depreciated

Demonstration equipment is depreciated over its useful economic life of between three to 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 three to five years

Provision is made for any impairment.

Intangible fixed assets
Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired Purchased goodwill is capitalised and amortised through the profit and loss account on a straight-line basis not exceeding 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 Provision is made for any impairment in the value of goodwill, including for that following the sale of the Incontinence business to a private company in 2008

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Principal accounting policies (continued)

Operating leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Finance leases
Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding

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

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

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

Turnover
Turnover, which excludes Value Added Tax and is stated net of trade discounts, represents the invoiced value of goods and services supplied

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Principal accounting policies (continued)

Pension costs

The company participates in a number of multi employer pension schemes, the assets and liabilities of which are held independently from the group In the case of defined benefit pension schemes, FRS 17 "Retirement Benefits" requires the expected cost of providing pensions, as calculated periodically by a professionally qualified independent actuary, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll This is based on the cost of providing pensions across all participating group companies The defined benefits schemes are valued every three years by a professionally qualified independent actuary

The company is unable to identify its share of the underlying assets and liabilities of the schemes Therefore the cost of providing pensions in not determined for each individual company, and thus the schemes are accounted for as if they were defined contribution schemes See note 18 for the summary of key details of the group pension scheme

In the case of defined contribution schemes, the costs are charged to the profit and loss account in the period in which they are incurred

Share-based payment

This is the first year the company has applied the requirements of FRS 20 (IFRS 2) *Share-based Payment* In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 October 2005

The company issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Principal accounting policies (continued)

Share-based payment (continued)
The company also maintains another employee stock purchase plan for the benefit of employees of certain qualified non-US subsidiaries The terms of this plan provides for the Company to grant to its employees the right to purchase shares of the Company's stock at a stated price and receive certain tax benefits Under this plan, eligible employees in the United Kingdom are granted options to purchase shares at the end of three years of service at 85% of the market price at the time of grant All of the shares purchased under this plan are purchased on the open market The company records an expense, based on an estimate of the 15% discount related to shares expected to vest on a straight-line basis over the vesting period

2 Turnover

The company's activities consist solely of the distribution of surgical, medical and continence care products which arise wholly within the United Kingdom Consequently, no further segmental information is reported

3 Net operating expenses

	2007 £'000	Restated 2006 £'000
Administrative expenses - continuing	**4,547**	4,230
Distribution costs - continuing	**21,659**	18,956
Net operating expenses - continuing	**26,206**	23,186

Included in administrative expenses is £2,336,000 which represents the full impairment of goodwill fully attributable to the Incontinence part of the business, sold in April 2008

4 Interest receivable and similar income

	2007 £'000	2006 £'000
Intercompany interest receivable	**2,751**	2,623
Bank interest receivable	**2**	1
	2,753	2,624

Notes to the financial statements for the year ended 30 September 2007 (continued)

5 Interest payable and similar charges

	2007 **£'000**	2006 £'000
Intercompany interest payable	**50**	2
Bank interest payable	**-**	2
	50	4

6 Directors' emoluments and employee information

Directors' emoluments

The remuneration for two of the directors of Covidien (UK) Commercial Limited (formerly Tyco Healthcare (UK) Commercial Limited) was paid for by Tyco Healthcare AG in both the current and previous financial years, and has been disclosed accordingly within this company's financial statements The directors represent a number of Tyco Healthcare entities and it is neither feasible nor practical to separate the services they perform for Covidien (UK) Commercial Limited from their total remuneration. The director paid by Covidien (UK) Commercial Limited is disclosed below

	2007 **£'000**	2006 £'000
Aggregate emoluments	**131**	125
Amounts paid to money purchase pension schemes	**5**	8

Retirement benefits are also accruing for one director (2006 one) under a group defined benefit scheme. All costs associated with this director's retirement benefits are being paid for by Tyco Healthcare AG

Notes to the financial statements for the year ended 30 September 2007 (continued)

6 Directors' emoluments and employee information (continued)

Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

	2007 Number	2006 Number
Sales and marketing	**278**	287
Administration	**48**	49
	326	336

Employment costs, including executive directors.

	2007 £'000	2006 £'000
Wages and salaries	13,838	12,910
Social security costs	1,409	1,592
Other pension costs (see note 18)	907	1,158
Share based payment expense	271	261
	16,425	15,921

Notes to the financial statements
for the year ended 30 September 2007 (continued)

7 Profit on ordinary activities before taxation

	2007 £'000	Restated 2006 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Trading foreign exchange gain	(33)	(219)
Share based payment expense (note 10)	271	260
Loss on disposal of fixed assets	1	12
Amortisation of goodwill	492	492
Impairment of goodwill	2,336	-
Depreciation of tangible fixed assets (see note 11)	2,559	2,127
Auditors' remuneration (see note below)	81	60
Operating lease rentals - plant and machinery	1,565	1,282
- other	241	185

Auditors remuneration	2007 £'000	2006 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	81	60
Total audit fees	81	60

There were no non-audit fees charged by the company's auditors in the current year

8 Tax charge on profit on ordinary activities

	2007 £'000	2006 £
United Kingdom corporation tax at 30% (2006 30%)		
Current	2,737	2,197
Total current tax charge	2,737	2,197
Deferred tax		
Origination & reversal of timing differences	280	237
Adjustments to estimated recoverable DT assets from prior periods	-	500
Changes in tax rates or laws	41	-
Total deferred tax charge	321	737
Tax charge on profit on ordinary activities	3,058	2,934

Notes to the financial statements for the year ended 30 September 2007 (continued)

8 Tax charge on profit on ordinary activities (continued)

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	9,124	8,920
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	2,737	2,676
Expenses not deductible for tax purposes	773	444
Capital allowances in excess of depreciation	(142)	(237)
Other timing differences	8	-
Group relief claimed,not paid	(639)	(686)
Current tax charge for the year	2,737	2,197

9 Dividends

	2007 £'000	2006 £'000
No final dividend (2006 £27 5million, £73,333 per £1 ordinary share)	-	27,500

10 Prior year adjustment

Profit and loss account	2007 £'000	2006 £'000
Increase in administrative expenses	260	395
Decrease in profit for the year	(260)	(395)

Balance sheet		
Increase in intercompany creditor	(260)	(895)
Decrease in profit and loss reserve for the year	(260)	(895)
Decrease in net assets	(260)	(895)

The company has applied the requirements of FRS 20 (IFRS 2) *Share-based payment* In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 October 2005 The decrease in profit and loss reserve for the year 2006 includes £500,000 relating to adjustments for 2006 opening balance sheet

Notes to the financial statements
for the year ended 30 September 2007 (continued)

11 Share-based payments

Equity-settled share option scheme

The company has a share option scheme for all employees Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is three years If the options remain unexercised after a period of five years from the date of grant the options expire Options are forfeited if the employee leaves the group before the options vest

Details of the share options outstanding during the year are as follows

Non-qualified scheme

	2007		2006	
	Number of Share Options	**Weighted Average Exercise Price £**	Number of Share Options	Weighted Average Exercise Price £
Outstanding at beginning of period	**51,618**	**9.74**	69,165	9 26
Granted during the period	**18,000**	**7.15**	11,014	9 17
Exercised during the period			(13,086)	
'Cancelled' during the period			(15,475)	
Outstanding at the end of the period			51,618	
Exercisable at the end of the period			51,618	

The weighted average share price at the date of exercise for share options exercised during the period was £24 50 The options outstanding at 30 September 2007 had a weighted average exercise price of £9 07 and a weighted average remaining contractual life of 4 59 years In the current year, options were granted on 2 July 2007 The aggregate of the estimated fair values of the options granted on those dates is £128,700 In the previous year, options were granted on 22 November 2005 and 3 January 2006 The aggregate of the estimated fair values of the options granted on those dates is £101,035

The inputs into the Black-Scholes Option Pricing Model are as follows

	2007	2006
Weighted average share price	**2450p**	2558p
Weighted average exercise price	**907p**	974p
Expected volatility	**38.94%**	43 45%
Expected life	**4.59 years**	4 44 years
Risk-free rate	**3.74%**	3 35%
Expected dividend yield volatility	**0.93%**	0 71%

Notes to the financial statements for the year ended 30 September 2007 (continued)

11 Share-based payments (continued)

Equity-settled share option scheme (continued)

Expected volatility was determined by calculating the historical volatility of the company's share price in previous years The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

Restricted stock scheme	**2007**		2006	
	Number of Share Options	**Weighted Average Exercise Price £**	Number of Share Options	Weighted Average Exercise Price £
Outstanding at beginning of period	**3,798**	**26.89**	1,675	25 7
Granted during the period	**7,823**	**21.56**	3,020	25 85
Exercised during the period			-	
'Cancelled' during the period			(897)	
Outstanding at the end of the period			3,798	
Exercisable at the end of the period			3,798	

The weighted average share price at the date of exercise for share options exercised during the period was £23 30 The options outstanding at 30 September 2007 had a weighted average exercise price of £23 30 and a weighted average remaining contractual life of 2 84 years In the current year, options were granted on 2 July 2007 The aggregate of the estimated fair values of the options granted on those dates is £168,651 In the previous year, options were granted on 22 November 2005 and 3 January 2006 The aggregate of the estimated fair values of the options granted on those dates is £77,950.

The inputs into the Black-Scholes Option Pricing Model are as follows

	2007	2006
Weighted average share price	**2330p**	2581p
Weighted average exercise price	**2330p**	2581p
Expected volatility	**0.00%**	0 00%
Expected life	**2.84years**	2 50years
Risk-free rate	**0.44%**	1 34%
Expected dividend yield volatility	**0.04%**	0 11%

Notes to the financial statements for the year ended 30 September 2007 (continued)

11 Share-based payments (continued)

Restricted stock scheme (continued)
Expected volatility was determined by calculating the historical volatility of the company's share price in previous years The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Other share-based payment plans
The employee share purchase plans are open to almost all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 15% The shares can be purchased during a two-week period each year The shares to be purchased are generally placed in the employee share savings plan for a five-year period Pursuant to these plans, the company issued no ordinary shares in the current year

12 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 October 2006 and 30 September 2007	**6,915**
Amortisation	
At 1 October 2006	4,087
Charge for the year	492
Impairment	2,336
At 30 September 2007	**6,915**
Net book value	
At 30 September 2007	**-**
At 30 September 2006	2,828

The impairment of goodwill is fully attributable to the Incontinence business which was sold in April 2008

Notes to the financial statements
for the year ended 30 September 2007 (continued)

13 Tangible fixed assets

	Plant and machinery	Short leasehold land, buildings and improvements	Loan and demonstration equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 October 2006	10,798	1,068	3,239	15,105
Additions	202	1,012	493	1,707
Disposals	(91)	-	(205)	(296)
At 30 September 2007	**10,909**	**2,080**	**3,527**	**16,516**
Depreciation				
At 1 October 2006	3,543	244	2,050	5,837
Charge for the year	1,606	160	793	2,559
Disposals	(32)	-	(78)	(110)
At 30 September 2007	**5,117**	**404**	**2,764**	**8,285**
Net book value				
At 30 September 2007	**5,792**	**1,676**	**763**	**8,231**
At 30 September 2006	7,255	824	1,189	9,268

Included in plant and machinery are assets in the course of construction of £1,193,000 (2006 £2,825,000)

Included in plant and machinery are assets held under hire purchase contracts. The net book value of these assets as at 30 September 2007 was £147,872 (2006 £425,146) Depreciation of £277,274 has been charged to the profit and loss account in respect of these assets (2006 £277,274)

14 Debtors

	2007	2006
	£'000	£'000
Amounts falling due after more than one year		
Deferred tax	**458**	779
	458	779
Amounts falling due within one year.		
Trade debtors	**14,013**	13,445
Amounts owed by fellow subsidiary undertakings	**61,597**	57,157
Other debtors	**3,053**	145
Prepayments and accrued income	**1,438**	1,404
	80,101	72,151

Notes to the financial statements for the year ended 30 September 2007 (continued)

14 Debtors (continued)

The deferred tax asset comprises

	2007 £'000	2006 £'000
Excess of capital allowances over depreciation	**275**	599
Short-term timing differences	**147**	151
Pensions	**36**	29
Deferred tax asset	**458**	779

The movement of the deferred tax asset is as follows

	Deferred Taxation £'000
At 1 October 2006	779
Charge during the year	(321)
At 30 September 2007	**458**

Within the amounts owed by fellow subsidiary undertakings there is a £10 million loan which has no fixed repayment date but repayment will not be demanded in the foreseeable future Interest is charged upon this loan based on a three month LIBOR rate The weighted average interest charge for the year was 6 70% (2006 4 54%) As at date of signing the directors report the interest rate was 6 95%

15 Creditors: amounts falling due within one year

	2007 £'000	Restated 2006 £'000
Trade creditors	**2,864**	4,822
Amounts owed to parent company and fellow subsidiary undertakings	**64,915**	68,688
Obligations under finance leases (note 16)	**185**	254
Other tax and social security	**5,935**	3,055
Corporation tax	**1,327**	1,134
Accruals and deferred income	**2,046**	2,165
	77,272	80,118

Notes to the financial statements for the year ended 30 September 2007 (continued)

16 Creditors: amounts falling due after more than one year

	2007 **£'000**	2006 £'000
Obligations under finance leases	-	165

Company obligations under finance leases comprise	**2007** **£'000**	2006 £'000
Less than one year (note 15)	**185**	254
Between one and two years	-	165
	185	419

Obligations under finance leases are secured on the related assets

17 Provisions for liabilities and charges

	Warranty Provision £'000
At 1 October 2006	10
Utilised and charged	5
At 30 September 2007	**15**

Warranty provision represents estimated costs beyond 12 of the balance sheet date for repairing products under warranties sold at the time of product/service sale or sold subsequent to the initial product/service sale

Notes to the financial statements for the year ended 30 September 2007 (continued)

18 Pensions commitments

The company operates two multi employer company pension schemes for which the cost of providing pensions cannot be determined for each individual company. These schemes are accounted for as defined contribution schemes within the accounts of Covidien (UK) Commercial Limited

The Tyco UK Group Pension Scheme is a hybrid scheme with a defined contribution and defined benefit element The scheme was set up for certain employees effective from 1 September 1998 The company is currently contributing to the schemes at a rate of between 3% and 12% of pensionable salaries depending upon the age of the member The assets of this scheme are held in separate trustee-administered funds Some members of this scheme participate in a best benefit guarantee, the liability and deferred tax asset in relation to this are set out above

Contributions to the schemes for the period were £nil (2006 £nil) The latest actuarial valuations as at 1 October 2005 were updated by the actuary on an FRS 17 basis as at 30 September 2007 The CDK (UK) Limited group defined benefit schemes have a deficit of £7,267,429 at 30 September 2007 (2006 £8,086,000)

Notes to the financial statements for the year ended 30 September 2007 (continued)

18 Pensions commitments (continued)

Tyco Healthcare UK Defined Benefit Scheme

The major assumptions used by the actuary on this scheme were in nominal terms

	2007	2006	2005
Tyco Healthcare UK Defined Benefit Scheme			
Rate of increase in salaries	4 25%	4 25%	4 00%
Expected return on assets	6 86%	6 56%	6 50%
Discount rate	5 75%	5 00%	5 00%
Inflation assumption	3 25%	3 00%	2 75%

	2007 Long term rate of return expected	2007 Value £'000	2006 Long term rate of return expected	2006 Value £'000	2005 Long term rate of return expected	2005 Value £'000
Equities	8 00%	8,117	7 95%	7,523	7 75%	6,891
Bonds	5 55%	2,653	4 85%	2,651	5 00%	2,336
Government stock	4 95%	2,725	4 45%	2,649	4 35%	2,326
Other	5 40%	79	4 95%	85	4 50%	14
Total market value of assets		13,574		12,908		11,567
Present value of insured annuities		15		15		14
Present value of scheme liabilities		(20,856)		(21,009)		(18,700
Deficit in scheme		(7,267)		(8,086)		(7,119)
Related deferred tax asset		2,035		2,426		2,136
Net pension liability		(5,232)		(5,660)		(4,983)

Analysis of the movement in the scheme deficit during the year	2007 £'000	2006 £'000	2005 £'000
Opening deficit in the scheme	(8,086)	(7,119)	(7,116)
Current service cost	(151)	(158)	(149)
Past service costs	-	(95)	-
Contributions	530	633	215
Curtailment gain	-	-	-
Other finance income	(199)	(175)	(274)
Actuarial gains	639	(1,172)	205
Closing deficit in the scheme	**(7,267)**	**(8,086)**	**(7,119)**

The actuarial valuations at 30 September 2007 showed a decrease in the deficit from £8,086,000 to £7,267,000, with contributions decreasing to £530,000 from £633,000

Notes to the financial statements for the year ended 30 September 2007 (continued)

18 Pension commitments (continued)

Tyco UK Group Pension Scheme

The major assumptions used by the actuary on this scheme were in nominal terms

	2007	2006	2005
Tyco UK Group Pension Scheme			
Rate of increase in salaries	4 25%	4 25%	4 00%
Expected return on assets - equities	8 00%	7 95%	8 00%
- cash	6 00%	4 95%	4 50%
Discount rate - pre retirement	5 75%	5 00%	5 00%
- post retirement	3 70%	3 00%	4 75%
Inflation assumption	3 25%	3 00%	2 75%

	2007 Value £'000	2006 Value £'000	2005 Value £'000
Equities	2,408	3,175	2,626
Government stock	1,604	-	-
Cash	214	182	69
Total market value of assets	4,226	3,357	2,695
Present value of scheme liabilities	3,927	(4,491)	(2,523)
Surplus / (deficit) in scheme	299	(1,134)	172

Analysis of the movement in the scheme surplus / (deficit) during the year	2007 £'000	2006 £'000	2005 £'000
Opening (deficit) / surplus in the scheme	(1,134)	172	145
Current service cost	(321)	(246)	(175)
Contributions	951	546	824
Other finance income	53	83	66
Actuarial gains / (losses)	751	(1,689)	(688)
Closing surplus / (deficit) in the scheme	**299**	**(1,134)**	**172**

Notes to the financial statements for the year ended 30 September 2007 (continued)

18 Pension commitments (continued)

Tyco UK Group Pension Scheme (continued)

History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000
Difference between the expected and actual return on scheme assets	(46)	204	524
Percentage of scheme assets	(1 1%)	6 6%	20 2%
Experience of gains and losses arising on the scheme liabilities	188	664	(817)
Percentage of present value of scheme liabilities	4 8%	14 8%	(32 4%)

19 Share capital

	2007 £	2006 £
Authorised		
10,000,000 ordinary shares of £1 each	**10,000,000**	10,000,000
Allotted, called up and fully paid		
1 ordinary share of £1 each	**1**	1

20 Reserves

	Profit and loss account £'000
At 1 October 2006	6,413
Prior period adjustment (note 10)	(655)
Restated reserves as at 1 October 2006	5,758
Profit for the year	6,066
At 30 September 2007	**11,824**

Notes to the financial statements for the year ended 30 September 2007 (continued)

21 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Restated profit for the year	**6,066**	5,726
Dividends paid	**-**	(27,500)
	6,066	(21,774)
Opening shareholders' funds as previously stated	**6,413**	27,927
Prior year adjustment (note 10)	**(260)**	(395)
Closing shareholders' funds	**11,824**	5,758

22 Financial commitment

Lease commitments

The company 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

	2007 £'000	2006 £'000
Expiring within one year	426	134
Expiring between two and five years inclusive	1,071	765
	1,498	899

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

	2007 £'000	2006 £'000
Expiring between two and five years inclusive	65	72

23 Contingent liabilities

The company is included in the Covidien (UK) Commercial Limited VAT grouping which covers the Tyco Healthcare UK Limited statutory group Under this arrangement, Tyco Healthcare UK Limited has indemnified its banker to the amount of £20,000 (2006. £20,000) in respect of certain Customs and Excise duties secured by a floating charge over stock and debtors of the group

Notes to the financial statements for the year ended 30 September 2007 (continued)

24 Capital commitments

	2007 £'000	2006 £'000
Future capital expenditure authorised and contracted for within one year	552	970

25 Subsequent events

In April 2008 the company sold its European Incontinence business to a private company who renamed the business Lille Healthcare The decision was made in order to focus Covidien (UK) Commercial's portfolio and reallocate resources to its healthcare business

During the current financial year, the Incontinence business generated turnover of £11,753,000 (2006 £11,799,000) and gross profit of £1,984,000 (2006 £1,591,000)

26 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Tyco Healthcare UK Limited, which is in turn a wholly owned subsidiary of CDK (UK) Limited, a company registered in England and Wales The directors regard Covidien Limited, a company incorporated in Bermuda, as the ultimate parent company and controlling party Covidien Limited is the parent of the largest and smallest group to consolidate these financial statements

Copies of the consolidated financial statements of Covidien 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 Covidien Limited group have not been disclosed in the accounts of Covidien (UK) Commercial Ltd