2013 IRISH STATUTORY ACCOUNTS

MALLINCKRODT PUBLIC LIMITED COMPANY

Directors' Report and Consolidated Financial Statements
For the Year Ended September 27, 2013

MALLINCKRODT PLC

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DIRECTORS' REPORT

For the Fiscal Year Ended September 27, 2013

(dollars in millions, expect share data and where indicated)

The directors present their report, audited consolidated and combined financial statements for the fiscal year ended September 27, 2013, which are set out on pages 36 to 91, and audited parent company financial statements for as of September 27, 2013, and for the period January 9, 2013 (date of incorporation) to September 27, 2013, which are set out on pages 94 to 98.

The directors have elected to prepare the Irish statutory group consolidated and combined financial statements of Mallinckrodt plc in accordance with Section 1 of the Companies (Miscellaneous Provisions) Act, 2009, as amended, which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act, 2009, as amended, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder. As a result of this election the following items are noted:

- a consolidated and combined profit and loss account for Mallinckrodt plc for the period January 9, 2013 (date of incorporation) to September 27, 2013 has not been presented; and
- as of September 28, 2012, separate balances for called-up share capital, share premium account and profit and loss account are not presented within the combined balance sheet.

In the opinion of the directors, the preparation and presentation of the consolidated and combined financial statements is required in order to present a true and fair view of the economic activities attributable to Mallinckrodt plc and its subsidiaries and, accordingly, meets the requirements of Section 1 of the Companies (Miscellaneous Provisions) Act, 2009, as amended.

The directors have elected to prepare the Mallinckrodt plc parent company financial statements in accordance with generally accepted accounting practices in Ireland ("Irish GAAP"), comprising the financial reporting standards issued by the Financial Reporting Council ("FRC") and published by the Institute of Chartered Accountants in Ireland ("ICAI") together with the Companies Acts, 1963 to 2013.

Basis of Presentation

On June 28, 2013, Covidien plc ("Covidien") shareholders of record received one ordinary share of Mallinckrodt plc for every eight ordinary shares of Covidien held as of the record date, June 19, 2013, and the Pharmaceuticals business of Covidien was transferred to Mallinckrodt plc, thereby completing its legal separation from Covidien ("the Separation").

The accompanying financial statements reflect the consolidated financial position of the parent company ("Mallinckrodt plc" or "the Company") and its subsidiaries (Mallinckrodt plc and all its subsidiaries, hereinafter referred to as "Mallinckrodt" or "the Group") as an independent, publicly-traded company for periods subsequent to June 28, 2013, and as a combined reporting entity of Covidien, including operations relating to Covidien's Pharmaceuticals business, for periods prior to June 28, 2013.

The Group's combined financial statements for periods prior to June 28, 2013, including the nine months ended June 28, 2013 that is included within the Group's fiscal 2013 results, may not be indicative of its future performance and do not necessarily reflect the results of operations, financial position and cash flows that would have been had it operated as an independent, publicly-traded group for the entirety of the periods presented, including as a result of changes in the Group's capitalization in connection with the Separation.

We report our results based on a "52-53 week" year ending on the last Friday of September. Fiscal 2013 and 2012 each consisted of 52 weeks and ended on September 27, 2013 and September 28, 2012, respectively.

Principal Activities

Mallinckrodt plc is the parent company of a group whose principal activity is to develop, manufacture, market and distribute both branded and generic specialty pharmaceuticals, active pharmaceutical ingredients ("API") and diagnostic imaging agents.

Review of the Development and Performance of the Business

Mallinckrodt is a global company that develops, manufactures, markets and distributes both branded and generic specialty pharmaceuticals, API and diagnostic imaging agents. These products are found in almost every hospital, standalone diagnostic imaging center or pharmacy in the United States ("U.S.") and we have a commercial presence in approximately 70 countries. We believe our extensive commercial reach and formulation expertise, coupled with our ability to navigate the highly regulated and technical nature of our business, have created compelling competitive advantages that we anticipate will sustain future revenue growth.

We conduct our business in the following two segments:

- *Specialty Pharmaceuticals* produces and markets branded and generic pharmaceuticals and API, comprised of medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients; and
- *Global Medical Imaging* develops, manufactures and markets contrast media and delivery systems ("CMDS") and radiopharmaceuticals (nuclear medicine).

Key Performance Indicators

The financial measures discussed below are considered "non-U.S. GAAP" financial measures and should be considered supplemental to, and not a substitute for, financial information prepared in accordance with U.S. GAAP. Our definition of these non-GAAP measures may differ from similarly titled measures used by others. The non-U.S. GAAP financial measures discussed below adjust for specified items that we do not believe are indicative of our core operating performance, and can be highly variable or difficult to predict. We generally use these non-U.S. GAAP financial measures to facilitate the evaluation of Mallinckrodt's operating performance, including evaluation of Mallinckrodt's historical operating results and determination of management incentive compensation. In addition, we believe these non-U.S. GAAP measures will be used by certain investors to measure Mallinckrodt's operating performance. Because non-U.S. GAAP financial measures exclude the effect of items that will increase or decrease our reported consolidated and combined results of operations, we strongly encourage investors to review our consolidated and combined financial statements and publicly-filed reports in their entirety.

Operational growth, which represents the percentage change in turnover between current and prior-year periods using the exchange rate in effect during the applicable prior-year period, was 7.8% in fiscal 2013. A reconciliation for this non-U.S. GAAP financial measure to increase in turnover, the most directly comparable U.S. GAAP financial measure, is as follows:

	Fiscal Year				
	2013	2012	Increase in Turnover	Currency Impact	Operational Growth
Turnover	$ 2,204.5	$ 2,056.2	7.2%	(0.6)%	7.8%

Adjusted profit after taxation, which represents profit after taxation, prepared in accordance with U.S. GAAP, excluding the after-tax effects related to separation costs; restructuring and related charges, net; amortization; discontinued operations and immediately expensed up-front and milestone payments, was $180.7 million in fiscal 2013. A reconciliation for this non-U.S. GAAP financial measure to profit after taxation is as follows:

	Fiscal Year			
	2013		2012	
	Profit After Taxation	Diluted Profit After Taxation per Ordinary Share	Profit After Taxation	Diluted Profit After Taxation per Ordinary Share
U.S. GAAP, as filed in Annual Report on Form 10-K	$ 58.8	$ 1.02	$ 134.6	$ 2.33
Adjustments (net of taxation):				
Separation costs [1]	70.0	1.21	23.7	0.41
Restructuring and related charges, net [2]	27.7	0.48	14.2	0.25
Amortization expense	22.1	0.38	17.1	0.30
(Income) loss from discontinued operations [3]	(1.0)	(0.02)	6.7	0.12
Milestone payments [4]	3.1	0.05	—	—
As adjusted	$ 180.7	$ 3.13	$ 196.3	$ 3.40

(1) Represents costs related to our separation from Covidien.
(2) Includes accelerated depreciation of $2.6 million and $8.0 million for fiscal 2013 and 2012, respectively.
(3) Represents the (income) loss in the current period related to our 2011 sale of the Specialty Chemicals business (formerly known as Mallinckrodt Baker).
(4) Represents the milestone payment made to Depomed, Inc. ("Depomed") related to the U.S. Food and Drug Administration's ("FDA") acceptance of our New Drug Application ("NDA") for XARTEMIS™ XR (oxycodone HCl and acetaminophen Extended-Release Tablets (MNK-795) ("Xartemis XR")).

Adjusted EBITDA was $396.7 million in fiscal 2013. This non-U.S. GAAP financial measure represents profit after taxation, prepared in accordance with U.S. GAAP, before net interest receivable and similar income, interest payable and similar charges, taxation, depreciation and amortization, adjusted to exclude certain items noted below in the reconciliation to profit after taxation, the most directly comparable U.S. GAAP financial measure.

	Fiscal Year	
	2013	2012
Profit after taxation	$ 58.8	$ 134.6
Adjustments:		
Interest receivable and similar income	(0.3)	(0.4)
Interest payable and similar charges	19.5	0.5
Taxation	68.6	94.8
Depreciation expense	104.1	103.6
Amortization expense	35.4	27.3
(Income) loss from discontinued operations [1]	(1.0)	6.7
Other income, net	(0.8)	(1.0)
Restructuring charges, net	33.2	11.2
Separation costs [2]	74.2	25.5
Milestone payments [3]	5.0	—
Adjusted EBITDA	$ 396.7	$ 402.8

(1) Represents the (income) loss in the current period related to our 2011 sale of the Specialty Chemicals business (formerly known as Mallinckrodt Baker).
(2) Represents costs related to our separation from Covidien.
(3) Represents the milestone payment made to Depomed related to the FDA's acceptance of our NDA for Xartemis XR (MNK-795).

Acquisitions

In October 2012, we acquired CNS Therapeutics, Inc. ("CNS Therapeutics"), a specialty pharmaceutical company focused on developing and commercializing intrathecal products for site-specific administration to the central nervous system to treat neurological disorders and intractable chronic pain, for total consideration of $95.0 million. The total consideration was comprised of an upfront cash payment of $88.1 million (net of cash acquired) and the fair value of contingent consideration of $6.9 million. This contingent consideration, which could potentially total a maximum of $9.0 million, is primarily based on whether the FDA approves another concentration of GABLOFEN® (baclofen injection) ("Gablofen") on or before December 31, 2016. Gablofen injections are indicated for use in the management of severe spasticity of cerebal or spinal origin in patients age four years and above. The acquisition of CNS Therapeutics expanded our branded pharmaceuticals portfolio and supports our strategy of leveraging our therapeutic expertise and core capabilities in manufacturing, regulatory and commercialization to serve patients. The consolidated and combined profit and loss account for fiscal 2013 included $29.2 million of turnover related to the intrathecal products added to our portfolio with this acquisition.

Consolidated and Combined Results of Operations

Profit after taxation of $58.8 million and $134.6 million for fiscal 2013 and 2012, respectively, were credited to capital and reserves. No profits were distributed as dividends during fiscal 2013 and 2012. The following table presents the consolidated and combined results of operations, including discontinued operations, with percentage of turnover:

	Fiscal Year			
	2013		2012	
Turnover	$ 2,204.5	100.0%	$ 2,056.2	100.0%
Cost of sales	1,179.6	53.5	1,091.4	53.1
Gross profit	1,024.9	46.5	964.8	46.9
Distribution and administrative expenses	607.0	27.5	548.8	26.7
Research and development costs	165.7	7.5	144.1	7.0
Separation costs	74.2	3.4	25.5	1.2
Restructuring charges, net	33.2	1.5	11.2	0.5
Operating profit	144.8	6.6	235.2	11.4
Interest payable and similar charges	(19.5)	(0.9)	(0.5)	—
Interest receivable and similar income	0.3	—	0.4	—
Other income, net	0.8	—	1.0	—
Profit on ordinary activities before taxation	126.4	5.7	236.1	11.5
Taxation	68.6	3.1	94.8	4.6
Profit on ordinary activities after taxation	$ 57.8	2.6	$ 141.3	6.9
Income (loss) from discontinued operations, net of taxation	$ 1.0	—	$ (6.7)	(0.3)
Profit after taxation	$ 58.8	2.7	$ 134.6	6.5

Turnover. Our turnover in fiscal 2013 increased $148.3 million, or 7.2%, to $2,204.5 million, compared with $2,056.2 million in fiscal 2012. This increase was primarily driven by increased turnover within our Specialty Pharmaceuticals segment resulting from the launch of Methylphenidate HCl Extended-Release tablets USP (CII) ("Methylphenidate ER"), increased turnover of EXALGO® (hydromorphone HCl) Extended-Release tablets ("Exalgo") and the addition of Gablofen to our product portfolio in early fiscal 2013. These increases were partially offset by decreased turnover in both our CMDS and Nuclear Imaging businesses, which primarily resulted from the negative impacts of commoditization in mature markets, a renegotiated customer contract in the U.S. market and additional turnover opportunities during fiscal 2012 that resulted from challenges a competitor faced in supplying the market.

Turnover generated by our businesses in the U.S. was $1,518.7 million and $1,350.2 million in fiscal 2013 and 2012, respectively. Our non-U.S. businesses generated turnover of $685.8 million and $706.0 million in fiscal 2013 and 2012, respectively. Our businesses outside the U.S. represented approximately 31.1% of our turnover in fiscal 2013 and 34.3% of our turnover in fiscal 2012.

Gross profit. Gross profit for fiscal 2013 increased $60.1 million, or 6.2%, to $1,024.9 million, compared with $964.8 million in fiscal 2012. The increase in gross profit primarily resulted from higher turnover in the current year period, in addition to a favorable product mix from increased turnover of our higher margin pharmaceutical products. These factors were offset by increased manufacturing and raw material costs, primarily attributable to the unscheduled shutdown of the High Flux Reactor ("HFR") in the Netherlands that supplies us with molybdenum-99 ("Mo-99"), which is a key raw material in our Ultra-Technekow™ DTE technetium generators that are sold by our Global Medical Imaging segment. Gross profit margin was 46.5% during fiscal 2013, compared with 46.9% during fiscal 2012.

Distribution and administrative expenses. Distribution and administrative expenses for fiscal 2013 were $607.0 million, compared with $548.8 million for fiscal 2012, an increase of $58.2 million, or 10.6%. The increase primarily resulted from $70.6 million of costs in the current year period related to the build-out of our corporate infrastructure, compared with $10.7 million in the prior year period. Included within distribution and administrative expenses for both fiscal 2013 and 2012 are gains of $2.9 million related to the sale of the rights to market TussiCaps extended-release capsules in fiscal 2011. Distribution and administrative expenses were 27.5% of our turnover for fiscal 2013 and 26.7% of our turnover for fiscal 2012. Distribution and administrative expenses include allocations from Covidien, our former parent company, of $39.6 million and $49.2 million in fiscal 2013 and 2012, respectively, for general corporate expenses. These expenses are generally consistent with functions we have developed in our corporate build-out and have not recurred in periods following the completion of the Separation on June 28, 2013. Fiscal 2013 included minimal launch expenses related to Xartemis XR and PENNSAID® (diclofenac sodium topical solution) 2% w/w ("Pennsaid 2%"). Beginning in the first half of fiscal 2014, we expect expenses in our Brands business to increase in anticipation of our launch of these products.

Research and development costs. Research and development ("R&D") costs increased $21.6 million, or 15.0%, to $165.7 million in fiscal 2013, compared with $144.1 million in fiscal 2012. The increase in R&D costs is primarily attributable to increased development activities related to our MNK-155, Pennsaid 2% and intrathecal products. The increase in R&D also reflects a $5.0 million milestone payment related to the acceptance of the Xartemis XR NDA for priority review by the FDA. As a percentage of our turnover, R&D costs were 7.5% and 7.0% in fiscal 2013 and 2012, respectively.

Separation costs. During fiscal 2013 and 2012, we incurred separation costs of $74.2 million and $25.5 million, respectively, primarily related to legal, accounting, tax and other professional fees. Separation costs were higher in the current year period as we approached and completed the Separation on June 28, 2013. We expect to continue to incur costs related to the separation as a result of our transition services agreement with Covidien, our costs to implement information and accounting systems, share-based compensation related to the conversion of Covidien awards to Mallinckrodt awards, and other transitional costs; however, these costs are not expected to recur at similar levels in future periods.

Restructuring and related charges, net. During fiscal 2013, we recorded $35.8 million of restructuring and related charges, net, of which $2.6 million related to accelerated depreciation and was included in cost of sales. The remaining $33.2 million primarily related to severance and employee benefits costs incurred across both our segments. During fiscal 2012, we recorded restructuring and related charges, net of $19.2 million, of which $8.0 million related to accelerated depreciation and was included in cost of sales. The remaining $11.2 million primarily related to severance and employee benefits costs incurred in the Global Medical Imaging segment.

Interest payable and similar charges and interest receivable and similar income. During fiscal 2013 and 2012, interest payable and similar charges was $19.5 million and $0.5 million, respectively. Interest payable and similar charges during fiscal 2013 was primarily attributable to our $900.0 million issuance of senior unsecured notes in April 2013. Interest receivable and similar income was $0.3 million and $0.4 million during fiscal 2013 and 2012, respectively.

Other income, net. During fiscal 2013 and 2012, we recorded other income, net of $0.8 million and $1.0 million, respectively, which represents miscellaneous items, including gains and losses on intercompany financing foreign currency transactions and related hedging instruments.

Taxation. Taxation was $68.6 million and $94.8 million on profit on ordinary activities before taxation from continuing operations of $126.4 million and $236.1 million for fiscal 2013 and 2012, respectively. Our effective tax rate was 54.3% compared with 40.2% for fiscal 2013 and 2012, respectively. Our effective tax rate for fiscal 2013 was impacted by only receiving a $4.2 million tax benefit on $74.2 million of separation costs due to the tax-free status of the Separation, $13.3 million of expense associated with uncertain tax positions and an $11.6 million benefit associated with intercompany debt transferred to us at the Separation. Our effective tax rate for fiscal 2012 was impacted by only receiving $1.8 million of tax benefit on $25.5 million of separation costs due to the tax-free status of the Separation and recognizing $2.3 million of expense associated with uncertain tax positions.

Income (loss) from discontinued operations, net of taxation. We recorded a $1.0 million gain and $6.7 million loss on discontinued operations, net of taxation during fiscal 2013 and 2012, respectively. These amounts relate to indemnification obligations to the purchaser of our Specialty Chemicals business (formerly known as Mallinckrodt Baker), which was sold during fiscal 2010.

Principle Risks and Uncertainties

You should carefully consider the risks described below in addition to all other information provided to you in this report and accompanying financial statements. Our competitive position, business, financial condition, results of operations and cash flows could be affected by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. The risks and uncertainties described below are those that we currently believe may materially affect our group.

Risks Related to Our Business

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. The following discussion highlights some of these risks and others are discussed elsewhere in this report and accompanying financial statements. These and other risks could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The DEA regulates the availability of controlled substances that are API, drug products under development and marketed drug products. At times, the procurement and manufacturing quotas granted by the DEA may be insufficient to meet our commercial and R&D needs.

The U.S. Drug Enforcement Administration ("DEA") is the federal agency responsible for domestic enforcement of the Controlled Substances Act of 1970 ("CSA"). The CSA classifies drugs and other substances based on identified potential for abuse. Schedule I controlled substances, such as heroin and LSD, have a high abuse potential and have no currently accepted medical use; thus, they cannot be lawfully marketed or sold. Schedule II or III controlled substances include molecules such as oxycodone, oxymorphone, morphine, fentanyl, hydrocodone and methylphenidate.

The manufacture, storage, distribution and sale of these controlled substances are permitted, but highly regulated. The DEA regulates the availability of API, products under development and marketed drug products that are Schedule II or III by setting annual quotas. Every year, we must apply to the DEA for manufacturing quota to manufacture API and procurement quota to manufacture finished dosage products. Given that the DEA has discretion to grant or deny our manufacturing and procurement quota requests, the quota the DEA grants may be insufficient to meet our commercial and R&D needs. To date in calendar 2013, manufacturing and procurement quotas granted by the DEA have been sufficient to meet our turnover and stock requirements on most products. During calendar 2012, the initial hydrocodone manufacturing and procurement quota grants we received from the DEA were below the amounts requested and were therefore insufficient to meet customer demand. While we were granted additional quota, these shortfalls did result in lost turnover of hydrocodone products, the amount of which was not significant. Future delay or refusal by the DEA to grant, in whole or in part, our quota requests could delay or result in stopping the manufacture of our marketed drug products, new product launches or the conduct of bioequivalence studies and clinical trials. Such delay or refusal also could require us to allocate marketed drug products among our customers. These factors, along with any delay or refusal by the DEA to provide customers who purchase API from us with sufficient quota, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The manufacture of our products is highly exacting and complex, and our business could suffer if we, or our suppliers, encounter manufacturing or supply problems.

The manufacture of our products is highly exacting and complex, due in part to strict regulatory and manufacturing requirements. Problems may arise during manufacturing for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, defective raw materials and environmental factors. If a batch of finished product fails to meet quality standards during a production run, then that entire batch of product may have to be discarded. These problems could lead to backorders, increased costs (including contractual damages for failure to meet supply requirements), lost revenue, damage to customer relationships, time and expense spent investigating, correcting and preventing the root causes and, depending on the root causes, similar losses with respect to other products. In fiscal 2012, we experienced disruptions in supplying products to our customers due to a number of factors, including mechanical, capacity and packaging quality control issues and the implementation of a new production planning system at our Hobart, New York manufacturing facility. These issues resulted in higher than usual backorders and obligations to pay contractual damages for failure to meet supply requirements. During fiscal 2012, our Generics business incurred approximately $13.0 million of expenses for such contractual damages, a substantial portion of which was attributable to the issues experienced at this facility. We did not experience material expenses in fiscal 2013 related to manufacturing problems. In the event that manufacturing problems are not discovered before the product is released to the market, we also could incur product recall and product liability costs. If we incur a product recall or product liability costs involving one of our products, such product could receive reduced market

acceptance and thus reduced product demand and could harm our reputation and our ability to market our products in the future. Significant manufacturing problems could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The global supply of fission-produced Mo-99 is limited. Our inability to obtain and/or to timely transport Mo-99 to our Tc-99m generator production facilities could prevent us from delivering our Ultra-Technekow DTE Tc-99m generators to our customers in the required quantities, within the required timeframe, or at all, which could result in order cancellations and decreased revenues or increased costs if we procure supply from other sources.

Mo-99 is a critical ingredient of our technetium-99m ("Tc-99m") generators. Mo-99 is produced in nuclear research reactors utilizing high enriched uranium ("HEU") or low enriched uranium ("LEU") targets. These targets, either tubular or flat and of varying sizes, are fabricated from HEU or LEU and, in either case, aluminum. The targets are placed in or near the core of the nuclear reactor where fission reactions occur resulting in the production of Mo-99 and other isotopes. This process, which takes approximately six days, is known as target irradiation. There are currently eight reactors around the world producing the global supply of Mo-99. We have agreements to obtain Mo-99 from three of these reactors and we rely predominantly on two of these reactors for our Mo-99 supply. These reactors are subject to scheduled and unscheduled shutdowns which can have a significant impact on the amount of Mo-99 available for processing. Mo-99 produced at these reactors is then finished at one of five processing sites located throughout the world, including our processing facility located in the Netherlands. At the processing facility, the targets are dissolved and chemically separated. In this process, the Mo-99 is isolated as a radiochemical. Once finished, Mo-99 must be transported to generator facilities where it is loaded into our Tc-99m generators that are sold, in the U.S., principally to nuclear radiopharmacies as well as hospitals and, in Europe and other markets, principally to hospitals, where single unit doses are then prepared. Mo-99 has a 66-hour half-life and decays primarily into Tc-99m, which has a half-life of only six hours. The radiopharmacies or hospitals prepare dosages from the Tc-99m generators for use in single photon emission computed tomography imaging medical procedures. Given the product's radioactive decay, if we encounter delays in transporting Mo-99 to our generator facilities, or if the generator facilities experience delays in loading Mo-99, we may be limited in the amount of Ultra-Technekow DTE generators that we could manufacture, distribute and sell, which could have a material adverse effect on our competitive position, business, financial condition, results of operation and cash flows.

In November 2012, the HFR in the Netherlands, one of two primarily reactors we utilize, experienced an unscheduled shutdown. We were able to receive increased target irradiations at the two other reactors and purchased additional Mo-99 from other sources to continue meeting customer orders; however, the additional Mo-99 we procured from alternative sources came at a higher than normal cost. The reactor resumed production in June 2013.

In October 2013, the HFR experienced another unscheduled shutdown. In addition, our own Mo-99 processing facility in the Netherlands also experienced a shutdown. Until these facilities resume normal production, we expect to fulfill customer orders through procurement of Mo-99 from alternative sources at higher than historical costs.

Future unplanned shutdowns of nuclear reactors that we use to irradiate targets could impact the amount of available Mo-99, which could result in global shortages, continued increased raw material costs and decreased turnover. While we are pursuing additional sources of Mo-99 from potential producers around the world to augment our current supply, it is not certain whether these possible additional sources of Mo-99 will produce commercial quantities of Mo-99 for our business, or that these suppliers, together with our current suppliers, will be able to deliver a sufficient quantity of Mo-99 to meet our needs. Ongoing increased raw material and manufacturing costs will limit our ability to return the Global Medical Imaging segment to historical operating margins.

In response to the U.S. National Security Administration's Global Threat Initiative, we are in the process of converting our Mo-99 production operation in the Netherlands from HEU targets to LEU targets. There can be no assurance that we will be successful in completing this conversion.

We currently use HEU targets for the production of Mo-99. In 2004, the U.S. National Security Administration established its Global Threat Initiative to, as quickly as possible, identify, secure and remove or facilitate the disposition of vulnerable, high-risk nuclear and radiological materials around the world. Included as one of the stated initiatives is the conversion by research reactors and isotope production facilities to LEU from HEU. We are in the process of converting our Mo-99 production operation in the Netherlands to LEU targets. However, there is no assurance that we will be successful in completing the conversion. If we are successful in converting to LEU targets, we expect that the manufacturing costs will be higher than those incurred while utilizing HEU targets, which may negatively impact the profitability of our Global Medical Imaging segment.

Our customer concentration may materially adversely affect our financial condition and results of operations.

We primarily sell our products to a limited number of wholesale drug distributors and large pharmacy chains. In turn, these wholesale drug distributors and large pharmacy chains supply products to pharmacies, hospitals, governmental agencies and physicians. Turnover to two of our distributors that supply our products to many end user customers, Cardinal Health, Inc. and McKesson Corporation, each accounted for 10% or more of our total net turnover in each of the past two fiscal years. If we were to lose the business of these distributors, or if these distributors were to experience difficulty in paying us on a timely basis, this could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Cost-containment efforts of our customers, purchasing groups, third-party payors and governmental organizations could materially adversely affect our turnover and results of operations.

In an effort to reduce cost, many existing and potential customers for our products within the U.S. have become members of group purchasing organizations ("GPOs") and integrated delivery networks ("IDNs"). GPOs and IDNs negotiate pricing arrangements with healthcare product manufacturers and distributors and offer the negotiated prices to affiliated hospitals and other members. GPOs and IDNs typically award contracts on a category-by-category basis through a competitive bidding process. Bids are generally solicited from multiple manufacturers with the intention of driving down pricing. Due to the highly competitive nature of the GPO and IDN contracting processes, there is no assurance that we will be able to obtain or maintain contracts with major GPOs and IDNs across our product portfolio. Furthermore, the increasing leverage of organized buying groups may reduce market prices for our products, thereby reducing our profitability. While having a contract with a GPO or IDN for a given product can facilitate turnover to members of that GPO or IDN, having a contract is no assurance that turnover volume of those products will be maintained. GPOs and IDNs increasingly are awarding contracts to multiple suppliers for the same product category. Even when we are the sole contracted supplier of a GPO or IDN for a certain product, members of the GPO or IDN generally are free to purchase from other suppliers. Furthermore, GPO and IDN contracts typically are terminable without cause upon 60 to 90 days prior notice. Accordingly, although we have contracts with many major GPOs and IDNs, the members of such groups may choose to purchase from our competitors, which could result in a decline in our turnover and results of operations.

Distributors of our products are negotiating terms of sale more aggressively in an effort to increase their profitability. Failure to negotiate distribution arrangements having advantageous pricing and other terms of sale could cause us to lose market share to our competitors and could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Outside the U.S., we have experienced pricing pressure due to the concentration of purchasing power in centralized governmental healthcare authorities and increased efforts by such authorities to lower healthcare costs. We frequently are required to engage in competitive bidding for the turnover of our products to governmental purchasing agents. Our failure to offer acceptable prices to these customers could materially adversely affect our turnover and results of operations in these markets.

We may be unable to successfully develop or commercialize new products or adapt to a changing technology and diagnostic treatment landscape and, as a result, our results of operations may suffer.

Our future results of operations will depend to a significant extent upon our ability to successfully develop and commercialize new products in a timely manner. There are numerous difficulties in developing and commercializing new products, including:

- developing, testing and manufacturing products in compliance with regulatory and quality standards in a timely manner;
- receiving requisite regulatory approvals for such products in a timely manner, or at all;
- the availability, on commercially reasonable terms, of raw materials, including API and other key ingredients;
- developing and commercializing a new product is time-consuming, costly and subject to numerous factors, including legal actions brought by our competitors, that may delay or prevent the development and commercialization of new products;
- unanticipated costs;
- payment of prescription drug user fees to the FDA to defray the costs of review and approval of marketing applications for branded and generic drugs;
- experiencing delays as a result of limited resources at the FDA or other regulatory authorities;

- changing review and approval policies and standards at the FDA or other regulatory authorities;
- potential delay in the commercializing of generic products by up to 30 months resulting from the listing of patents with the FDA; and
- effective execution of the planned launch in a manner that is consistent with anticipated costs.

As a result of these and other difficulties, products currently in development by us may or may not receive timely regulatory approvals, or approvals at all, as to one or more dosage strengths. This risk particularly exists with respect to the development of proprietary products due to the uncertainties, higher costs and length of time associated with R&D of such products and the inherent unproven market acceptance of such products. In addition, we face heightened risks in connection with our development of extended-release products because of the technical complexities and evolving regulatory and quality requirements related to such products. Moreover, the FDA regulates the facilities, processes and procedures used to manufacture and market pharmaceutical products in the U.S. Manufacturing facilities must be registered with the FDA and all products made in such facilities must be manufactured in accordance with current good manufacturing practice ("cGMP") regulations enforced by the FDA. Compliance with cGMP regulations requires the dedication of substantial resources and requires significant expenditures. The FDA periodically inspects both our facilities and procedures to ensure compliance. The FDA may cause a suspension or withdrawal of product approvals if regulatory standards are not maintained. In the event an approved manufacturing facility for a particular drug is required by the FDA to curtail or cease operations, or otherwise becomes inoperable, obtaining the required FDA authorization to manufacture at the same or a different manufacturing site could result in production delays, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

With respect to generic products for which we are the first developer to have its application accepted for filing by the FDA, and which filing includes a certification that the applicable patent(s) are invalid, unenforceable and/or not infringed (known as a "Paragraph IV certification"), our ability to obtain and realize the full benefits of 180-days of market exclusivity is dependent upon a number of factors, including, for example, being the first to file, the status of any litigation that might be brought against us as a result of our filing or our not meeting regulatory, manufacturing or quality requirements or standards. If any of our products are not timely approved, or if we are unable to obtain and realize the full benefits of the 180-day market exclusivity period for our products, or if our products cannot be successfully manufactured or timely commercialized, our results of operations could be materially adversely affected. In addition, we cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products.

Also, new products, including contrast agents, are being developed and existing products are being refined in the field of diagnostic imaging. Our own diagnostic imaging agents compete not only with other similarly administrated imaging agents, but also with imaging agents employed in different and often competing diagnostic modalities. New imaging agents in a given diagnostic modality may be developed that provide benefits superior to the then-dominant agent in that modality, resulting in commercial displacement. Similarly, changing perceptions about comparative efficacy and safety, including, among other things, with respect to comparative radiation exposure, and changing availability of supply may favor one agent over another or one modality over another.

We may be unable to protect our intellectual property rights or we may be subject to claims that we infringe on the intellectual property rights of others.

We rely on a combination of patents, trademarks, trade secrets, market exclusivity gained from the regulatory approval process and other intellectual property to support our business strategy. However, our efforts to protect our intellectual property rights may not be sufficient. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future turnover.

Our pending patent applications may not result in the issuance of patents, or the patents issued to or licensed by us in the past or in the future may be challenged or circumvented by competitors. Existing patents may be found to be invalid or insufficiently broad to preclude our competitors from using methods or making or selling products similar or identical to those covered by our patents and patent applications. Regulatory agencies may refuse to grant us the market exclusivity that we were anticipating, or may unexpectedly grant market exclusivity rights to other parties. In addition, our ability to obtain and enforce intellectual property rights is limited by the unique laws of each country. In some countries it may be particularly difficult to adequately obtain or enforce intellectual property rights, which could make it easier for competitors to capture market share in such countries by utilizing technologies and product features that are similar or identical to those developed or licensed by us. Competitors also may harm our turnover by designing products that mirror the capabilities of our products or technology without infringing our patents. Competitors may diminish the value of our trade secrets by reverse engineering or by

independent invention. Additionally, current or former employees may improperly disclose such trade secrets to competitors or other third parties. We may not become aware of any such improper disclosure, and, in the event we do become aware, we may not have an adequate remedy available to us.

We operate in an industry characterized by extensive patent litigation, and we may from time to time be a party to such litigation. In *Tyco Healthcare Group LP*, *et al. v. Mutual Pharmaceutical Company, Inc*., we filed a patent infringement suit in the U.S. District Court for the District of New Jersey against Mutual Pharmaceutical Co., Inc., et al. (collectively, "Mutual") on March 20, 2007 pursuant to procedures set out in the Drug Price Competition and Patent Term Restoration Act of 1984, after Mutual submitted an Abbreviated New Drug Application ("ANDA") to the FDA seeking to sell a generic version of our 7.5mg RESTORIL™ sleep aid product. Mutual also filed antitrust and unfair competition counterclaims. The patents at issue have since expired or been found invalid. On January 18, 2013, the trial court issued an opinion and order granting our motion for summary judgment regarding Mutual's antitrust and unfair competition counterclaims. On May 1, 2013, Mutual appealed this decision to the U.S. Court of Appeals for the Federal Circuit.

The pursuit of or defense against patent infringement, such as the case discussed above, is costly and time-consuming and we may not know the outcomes of such litigation for protracted periods of time. We may be unsuccessful in our efforts to enforce our patent or other intellectual property rights. In addition, patent litigation can result in significant damage awards, including the possibility of treble damages and injunctions. Additionally, we could be forced to stop manufacturing and selling certain products, or we may need to enter into license agreements that require us to make significant royalty or up-front payments in order to continue selling the affected products. Given the nature of our industry, we are likely to face additional claims of patent infringement in the future. A successful claim of patent or other intellectual property infringement against us could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We face significant competition and may not be able to compete effectively.

The industries in which we operate are highly competitive. Competition takes many forms, such as price reductions on products that are comparable to our own, development, acquisition or in-licensing of new products that may be more cost-effective than or have performance superior to our products, and the introduction of generic versions when our proprietary products lose their patent protection or market exclusivity. Our current or future products could be rendered obsolete or uneconomical as a result of this competition. Our failure to compete effectively could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Any acquisitions of technologies, products and businesses may be difficult to integrate, could materially adversely affect our relationships with key customers and/or could result in significant impairment charges.

We regularly review potential acquisitions of technologies, products and businesses complementary to our business. Acquisitions typically entail many risks and could result in difficulties in integrating operations, personnel, technologies and products. If we are not able to successfully integrate our acquisitions, we may not obtain the advantages and synergies that the acquisitions were intended to create, which may have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Moreover, the due diligence that we conduct in conjunction with an acquisition may not sufficiently discover risks and contingent liabilities associated with the acquisition target and, consequently, we may consummate an acquisition for which the risks and contingent liabilities are greater than were projected. In addition, in connection with acquisitions, we could experience disruption in our business, technology and information systems, and our customer or employee base, including diversion of management's attention from our continuing operations. There is also a risk that key employees of companies that we acquire or key employees necessary to successfully commercialize technologies and products that we acquire may seek employment elsewhere, including with our competitors. Furthermore, there may be overlap between our products or customers and the companies which we acquire that may create conflicts in relationships or other commitments detrimental to the integrated businesses. Additionally, the time between our expenditures to acquire new products, technologies or businesses and the subsequent generation of revenues from those acquired products, technologies or businesses (or the timing of turnover recognition related to licensing agreements and/or strategic collaborations) could cause fluctuations in our financial performance from period to period. Finally, if we are unable to successfully integrate products, technologies, businesses or personnel that we acquire, we could incur significant impairment charges or other adverse financial consequences.

We may incur product liability losses and other litigation liability.

We are or may be involved in various legal proceedings and certain government inquiries and investigations, including, but not limited to, patent infringement, product liability, antitrust matters, breach of contract, Medicare and Medicaid reimbursements claims, or compliance with laws relating to marketing and turnover or controlled substance distribution practices, including those relating to the establishment of suspicious order monitoring ("SOM") programs. Such proceedings, inquiries and investigations may involve claims for, or the possibility of fines and penalties involving substantial amounts of money or other relief, including but not limited to civil or criminal fines and penalties and exclusion from participation in various government healthcare-related programs. If any of these legal proceedings, inquiries or investigations were to result in an adverse outcome, the impact could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

With respect to product liability and clinical trial risks, in the ordinary course of business we are subject to liability claims and lawsuits, including potential class actions, alleging that our marketed products or products in development have caused, or could cause, serious adverse events or other injury. Any such claim brought against us, with or without merit, could be costly to defend and could result in an increase in our insurance premiums. We retain liability for the first $2.5 million per claim and purchase, through a combination of primary and umbrella/excess liability policies, $150.0 million of coverage beyond the retained liabilities. We believe this coverage level is adequate to meet our current business exposure. However, some claims brought against us might not be covered by our insurance policies. Moreover, where the claim is covered by our insurance, if our insurance coverage is inadequate, we would have to pay the amount of any settlement or judgment that is in excess of our policy limits. We may not be able to obtain insurance on terms acceptable to us or at all since insurance varies in cost and can be difficult to obtain. Our failure to maintain adequate insurance coverage or successfully defend against product liability claims could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The implementation of healthcare reform in the U.S. may materially adversely affect us.

In March 2010, the Healthcare Reform Act was enacted into law in the U.S. The Healthcare Reform Act contains a number of provisions that affect coverage and reimbursement of drug products and the medical imaging procedures in which our drug products are used. For example, the Healthcare Reform Act includes a provision that imposes a $28.0 billion fee on the branded pharmaceutical industry over nine years, starting in 2011, and a $2.8 billion annual fee on the branded pharmaceutical industry thereafter. To the extent that the market share of our Brands business grows, the portion of this fee that we will be obligated to pay will increase.

There can be no assurance that the Healthcare Reform Act as currently enacted, and when fully implemented, will not materially adversely affect our competitive position, business, financial condition, results of operations and cash flows, nor can we predict with certainty how federal or state legislative or administrative changes relating to healthcare will affect our business.

Turnover of our products is affected by the reimbursement practices of a small number of large public and private insurers. In addition, reimbursement criteria and the use of tender systems outside the U.S. could reduce prices for our products or reduce our market opportunities.

Turnover of our products depends, in part, on the extent to which the costs of our products are reimbursed by governmental health administration authorities, private health coverage insurers and other third-party payors. Our potential customers' ability to obtain appropriate reimbursement for products and services from these third-party payors affects the selection of products they purchase and the prices they are willing to pay. In addition, demand for new products may be limited unless we obtain reimbursement approval from governmental and private third-party payors prior to introduction. Reimbursement criteria, which vary by country, are becoming increasingly stringent and require management expertise and significant attention to obtain and maintain qualification for reimbursement.

In addition, a number of markets in which we operate have implemented or may implement tender systems in an effort to lower prices. Under such tender systems, manufacturers submit bids which establish prices for products. The company that wins the tender receives preferential reimbursement for a period of time. Accordingly, the tender system often results in companies underbidding one another by proposing low pricing in order to win the tender. Certain other countries may consider implementation of a tender system. Even if a tender system is ultimately not implemented, the anticipation of such could result in price reductions. Failing to win tenders, or the implementation of similar systems in other markets leading to price declines, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Our reporting and payment obligations under the Medicare and Medicaid rebate programs, and other governmental purchasing and rebate programs, are complex. Any determination of failure to comply with these obligations or those relating to healthcare fraud and abuse laws could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The regulations regarding reporting and payment obligations with respect to Medicare and Medicaid reimbursement programs, and rebates and other governmental programs, are complex. Because our processes for these calculations and the judgments used in making these calculations involve subjective decisions and complex methodologies, these calculations are subject to the risk of errors. In addition, they are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material adjustments to amounts previously paid.

Any governmental agencies that have commenced, or may commence, an investigation of Mallinckrodt relating to the sales, marketing, pricing, quality or manufacturing of pharmaceutical products could seek to impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal healthcare programs including Medicare and Medicaid. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report payments, and even in the absence of any such ambiguity, a governmental authority may take a position contrary to a position we have taken, and may impose civil and/or criminal sanctions. For example, from time to time states attorneys general have brought cases against us that allege generally that we and numerous other pharmaceuticals companies reported false pricing information in connection with certain drugs that are reimbursable under Medicaid, resulting in overpayment by state Medicaid programs for those drugs, and generally seek monetary damages and attorneys' fees. For example, we are named as a defendant in *State of Utah v. Actavis US, Inc., et al.,* filed May 8, 2008, which is pending in the Third Judicial Circuit of Salt Lake County, Utah. While we intend to contest this case and explore other options as appropriate, any such penalties or sanctions that we might receive in this or other actions could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Changes in laws and regulations may materially adversely affect us.

The development, manufacture, marketing, sale, promotion, and distribution of our products are subject to comprehensive government regulation. Changes in laws and regulations could affect us in various ways. For example, both the federal and state governments have given increased attention to the public health issue of opioid abuse, overdose and diversion. At the federal level, the White House Office of National Drug Control Policy continues to coordinate efforts between the FDA, DEA and other agencies to address this problem. In January 2013, the FDA released draft guidance on incorporating abuse-deterrent characteristics into extended-release opioids. When the FDA finds that a new formulation has abuse-deterrent characteristics, the agency has the authority to require that generics also have abuse-deterrent characteristics. One of our ANDAs that is currently under review in the U.S. refers to a NDA that did not have abuse-deterrent characteristics. From a compliance standpoint, the DEA continues to increase its efforts to hold manufacturers, distributors and pharmacies accountable through various enforcement actions as well as the implementation of compliance practices for controlled substances, including SOM activities for Schedule II opioids. In addition, many state legislatures continue to consider various bills intended to reduce opioid abuse, overdose and diversion, for example by establishing prescription drug monitoring programs, mandating prescriber education and prohibiting the substitution of generic versions of opioids that lack abuse-deterrent characteristics for branded products that have them. Future legislation and regulation in the markets that we serve could affect access to healthcare products and services, increase rebates, reduce prices or the rate of price increases for healthcare products and services, change healthcare delivery systems, create new fees and obligations for the pharmaceutical industry, or require additional reporting and disclosure. These and other changes in laws and regulations could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

In October 2013, the FDA announced its recommendation that the DEA reschedule hydrocodone combination products (such as Vicodin® (registered trademark of AbbVie Inc.) and our developmental product MNK-155) from Schedule III to Schedule II, thereby increasing regulatory controls on these drug products. Once the FDA issues its formal recommendation to the Department of Health and Human Services, it will begin a process that will lead to a final decision by the DEA on the scheduling of these products. At this time, it is too early to determine the degree of impact the hydrocodone rescheduling, if adopted, will have on our business.

Global economic conditions could harm us.

Over the course of the last few years, global market and economic conditions have been unprecedented and challenging, with tighter credit conditions and recession in most major economies. Continued concerns about the systemic impact of potential long-term and wide-spread recession (including concerns that certain European countries may default on payments due on their national debt), energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and diminished expectations for developed and developing economies.

As a result of these market conditions, the cost and availability of credit may be adversely affected. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have resulted in a decrease in spending by businesses and consumers alike. Continued turbulence in the U.S. and international markets and economies and prolonged declines in consumer spending may materially adversely affect our liquidity and financial condition as well as our share price.

Our global operations expose us to risks and challenges associated with conducting business internationally.

We operate globally with offices or activities in Europe, Africa, Asia, South America, Australia and North America. We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act of 1977 and local laws which also prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws, there is a risk that some provisions may be violated, for example inadvertently or through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements or otherwise. Violations of these laws and regulations could result in fines or criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our results of operations. Our success depends, in part, on our ability to anticipate and prevent or mitigate these risks and manage difficulties as they arise.

In addition to the foregoing, engaging in international business inherently involves a number of other difficulties and risks, including:

- longer payment cycles in countries like Spain and Italy and difficulties in enforcing agreements and collecting trade debtors through certain non-U.S. legal systems;
- political and economic instability, including, most notably, the risks and uncertainty associated with the current concerns regarding the stability of the Eurozone and the related possibility of sovereign defaults in countries such as Spain and Italy, and the possibility that such a default or the exit of one or more member countries from the Eurozone or from the European Union ("E.U.") entirely may lead to difficulties for other members of the E.U.;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and trade barriers; and
- failure to successfully implement our new non-U.S. operating structure, and difficulties and costs of staffing and managing non-U.S. operations.

These or other factors or any combination of them may have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Currency exchange rate fluctuations could materially adversely affect our business and results of operations.

We do business and generate turnover in numerous countries outside the U.S. As such, currency exchange rate fluctuations may affect the costs that we incur in such international operations. Some of our operating expenses are incurred in non-U.S. dollar currencies. The appreciation of non-U.S. dollar currencies relative to the U.S. dollar in those countries where we have operations could increase our costs and could harm our results of operations and financial condition. We also have significant intercompany financing arrangements that may result in gains and losses in our results of operations. In an effort to mitigate the impact of currency exchange rate effects, we may hedge certain of these intercompany transactions; however, our hedging strategies may not fully offset gains and losses recognized in our results of operations. In addition, we report our operating results in U.S. dollars, so the appreciation of the U.S. dollar relative to such other currencies could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Our operations expose us to the risk of material health, safety and environmental liabilities, litigation and violations.

We are subject to numerous federal, state, local and non-U.S. environmental protection and health and safety laws and regulations governing, among other things:

- the generation, storage, use and transportation of hazardous materials;
- emissions or discharges of substances into the environment;
- investigation and remediation of hazardous substances or materials at various sites;
- chemical constituents in products and end-of-life disposal, mandatory recycling and take-back programs; and
- the health and safety of our employees.

We may not have been, or we may not at all times be, in full compliance with environmental and health and safety laws and regulations. In the event a regulatory authority concludes that we are not in full compliance with these laws, we could be fined, criminally charged or otherwise sanctioned. Environmental laws are becoming more stringent, including outside the U.S., resulting in increased costs and compliance burdens.

Certain environmental laws assess liability on current or previous owners of real property and current or previous owners or operators of facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remedial costs under certain federal and state laws is retroactive, strict (i.e., can be imposed regardless of fault) and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. Certain radiological licenses at certain manufacturing sites owned by us require the establishment of decommissioning programs which will require remediation in accordance with regulatory requirements upon cessation of operations at such sites. We have received notification from the U.S. Environmental Protection Agency ("EPA") and similar state environmental agencies that conditions at a number of sites where the disposal of hazardous substances requires investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims arising from such sites.

In the ordinary course of our business planning process, we take into account our known environmental matters as we plan for our future capital and operating expenditures requirements. The ultimate cost of site cleanup and timing of future cash outflows is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. We concluded that, as of September 27, 2013, it was probable that we would incur remedial costs in the range of $46.4 million to $81.5 million. We also concluded that, as of September 27, 2013, the best estimate within this range was $46.4 million. For further information on our environmental obligations, refer to Note 22 of Notes to Consolidated and Combined Financial Statements. Based upon information known to date, we believe our current capital and operating plans are adequate for costs associated with the investigation, cleanup and potential remedial action for our known environmental matters.

While we have planned for future capital and operating expenditures to comply with environmental laws, our costs of complying with current or future environmental protection and health and safety laws and regulations, or our liabilities arising from past or future releases of, or exposures to, hazardous substances may exceed our estimates or could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities.

If we are unable to retain our key personnel, we may be unable to maintain or expand our business.

Because of the specialized scientific nature of our business, our ability to develop products and to compete with our current and future competitors will remain highly dependent, in large part, upon our ability to attract and retain qualified scientific, technical, regulatory and commercial personnel. The loss of key scientific, technical, regulatory and commercial personnel or the failure to recruit additional key scientific, technical, regulatory and commercial personnel could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. There is intense competition for qualified personnel in the areas of our activities, and we may not be able to continue to attract and retain the qualified personnel necessary for the development of our business.

Our business depends on the continued effectiveness and availability of our information technology infrastructure, and failures of this infrastructure could harm our operations.

To remain competitive in our industry, we must employ information technologies to support manufacturing processes, quality processes, distribution, R&D and regulatory applications that capture, manage and analyze, in compliance with applicable regulatory requirements, the large streams of data generated in our clinical trials. We rely extensively on technology to allow concurrent work sharing around the world. As with all information technology, our systems are vulnerable to potential damage or interruptions from fires, blackouts, telecommunications failures and other unexpected events, as well as physical and electronic break-ins, sabotage, piracy or intentional acts of vandalism. Given the extensive reliance of our business on technology, any substantial disruption or resulting loss of data that is not avoided or corrected by our backup measures could harm our business, operations and financial condition.

We may not achieve some or all of the expected benefits of our restructuring activities and our restructuring activities may adversely affect our business.

From time to time, we initiate restructuring programs as we continue to realign our cost structure due to the changing nature of our business and look for opportunities to achieve operating efficiencies that will reduce costs. We may not be able to obtain the cost savings and benefits that were initially anticipated when we launched our restructuring programs. Additionally, as a result of our restructuring activities we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganizations and restructurings can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of our restructuring activities, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Risks Related to the Separation

On June 28, 2013, Covidien shareholders of record received one ordinary share of Mallinckrodt for every eight ordinary shares of Covidien held as of the record date, June 19, 2013, and the Pharmaceuticals business of Covidien was transferred to Mallinckrodt plc, thereby completing our legal separation from Covidien. The following discussion highlights some of the risks we face as a result of the Separation. These and other risks could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We have not operated as an independent group for a significant period of time, and our historical financial information is not necessarily representative of the results that we would have achieved had we been an independent, publicly-traded group for the entirety of the periods presented, and may not be an accurate indicator of our future results of operations.

Historical information about Mallinckrodt for periods prior to the Separation reflects the results of the Pharmaceuticals business of Covidien, as operated by and integrated with Covidien, and is derived from the consolidated financial statements and accounting records of Covidien. Accordingly, this historical financial information does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as an independent, publicly-traded group during the entirety of the periods presented or those that we will achieve in the future for various factors, including those described below.

- Our business had historically been operated by Covidien as part of its broader corporate organization, rather than as an independent group, particularly in relation to our non-U.S. locations. Covidien or one of its affiliates performed various corporate functions for us, such as accounting, information technology and finance. Covidien will continue to provide some of these functions to us for a period of time pursuant to a transition services agreement. Our historical financial results for periods prior to the Separation include allocations of corporate expenses from Covidien for such functions and are likely to be less than the expenses we will incur operating as an independent, publicly-traded group.
- We expect to incur additional annual expenses as a result of being an independent, publicly-traded group including, among other things, directors and officers liability insurance, director fees, reporting fees with the U.S. Securities and Exchange Commission ("SEC"), New York Stock Exchange listing fees, transfer agent fees, increased auditing and legal fees. These expenses may be significant and may negatively impact our results of operations as compared to periods prior to the Separation.
- Our financial results for periods prior to the Separation include costs incurred to separate Mallinckrodt from Covidien, which primarily related to legal, accounting, tax and other professional fees. We continue to incur separation related costs as a result of our transition services agreement with Covidien, as well as other transitional costs, such as costs to implement our own information and accounting systems. Our future separation related costs may fluctuate based on the nature and timing of our separation activities.
- We will need to make significant investments to replicate or outsource from other providers certain facilities, systems, infrastructure and personnel that were formerly available to us through Covidien. The initiatives to develop our independent operational and administrative infrastructure will be costly to implement, and we may not be able to operate our business efficiently or at comparable costs, which may cause our profitability to decline.
- Prior to the Separation, our working capital and capital for our general corporate purposes had been provided as part of the corporate-wide cash management policies of Covidien. In the future, we may need to obtain additional financing from lenders, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements.
- The cost of debt or equity capital for our business may be significantly different than that of Covidien.
- Prior to the Separation, we were able to use Covidien's purchasing power in procuring various goods and services and had shared economies of scope and scale in vendor relationships. As a standalone group, we may be unable to obtain goods and services at the prices and terms obtained prior to the Separation, which could decrease our overall profitability.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a group separate from Covidien.

As we build our information technology infrastructure and transition our data to our own systems, we could incur substantial additional costs and experience temporary business interruptions.

We continue to install and implement information technology infrastructure to support our critical business functions, particularly in relation to areas outside the U.S., including systems relating to accounting and reporting, manufacturing process control, customer service, inventory control and distribution. We may incur temporary interruptions in business operations if we cannot transition effectively from Covidien's existing transactional and operational systems and data centers and the transition services that support these functions as we replace these systems. We may not be successful in effectively and efficiently implementing our new systems and transitioning our data, and we may incur substantially higher costs for implementation than currently anticipated. Our failure to avoid operational interruptions as we implement the new systems and replace Covidien's information technology services, or our failure to implement the new systems and replace Covidien's services effectively and efficiently, could disrupt our business and could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

If we are unable to satisfy our reporting requirements or our internal control over financial reporting is not effective, our business, financial condition or results of operations could be materially adversely affected.

Prior to the Separation, our financial results were included within the consolidated results of Covidien, and our reporting of internal control systems were appropriate for those of subsidiaries of a public company. Prior to the effectiveness of our registration statement on Form 10, we were not directly subject to reporting and other requirements of the Securities Exchange Act of 1934, as amended ("the Exchange Act") and Section 404 of the Sarbanes-Oxley Act of 2002 ("the Sarbanes-Oxley Act").

As an independent, publicly-traded group, we are now subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act, as well as other reporting requirements. The Exchange Act requires that we file annual, quarterly and current reports about our business and financial condition. The Sarbanes-Oxley Act requires our management to report on its assessment of the effectiveness of our internal control over financial reporting, and our independent auditors will be required to issue an opinion on their audit of our internal control over financial reporting. Our management report on internal controls and our auditors' report are not contained in this report due to a transition period established under SEC rules for newly public companies. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require demands on our management and administrative and operational resources, including accounting and information technology resources. To comply with these requirements we are upgrading our systems, including computer hardware infrastructure, implementing additional financial and management controls, reporting systems and procedures and have hired additional accounting, finance and information technology staff. If we are unable to upgrade our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to meet our reporting requirements or achieve and maintain effective internal controls could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may have received more favorable or less favorable terms from unaffiliated third parties than the terms we received in our agreements with Covidien.

We entered into agreements with Covidien in connection with the Separation, including a separation and distribution agreement, a transition services agreement, a tax matters agreement and an employee matters agreement. Since such agreements were negotiated in the context of the Separation, the terms of such agreements may be more favorable or less favorable than the terms that would have resulted from arm's-length negotiations between unaffiliated third parties.

Covidien may fail to perform under various transaction agreements that were executed as part of the Separation, or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

In connection with the Separation, we entered into various agreements with Covidien, including a separation and distribution agreement, a tax matters agreement, an employee matters agreement and a transition services agreement. For further information on these agreements, refer to Exhibits 2.1, 10.1, 10.2 and 10.3, respectively, of our Current Report on Form 8-K filed with the SEC on July 1, 2013. Certain of these agreements provide for the performance of services by each group for the benefit of the other for a period of time after the Separation. We will rely on Covidien to satisfy its performance and payment obligations under these agreements. If Covidien is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses. If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services when the transaction or long-term agreements terminate, we may not be able to operate our business effectively and our profitability may decline. We continue the

process of creating our own, or engaging third parties to provide, systems and services to replace many of the systems and services Covidien provided to us prior to the Separation, and is continuing to provide us pursuant to these agreements. These systems and services may be more expensive or less efficient than the systems and services Covidien is providing during the transition period.

Potential indemnification liabilities to Covidien pursuant to the separation and distribution agreement could materially adversely affect us.

The separation and distribution agreement with Covidien provided for, among other things, the principal corporate transactions required to effect the Separation, certain conditions to the distribution and provisions governing the relationship between us and Covidien following the Separation. The separation and distribution agreement was filed with the SEC as Exhibit 2.1 to our Current Report on Form 8-K on July 1, 2013. Among other things, the separation and distribution agreement will provide for indemnification obligations principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities. If we are required to indemnify Covidien under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities. These potential indemnification obligations could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not achieve some or all of the expected benefits of the Separation, and the Separation may materially adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the Separation, or such benefits may be delayed or not occur at all. The Separation was expected to provide the following benefits, among others: (i) our ability to focus on our own strategic and operational plans and capital structure; (ii) an appropriate capital structure for Mallinckrodt; (iii) a distinct investment identity allowing investors to evaluate the merits, performance and future prospects of us separately from Covidien; and (iv) more effective share-based compensation and currency for acquisitions.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others: (a) the Separation required significant amounts of management's time and effort, which may have diverted management's attention from operating and growing our business; (b) as an independent, publicly-traded group, we may be more susceptible to market fluctuations and other adverse events than if it were still a part of Covidien; (c) our business is less diversified than Covidien's business prior to the Separation; and (d) the continuing actions required to separate Covidien's and our respective businesses could disrupt our operations. If we fail to achieve some or all of the benefits expected to result from the Separation, or if such benefits are delayed, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Risks Related to Our Indebtedness

We have significant indebtedness, which could impact our ability to pay dividends and have a negative impact on our financing options and liquidity position.

As of September 27, 2013, we had $919.8 million of total debt. We may also incur additional indebtedness in the future. Our indebtedness may impose restrictions on us that could have material adverse consequences by:

- limiting our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions;
- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- imposing restrictive covenants on our operations;
- requiring us to dedicate a significant portion of our cash flows from operations to paying the principal of and interest on our indebtedness, thereby reducing funds available for other corporate purposes; and
- making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures.

In connection with the Separation, we incurred a significant amount of debt for which Covidien retained a significant portion of the cash proceeds. As a result, the amount of leverage in our business has significantly increased. This has increased the riskiness of our business and of an investment in our ordinary shares.

Our ability to meet expense and debt service obligations will depend on our future performance, which will be affected by financial, business, economic and other factors, including government regulation, product development, intellectual property matters and pressure from competitors. If we do not generate enough cash to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell our assets, incur additional debt or issue equity. These actions may adversley impact the market price of our ordinary shares.

Our credit facility bears interest at variable rates and credit spreads. If interest rates or credit spreads increase, variable rate debt will create higher debt service requirements, which could adversely affect our cash flow if we were to have borrowings outstanding under this facility.

The agreements governing our revolving credit facility and senior notes contain various covenants that impose restrictions on us that may affect our ability to operate our business.

The agreements governing our revolving credit facility and senior notes contain various affirmative and negative covenants that restrict our ability to create liens, incur additional indebtedness, enter into sale and lease-back transactions, and merge or consolidate with any other person or sell or convey certain of our assets to any one person, among other things. In addition, some of our debt agreements contain financial covenants that require us to maintain certain financial ratios and minimum performance levels. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations.

Challenges in the commercial and credit environment may materially adversely affect our ability to issue debt on acceptable terms and our future access to capital.

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be materially adversely affected if there is a material decline in the demand for our products or in the solvency of our customers or suppliers, or if other significantly unfavorable changes in economic conditions occur. In addition, volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may need additional financing in the future to meet our capital needs or to make acquisitions, and such financing may not be available on favorable or acceptable terms, and may be dilutive to existing shareholders.

We may need to seek additional financing for general corporate purposes. For example, we may need to increase our investment in R&D activities or need funds to make acquisitions. We may be unable to obtain any desired additional financing on terms that are favorable or acceptable to us. Depending on market conditions, adequate funds may not be available to us on acceptable terms and we may be unable to fund our expansion, successfully develop or enhance products, or respond to competitive pressures, any of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. If we raise additional funds through the issuance of equity securities, our shareholders will experience dilution of their ownership interest.

Risks Related to Tax Matters

If the distribution fails to qualify as a tax-free transaction for U.S. federal income tax purposes, then Mallinckrodt, and Mallinckrodt's shareholders could be subject to significant tax liability or tax indemnity obligations.

Covidien received a U.S. Internal Revenue Service ("IRS") ruling substantially to the effect that, for U.S. federal income tax purposes, (i) certain transactions effected in connection with the Separation qualified as transactions under Sections 355 and 368(a) of the U.S. Internal Revenue Code ("the Code"), and (ii) the distribution of Mallinckrodt shares qualified as a transaction under Sections 355 and 368(a)(1)(D) of the Code. In addition to obtaining the IRS ruling, Covidien received a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP, which relied on the effectiveness of the IRS ruling, substantially to the effect that, for U.S. federal income tax purposes, the distribution and certain transactions entered into in connection with the distribution qualified as transactions under Sections 355 and 368(a) of the Code.

The IRS ruling and tax opinion rely on certain facts and assumptions, certain representations from Covidien and us regarding the past and future conduct of our respective businesses and other matters, and certain undertakings made by Covidien and us. Notwithstanding the IRS ruling and tax opinion, the IRS could determine on audit that the distribution should be treated as a taxable transaction if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the distribution, or if the IRS were to disagree with the conclusions of the tax opinion

that are not covered by the IRS ruling. If the distribution is ultimately determined to be taxable, the distribution could be treated as a taxable dividend to shareholders of Mallinckrodt, who acquired their shares through distribution to Covidien shareholders at the Separation date, for U.S. federal income tax purposes, and they could incur significant U.S. federal income tax liability. In addition, Covidien or we could incur significant U.S. federal income tax liabilities or tax indemnification obligations, whether under applicable law or the tax matters agreement ("the Tax Matters Agreement") that we entered into with Covidien, if it is ultimately determined that certain related transactions undertaken in anticipation of the distribution are taxable.

We could have significant tax liabilities under the Tax Matters Agreement with Covidien for periods during which our subsidiaries and operations were those of Covidien and of Tyco International Ltd.

Our tax returns are subject to examination by various tax authorities, including the IRS. The IRS is examining our U.S. federal income tax returns for periods during which certain of our subsidiaries and operations were those of Covidien. In addition, the IRS continues to examine the U.S. federal income tax returns of Tyco International Ltd. ("Tyco International") for periods during which certain of our subsidiaries and operations were those of Tyco International. Our potential liability under the Tax Matters Agreement with Covidien for any taxes related to periods prior to the Separation (after taking into account certain tax benefits realized by us), including those which are subject to the provisions of the tax sharing agreement by and among Covidien, Tyco International and TE Connectivity Ltd. ("the Tyco Tax Sharing Agreement"), is anticipated to be approximately $175.0 million, which excludes associated tax benefits from such payments, and will be subject to an overall limitation of $200.0 million, net of any benefits. For further information on the Tax Matters Agreement, refer to our Current Report on Form 8-K filed with the SEC on July 1, 2013.

The resolution of the matters arising during periods in which certain of our subsidiaries and operations were subsidiaries and operations of Covidien will be subject to the provisions of the Tax Matters Agreement. Under this agreement, Covidien will have the right to administer, control and settle, in its sole and absolute discretion, all tax audits that do not relate solely to non-U.S. taxes for periods prior to the Separation that are not covered by the Tyco Tax Sharing Agreement. The outcome of any such examination, and any associated litigation which might arise, is uncertain and could result in a significant increase in our liability for taxes arising during these periods, subject to the overall $200.0 million limitation described above. The timing and outcome of such examination or litigation is highly uncertain and could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Under the Tax Matters Agreement, Covidien will agree to provide to us information it receives related to examinations of tax matters for which we may be liable but we will not otherwise be permitted to control or participate in the settlement or defense of such examinations.

The resolution of the matters arising during periods in which certain of our subsidiaries and operations were subsidiaries and operations of Tyco International will be subject to the provisions of the Tax Matters Agreement and the Tyco Tax Sharing Agreement. Under the Tyco Tax Sharing Agreement, Covidien, Tyco International and TE Connectivity Ltd. are responsible for 42%, 27% and 31%, respectively, of U.S. income tax liabilities prior to the 2007 separation of Covidien, Tyco International and TE Connectivity Ltd. We are not a party to the Tyco Tax Sharing Agreement. Under the Tax Matters Agreement we will, however, be liable for certain taxes relating to our subsidiaries and operations arising during periods governed by the Tyco Tax Sharing Agreement. Although we will be liable to Covidien for certain taxes arising during periods governed by the Tyco Tax Sharing Agreement, we will not be liable to Tyco International or TE Connectivity Ltd. under the Tyco Tax Sharing Agreement, nor will we share in the receivable that Covidien has from Tyco International or TE Connectivity Ltd. In addition, Covidien will retain all reimbursements from Tyco International or TE Connectivity Ltd. pursuant to the Tyco Tax Sharing Agreement, including reimbursements for taxes that are borne by us pursuant to the Tax Matters Agreement.

Under the Tyco Tax Sharing Agreement, Tyco International has the right to administer, control and settle all U.S. income tax audits for periods prior to the separation from Tyco International. In connection with such examinations, tax authorities, including the IRS, have proposed tax adjustments. Tyco International has appealed certain of the proposed tax adjustments and all but one of the matters associated with the proposed tax adjustments has been resolved. With respect to the remaining unresolved matter, Tyco International is contesting the adjustments through litigation. The outcome of any such litigation is uncertain and could result in a significant increase in our liability for taxes arising during these periods, subject to the overall $200.0 million limitation described above. While we believe that the amounts recorded as income taxes payable related to these adjustments are adequate, the timing and outcome of such litigation is highly uncertain and could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Under the Tax Matters Agreement, Covidien has agreed to provide to us information it receives from Tyco International related to examinations of tax matters for which we may be liable that are governed by the Tyco Tax Sharing Agreement.

Examination and audits by tax authorities, including the IRS, could result in additional tax payments.

We provide reserves for potential payments of tax to various tax authorities related to uncertain tax positions. It is Covidien's intention to vigorously defend our prior tax returns. However, the calculation of our tax liabilities involves the application of complex tax regulations to our global operations in many jurisdictions. Therefore, any dispute with a tax authority may result in a payment that is materially different from our current estimate of the tax liabilities associated with these returns. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the reserves generally would result in tax benefits being recognized in the period when we determine the reserves are no longer necessary. If our estimate of tax liabilities proves to be less than the amount for which we are ultimately liable, we would incur additional charges to expense and such charges could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not be able to maintain a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

Risks Related to Our Jurisdiction of Incorporation

Legislative action in the U.S. could materially adversely affect us.

Legislative action may be taken by the U.S. Congress which, if ultimately enacted, could limit the availability of tax benefits or deductions that we currently claim, override tax treaties upon which we rely or otherwise affect the taxes that the U.S. imposes on our worldwide operations. Such changes could materially adversely affect our effective tax rate and/or require us to take further action, at potentially significant expense, to seek to preserve our effective tax rate. In addition, if proposals were enacted that had the effect of limiting our ability as an Irish company to take advantage of tax treaties with the U.S., we could incur additional tax expense or otherwise incur business detriment.

Irish law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against us in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment obtained against us will be enforced by the courts of Ireland if the following general requirements are met: (i) U.S. courts must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule) and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment may not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (i) if the judgment is not for a definite sum of money; (ii) if the judgment was obtained by fraud; (iii) the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (iv) the judgment is contrary to Irish public policy or involves certain U.S. laws which will not be enforced in Ireland; or (v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Ireland Superior Courts Rules.

As an Irish company, we are governed by the Irish Companies Acts, which differ in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

Irish law imposes restrictions on certain aspects of capital management.

Irish law allows our shareholders to pre-authorize shares to be issued by our board of directors without further shareholder approval for up to a maximum of five years. Our current authorization will therefore lapse approximately five years after the date of the Separation, June 28, 2013, unless renewed by shareholders, and we cannot guarantee that such renewal will always be approved. Additionally, subject to specified exceptions, including the opt-out that is included in our articles of association, Irish law grants statutory pre-emptive rights to existing shareholders to subscribe for new issuances of shares for cash. This opt-out also expires approximately five years after the Separation unless renewed by further shareholder approval, and we cannot guarantee that such renewal of the opt-out from pre-emptive rights will always be approved. We cannot assure you that these Irish legal restrictions will not interfere with our capital management.

Risks Related to Our Ordinary Shares

Our share price may fluctuate significantly.

The market price of our ordinary shares may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and share price performance of comparable companies;
- actual or anticipated sales of our ordinary shares;
- changes to the regulatory and legal environment in which we operate; and
- U.S. and worldwide economic conditions.

In addition, when the market price of a company's ordinary shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Furthermore, we cannot guarantee that an active trading market for our ordinary shares will continue to exist.

A number of our ordinary shares are eligible for future sale, which may cause our share price to decline.

We have approximately 58.1 million of our ordinary shares outstanding as of December 27, 2013. These shares are tradable without restriction or further registration under the U.S. Securities Act of 1933, as amended ("the Securities Act"), unless the shares are owned by one of our "affiliates," as that term is defined in Rule 405 under the Securities Act. Any sales of substantial amounts of our ordinary shares in the public market, or the perception that such sales might occur, may cause the market price of our ordinary shares to decline. Those sales also might make it more difficult for us to sell equity and equity-related securities in the future at a time and at a price that we consider appropriate.

Your percentage of ownership in Mallinckrodt may be diluted.

Your percentage ownership in Mallinckrodt may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards granted to our directors, officers and employees. Such issuances may have a dilutive effect on our earnings per share, which could materially adversely affect the market price of our ordinary shares. In addition, our articles of association entitle our board of directors, without shareholder approval, to cause us to issue preferred shares with such terms as the board of directors may determine. Preferred shares may be preferred as to dividends, rights on a winding up or voting in such manner as our board of directors may resolve. The preferred shares may also be redeemable at the option of the holder of the preferred shares or at the option of us, and may be convertible into or exchangeable for shares of any other class or classes of our shares, depending on the terms of such preferred shares. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our ordinary shares. For example, we could grant the holders of preferred shares the right to elect some number of our board of directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of our ordinary shares.

Pursuant to a rights agreement entered into at the Separation, we issued one preferred share purchase right (collectively, "the Rights") for each outstanding ordinary share to shareholders of record on July 9, 2013. The Rights will not be exercisable until ten days after the public announcement that a person or group has become an "acquiring person" by obtaining beneficial ownership of 10% or more of the outstanding ordinary shares of Mallinckrodt. The Rights will expire on June 28, 2014. In the event the Rights are exercised, this may dilute the percentage of ownership of our other shareholders.

Certain provisions in our articles of association, among other things, could prevent or delay an acquisition of us, which could decrease the trading price of our ordinary shares.

Our articles of association contain provisions that could have the effect of deterring coercive takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, amongst others:

- provisions of our articles of association which allow our board of directors to adopt a shareholder rights plan (commonly known as a "poison pill") upon such terms and conditions as the board of directors deems expedient and in the best interests of our company;
- a provision of our articles of association which generally prohibits us from engaging in a business combination with an interested shareholder for a period of three years following the date the person became an interested shareholder, subject to certain exceptions;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our board of directors to issue preferred shares without shareholder approval in certain circumstances, subject to applicable law; and
- the ability of our board of directors to fill vacancies on our board of directors in certain circumstances.

We believe these provisions will provide some protection to our shareholders from coercive or otherwise unfair takeover tactics. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is in the best interests of our company and its shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We also will be subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in our ordinary shares in certain circumstances. Also, Irish companies, including us, may only alter their memorandum of association and articles of association with the approval of the holders of at least 75% of the company's shares present and voting in person or by proxy at a general meeting of the company.

The agreements that we entered into with Covidien in connection with the Separation generally required Covidien's consent to any assignment by us of our rights and obligations under the agreements. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that shareholders may consider favorable.

Moreover, an acquisition or further issuance of our ordinary shares after the separation could trigger the application of Section 355(e) of the Code, even if the distribution and certain related transactions undertaken in connection therewith otherwise qualify for tax-free treatment. Under Section 355(e) of the Code, we or Covidien could incur tax upon certain transactions undertaken in anticipation of the distribution if 50% or more, by vote or value, of our ordinary shares or Covidien ordinary shares are acquired or issued as part of a plan or series of related transactions that include the separation. The process for determining whether an acquisition or issuance triggering these provisions has occurred is complex, inherently factual and subject to interpretation. Any acquisitions or issuances of our ordinary shares or Covidien ordinary shares within two years after the distribution are presumed to be part of such a plan, although we or Covidien, as applicable, may be able to rebut that presumption. Moreover, under the Tax Matters Agreement that we entered into with Covidien, we will be restricted from engaging in certain transactions within two years of the distribution which potentially could trigger application of Section 355 (e) of the Code. During such period, these restrictions may limit the ability that we, or a potential acquirer of us, have to pursue certain strategic transactions that might increase the value of our ordinary shares.

Financial Risk Management

We contract with various third-party manufacturers and suppliers to provide us with raw materials used in our products, and the prices of oil and gas impact our costs for freight and utilities. Raw material, oil and gas prices are volatile and may increase, resulting in higher costs to produce and distribute our products. Due to the highly competitive nature of the pharmaceuticals industry and cost-containment efforts of our customers, we may be unable to pass along cost increases through higher prices. If we are unable to fully recover these costs through price increases or offset these increases through cost reductions, we could experience lower margins and profitability, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Significant factors driving our liquidity position include cash flows generated from operating activities, financing transactions, capital expenditures and cash paid in connection with acquisitions and license agreements. Historically, we have typically generated, and expect to continue to generate, positive cash flow from operations. Our ability to fund our capital needs is impacted by our ongoing ability to generate cash from operations and access to capital markets. We believe that our future cash from operations, borrowing capacity under our revolving credit facility and access to capital markets will provide adequate resources to fund our working capital needs, capital expenditures and strategic investments.

Financial instruments that potentially subject us to concentrations of credit risk primarily consist of trade debtors. We generally do not require collateral from customers. A portion of our trade debtors outside the U.S. includes turnover to government-owned or supported healthcare systems in several countries, which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies. Deteriorating credit and economic conditions in parts of Western Europe, particularly in Spain and Italy, may continue to increase the average length of time it takes us to collect our trade debtors in certain regions within these countries.

We routinely evaluate all government trade debtors for potential collection risks associated with the availability of government funding and reimbursement practices. We have not incurred any significant losses on government trade debtors; however, if the financial condition of customers or the countries' healthcare systems continue to deteriorate such that their ability to make payments is uncertain, additional allowances may be required in future periods.

Our aggregate trade debtors, net of the allowance for doubtful accounts, in Spain and Italy at the end of each period were as follows:

	September 27, 2013	September 28, 2012
Spain	$ 9.2	$ 15.0
Italy	12.6	12.5

Turnover to customers in Spain and Italy totaled $51.7 million and $55.0 million for fiscal 2013 and 2012, respectively.

Our operations include activities in the U.S. and countries outside of the U.S. These operations expose us to a variety of market risks, including the effects of changes in interest rates and currency exchange rates. We monitor and manage these financial exposures as an integral part of our overall risk management program. We do not utilize derivative instruments for trading or speculative purposes.

As of September 27, 2013, our outstanding debt consisted primarily of our fixed-rate 3.50% and 4.75% senior unsecured notes due in April 2018 and April 2023, respectively, with a combined principal amount of $900.0 million. The carrying value of these notes was $898.1 million as of September 27, 2013. As these notes are fixed-rate debt, they do not subject us to interest rate risk. In addition, we maintain a $250.0 million five-year senior unsecured revolving credit facility with a variable interest rate equal to LIBOR plus a margin subject to adjustment pursuant to a ratings-based pricing grid. As a result, we will be exposed to fluctuations in interest rates to the extent of our borrowings under this facility. As of September 27, 2013, there were no outstanding borrowings under this credit facility.

Certain turnover and costs of our international operations are denominated in the local currency of the respective countries. As such, profits from these subsidiaries may be impacted by fluctuations in the value of these local currencies relative to the U.S. dollar. We also have significant intercompany financing arrangements that may result in gains and losses in our results of operations. In an effort to mitigate the impact of currency exchange rate effects we may hedge certain operational and intercompany transactions; however, our hedging strategies may not fully offset gains and losses recognized in our results of operations.

Research and Development

We devote significant resources to the research and development of products and proprietary drug delivery technologies. We expect to continue to invest in R&D activities, as well as enter into license agreements to supplement our internal R&D initiatives. We intend to focus our R&D investments in our Specialty Pharmaceuticals segment, specifically investments to support our Brands business, where we believe there is the greatest opportunity for growth and profitability. Our low-risk, high productivity R&D approach will remain a key contributor to this growth. We currently expect our R&D investments to be in the range of 6% to 8% of annualized turnover. We market our products to pain specialists, anesthesiologists, neurologists and other physician specialists. In targeting future R&D spending, we focus on new product innovations that can be sold to these physician specialists.

The focus of our R&D within each of our businesses is noted below:

- *Brands.* Our R&D strategy focuses on branded product development in the area of pain, other central nervous system areas, such as spasticity, and adjacent areas.
- *Generics and API.* R&D within our Generics business is focused on developing ANDA products that incorporate DEA-controlled substances and difficult to replicate formulations. Our API R&D is focused on process improvements to our core products, which is focused on increasing manufacturing yields to reduce our costs. We also selectively add API products to our portfolio where we believe we have created a unique, cost-effective and competitive manufacturing process. While we patent some of these API process improvements, many more are kept as trade secrets.
- *Global Imaging.* Our R&D efforts in our Global Medical Imaging segment are primarily focused on driving efficiency throughout CMDS. In our Nuclear Imaging business, our efforts relate to expanding our portfolio of radioisotopes and better utilizing existing capacity.

Key areas of study. Our R&D group is comprised of a number of highly experienced, trained and skilled individuals with nearly 25% holding Ph.D. degrees, who have developed expertise in a number of platform technologies, including:

- formulation of oral solids in novel ways to mimic patented delivery systems;
- formulation of parenteral products to provide sustained blood levels of select small molecules;
- linker technology to attach small molecules to radioisotopes; and
- abuse-deterrent characteristics for oral solids in both immediate-release as well as extended-release to limit the abuse and misuse of controlled substances.

While many of these programs are in pre-clinical development, we anticipate that some of these will form the basis of novel products in the future. However, there is no guarantee that any of the studies underway will lead to the development of a product or whether or when such product will be further developed, launched and become commercially viable.

Select Products in Development. We are presently developing a number of branded and generic products, some of which utilize novel drug-delivery systems, through a combination of internal and collaborative programs. As of September 27, 2013, we had two NDA and five ANDAs awaiting review in the U.S. Our pipeline portfolio contains various products and product candidates that are reformulations of existing molecules for the treatment of pain and adjacent areas. The following are our most promising pipeline products:

- *Xartemis XR.* Xartemis XR is a controlled-release, long-acting oral formulation of oxycodone hydrochloride and acetaminophen that we are pursuing an indication for treatment of moderate to severe acute pain. Xartemis XR was formulated as a low-dose product to fulfill an unmet clinical need in the market with potentially abuse-deterrent characteristics. The formulation uses the patented Depomed Acuform™ drug-delivery technology, which we licensed in 2009. In July 2013, the FDA accepted our Xartemis XR NDA, filed as MNK-795, and granted it priority review. This acceptance marks a major milestone for us and is further evidence of our ability to advance our pipeline in both branded and generic products. In November 2013, in response to additional data we submitted, the FDA extended their review of the Xartemis XR NDA by three months. If approved, we anticipate launching Xartemis XR during the first half of fiscal 2014.
- *MNK-155.* MNK-155 is a controlled-release, long-acting oral formulation of hydrocodone and acetaminophen that we are pursuing an indication for treatment of moderate to severe acute pain. MNK-155 was formulated as a low-dose product to fulfill an unmet clinical need in the market with potential abuse-deterrent characteristics. The formulation uses the patented Depomed Acuform drug-delivery technology. MNK-155 has completed Phase III clinical trials and our NDA is expected to be filed with the FDA during the second half of fiscal 2014.
- *Pennsaid 2%.* Pennsaid 2% is a new 2% formulation of diclofenac topical solution which we anticipate will be indicated for the treatment of pain associated with osteoarthritis of the knee, and an extension of our Pennsaid franchise. This new formulation was studied using a twice-daily administration and is dispensed for topical usage by a new metered dose pump bottle. The NDA for Pennsaid 2%, originally filed as MNK-395, was approved by the FDA in January 2014. We expect to launch this product in the second quarter of fiscal 2014.
- *Intrathecal Product Development.* Our acquisition of CNS Therapeutics in October 2012 provided us approved concentrations of Gablofen and an R&D pipeline that included an additional presentation and concentration of Gablofen, including the pre-filled syringes that were approved in January 2013. The R&D pipeline also included several investigational pain products, in various stages of development, which could provide an alternative to products that are only available today through compounding pharmacies. Additionally, this R&D pipeline may present opportunities for development of products that may be eligible to receive orphan drug designation from the FDA.
- *Methylphenidate ER 18mg*. Methylphenidate ER, a generic version of the branded CONCERTA® (methylphenidate HCl) Extended-Release Tablets (a registered trademark of Alza Corporation) ("Concerta"), is for the treatment of attention deficit hyperactivity disorder ("ADHD"). In February 2013, we submitted a supplement to our approved ANDA to include the 18mg dosage strength. The FDA has accepted this supplement and granted it priority review. If approved, we expect to launch this product in the second half of fiscal 2014. We would then have all four dosage strengths available on the market, as we currently offer the 27mg, 36mg and 54mg dosage strengths.

Acquisition of Own Shares

Prior to the Separation, we had authorized 40,000 ordinary A shares with a par value of €1.00 per share. These shares were authorized in order to satisfy minimum statutory requirements for the granting of a trading certificate to an Irish public limited company. These ordinary A shares carried no voting or dividend rights. All ordinary A shares, as well as the seven ordinary shares held by the nominee shareholders of Mallinckrodt plc, were acquired and canceled by Mallinckrodt plc for no consideration contemporaneously with the Separation being effected.

Since the Separation, we have repurchased 483 shares at an average market price of $43.33, which are accounted for as treasury shares within shareholders' funds. These transactions represent deemed repurchases in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations. We have not and do not currently intend to initiate a comprehensive share repurchase program in the foreseeable future.

Dividends

We currently do not anticipate paying any cash dividends for the foreseeable future, as we intend to retain any earnings to finance R&D, acquisitions and the operation and expansion of our business. The recommendation, declaration and payment of any dividends in the future by us will be subject to the sole discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by our board of directors. Moreover, if we determine to pay any dividends in the future, there can be no assurance that we will continue to pay such dividends.

Likely Future Developments

New Products. We currently expect our future operating and financial results to be impacted by the following new products:

- *Product Launches.* Our pipeline portfolio contains various products in various stages of development. Certain of these products may be launched within fiscal 2014 or in fiscal years shortly thereafter. Further discussion of our product pipeline is presented within *Research and Development* included in this Directors' Report.
- *Methylphenidate ER 27mg, 36mg and 54mg.* On December 28, 2012, we received approval from the FDA to manufacture Methylphenidate ER, a generic version of the branded Concerta, for the treatment of ADHD in 27mg, 36mg and 54mg dosages. We held a 180-day exclusivity period for each of the 27mg, 36mg and 54mg dosage strengths, which began upon the commercial launch of each dosage strength. We launched the 27mg dosage strength upon FDA approval during the first quarter of fiscal 2013 and launched the 36mg and 54mg dosage strengths during the second quarter of fiscal 2013. Turnover of these dosage strengths of Methylphenidate ER was $148.3 million in fiscal 2013; however, we expect that turnover of these products may subsequently decline in fiscal 2014 due to a number of factors, including expiration of the exclusivity periods. In July 2013, a competitor received FDA approval to manufacture all strengths of Methylphenidate ER and has entered the marketplace. As our exclusivity has expired, other competitors may also enter the market for Methylphenidate ER.
- *Exalgo.* In August 2012, the FDA approved a 32mg tablet of Exalgo, which further expanded the patient population that Exalgo can effectively treat with a single daily dose. The 8mg, 12mg and 16mg dosages of Exalgo were approved by the FDA in March 2010 for the treatment of chronic pain in opioid-tolerant patients requiring continuous around-the-clock opioid analgesia for an extended amount of time; and have shown significant prescription growth since launch in April 2010. Exalgo was granted marketing exclusivity in the U.S. as a prescription medicine through March 2013 and is protected by two Orange Book-listed patents for a method of treating moderate to severe pain. Beginning in November 2013 for the 8mg, 12mg and 16mg dosages and May 2014 for the 32mg dosage, a third party has the right, pursuant to agreements with us, to sell a generic version of Exalgo; however, their entrance to the market is dependent upon receiving FDA marketing approval. We expect turnover of Exalgo to decrease in fiscal 2014 (compared with $126.1 million in fiscal 2013) when the third party enters the market pursuant to these agreements. Additionally, our patents for the 8mg, 12mg and 16mg dosages expire in July 2014.

Restructuring Initiatives. Following the Separation, we continue to realign our cost structure due to the changing nature of our business and look for opportunities to achieve operating efficiencies. As such, in August 2013 our board of directors approved a restructuring program in the amount of $100.0 million to $125.0 million that is expected to occur over a three year period. We expect to recover the charges of each restructuring action taken within two years.

Research and Development Investment. We expect to continue to invest in research and development activities, as well as enter into license agreements to supplement our internal R&D initiatives. We intend to focus our R&D investments in the Specialty Pharmaceuticals segment, specifically investments to support our Brands business, where we believe there is the greatest opportunity for growth and profitability. We currently expect our R&D investments to be in the range of 6% to 8% of annualized turnover.

Nuclear Imaging. In October 2013, the HFR in the Netherlands, one of two primary reactors we utilize, experienced an unscheduled shutdown. This followed an unscheduled shutdown of the HFR from November 2012 to June 2013. In addition, our own Mo-99 processing facility in the Netherlands also experienced a shutdown. Until these facilities resume normal production, we expect to fulfill customer orders through procurement of Mo-99 from alternative sources at higher than historical costs. Ongoing increased raw material and manufacturing costs will limit our ability to return the Global Medical Imaging segment to historical operating margins.

Company Books of Account

We are responsible for ensuring that the Company keeps proper books of account and appropriate accounting systems. The measures taken by the directors to ensure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. We have appointed a Chief Financial Officer who makes regular reports to us and ensures compliance with the requirements of Section 202 of the Companies Act, 1990. The Company also has a Controller, who works closely with the Chief Financial Officer and who makes regular reports to our Audit Committee. In addition, the head of the Company's internal audit department makes regular reports to our Audit Committee regarding fraud and other financial-related irregularities. Our Audit Committee, in turn, briefs us on significant financial matters arising from reports of the Chief Financial Officer, the Controller, the head of internal audit and the external auditor**.**

The books and accounting records of Mallinckrodt plc are maintained at the Company's registered office at Damastown, Mulhuddart, Dublin 15, Ireland.

Important Events Since Year End

We were involved in patent disputes with a counterparty relating to certain intellectual property relevant to extended-release oxymorphone. In December 2013, the counterparty agreed to pay us an upfront cash payment of $4.0 million and contractually obligated future payments of $8.0 million through July 2018, in exchange for the withdrawal of all claims associated with the intellectual property and a license to utilize our intellectual property. We have completed the earnings process associated with the agreement and recorded an $11.7 million gain during the three months ended December 27, 2013.

Directors

Prior to the Separation, Mallinckrodt plc's board of directors consisted of Mark C. Trudeau, Matthew K. Harbaugh, Peter G. Edwards and David P. Keenan, Ph.D. On June 17, 2013, JoAnn A. Reed was appointed to the board of directors. In connection with the Separation on June 28, 2013, Mr. Harbaugh, Mr. Edwards and Dr. Keenan resigned from the board of directors, and Melvin D. Booth, David R. Carlucci, J. Martin Carroll, Diane H. Gulyas, Nancy S. Lurker, Kneeland C. Youngblood, M.D. and Joseph A. Zaccagnino were appointed to the board of directors.

No director, the secretary or any member of their immediate family had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in Note 27 of Notes to Consolidated and Combined Financial Statements. The interests of the directors and company secretary in the ordinary share capital of Mallinckrodt plc at the end of the financial year and as of January 9, 2013, the date that Mallinckrodt plc was incorporated, were as follows:

	Ordinary shares, US $0.20 each			
	At September 27, 2013		At January 9, 2013 [1]	
	Shares [2]	Options	Shares [2]	Options
Directors				
Melvin D. Booth	4,551	—	—	—
David R. Carlucci	3,034	—	—	—
J. Martin Carroll	3,034	—	—	—
Diane H. Gulyas	4,184	—	—	—
Nancy S. Lurker	3,034	—	—	—
JoAnn A. Reed	3,034	—	—	—
Mark C. Trudeau	154,121	383,803	—	—
Kneeland C. Youngblood, M.D.	3,034	—	—	—
Joseph A. Zaccagnino	4,599	—	—	—
Secretary				
Miriam R. Singer	1,324	8,016	—	—

(1) Or at date of appointment.

(2) Includes shares underlying unvested restricted share units.

Political Donations

No political contributions that require disclosure under Irish law were made during the year.

Subsidiary Companies and Branches

Information regarding subsidiary undertakings, including information regarding branches, is provided in Note 34 of Notes to Consolidated and Combined Financial Statements.

Going Concern

The directors have a reasonable expectation that Mallinckrodt plc Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Deloitte and Touche, Chartered Accountants, were appointed during the period and continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
Director	Director

February 7, 2014

MALLINCKRODT PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies for the group and the company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 ensuring that the company keeps proper books of account which 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 Acts, 1963 to 2013. In respect of the group, the directors are responsible for ensuring the group financial statements are prepared in accordance with U.S. GAAP, as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act, 2009, as amended, to the extent that the use of those principles in the preparation of the group financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder. In respect of the company, the directors are responsible for ensuring the company financial statements are prepared in accordance with Irish GAAP, comprising the accounting standards issued by the FRC and published by the ICAI, and the Companies Acts, 1963 to 2013. 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.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALLINCKRODT PLC

We have audited the group financial statements of Mallinckrodt plc for the fiscal year ended September 27, 2013 which comprise the Consolidated and Combined Profit and Loss Account, the Consolidated and Combined Statement of Total Recognised Gains and Losses, the Consolidated and Combined Balance Sheet, the Consolidated and Combined Statement of Cash Flows, the Consolidated and Combined Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable Irish law and US generally accepted accounting principles (US GAAP), as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act 2009 as amended, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder.

We have reported separately on the parent company financial statements of Mallinckrodt plc for the period ended September 27, 2013.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the group financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion
In our opinion the group financial statements:

- give a true and fair view, in accordance with US GAAP, to the extent that the use of those principles in the preparation of the group financial statements does not contravene any provision of the Companies Acts or of any regulations made there under, of the state of the affairs of the group as at September 27, 2013 and of the profit of the group for the fiscal year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Emphasis of matter
In forming our opinion on the group financial statements, which is not modified, we draw your attention to Note 1 which indicates the group's combined financial statements for periods prior to June 28, 2013, including the nine months ended June 28, 2013 that is included within the group's fiscal 2013 results, as presented, may not necessarily reflect the results of operations, financial position and cash flows that would have been had it operated as an independent, publicly-traded group for the entirety of the periods presented.

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the information given in the directors' report is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

/s/ Philip Barton
Philip Barton
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 7 February 2014

MALLINCKRODT PLC
CONSOLIDATED AND COMBINED PROFIT AND LOSS ACCOUNT
(in millions, except per share data)

	Note	Fiscal Year 2013	2012
Turnover	25	$ 2,204.5	$ 2,056.2
Cost of sales		1,179.6	1,091.4
Gross profit		1,024.9	964.8
Distribution and administrative expenses		607.0	548.8
Research and development costs		165.7	144.1
Separation costs		74.2	25.5
Restructuring charges, net	6	33.2	11.2
Operating profit		144.8	235.2
Interest payable and similar charges	7	(19.5)	(0.5)
Interest receivable and similar income		0.3	0.4
Other income, net		0.8	1.0
Profit on ordinary activities before taxation		126.4	236.1
Taxation	8	68.6	94.8
Profit on ordinary activities after taxation financial year		57.8	141.3
Income (loss) from discontinued operations, net of taxation	4	1.0	(6.7)
Profit after taxation		$ 58.8	$ 134.6
Basic earnings (loss) per ordinary share:	9		
Profit on ordinary activities after taxation		$ 1.00	$ 2.45
Income (loss) on discontinued operations, net of taxation		0.02	(0.12)
Profit after taxation		1.02	2.33
Diluted earnings (loss) per ordinary share:	9		
Profit on ordinary activities after taxation		$ 1.00	$ 2.45
Income (loss) on discontinued operations, net of taxation		0.02	(0.12)
Profit after taxation		1.02	2.33

Approved by the board of directors on February 7, 2014 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
Director	Director

MALLINCKRODT PLC
CONSOLIDATED AND COMBINED STATEMENTS OF TOTAL RECOGNIZED GAINS AND LOSSES
(in millions)

	Fiscal Year	
	2013	**2012**
Profit after taxation	$ 58.8	$ 134.6
Other comprehensive profit (loss), net of taxation		
Currency translation adjustments	1.5	(2.9)
Unrecognized loss on derivatives, net of $-, $- and $- tax	(7.3)	—
Unrecognized gain (loss) on benefit plans, net of ($23.9), $4.6 and ($4.5) tax	34.2	(10.7)
Total other comprehensive profit (loss), net of taxation	28.4	(13.6)
Comprehensive profit	$ 87.2	$ 121.0

MALLINCKRODT PLC
CONSOLIDATED AND COMBINED BALANCE SHEETS
(in millions, except share data)

	Note	September 27, 2013	September 28, 2012
Fixed Assets			
Intangible assets	12	$ 954.1	$ 873.1
Tangible assets	11	1,004.6	952.2
Financial assets	29	140.5	99.8
		2,099.2	1,925.1
Current Assets			
Stocks	10	403.1	435.3
Debtors	30	778.8	538.5
Cash at bank and in hand		275.5	—
		1,457.4	973.8
Creditors (amounts falling due within one year)	13	487.6	324.2
Net Current Assets		969.8	649.6
Total Assets Less Current Liabilities		3,069.0	2,574.7
Creditors (amounts falling due after more than one year)	14	1,096.0	47.2
Provisions for Liabilities	31	717.4	635.6
Net Assets		$ 1,255.6	$ 1,891.9
Capital and Reserves			
Called-up share capital	17	$ 11.5	$ —
Share premium account	17	0.6	—
Other reserves	17	1,210.0	1,891.9
Profit and loss account		33.5	—
Shareholders' Funds		$ 1,255.6	$ 1,891.9

Approved by the board of directors on February 7, 2014 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
Director	Director

MALLINCKRODT PLC
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(in millions)

	Fiscal Year	
	2013	**2012**
Cash Flows From Ordinary Operating Activities:		
Profit after taxation	$ 58.8	$ 134.6
(Income) loss from discontinued operations, net of taxation	(1.0)	6.7
Profit on ordinary activities after taxation	57.8	141.3
Adjustments to reconcile net cash provided by ordinary operating activities:		
Depreciation and amortization	139.6	130.9
Share-based compensation	16.2	10.7
Deferred taxation	(9.0)	9.0
Other non-cash items	10.3	(10.7)
Changes in assets and liabilities, net of the effects of acquisitions:		
Trade debtors	(181.2)	(6.8)
Stocks	27.7	(62.8)
Trade creditors	7.2	(8.3)
Taxation	60.7	79.4
Accrued and other liabilities	22.6	(38.7)
Other	(16.0)	11.8
Net cash provided by ordinary operating activities	135.9	255.8
Cash Flows From Ordinary Investing Activities:		
Capital expenditures	(147.9)	(144.2)
Acquisition, net of cash acquired	(88.1)	—
Purchase of product rights	—	(13.2)
Other	1.3	5.2
Net cash (used in) ordinary investing activities	(234.7)	(152.2)
Cash Flows From Ordinary Financing Activities:		
Issuance of external debt	898.1	—
Repayment of capital leases	(1.3)	(1.3)
Debt financing costs	(12.0)	—
Excess tax benefit from share-based compensation	3.4	1.7
Net transfers to parent	(515.9)	(104.0)
Proceeds from exercise of share options	0.6	—
Other	0.1	—
Net cash provided by (used in) ordinary financing activities	373.0	(103.6)
Effect of currency rate changes on cash at bank and in hand	1.3	—
Net increase in cash at bank and in hand	275.5	—
Cash at bank and in hand at beginning of period	—	—
Cash at bank and in hand at end of period	$ 275.5	$ —
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest, net	$ 0.8	$ 0.6
Cash paid for taxation, net	15.0	4.9

MALLINCKRODT PLC
CONSOLIDATED AND COMBINED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
(in millions)

	Called-up Share Capital			Other Reserves			
	Number	Amount	Share Premium Account (Note 17)	Other (Note 17)	Accumulated Other Comprehensive Profit (Note 19)	Profit and Loss Account	Total
Balance at September 30, 2011	—	$ —	$ —	$ 1,690.2	$ 98.5	$ —	$ 1,788.7
Profit after taxation	—	—	—	134.6	—	—	134.6
Other comprehensive profit, net of tax	—	—	—	—	(13.6)	—	(13.6)
Net transfers to parent	—	—	—	(17.8)	—	—	(17.8)
Balance at September 28, 2012	—	—	—	1,807.0	84.9	—	1,891.9
Profit after taxation	—	—	—	25.3	—	33.5	58.8
Other comprehensive profit, net of tax	—	—	—	—	28.4	—	28.4
Net transfers to parent	—	—	—	(515.9)	—	—	(515.9)
Separation related adjustments	—	—	—	(209.9)	(4.8)	—	(214.7)
Share options exercised	—	—	0.6	—	—	—	0.6
Share-based compensation	—	—	—	6.5	—	—	6.5
Issuance of ordinary shares	57.7	11.5	—	(11.5)	—	—	—
Balance at September 27, 2013	57.7	$ 11.5	$ 0.6	$ 1,101.5	$ 108.5	$ 33.5	$ 1,255.6

1. Background and Basis of Presentation

Background

Mallinckrodt is a global company that develops, manufactures, markets and distributes both branded and generic specialty pharmaceuticals, API and diagnostic imaging agents. These products are found in almost every hospital, standalone diagnostic imaging center or pharmacy in the U.S. and the Group has a commercial presence in approximately 70 countries. The Group believes its extensive commercial reach and formulation expertise, coupled with its ability to navigate the highly regulated and technical nature of its business, have created compelling competitive advantages that it anticipates will sustain future revenue growth.

The Group conducts its business in the following two segments:

- *Specialty Pharmaceuticals* produces and markets branded and generic pharmaceuticals and API, comprised of medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients; and
- *Global Medical Imaging* develops, manufactures and markets CMDS and radiopharmaceuticals (nuclear medicine).

Mallinckrodt plc was incorporated in Ireland on January 9, 2013 for the purpose of holding the Pharmaceuticals business of Covidien. On June 28, 2013, Covidien shareholders of record received one ordinary share of Mallinckrodt plc for every eight ordinary shares of Covidien held as of the record date, June 19, 2013, and the Pharmaceuticals business of Covidien was transferred to Mallinckrodt plc, thereby completing its legal separation from Covidien. On July 1, 2013, Mallinckrodt plc began regular way trading on the New York Stock Exchange under the ticker symbol "MNK."

Basis of Presentation

The directors have elected to prepare the consolidated and combined financial statements in accordance with Section 1 of the Companies (Miscellaneous Provisions) Act, 2009, as amended, which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with U.S. GAAP, as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act, 2009, as amended, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder. The directors have elected to prepare the Company financial statements under Irish GAAP as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of the parent company, which is incorporated and registered in the Republic of Ireland.

These financial statements were prepared in accordance with Irish company law, to present to shareholders and file with the Companies Registration Office in Ireland. Accordingly, these financial statements include disclosures required by the Republic of Ireland's Companies Acts, 1963 to 2013, in addition to those required under U.S. GAAP.

The accompanying consolidated and combined financial statements reflect the consolidated financial position of the Group as an independent, publicly-traded group for periods subsequent to June 28, 2013, and as a combined reporting entity of Covidien, including operations relating to Covidien's Pharmaceuticals business, for periods prior to June 28, 2013. As a result of this presentation the following items are noted:

- a consolidated and combined profit and loss account for the period January 9, 2013 (date of incorporation) to September 27, 2013 has not been presented; and
- as of September 28, 2012, separate balances for called-up share capital, share premium account and profit and loss account are not presented within the combined balance sheet.

In the opinion of the directors, the preparation and presentation of the consolidated and combined financial statements is required in order to present a true and fair view of the economic activities attributable to Mallinckrodt plc and its subsidiaries and, accordingly, meets the requirements of Section 1 of the Companies (Miscellaneous Provisions) Act, 2009, as amended.

The consolidated and combined financial statements have been prepared in U.S. dollars and in accordance with U.S. GAAP. The preparation of the consolidated and combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of turnover and expenses. Actual results may differ from those estimates. The consolidated and combined financial statements include the accounts of the Company, its wholly-owned subsidiaries and entities in which they own or control more than fifty percent of the voting shares, or have the ability to control through similar rights. The results of entities disposed of are included in the consolidated and combined financial statements up to the date of disposal and, where appropriate, these operations have been reflected as discontinued operations. Divestitures of product lines not representing businesses have been reflected in operating profit. All intercompany balances and transactions have been eliminated in consolidation and, in the opinion of management, all normal recurring adjustments necessary for a fair presentation have been included in the results reported.

The Group's combined financial statements for periods prior to June 28, 2013, including the nine months ended June 28, 2013 that is included within the Group's fiscal 2013 results, may not be indicative of its future performance and do not necessarily reflect the results of operations, financial position and cash flows that would have been had it operated as an independent, publicly-traded group for the entirety of the periods presented, including as a result of changes in the Group's capitalization in connection with the Separation. The combined financial statements for periods prior to June 28, 2013 include expense allocations for certain functions provided by Covidien, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and share-based compensation. These expenses were allocated to the Group on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating expenses, headcount or other measures. The amounts allocated were $39.6 million and $49.2 million for fiscal 2013 and 2012, respectively, and were included within distribution and administrative expenses. Management considers the bases on which the expenses wereallocated to reasonably reflect the utilization of services provided to, or the benefit received by, the Group during the periods presented; however, the allocations may not reflect the expense the Group would have incurred as an independent, publicly-traded group. Actual costs that may have been incurred if the Group had been a standalone group would depend on a number of factors, including organizational structure, what functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. The Group is unable to determine what those costs would have been had the Group been independent during the applicable periods. Following the Separation, the Group has performed these functions using its own resources or purchased services, certain of which are being provided by Covidien during a transitional period pursuant to a transition services agreement dated June 28, 2013, between Mallinckrodt and Covidien, particularly in relation to areas outside the U.S. The terms and prices on which such services are rendered may not be as favorable as those that were allocated to the Group by Covidien. The Group also may incur additional costs associated with being an independent, publicly-traded group. These additional anticipated costs are not reflected in the historical combined financial statements for periods prior to June 28, 2013.

The combined balance sheets prior to June 28, 2013 include certain assets and liabilities that were historically recorded at the Covidien corporate level but are specifically identifiable or otherwise allocable to the Group. The cash and cash equivalents held by Covidien at the corporate level were not specifically identifiable to the Group and, as such, were not allocated to the Group for periods prior to June 28, 2013. Covidien's debt and related interest payable and similar charges were not allocated to the Group since the Group was not the legal obligor of such debt and Covidien's borrowings were not directly attributable to the Group's business. Debt incurred by the Group directly was included in the combined financial statements. Intercompany transactions between the Group and Covidien, prior to the Separation, were included in the combined financial statements and considered to be effectively settled for cash at the time the transaction was recorded. The total net effect of the settlement of these intercompany transactions was reflected in the combined statements of cash flows as a financing activity and in the combined balance sheet as other reserves.

Prior to June 28, 2013, Covidien's investment in the Pharmaceuticals business is shown as other reserves in the combined financial statements. On June 28, 2013, Covidien completed a distribution of one ordinary share of Mallinckrodt for every eight ordinary shares of Covidien. Upon completion of the Separation, the Group had 57,694,885 ordinary shares outstanding at a par value of $0.20 per share. Covidien's capital contribution of its Pharmaceuticals business, upon Separation, was recorded in other reserves in the consolidated financial statements.

Under Irish law, the Company can only pay dividends and repurchase shares out of distributable reserves, as discussed further in the Company's information statement filed with the U.S. Securities and Exchange Commission ("SEC") as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on July 1, 2013. Upon completion of the Separation, the Company did not have any distributable reserves. On July 22, 2013, the Company filed a petition with the High Court of Ireland seeking the court's confirmation of a reduction of the Company's share premium so that it can be treated as distributable for the purposes of Irish law. On September 9, 2013, the High Court of Ireland approved this petition and the High Court's order and minutes were filed with the Registrar of Companies. Upon this filing, the Company's share premium is treated as distributable reserves. Net profit subsequent to the Separation has been included in the profit and loss account and is included in distributable reserves.

Preferred Shares

Mallinckrodt plc is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at September 27, 2013. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Company, the holders of any preferred shares then outstanding would, if issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to payment to them of the amount for which the preferred shares were subscribed and any unpaid dividends prior to any payment to the ordinary shareholders.

Preferred Share Purchase Rights

Pursuant to the rights agreement entered into on June 28, 2013 with Computershare Trust Company, N.A., as the Rights Agent ("the Rights Agreement"), the Company issued the Rights to shareholders of record on July 9, 2013. The Rights will not be exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 10% or more of the outstanding ordinary shares of Mallinckrodt plc. The Rights will expire on June 28, 2014. The Rights Agreement and the Rights are discussed further in the Company's Form 8-A filed with the SEC on July 1, 2013.

Fiscal Year

The Group reports its results based on a "52-53 week" year ending on the last Friday of September. Fiscal 2013 and 2012 consisted of 52 weeks and ended on September 27, 2013 and September 28, 2012, respectively. Unless otherwise indicated, fiscal 2013 and 2012 refer to the Group's fiscal years ended September 27, 2013 and September 28, 2012, respectively.

2. Summary of Significant Accounting Policies

Turnover Recognition

The Group recognizes turnover for product sales when title and risk of loss have transferred from the Group to the buyer, which may be upon shipment or upon delivery to the customer site, based on contract terms or legal requirements in non-U.S. jurisdictions. The Group sells products direct to retail pharmacies and end user customers and through distributors who resell the products to retail pharmacies, institutions and end user customers. Chargebacks and rebates represent credits that are provided to certain distributors and customers for either the difference between the Group's contracted price with a customer and the distributor's invoice price paid to the Group or for contractually agreed volume price discounts. When the Group recognizes turnover, it simultaneously records an adjustment to turnover for estimated chargebacks, rebates, product returns and other turnover deductions. These provisions are estimated based upon historical experience, estimated future trends, estimated customer stock levels, current contracted sales terms with customers, level of utilization of the Group's products and other competitive factors. The Group adjusts these reserves to reflect differences between estimated activity and actual experience. Such adjustments impact the amount of turnover recognized by the Group in the period of adjustment.

Taxation collected from customers relating to product sales and remitted to governmental authorities are accounted for on a net basis. Accordingly, such taxation is excluded from both turnover and expenses.

Shipping and Handling Costs

Shipping costs, which are costs incurred to physically move product from the Group's premises to the customer's premises, are classified as distribution and administrative expenses. Handling costs, which are costs incurred to store, move and prepare product for shipment, are classified as cost of sales. Shipping costs included in distribution and administrative expenses were $56.5 million and $59.1 million in fiscal 2013 and 2012, respectively.

Research and Development

Internal research and development costs are expensed as incurred. R&D costs include salary and benefits, allocated overhead and occupancy costs, clinical trial and related clinical manufacturing costs, contract services and other costs.

Upfront and milestone payments made to third parties under license arrangements are expensed as incurred up to the point of regulatory approval of the product. Milestone payments made to third parties upon or subsequent to regulatory approval are capitalized as an intangible asset and amortized to cost of sales over the estimated useful life of the related product.

Advertising

Advertising costs are expensed when incurred. Advertising expense was $7.5 million and $8.8 million in fiscal 2013 and 2012, respectively, and is included in distribution and administrative expenses.

Currency Translation

For the Group's non-U.S. subsidiaries that transact in a functional currency other than U.S. dollars, assets and liabilities are translated into U.S. dollars using fiscal year-end exchange rates. Turnover and expenses are translated at the average exchange rates in effect during the related month. The net effect of these translation adjustments is shown in the consolidated and combined financial statements as a component of accumulated other comprehensive profit. For subsidiaries operating in highly inflationary environments or where the functional currency is different from the local currency, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date the assets and liabilities were acquired or assumed, while monetary assets and liabilities are translated at fiscal year-end exchange rates. Translation adjustments of these subsidiaries are included in profit after taxation. Gains and losses resulting from foreign currency transactions are included in profit after taxation. Foreign currency losses included within profit after taxation for fiscal 2013 were $14.2 million. The impact of foreign currency on profit after taxation in fiscal 2012 was immaterial.

Cash at Bank and In Hand

The Group classifies cash on hand and deposits in banks, including commercial paper, money market accounts and other investments it may hold from time to time, with an original maturity to the Group of three months or less, as cash at bank and in hand.

Trade Debtors and Allowance for Doubtful Accounts

Trade debtors are presented net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects an estimate of losses inherent in the Group's portfolio of trade debtors determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence. Trade debtors are written off when management determines they are uncollectible. Trade debtors are also presented net of reserves related to chargebacks and non-branded rebates payable to customers for whom we have trade debtors and the right of offset exists.

Stocks

Stocks are recorded at the lower of cost or market value, primarily using the first-in, first-out convention. The Group reduces the carrying value of stocks for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Tangible Assets

Tangible assets are stated at cost. Major renewals and improvements are capitalized, while routine maintenance and repairs are expensed as incurred. Depreciation for tangible assets, other than land and construction in process, is based upon the following estimated useful lives, using the straight-line method:

Buildings	10	to	50 years
Leasehold improvements	2	to	14 years
Capitalized software	1	to	14 years
Machinery and equipment	3	to	20 years

The Group capitalizes certain computer software and development costs incurred in connection with developing or obtaining software for internal use.

Upon retirement or other disposal of tangible assets, the cost and related amount of accumulated depreciation are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset value and the proceeds is included in profit after taxation.

The Group assesses the recoverability of assets using undiscounted cash flows whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If an asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the present value of future cash flows or other reasonable estimate of fair value.

Acquisitions

Amounts paid for acquisitions are allocated to the tangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group then allocates the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including purchased research and development. The fair value of identifiable intangible assets is based on detailed valuations. The Group allocates any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill.

The Group's purchased R&D represents the estimated fair value as of the acquisition date of in-process projects that have not reached technological feasibility. The primary basis for determining technological feasibility of these projects is obtaining regulatory approval.

The value of in-process research and development ("IPR&D") is determined using the discounted cash flow method. In determining the value of IPR&D, the Group considers, among other factors, appraisals, the stage of completion of the projects, the technological feasibility of the projects, whether the projects have an alternative future use and the estimated residual cash flows that could be generated from the various projects and technologies over their respective projected economic lives. The discount rate used is determined at the time of acquisition and includes a rate of return which accounts for the time value of money, as well as risk factors that reflect the economic risk that the cash flows projected may not be realized.

The value attributable to IPR&D projects at the time of acquisition is capitalized as an indefinite-lived intangible asset and tested for impairment until the project is completed or abandoned. Upon completion of the project, the indefinite-lived intangible asset is then accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life. If the project is abandoned, the indefinite-lived intangible asset is charged to expense. As of September 27, 2013, the Group had IPR&D of $18.6 million. As of September 28, 2012, the Group had no IPR&D.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets and liabilities assumed in a business combination. Irish company law requires indefinite-lived intangible assets and goodwill to be amortized; however, the Group does not believe this gives a true and fair view because not all goodwill and intangible assets decline in value. In addition, since goodwill that does decline in value rarely does so on a straight-line basis, straight-line amortization of goodwill over an arbitrary period does not reflect the economic reality. Therefore, in order to present a true and fair view of the economic reality, under U.S. GAAP, goodwill and certain other intangible assets are considered indefinite-lived and are not amortized. Rather, the Group tests goodwill for impairment during the fourth quarter of each year, or more frequently if impairment indicators arise. The Group utilizes a two-step approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Group estimates the fair value of its reporting units

through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Group will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Group allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Intangible assets acquired in a business combination are recorded at fair value, while intangible assets acquired in other transactions are recorded at cost. Intangible assets with finite useful lives are subsequently amortized using the straight-line method over the following estimated useful lives of the assets:

Completed technology	5	to	25 years
License agreements	8	to	30 years
Trademarks			30 years

Amortization expense related to completed technology and certain other intangible assets is included in cost of sales, while amortization expense related to intangible assets that contribute to the Group's ability to sell, market and distribute products is included in distribution and administrative expenses. When a triggering event occurs, the Group evaluates potential impairment of finite-lived intangible assets by first comparing undiscounted cash flows associated with the asset to its carrying value. If the carrying value is greater than the undiscounted cash flows, the amount of potential impairment is measured by comparing the fair value of the assets with their carrying value. The fair value of the intangible asset is estimated using an income approach. If the fair value is less than the carrying value of the intangible asset, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the present value of future cash flows. The Group annually tests the indefinite-lived intangible assets for impairment by comparing the fair value of the assets, estimated using an income approach, with their carrying value and records an impairment when the carrying value exceeds the fair value. The Group assesses the remaining useful life and the recoverability of finite-lived intangible assets whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Indefinite-lived intangible assets are tested for impairment at least annually.

Contingencies

The Group is subject to various patent, product liability, government investigations, environmental liability and other legal proceedings in the ordinary course of business. The Group records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Group discounts environmental liabilities using a risk-free rate of return when the obligation is fixed or reasonably determinable. The impact of the discount in the consolidated and combined balance sheets was not material in any period presented. Legal fees, other than those pertaining to environmental and asbestos matters, are expensed as incurred. Insurance recoveries related to potential claims are recognized up to the amount of the recorded liability when coverage is confirmed and the estimated recoveries are probable of payment. Assets and liabilities are not netted for financial statement presentation.

Asset Retirement Obligations

The Group establishes asset retirement obligations for certain assets at the time they are installed. The present value of an asset retirement obligation is recorded as a liability when incurred. The liability is subsequently adjusted in future periods as accretion expense is recorded or as revised estimates of the timing or amount of cash flows required to retire the asset are obtained. The corresponding asset retirement costs are capitalized as part of the carrying value of the related long-lived asset and depreciated over the asset's useful life. The Group's obligations to decommission two facilities upon cessation of its radiological licensed operations are included on the consolidated and combined balance sheets as provisions for liabilities.

Share-Based Compensation

The Group recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. That cost is recognized over the period during which an employee is required to provide service in exchange for the award, the requisite service period (generally the vesting period). For more information about the Company's share-based awards, refer to Note 18.

Taxation

Taxation for periods prior to the Separation were calculated on a separate tax return basis (inclusive of certain loss benefits), although the Group's operations were historically included in Covidien's U.S. federal and state tax returns or the tax returns of non-U.S. jurisdictions. Accordingly, the taxation presented for periods prior to June 28, 2013 does not necessarily reflect the results that would have occurred as an independent, publicly-traded group. With the exception of certain non-U.S. entities, the Group did not maintain taxes payable to or from Covidien and the Group was deemed to settle the annual current tax balances immediately with the legal tax-paying entities in the respective jurisdictions. These settlements were reflected as changes in other reserves.

Deferred tax assets and liabilities are recognized for the expected future taxation consequences of events that have been reflected in the consolidated and combined financial statements. Deferred taxation assets and liabilities are determined based on the differences between the book and tax bases of assets and liabilities and operating loss carryforwards, using tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to reduce net deferred taxation assets if, based upon the available evidence, it is more likely than not that some or all of the deferred taxation assets will not be realized.

The Group determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the uncertainty. To the extent a full benefit is not expected to be realized on the uncertain tax position, a tax liability is established. Interest and penalties on taxation obligations, including uncertain tax positions, are included in the provision for taxation.

The calculation of the Group's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across the Group's global operations. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the tax liabilities. If the Group's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities may result in taxation benefits being recognized in the period when it is determined that the liabilities are no longer necessary. A significant portion of these potential tax liabilities are recorded in creditors (amounts falling due after more than one year) on the consolidated and combined balance sheets as payment is not expected within one year.

3. Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11 in December 2011, "Disclosures about Offsetting Assets and Liabilities," which was clarified in January 2013 by ASU 2013-01 "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." This guidance provides new disclosure requirements about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to an agreement similar to a netting agreement, to enable users of financial statements to understand the effects or potential effects of those arrangements on an entity's financial position. The guidance is effective for the Group in the first quarter of fiscal 2014. The Group is still assessing the impact of the pronouncement but does not expect it will have a material impact on its financial condition, results of operations and cash flows.

FASB issued ASU 2013-02, "Reporting Amounts Classified out of Accumulated Other Comprehensive Income," in February 2013. This guidance requires an entity to present, either on the face of the profit and loss account or separately in the notes to the financial statements, the effects on profit after taxation of significant amounts reclassified out of each component of accumulated other comprehensive profit, if those amounts are required to be reclassified to profit after taxation in their entirety in the same reporting period. For other amounts not required to be reclassified to profit after taxation in their entirety, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The guidance is effective for the Group in the first quarter of fiscal 2014. The Group is still assessing the impact of the pronouncement but does not expect it will have a material impact on its financial condition, results of operations and cash flows.

FASB issued ASU 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date," in February 2013. This update provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance. An entity is required to measure those obligations as the sum of the amount the entity has agreed to pay on the basis of its arrangement among its co-obligors, and any additional amounts it expects to pay on behalf of its co-obligors. The guidance also requires the entity to disclose the nature and amount of those obligations. The guidance is effective for the Group in the first quarter of fiscal 2015. The Group is still assessing the impact of the pronouncement but does not expect it will have a material impact on its financial condition, results of operations and cash flows.

4. Discontinued Operations and Divestitures

Discontinued Operations

During fiscal 2010, the Specialty Chemicals business (formerly known as "Mallinckrodt Baker"), which was part of the Group's Specialty Pharmaceuticals segment, was sold because its products and customer bases were not aligned with the Group's long-term strategic objectives. This business met the discontinued operations criteria and, accordingly, was included in discontinued operations for all periods presented. During fiscal 2013, the Group recorded a gain of $1.0 million and in fiscal 2012 recorded a loss of $6.7 million. This gain and loss were primarily related to the indemnification obligations to the purchaser, which are discussed in Note 21.

Divestitures

During fiscal 2011, the Group sold the rights to market TussiCaps extended-release capsules, a cough suppressant. The purchaser may be obligated to make contingent payments to the Group of up to $11.5 million from December 31, 2011 through September 30, 2015, payable in equal quarterly installments until such time as a new competitive generic product is introduced into the market. In addition, the Group would receive a $1.0 million contingent payment if certain turnover targets are achieved over the same time period. The Group received $2.9 million of contingent payments during both fiscal 2013 and 2012, which were included in distribution and administrative expenses.

5. Acquisitions

CNS Therapeutics

On October 1, 2012, the Group's Specialty Pharmaceuticals segment acquired all the outstanding equity of CNS Therapeutics, a specialty pharmaceuticals company focused on developing and commercializing intrathecal products for site-specific administration to the central nervous system to treat neurological disorders and intractable chronic pain, for total consideration of $95.0 million. The total consideration was comprised of an upfront cash payment of $88.1 million (net of cash acquired of $3.6 million) and the fair value of contingent consideration of $6.9 million. This contingent consideration, which could potentially total a maximum of $9.0 million, is discussed further in Note 24. The acquisition of CNS Therapeutics expanded the Group's branded pharmaceuticals portfolio and supports the Group's strategy of leveraging its therapeutic expertise and core capabilities in manufacturing, regulatory and commercialization to serve patients. With the acquisition, the Group now offers products for use in the management of severe spasticity of cerebal or spinal origin with a R&D pipeline of an additional presentation and concentration of Gablofen, as well as other investigational pain products for intrathecal administration.

The following amounts represent the final allocation of the fair value of the identifiable assets acquired and liabilities assumed:

Current assets [1]	$	13.3
Intangible assets		91.9
Goodwill (non-tax deductible) [2]		24.5
Total assets acquired		129.7
Current liabilities		4.0
Deferred taxation liability, net (non-current)		27.1
Contingent consideration (non-current)		6.9
Total liabilities assumed		38.0
Net assets acquired	$	91.7

(1) This amount includes $3.3 million of trade debtors, which is also the gross contractual value. As of the acquisition date, the fair value of trade debtors approximated carrying value.

(2) Goodwill relates to the Group's ability to exploit CNS Therapeutics' technologies.

The following reconciles the total consideration to net assets acquired:

Total consideration	$	95.0
Plus: cash assumed in acquisition		3.6
Less: contingent consideration		(6.9)
Net assets acquired	$	91.7

Intangible assets acquired consist of the following:

	Amount		Weighted-Average Amortization Period
Completed technology	$	73.1	13 years
Trademark		0.2	3 years
In-process research and development		18.6	Non-Amortizable
	$	91.9	

The IPR&D projects primarily relate to certain intrathecal pain products. As of the date of acquisition, these pain products were in various stages of development, with further development, testing, clinical trials and regulatory submission required in order to bring them to market. At the acquisition date, the total cost to complete these products was estimated to be approximately $18.0 million. The Group expects that regulatory approvals will occur between 2015 and 2018. The valuation of the in-process research and development was determined using, among other factors, appraisals primarily based on the discounted cash flow method. The cash flows were discounted at a 35% rate, which was considered commensurate with the risks and stages of development of the pain products. Future residual cash flows that could be generated from the products were determined based upon management's estimate of future turnover and expected profitability of the products. These projected cash flows were then discounted to their present values taking into account management's estimate of future expenses that would be necessary to bring the products to completion.

The consolidated and combined profit and loss account for fiscal 2013 contained $29.2 million of turnover of intrathecal products added to the Group's portfolio from the CNS Therapeutics acquisition. Acquisition and integration costs included in the periods presented were not material. The Group does not believe that the results of operations for the periods presented would have been materially different had the acquisition taken place at the beginning of the first period presented.

Roxicodone

In August 2012, the Group's Specialty Pharmaceuticals segment paid $13.2 million under an agreement to acquire all of the rights to Xanodyne Pharmaceuticals, Inc.'s Roxicodone®, which was capitalized as an intangible asset. Roxicodone is an immediate-release oral formulation of oxycodone hydrochloride indicated for the management of moderate to severe pain where the use of an opioid analgesic is appropriate. Roxicodone is the Reference Listed Drug for one of the Group's generic products and is important to the Group's product pipeline. Turnover of Roxicodone during fiscal 2013 were $8.4 million. There are no ongoing royalty payments under this agreement.

License Agreements

Exalgo

In 2009, the Group's Specialty Pharmaceuticals segment acquired the rights to market and distribute the pain management drug Exalgo in the U.S. Under the license agreement, the Group is obligated to make additional payments of up to $73.0 million based on the successful completion of specified development and regulatory milestones. Through fiscal 2013, $65.0 million of additional payments have been made, with $55.0 million being capitalized as an intangible asset. The amount capitalized related to the FDA's approval of the NDA for the 8mg, 12mg and 16mg tablet dosage forms of Exalgo. During fiscal 2012 the Group received FDA approval to market a 32mg tablet dosage form. The Group is also required to pay royalties on turnover of the product. During fiscal 2013 and 2012, the Group paid royalties of $24.0 million and $16.1 million, respectively.

Depomed

In 2009, the Group's Specialty Pharmaceuticals segment licensed worldwide rights to utilize Depomed's Acuform gastric retentive drug delivery technology for the exclusive development of four products. Under this license agreement, the Group may be obligated to pay up to $64.0 million in development milestone payments. Through fiscal 2013, approximately $7.0 million of these payments have been made by the Group. The Group will also pay Depomed a royalty on turnover of products developed under this license agreement. During fiscal 2013, subsequent to the FDA's acceptance of the Group's NDA for MNK-795 in July 2013, a milestone payment of $5.0 million was made, for which the FDA granted conditional approval of the brand name Xartemis XR. During fiscal 2012, an insignificant amount of milestone payments were expensed as incurred since regulatory approval had not been received. In addition, no royalties have been paid through fiscal 2013.

Pennsaid

In 2009, the Group's Specialty Pharmaceuticals segment entered into a licensing agreement which granted it rights to market and distribute Pennsaid and Pennsaid 2%, a formulation of diclofenac sodium topical solution indicated for the treatment of pain associated with osteoarthritis of the knee. The Group is responsible for all future development activities and expenses and may be required to make milestone payments of up to $120.0 million based upon the successful completion of specified regulatory and turnover milestones. Through fiscal 2013, $15.0 million of these payments were made, all of which were capitalized as an intangible asset as the payment related to the fiscal 2010 FDA approval of the Pennsaid NDA. The Group is also required to pay royalties on turnover of the products under this agreement. During fiscal 2013 and 2012, the Group paid royalties of $3.9 million and $7.5 million, respectively, with this product.

6. Restructuring and Related Charges

During fiscal 2013, the Group launched a restructuring program designed to improve its cost structure ("the 2013 Mallinckrodt Program"). The 2013 Mallinckrodt Program includes actions across all segments, as well as within the corporate functions. The Group expects to incur charges of $100.0 million to $125.0 million under this program as the specific actions required to execute on these initiatives are identified and approved, most of which are expected to be incurred by the end of fiscal 2016. Restructuring actions associated with acquisitions made prior to the Separation are included within Other programs below.

Prior to Separation, Covidien initiated restructuring programs, which also applied to its Pharmaceutical business. These programs were substantially completed as of September 27, 2013.

Net restructuring and related charges by segment were as follows:

	2013	2012
Specialty Pharmaceuticals	$ 16.4	$ 11.3
Global Medical Imaging	16.4	7.9
Corporate	3.0	—
Restructuring and related charges, net	35.8	19.2
Less: accelerated depreciation	(2.6)	(8.0)
Restructuring charges, net	$ 33.2	$ 11.2

Net restructuring and related charges were comprised of the following:

	2013	2012
2013 Mallinckrodt Program	$ 14.9	$ —
Other programs	20.9	19.2
Total programs	35.8	19.2
Less: non-cash charges, including accelerated depreciation	(2.6)	(6.2)
Total charges expected to be settled in cash	$ 33.2	$ 13.0

The following table summarizes cash activity for restructuring reserves, substantially all of which related to employee severance and benefits:

	2013 Mallinckrodt Program	Other Programs	Total
At September 30, 2011	$ —	$ 7.6	$ 7.6
Charges	—	12.8	12.8
Changes in estimate	—	0.2	0.2
Cash payments	—	(11.5)	(11.5)
Reclassifications [1]	—	(0.2)	(0.2)
At September 28, 2012	—	8.9	8.9
Charges	14.9	20.9	35.8
Changes in estimate	—	(2.6)	(2.6)
Cash payments	—	(15.1)	(15.1)
Reclassifications [1]	—	(1.5)	(1.5)
At September 27, 2013	$ 14.9	$ 10.6	$ 25.5

(1) Represents the reclassification of pension and other postretirement benefits from restructuring reserves to pension and postretirement obligations, and the transfer of certain restructuring liabilities in conjunction with the Separation.

Net restructuring and related charges, including associated asset impairments, incurred cumulative to date related to the 2013 Mallinckrodt Program were as follows:

Specialty Pharmaceuticals	$ 2.4
Global Medical Imaging	9.5
Corporate	3.0
	$ 14.9

Substantially all of the restructuring reserves were included in provision for liabilities on the Group's consolidated and combined balance sheets.

7. Interest Payable and Similar Charges

Interest payable and similar charges were comprised of:

	2013	2012
Interest on debt repayable within five years, otherwise than by installment	$ 5.2	$ 0.4
Interest on debt repayable beyond five years, otherwise than by installment	13.8	—
Interest on debt repayable within five years, by installment	—	0.1
Interest on debt repayable beyond five years, by installment	0.4	—
Amortization of debt issue costs	1.1	—
Capitalized interest	(1.0)	—
Interest payable and similar charges	$ 19.5	$ 0.5

8. Taxation

The U.S. and non-U.S. components of profit on ordinary activities before taxation were as follows:

	2013	2012
U.S.	$ 70.0	$ 174.6
Non-U.S.	56.4	61.5
Total	$ 126.4	$ 236.1

Significant components of taxation related to ordinary activities were as follows:

	2013	2012
Current:		
U.S.:		
Federal	$ 45.7	$ 61.1
State	9.2	7.2
Non-U.S.	22.7	17.5
Current taxation	77.6	85.8
Deferred:		
U.S.:		
Federal	(11.7)	5.3
State	(1.2)	2.4
Non-U.S.	3.9	1.3
Deferred income tax (benefit) provision	(9.0)	9.0
	$ 68.6	$ 94.8

The reconciliation between U.S. federal taxation at the statutory rate and the Group's taxation on ordinary activities was as follows:

	2013	2012
Notional U.S. federal taxation at the statutory rate	$ 44.3	$ 82.6
Adjustments to reconcile to taxation:		
U.S. state taxation, net	4.8	7.1
Rate difference between non-U.S. and U.S. jurisdictions [1] [2]	(2.2)	(3.5)
Domestic manufacturing deduction	(2.5)	(3.0)
Valuation allowances, nonrecurring	3.4	—
Adjustments to accrued taxation liabilities and uncertain tax positions [2]	8.6	1.2
Interest on accrued taxation liabilities and uncertain tax positions [2]	4.7	1.1
Withholding tax, net	0.3	0.4
Credits, principally research [3]	(6.2)	(0.8)
Permanently nondeductible and nontaxable items	12.0	8.1
Other	1.4	1.6
Taxation	$ 68.6	$ 94.8

(1) Excludes non-deductible charges and other items which were broken out separately in the statutory rate reconciliation presented. Also includes the impact of certain valuation allowances.

(2) Includes impact of items relating to entities retained by Covidien in connection with the Separation.

(3) Due to the December 31, 2011 tax law expiration, fiscal 2012 includes U.S. Research Credits for only the three months ended December 31, 2011. During fiscal 2013, the legislation was extended, with a retroactive effective date of January 1, 2012. As such, fiscal 2013 includes approximately $2.3 million of credit related to the period January 1, 2012 through September 28, 2012.

As of September 27, 2013 and September 28, 2012, the amounts of unrecognized tax benefits for which the Group is legally and directly liable and would be required to remit cash if not sustained were $100.1 million and $13.4 million, respectively. For periods prior to the Separation, the Group's operations had been included in tax returns filed by Covidien or certain of its subsidiaries not included in the Group's historical combined financial statements. As a result, some federal uncertain tax positions related to the Group's operations resulted in unrecognized tax benefits that are obligations of entities not included in the combined financial statements for periods prior to June 28, 2013. Because the activities that gave rise to these unrecognized tax benefits relate to the Group's operations, the impact of these items (presented in the table below) were charged to taxation through parent company investment, which was a component of other reserves in the combined balance sheets.

The following table summarizes the activity related to the Group's unrecognized tax benefits, excluding interest:

	2013	2012
Balance at beginning of fiscal year	$ 165.5	$ 168.4
Unrecognized tax benefits retained by Covidien	(153.7)	—
Unrecognized tax benefits transferred from Covidien	84.2	—
Additions related to current year tax positions	3.5	1.3
Additions related to prior period tax positions	6.6	1.6
Reductions related to prior period tax positions	(4.3)	(1.9)
Settlements	(1.6)	(1.7)
Lapse of statute of limitations	(0.1)	(2.2)
Balance at end of fiscal year	100.1	165.5
Cash advance paid in connection with proposed settlements	—	(23.5)
Balance at end of fiscal year, net of cash advance	$ 100.1	$ 142.0

The Group expects to make an advance payment of $30.0 million in fiscal 2014, which is comprised of unrecognized tax benefits, other tax items unrelated to unrecognized tax benefits and associated interest. This amount has been recorded within creditors (amounts falling due within one year) as of September 27, 2013.

Unrecognized tax benefits, excluding interest were reported in the following consolidated and combined balance sheet captions in the amount shown:

	September 27, 2013	September 28, 2012
Creditors (amounts falling due within one year)	$ 23.4	$ —
Creditors (amounts falling due after more than one year)	76.7	13.4
Other reserves	—	152.1
	$ 100.1	$ 165.5

The changes in the balance sheet captions between periods in the above table reflects the transfer of the liabilities to the Group from Covidien with the Separation. Pursuant to the separation and distribution agreement ("the Separation and Distribution Agreement") and other agreements, certain assets and liabilities that were formerly associated with the Pharmaceuticals business of Covidien were retained by Covidien and, conversely, certain non-operating assets and liabilities were transferred to the Group. The amounts related to unrecognized tax benefits recorded within parent company investment at the Separation were retained by Covidien, and $84.2 million of liabilities related to unrecognized tax benefits, excluding interest, were transferred to the Group.

Included within total unrecognized tax benefits at September 27, 2013 and September 28, 2012, there were $96.3 million and $144.3 million, respectively, of unrecognized tax benefits, which if favorably settled would benefit the effective tax rate. The remaining unrecognized tax benefits for each period would be offset by the write-off of related deferred and other tax assets, if recognized. During fiscal 2013 and 2012, the Group accrued additional interest of $2.4 million and $1.4 million, respectively, with no additional penalties accrued during these periods. The total amount of accrued interest related to uncertain tax positions was $62.1 million and $33.9 million, respectively, with no penalties accrued during these periods. Of the $33.9 million accrued as of September 28, 2012, $26.0 million was included within other reserves on the combined balance sheet. This amount was retained by Covidien in connection with the Separation and $51.8 million of accrued interest related to unrecognized tax benefits was transferred to the Group. During fiscal 2013 $4.0 million in penalty accruals were transferred to the Group by Covidien in connection with the Separation.

It is reasonably possible that within the next twelve months, as a result of the resolution of various federal, state and foreign examinations and appeals and the expiration of various statutes of limitation, that the unrecognized tax benefits that would affect the effective tax rate will decrease by up to $22.6 million. The amount of interest and penalties that will affect the effective tax rate will decrease by up to $15.6 million.

Income taxes payable, including uncertain tax positions and related interest accruals, was reported in the following consolidated and combined balance sheet captions in the amounts shown. Creditors (amounts falling due after more than one year) also includes anticipated refunds and other items not related to uncertain tax positions.

	September 27, 2013	September 28, 2012
Creditors (amounts falling due within one year)	$ 28.2	$ 2.6
Creditors (amounts falling due after more than one year)	153.1	19.4
	$ 181.3	$ 22.0

Covidien continues to be examined by various taxing authorities for periods the Group was included within the consolidated results of Covidien. The resolution of these tax matters could result in a significant change in the Group's unrecognized tax benefits; however, the Group does not expect that the total amount of unrecognized tax benefits will significantly change over the next twelve months. In connection with the Separation, the Group entered into the Tax Matters Agreement with Covidien, which generally governs Covidien's and Mallinckrodt's respective rights, responsibilities and obligations after the Separation with respect to certain taxes, including, but not limited to, ordinary course of business taxes. For further information on the Tax Matters Agreement, refer to Note 20.

As of September 27, 2013, tax years that remain subject to examination in the Group's major tax jurisdictions were as follows:

Jurisdiction	Earliest Open Year
U.S. - federal and state	1996
Ireland	2009
Netherlands	2013
Switzerland	2012

Deferred taxation results from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of deferred taxation at the end of each fiscal year were as follows:

	September 27, 2013	September 28, 2012
Deferred tax assets:		
Accrued liabilities and reserves	$ 53.8	$ 47.4
Stocks	30.5	36.4
Tax loss and credit carryforwards	53.6	1.2
Environmental liabilities	27.3	66.4
Rebate reserves	43.4	38.1
Indemnification reserves	8.2	14.9
Postretirement benefits	30.2	67.7
Federal and state benefit of uncertain tax positions and interest	47.1	5.7
Deferred intercompany interest	19.2	—
Other	30.8	13.9
	344.1	291.7
Deferred tax liabilities:		
Tangible assets	(160.5)	(139.9)
Intangible assets	(113.1)	(89.1)
Investment in partnership	(173.6)	—
	(447.2)	(229.0)
Deferred taxation before valuation allowances	(103.1)	62.7
Valuation allowances	(30.0)	(15.3)
Deferred taxation	$ (133.1)	$ 47.4

Deferred taxation activity for fiscal 2013 was as follows:

At September 28, 2012	$ 47.4
Provisions	9.0
Acquisitions	(27.1)
Charge to equity	(161.7)
Currency translation and other	(0.7)
At September 27, 2013	$ (133.1)

Deferred taxation was reported in the following consolidated and combined balance sheet captions in the amounts shown:

	September 27, 2013	September 28, 2012
Debtors (due within one year)	$ 171.1	$ 119.9
Debtors (due after more than one year)	7.5	3.9
Provision for liabilities	(311.7)	(76.4)
	$ (133.1)	$ 47.4

The Group's current deferred taxation increased from $119.9 million at September 28, 2012 to $171.1 million at September 27, 2013 primarily due to $16.5 million being transferred to the Group from Covidien in connection with the Separation, $19.2 million of deferred U.S. tax deduction on intercompany interest and $5.8 million related to the acquisition of CNS Therapeutics. Additionally, the Group's noncurrent deferred taxation increased from $76.4 million at September 28, 2012 to $311.7 million at September 27, 2013, primarily due to $165.1 million being transferred to the Group from Covidien in connection with the Separation and $32.9 million related to the acquisition of CNS Therapeutics. The transfer from Covidien in connection with the Separation was predominately related to an indefinite-lived deferred taxation liability of $173.6 million related to the Group's wholly-owned U.S. operating partnership.

At September 27, 2013, the Group had approximately $13.6 million of net operating loss carryforwards in certain non-U.S. jurisdictions, of which $11.4 million have no expiration and the remaining $2.2 million will expire in future years through 2023. The Group had $23.2 million of U.S. federal and state net operating loss carryforwards and $5.4 million of U.S. federal capital loss carryforwards at September 27, 2013, which will expire during fiscal 2014 through 2033.

At September 27, 2013 the Group also had $11.4 million of tax credits available to reduce future taxation payable, primarily in jurisdictions within the U.S., of which $0.6 million have no expiration and the remainder expire during fiscal 2014 through 2033.

The valuation allowances for deferred taxation of $30.0 million and $15.3 million at September 27, 2013 and September 28, 2012, respectively, relate principally to the uncertainty of the utilization of certain deferred taxation assets, primarily non-US net operating losses, certain reserves in non-U.S. jurisdictions and realized and unrealized capital losses in the U.S. The Group believes that it will generate sufficient future taxable profit to realize the tax benefits related to the remaining deferred taxation.

During fiscal 2013 and 2012, the Group provided for U.S. and non-U.S. profit and withholding taxes in the amount of $0.2 million and $0.4 million, respectively, on earnings that were or are intended to be repatriated. In general, the remaining earnings of the Group's subsidiaries are considered to be permanently reinvested. Taxation is not provided on undistributed earnings of U.S. and non-U.S. subsidiaries that are either indefinitely reinvested or can be distributed on a tax-free basis. As of September 27, 2013, the cumulative amount of such undistributed earnings was approximately $1.0 billion. It is not practicable to determine the cumulative amount of taxation that would arise if these earnings were remitted.

9. Earnings (Loss) per Ordinary Share

Basic earnings (loss) per ordinary share is computed by dividing profit after taxation by the number of weighted-average ordinary shares outstanding during the period. Diluted earnings (loss) per ordinary share is computed using the weighted-average ordinary shares outstanding and, if dilutive, potential ordinary shares outstanding during the period. Potential ordinary shares represents the incremental ordinary shares issuable for restricted share units and share option exercises. The Group calculates the dilutive effect of outstanding restricted share units and share options on earnings (loss) per ordinary share by application of the treasury stock method.

The computations of basic and diluted earnings (loss) per ordinary share assumes that the number of shares outstanding for periods prior to June 28, 2013 was equal to the number of ordinary shares of Mallinckrodt plc outstanding on June 28, 2013, immediately following the distribution of one ordinary share of Mallinckrodt plc for every eight ordinary shares of Covidien. The dilutive effect of the Group's share-based awards that were issued as a result of the conversion of Covidien share-based awards with the Separation, the initial equity awards granted to certain of the Group's executives on July 1, 2013 and any other Group grants made since the Separation have been included in the computation of diluted earnings per ordinary share for fiscal 2013, weighted appropriately for the portion of the period they were outstanding.

	2013	2012
Weighted-average ordinary shares for basic earnings (loss) per ordinary share	57.7	57.7
Effect of share options and restricted shares	0.1	—
Weighted-average ordinary shares for diluted earnings (loss) per ordinary share	57.8	57.7

The computation of diluted earnings per ordinary share for fiscal 2013 excludes approximately 0.5 million of equity awards because the effect would have been anti-dilutive.

10. Stocks

Stocks were comprised of the following at the end of each period:

	September 27, 2013	September 28, 2012
Raw materials and supplies	$ 68.8	$ 74.1
Work in process	191.5	184.7
Finished goods	142.8	176.5
Stocks	$ 403.1	$ 435.3

11. Tangible Assets

The gross carrying amount and accumulated depreciation of tangible assets at the end of each period was as follows:

	September 27, 2013	September 28, 2012
Land	$ 60.4	$ 60.0
Buildings	316.6	297.3
Capitalized software	76.4	59.9
Machinery and equipment	1,226.6	1,152.8
Construction in process	193.7	181.4
Demonstration equipment	31.5	31.3
	1,905.2	1,782.7
Less: accumulated depreciation	(900.6)	(830.5)
Total tangible assets	$ 1,004.6	$ 952.2

The amounts above include property under capital leases of $17.8 million and $17.0 million at September 27, 2013 and September 28, 2012, respectively, consisting primarily of buildings. Accumulated amortization of capitalized lease assets was $15.8 million and $14.3 million at at the end of fiscal 2013 and 2012, respectively.

Depreciation expense, including amounts related to capitalized leased assets, was $104.2 million and $103.6 million for fiscal 2013 and 2012, respectively. Depreciation expense includes depreciation on demonstration equipment of $3.6 million and $3.4 million for fiscal 2013 and 2012, respectively.

Tangible assets activity for fiscal 2013 was as follows:

	Land	Buildings	Capitalized Software	Machinery and Equipment	Construction in Process	Demonstration Equipment	Total Tangible Assets
Cost:							
At September 28, 2012	$ 60.0	$ 297.3	$ 59.9	$ 1,152.8	$ 181.4	$ 31.3	$ 1,782.7
Additions	—	0.3	0.2	1.3	147.0	5.4	154.2
Disposals	—	(5.7)	(1.5)	(25.3)	(0.6)	(3.6)	(36.7)
Transfers	—	22.4	17.5	94.4	(134.3)	—	—
Currency translation and other	0.4	2.3	0.3	3.4	0.2	(1.6)	5.0
At September 27, 2013	$ 60.4	$ 316.6	$ 76.4	$ 1,226.6	$ 193.7	$ 31.5	$ 1,905.2
Depreciation:							
At September 28, 2012	$ —	$ 119.0	$ 43.3	$ 643.9	$ —	$ 24.3	$ 830.5
Depreciation expense	—	16.9	7.4	76.3	—	3.6	104.2
Disposals	—	(6.1)	(1.5)	(24.6)	—	(2.8)	(35.0)
Currency translation and other	—	0.4	—	1.3	—	(0.8)	0.9
At September 27, 2013	$ —	$ 130.2	$ 49.2	$ 696.9	$ —	$ 24.3	$ 900.6
Net book value:							
At September 28, 2012	$ 60.0	$ 178.3	$ 16.6	$ 508.9	$ 181.4	$ 7.0	$ 952.2
At September 27, 2013	$ 60.4	$ 186.4	$ 27.2	$ 529.7	$ 193.7	$ 7.2	$ 1,004.6

Gain or loss on disposal of tangible assets of was immaterial in both fiscal 2013 and 2012.

12. Intangible Assets

Intangible asset activity for fiscal 2013 was as follows:

	Goodwill	Completed Technology	Licenses	Trademarks	In-process Research and Development	Total Intangible Assets
Cost:						
At September 28, 2012	$ 507.5	$ 376.1	$ 191.1	$ 42.7	$ —	$ 1,117.4
Additions	24.5	73.1	—	0.2	18.6	116.4
At September 27, 2013	$ 532.0	$ 449.2	$ 191.1	$ 42.9	$ 18.6	$ 1,233.8
Amortization:						
At September 28, 2012	$ —	$ 173.7	$ 67.1	$ 3.5	$ —	$ 244.3
Amortization expense	—	22.9	12.2	0.3	—	35.4
At September 27, 2013	$ —	$ 196.6	$ 79.3	$ 3.8	$ —	$ 279.7
Net book value:						
At September 28, 2012	$ 507.5	$ 202.4	$ 124.0	$ 39.2	$ —	$ 873.1
At September 27, 2013	$ 532.0	$ 252.6	$ 111.8	$ 39.1	$ 18.6	$ 954.1

The changes in the carrying amount of goodwill by segment were as follows:

	Specialty Pharmaceuticals	Global Medical Imaging	Total
At September 30, 2011	$ 287.8	$ 219.7	$ 507.5
Acquisitions	—	—	—
At September 28, 2012	287.8	219.7	507.5
Acquisitions	24.5	—	24.5
At September 27, 2013	$ 312.3	$ 219.7	$ 532.0

The gross carrying amount and accumulated amortization of intangible assets at the end of each period were as follows:

	September 27, 2013		September 28, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable:				
Completed technology	$ 449.2	$ 196.6	$ 376.1	$ 173.7
Licenses	191.1	79.3	191.1	67.1
Trademarks	7.9	3.8	7.7	3.5
Total	$ 648.2	$ 279.7	$ 574.9	$ 244.3
Non-Amortizable:				
Trademarks	$ 35.0		$ 35.0	
In-process research and development	18.6		—	
Total	$ 53.6		$ 35.0	

Intangible asset amortization expense was $35.4 million and $27.3 million in fiscal 2013 and 2012, respectively. The estimated aggregate amortization expense on intangible assets owned by the Group is expected to be as follows:

Fiscal 2014	$ 35.4
Fiscal 2015	35.4
Fiscal 2016	35.3
Fiscal 2017	33.9
Fiscal 2018	25.2

13. Creditors (amounts falling due within one year)

At the end of fiscal 2013 and 2012, creditors (amounts falling due within one year) were comprised of:

	September 27, 2013	September 28, 2012
Debt (Note 15)	$ 1.5	$ 1.3
Trade creditors	120.9	112.5
Accrued payroll and employee benefits	66.5	60.3
Due to former parent company (Note 20)	79.3	—
Income taxes payable (Note 8)	28.2	2.5
Sales taxes payable	19.5	12.7
Other taxes	6.9	7.3
Accrued interest	18.8	0.1
Accrued royalties	13.2	12.1
Accrued rebates	11.9	19.3
Accrued professional fees	11.5	4.6
Payables on hedges	1.4	—
Accruals and other creditors	108.0	91.5
	$ 487.6	$ 324.2

14. Creditors (amounts falling due after more than a year)

At the end of fiscal 2013 and 2012, creditors (amounts falling due after more than one year) were comprised of:

	September 27, 2013	September 28, 2012
Debt (Note 15)	$ 918.3	$ 8.9
Income taxes payable (Note 8)	153.1	19.4
Deferred compensation	13.5	8.8
Accruals and other creditors	11.1	10.1
	$ 1,096.0	$ 47.2

As of September 27, 2013, accruals and other creditors includes €0.7 million, or approximately $0.9 million, in government grants, which largely related to government support given at the time the Group's manufacturing facility in Ireland was built. The grants are amortized to cost of sales over the useful lives of the assets to which they relate. The amortization recorded during fiscal 2013 and 2012 was not material.

15. Debt

Debt was comprised of the following at the end of each period:

	September 27, 2013	September 28, 2012
Current maturities of long-term debt:		
Capital lease obligation	$ 1.4	$ 1.3
Loan payable	0.1	—
Total current debt	1.5	1.3
Long-term debt:		
7.00% debentures due December 2013 [1]	—	5.8
3.50% notes due April 2018	299.9	—
9.50% debentures due May 2022 [2]	10.4	—
8.00% debentures due March 2023 [2]	8.0	—
4.75% notes due April 2023	598.2	—
Capital lease obligation	1.8	3.1
Total long-term debt	918.3	8.9
Total debt	$ 919.8	$ 10.2

(1) Under the terms of the Separation and Distribution Agreement, the 7.00% debentures due December 2013 were retained by Covidien.

(2) Under the terms of the Separation and Distribution Agreement, the 8.00% and 9.50% debentures due in March 2023 and May 2022, respectively, were transferred to the Group.

In November 2012, Mallinckrodt International Finance S.A. ("MIFSA") was formed as a 100%-owned subsidiary of Covidien in connection with the Separation. MIFSA is a holding company established to own, directly or indirectly, substantially all of the operating subsidiaries of the Group, to issue debt securities and to perform treasury operations. At the time of the Separation, MIFSA became a 100%-owned subsidiary of the Group.

In March 2013, MIFSA entered into a $250.0 million five-year senior unsecured revolving credit facility that matures in June 2018 ("the Credit Facility"). Borrowings under the Credit Facility will initially bear interest at LIBOR plus 1.50% per annum (subject to adjustment pursuant to a ratings-based pricing grid). The Credit Facility contains a $150.0 million letter of credit sublimit. The Credit Facility is subject to an initial annual facility fee of 0.25%, which is also subject to adjustment pursuant to a ratings-based pricing grid, and the fee applied to outstanding letters of credit is based on the interest rate applied to borrowings. The Credit Facility agreement contains customary affirmative and negative covenants, including a financial maintenance covenant that limits the Group's ratio of debt to earnings before interest, income taxes, depreciation and amortization, as adjusted for certain items, and another financial maintenance covenant that requires the Group's ratio of earnings before interest, income taxes, depreciation and amortization, as adjusted for certain items, to interest expense to exceed certain thresholds. Other nonfinancial covenants restrict, among other things, the Group's ability to create liens, the ability of the non-guarantor subsidiaries to incur additional indebtedness and the ability of the Company to merge or consolidate with any other person or sell or convey certain of its assets to any one person. MIFSA was not permitted to draw upon the Credit Facility until certain conditions were met, including completion of the Separation and Mallinckrodt plc's guaranty of MIFSA's obligations under the Credit Facility. These conditions were satisfied as of June 28, 2013; however, there were no borrowings or letters of credit outstanding under the Credit Facility as of September 27, 2013.

In April 2013, MIFSA issued $300.0 million aggregate principal amount of 3.50% senior unsecured notes due April 2018 and $600.0 million aggregate principal amount of 4.75% senior unsecured notes due April 2023 (collectively, "the Notes"). Mallinckrodt plc has fully and unconditionally guaranteed the Notes on an unsecured and unsubordinated basis as of the completion of the Separation. The Notes are subject to an indenture which contains covenants limiting the ability of MIFSA, its restricted subsidiaries (as defined in the Notes) and the Company, as guarantor, to incur certain liens or enter into sale and lease-back transactions. It also restricts the Company and MIFSA's ability to merge or consolidate with any other person or sell or convey all or substantially all of their assets to any one person. MIFSA may redeem all of the Notes at any time, and some of the Notes from time to time, at a redemption price equal to the principal amount of the Notes redeemed plus a make-whole premium. MIFSA will pay interest on the Notes semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013. The net proceeds to MIFSA from the issuance and sale of the Notes was $889.3 million, the majority of which was retained by Covidien per the terms of the Separation and Distribution Agreement. The Notes were issued and sold in a private placement; however, MIFSA is required to register the Notes with the SEC within one year of the issuance of the Notes.

As of September 27, 2013, the Group was, and expects to remain, in compliance with the provisions and covenants associated with its Credit Agreement, the Notes and its other debt agreements.

The Group's capital lease obligation relates to a non-U.S. manufacturing facility. This lease expires in December 2015. The aggregate amounts of debt, including the capital lease obligation, maturing during the next five fiscal years are as follows:

Fiscal 2014	$ 1.5
Fiscal 2015	1.4
Fiscal 2016	0.4
Fiscal 2017	—
Fiscal 2018	300.0

16. Retirement Plans

At the end of fiscal 2013 and 2012, pension and similar obligations, presented net of funded status, were comprised of:

	2013	2012
U.S. defined benefit pension plans	$ 38.0	$ 102.6
Non-U.S. defined benefit pension plans	7.7	(1.4)
Postretirement benefit obligations	53.2	80.3
Other	5.0	5.5
	$ 103.9	$ 187.0

Defined Benefit Plans

The Group sponsors a number of defined benefit retirement plans covering certain of its U.S. employees and non-U.S. employees. As of September 27, 2013, U.S. plans represented 73% of both the Group's total pension plan assets and projected benefit obligation. The Group generally does not provide postretirement benefits other than retirement plan benefits for its employees; however, certain of the Group's U.S. employees participate in postretirement benefit plans that provide medical benefits. These plans are unfunded.

The amounts included in the Group's financial statements are based on the most recent actuarial valuations, which are generally as of the end of the fiscal year. The actuarial valuations are performed by the individual plan's independent and professionally qualified actuaries. These actuarial reports are not available for public inspection.

During fiscal 2013, the Group incurred settlement charges of $6.8 million resulting from lump sum distributions to former employees.

The net periodic benefit cost (credit) for the Group's pension and postretirement benefit plans was as follows:

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Service cost	$ 5.0	$ 5.0	$ 0.1	$ 0.1
Interest cost	18.2	21.2	2.4	3.1
Expected return on plan assets	(29.6)	(24.5)	—	—
Amortization of net actuarial loss	12.3	11.7	0.3	0.2
Amortization of prior service cost	0.6	0.7	(9.1)	(9.2)
Plan settlements loss	6.8	(0.2)	—	—
Net periodic benefit cost (credit)	$ 13.3	$ 13.9	$ (6.3)	$ (5.8)

The following table represents the changes in benefit obligations, plan assets and the net amounts recognized on the consolidated and combined balance sheets for pension and postretirement benefit plans at the end of fiscal 2013 and 2012:

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Change in benefit obligation:				
Projected benefit obligations at beginning of year	$ 533.2	$ 491.1	$ 80.3	$ 80.1
Service cost	5.0	5.0	0.1	0.1
Interest cost	18.2	21.2	2.4	3.1
Employee contributions	0.3	0.3	—	—
Actuarial (gain) loss	(24.0)	53.3	(9.3)	2.8
Benefits and administrative expenses paid	(21.9)	(32.3)	(3.8)	(5.8)
Plan amendments	(9.0)	—	(16.5)	—
Plan settlements	(24.2)	(0.3)	—	—
Plan combinations	18.4	—	—	—
Currency translation	5.7	(5.1)	—	—
Projected benefit obligations at end of year	$ 501.7	$ 533.2	$ 53.2	$ 80.3
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 432.0	$ 383.6	$ —	$ —
Actual return on plan assets	17.3	63.0	—	—
Employer contributions	44.4	23.4	3.8	5.8
Employee contributions	0.3	0.3	—	—
Benefits and administrative expenses paid	(21.9)	(32.3)	(3.8)	(5.8)
Plan settlements	(24.2)	(0.3)	—	—
Plan combinations	2.3	—	—	—
Currency translation	5.8	(5.7)	—	—
Fair value of plan assets at end of year	456.0	432.0	—	—
Funded status at end of year	$ (45.7)	$ (101.2)	$ (53.2)	$ (80.3)

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Amounts recognized on the consolidated and combined balance sheet:				
Non-current assets	$ 17.1	$ 17.7	$ —	$ —
Current liabilities	(3.1)	(2.2)	(4.9)	(7.4)
Non-current liabilities	(59.7)	(116.7)	(48.3)	(72.9)
Net amount recognized on the consolidated and combined balance sheet	$ (45.7)	$ (101.2)	$ (53.2)	$ (80.3)
Amounts recognized in accumulated other comprehensive profit consist of:				
Net actuarial loss	$ (102.9)	$ (127.5)	$ (2.4)	$ (12.1)
Prior service credit (cost)	7.9	(1.8)	28.2	20.8
Net amount recognized in accumulated other comprehensive profit	$ (95.0)	$ (129.3)	$ 25.8	$ 8.7

The estimated amounts that will be amortized from accumulated other comprehensive profit into net periodic benefit cost (credit) in fiscal 2014 are as follows:

	Pension Benefits	Postretirement Benefits
Amortization of net actuarial loss	$ (8.3)	$ —
Amortization of prior service cost	0.6	9.3

The accumulated benefit obligation for all pension plans at the end of fiscal 2013 and 2012 was $499.9 million and $527.6 million, respectively. Additional information related to pension plans is as follows:

	2013	2012
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 377.6	$ 414.3
Fair value of plan assets	316.2	295.4

The accumulated benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets do not significantly differ from the amounts in the table above since substantially all of the Group's pension plans are frozen.

Actuarial Assumptions

Weighted-average assumptions used each fiscal year to determine net periodic benefit cost for the Group's pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	2013	2012	2013	2012
Discount rate	3.5%	4.4%	4.0%	5.2%
Expected return on plan assets	7.9%	7.5%	3.5%	4.0%
Rate of compensation increase	—	2.8%	3.7%	3.7%

Weighted-average assumptions used each fiscal year to determine benefits obligations for the Group's pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	2013	2012	2013	2012
Discount rate	4.3%	3.5%	3.7%	4.0%
Rate of compensation increase	—	—	3.5%	3.7%

For the Group's U.S. plans, the discount rate is based on the market rate for a broad population of Moody's AA-rated corporate bonds over $250.0 million. For the Group's non-U.S. plans, the discount rate is generally determined by reviewing country and region specific government and corporate bond interest rates.

In determining the expected return on pension plan assets, the Group considers the relative weighting of plan assets by class and individual asset class performance expectations as provided by external advisors in reaching conclusions on appropriate assumptions. The investment strategy for the pension plans had been governed by Covidien for periods prior to the Separation. Covidien's overall investment objective is to obtain a long-term return on plan assets that is consistent with the level of investment risk that is considered appropriate. At this time, the Group's investment objectives are similar to Covidien's. Investment risks and returns are reviewed regularly against benchmarks to ensure objectives are being met.

The weighted-average discount rate used to determine net periodic benefit cost and obligations for the Group's postretirement benefit plans were as follows:

	2013	2012
Net periodic benefit cost	3.2%	4.1%
Benefit obligations	4.0%	3.2%

Healthcare cost trend assumptions for postretirement benefit plans were as follows:

	2013	2012
Healthcare cost trend rate assumed for next fiscal year	7.3%	7.5%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Fiscal year the ultimate trend rate is achieved	2029	2029

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost	$ 0.1	$ (0.1)
Effect on postretirement benefit obligation	0.4	(0.3)

Plan Assets

The Group's U.S. pension plans have a target allocation of 42% equity securities and 58% debt securities. Various asset allocation strategies are in place for non-U.S. pension plans depending upon local law, status, funding level and duration of liabilities, and are 39% equity securities, 53% debt securities and 8% other (primarily cash) for our Japanese pension plan and 10% equity securities, 2% debt securities and 88% other (primarily insurance contracts) for our plan in the Netherlands.

Pension plans had the following weighted-average asset allocations at the end of each fiscal year:

	U.S. Plans		Non-U.S. Plans	
	2013	2012	2013	2012
Equity securities	42%	58%	7%	8%
Debt securities	56	40	3	2
Cash and cash equivalents	1	1	—	—
Real estate and other	1	1	90	90
Total	100%	100%	100%	100%

The following tables provide a summary of plan assets held by the Group's pension plans that are measured at fair value on a recurring basis at the end of fiscal 2013 and 2012:

		Basis of Fair Value Measurement		
	Fiscal 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
U.S. small mid cap	$ 19.3	$ 19.3	$ —	$ —
U.S. large cap	76.9	76.9	—	—
International	52.2	43.9	8.3	—
Debt securities:				
Diversified fixed income funds [1]	170.0	166.7	3.3	—
High yield bonds	11.7	11.7	—	—
Emerging market funds	7.9	7.9	—	—
Insurance contracts	112.0	—	—	112.0
Other	6.0	3.1	2.9	—
Total	$ 456.0	$ 329.5	$ 14.5	$ 112.0

		Basis of Fair Value Measurement		
	Fiscal 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
U.S. small mid cap	$ 24.0	$ 24.0	$ —	$ —
U.S. large cap	101.2	101.2	—	—
International	66.8	57.2	9.6	—
Debt securities:				
Diversified fixed income funds [1]	97.4	97.4	—	—
High yield bonds	15.9	15.9	—	—
Emerging market funds	12.0	12.0	—	—
Diversified/commingled funds	2.2	—	2.2	—
Insurance contracts	105.1	—	—	105.1
Other	7.4	3.8	3.6	—
Total	$ 432.0	$ 311.5	$ 15.4	$ 105.1

(1) Diversified fixed income funds consist of U.S. Treasury bonds, mortgage-backed securities, corporate bonds, asset-backed securities and U.S. agency bonds.

Equity securities. Equity securities primarily consist of mutual funds with underlying investments in foreign equity and domestic equity markets. The fair value of these investments is based on net asset value of the units held in the respective fund, which are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1) or through net asset values provided by the fund administrators that can be corroborated by observable market data (level 2).

Debt securities. Debt securities are primarily invested in mutual funds with underlying fixed income investments in U.S. government and corporate debt, U.S. dollar denominated foreign government and corporate debt, asset-backed securities, mortgage-backed securities and U.S. agency bonds. The fair value of these investments is based on the net asset value of the units held in the respective fund which are determined by obtaining quoted prices on nationally recognized securities exchanges.

Diversified/commingled funds. Diversified/commingled funds held by the Group primarily consist of corporate debt securities and mutual funds invested in U.S. and non-U.S. equity securities. The fair value of these investments is determined using other inputs, such as net asset values provided by the fund administrators that can be corroborated by observable market data.

Insurance contracts. Insurance contracts held by the Group are issued by Delta Lloyd, a well-known, highly rated insurance company. The fair value of these insurance contracts is based upon the present value of future cash flows under the terms of the contracts and therefore the fair value of these assets has been classified as level 3 within the fair value hierarchy. Significant assumptions used in determining the fair value of these contracts are the amount and timing of future cash flows and counterparty credit risk. The objective of the insurance contracts is to provide the Group with future cash flows that will match the estimated timing and amount of future pension benefit payments. Delta Lloyd's insurance subsidiaries have a Standard & Poor's credit rating of A.

Other. Other includes cash at bank and in hand invested in a money market mutual fund, the fair value of which is determined by obtaining quoted prices on nationally recognized securities exchanges (level 1). In addition, other includes real estate funds, the fair value of which is determined using other inputs, such as net asset values provided by the fund administrators that can be corroborated by observable market data (level 2).

The following table provides a summary of the changes in the fair value measurements that used significant unobservable inputs (level 3) for fiscal 2013 and 2012:

	Insurance Contracts
At September 30, 2011	$ 97.8
Net unrealized gains	15.1
Net purchases, sales and issuances	(2.9)
Currency translation	(4.9)
At September 28, 2012	105.1
Net unrealized gains	3.3
Net purchases, sales and issuances	(1.8)
Currency translation	5.4
At September 27, 2013	$ 112.0

Mallinckrodt shares are not a direct investment of the Group's pension funds; however, the pension funds may indirectly include Mallinckrodt shares. The aggregate amount of the Mallinckrodt shares are not material relative to the total pension fund assets.

Contributions

The Group's funding policy is to make contributions in accordance with the laws and customs of the various countries in which the Group operates, as well as to make discretionary voluntary contributions from time to time. In fiscal 2013, the Group made $44.4 million in contributions to the Group's pension plans, including a $37.5 million voluntary contribution by Covidien prior to the Separation. The Group does not anticipate making material contributions to its defined benefit pension plans or its postretirement benefit plans during fiscal 2014.

Expected Future Benefit Payments

Benefit payments expected to be paid, reflecting future expected service as appropriate, are as follows:

	Pension Benefits	Postretirement Benefits
Fiscal 2014	$ 40.6	$ 4.9
Fiscal 2015	35.1	5.2
Fiscal 2016	34.0	4.9
Fiscal 2017	33.5	4.5
Fiscal 2018	33.0	4.2
Fiscal 2019 - 2023	152.9	17.4

Defined Contribution Retirement Plans

The Group maintains one active tax-qualified 401(k) retirement plan in the U.S., which provides for an automatic Group contribution of three percent of an eligible employee's pay. The Group also makes a matching contribution generally equal to 50% of each employee's elective contribution to the plan up to six percent of the employee's eligible pay. Total 401(k) expense related to continuing operations was $22.7 million and $20.9 million for fiscal 2013 and 2012, respectively.

Deferred Compensation Plans

As discussed in Note 24, the Group maintains one active non-qualified deferred compensation plan in the U.S., which permits eligible employees to defer a portion of their compensation. Deferred compensation expense for each period presented was insignificant.

Rabbi Trusts and Other Investments

The Group maintains several rabbi trusts, the assets of which are used to pay retirement benefits. The rabbi trust assets are subject to the claims of the Group's creditors in the event of the Group's insolvency. Plan participants are general creditors of the Group with respect to these benefits. The trusts primarily hold life insurance policies and debt and equity securities, the value of which is included in financial assets on the consolidated and combined balance sheets. Note 24 provides additional information regarding the debt and equity securities. The carrying value of the 135 life insurance contracts held by these trusts was $54.6 million and $37.8 million at September 27, 2013 and September 28, 2012, respectively. These contracts have a total death benefit of $143.1 million and $93.9 million at September 27, 2013 and September 28, 2012, respectively. However, there are outstanding loans against the policies amounting to $35.3 million and $16.9 million at September 27, 2013 and September 28, 2012, respectively.

The Group has insurance contracts which serve as collateral for certain of the Group's non-U.S. pension plan benefits, which totaled $13.1 million and $9.8 million at September 27, 2013 and September 28, 2012, respectively. These amounts were also included in financial assets in the consolidated and combined balance sheets.

17. Shareholders' Funds

Called-up Share Capital. The Company has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 57,713,873 of which were issued as of September 27, 2013. No shares had been issued as of September 28, 2012.

Preference Shares. The Company is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at September 27, 2013. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Company, the holders of any preferred shares then outstanding would, if issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to payment to them of the amount for which the preferred shares were subscribed and any unpaid dividends prior to any payment to the ordinary shareholders.

Preferred Share Purchase Rights. Pursuant to the Rights Agreement, the Company issued the Rights to shareholders of record on July 9, 2013. The Rights will not be exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 10% or more of the outstanding ordinary shares of Mallinckrodt plc. The Rights will expire on June 28, 2014. The Rights Agreement and the Rights are discussed further in the Company's Form 8A filed with the SEC on July 1, 2013.

Acquisition of Own Shares. Prior to the Separation, the Company had authorized 40,000 ordinary A shares with a par value of €1.00 per share. These shares were authorized in order to satisfy minimum statutory requirements for the granting of a trading certificate to an Irish public limited company. These ordinary A shares carried no voting or dividend rights. All ordinary A shares, as well as the seven ordinary shares held by the nominee shareholders of the Company, were acquired and canceled for no consideration contemporaneously with the Separation being effected.

Since the Separation, the Company has repurchased 483 shares at an average market price of $43.33, which are held in treasury at cost. These transactions represent deemed repurchases in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations. The Company has not and currently does not intend to initiate a comprehensive share repurchase program in the foreseeable future.

Share Premium Account. The balance in the share premium account resulted from the exercise of employee share options.

Other Reserves. The balance as of September 27, 2013 was primarily comprised of the capital contribution of $1,095.0 million that was recorded upon the Separation, as well as accumulated other comprehensive profit of $108.5 million and accumulated share-based compensation. As presented in the consolidated and combined reconciliation of movement in shareholders' funds, Covidien's capital contribution was inclusive of net cash transfers to Covidien throughout fiscal 2013, prior to Separation, and non-cash adjustments associated with the transfer of certain assets and assumption of certain liabilities at the Separation. The net cash transfers included, but were not limited to, cash provided to Covidien under cash pooling arrangements and a substantial portion of the proceeds from the issuance of debt, partially offset by cash received from Covidien to fund capital expenditures and acquisitions. For further discussion on the components of the Company's accumulated other comprehensive profit, refer to Note 19. The Company's share plans are discussed in Note 18.

Prior to the Separation, other reserves was primarily comprised of the investment of Mallinckrodt plc's former parent company, Covidien plc. Parent company investment was $1,807.0 million and $1,690.2 million at September 28, 2012 and September 30, 2011, respectively. This investment, net of separation-related adjustments, became the capital contribution noted above.

Dividends. The Company currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisition and the operation and expansion of its business.

18. Share Plans

Total share-based compensation cost was $16.2 million and $11.1 million for fiscal 2013 and 2012, respectively. These amounts are generally included within distribution and administrative expenses in the consolidated and combined profit and loss account; however, the incremental fair value associated with the conversion of Covidien equity awards into Mallinckrodt equity awards discussed below is included in separation costs. The Group recognized a related tax benefit associated with this expense of $5.8 million and $3.8 million in fiscal 2013 and 2012, respectively.

Incentive Equity Awards Converted from Covidien Awards

Prior to the Separation, all employee incentive equity awards were granted by Covidien. At the time of Separation, the restricted share units and share options granted to Mallinckrodt employees prior to June 28, 2013 where converted into restricted share units and share options, respectively, of Mallinckrodt plc, and all of the performance share awards granted to Mallinckrodt employees were converted to restricted share units of Mallinckrodt plc (collectively, "the Conversion"). Mallinckrodt plc incentive equity awards issued upon completion of the Conversion and the related weighted average grant date fair value is presented below:

	Awards	Weighted-Average Grant-Date Fair Value
Share options	2,399,822	$ 7.96
Restricted share units	575,213	38.97

Share Options. A summary of the status of the Company's share option awards upon completion of the Conversion on June 28, 2013 is presented below:

	Shares Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at June 28, 2013	2,399,822	$ 35.94	8.0	$ 22.9
Exercisable at June 28, 2013	550,097	30.94	5.9	8.0

The Conversion resulted in a modification of the previously issued share option awards. The Group compared the aggregate fair value of the awards immediately before and immediately after the Separation. The aggregate fair value of the awards immediately after the Separation was higher than the awards immediately before, primarily due to the elimination of Covidien's dividend yield assumption and the Group's higher volatility as compared to Covidien. The incremental fair value for vested awards was recognized immediately within separation costs, as the incremental fair value is directly attributable to the Separation, and the incremental fair value for unvested awards will be recognized on a straight-line basis over the remaining vesting period of the applicable awards, also within separation costs.

The weighted-average assumptions used in the Black-Scholes pricing model for determining the fair value of the share option awards immediately before and immediately after the Separation were as follows:

	Pre-Separation	Post-Separation
Expected share price volatility	26%	32%
Risk-free interest rate	0.99%	0.99%
Expected annual dividend per share	1.65%	—
Expected life of options (in years)	3.8	3.8
Fair value per option	$ 18.04	$ 16.51
Share option awards	1,745,258	2,399,822

Restricted share units. The Conversion resulted in a modification of the previously issued restricted share unit awards ("RSUs"). The Group compared the aggregate fair value of the awards immediately before and immediately after the Separation. The Conversion did not result in incremental fair value.

Performance share units. The Conversion resulted in a modification of the previously issued performance share unit awards. The Group compared the aggregate fair value of the awards immediately before and immediately after the Separation. The fair value of the awards was higher after the Conversion as the performance factor utilized to convert the award was higher than what had previously been estimated. The incremental fair value was recognized immediately within separation costs for the service period to date and the remaining incremental fair value will be recognized over the remaining vesting period within separation costs.

Stock Compensation Plans

Prior to the Separation, the Group adopted the 2013 Mallinckrodt Pharmaceuticals Stock and Incentive Plan ("the 2013 Plan"). The 2013 Plan provides for the award of share options, share appreciation rights, annual performance bonuses, long-term performance awards, restricted share units, restricted shares, deferred share units, promissory shares and other share-based awards (collectively, "Awards"). The 2013 Plan provides for a maximum of 5.7 million common shares to be issued as Awards, subject to adjustment as provided under the terms of the 2013 Plan. As of September 27, 2013, all equity awards held by the Group's employees were either converted from Covidien equity awards at the Separation or granted under its 2013 Plan.

Share options. Share options are granted to purchase the Group's ordinary shares at prices that are equal to the fair market value of the shares on the date the share option is granted. Share options generally vest in equal annual installments over a period of four years and expire ten years after the date of grant. The grant-date fair value of share options, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. Forfeitures are estimated based on historical experience.

Share option activity and information was as follows:

	Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at June 28, 2013	2,399,822	$ 35.94		
Granted	406,169	44.00		
Exercised	(17,332)	30.04		
Expired/Forfeited	(28,428)	36.85		
Outstanding at September 27, 2013	2,760,231	37.30	8.2	$ 17.3
Vested and unvested expected to vest as of September 27, 2013	2,394,431	37.27	8.2	15.1
Exercisable at September 27, 2013	536,405	31.04	5.7	6.7

As of September 27, 2013, there was $22.0 million of total unrecognized compensation cost related to unvested share option awards, which is expected to be recognized over a weighted-average period of 2.3 years.

The grant date fair value of share options has been estimated using the Black-Scholes pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. The expected volatility assumption is based on the historical and implied volatility of the Group's peer group with similar business models for periods after the Separation, and on Covidien's peer group with similar business models for periods prior to the Separation. The expected life assumption is based on the contractual and vesting term of the share option, employee exercise patterns and employee post-vesting termination behavior. The expected annual dividend per share is based on the Group's current intentions regarding payment of cash dividends, or Covidien's dividend rate on the date of grant. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The weighted-average assumptions used in the Black-Scholes pricing model for share options granted subsequent to the Separation are included within the discussion of modification expense above. As all share option awards were granted immediately following the Separation, the valuation assumptions for the modification and subsequent award were consistent.

Subsequent to the Separation, the total intrinsic value of share options exercised and the related excess cash tax benefit was not significant.

Restricted share units. Recipients of RSUs have no voting rights and receive dividend equivalent units which vest upon the vesting of the related shares. RSUs generally vest in equal annual installments over a period of four years. Restrictions on RSUs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSUs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period. The fair market value of RSUs granted after the Conversion is determined based on the market value of the Group's shares on the date of grant for periods after the Separation.

RSU activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at June 28, 2013	575,213	$ 38.97
Granted	167,546	43.86
Vested	(1,656)	31.28
Forfeited	(16,834)	38.57
Non-vested at September 27, 2013	724,269	40.62

The total fair value of Mallinckrodt plc restricted share unit awards granted during fiscal 2013 following the Separation was $7.3 million. The total fair value of Mallinckrodt plc restricted share unit awards vested during fiscal 2013 following the Separation was $0.1 million. As of September 27, 2013, there was $18.2 million of total unrecognized compensation cost related to non-vested restricted share units granted. The cost is expected to be recognized over a weighted-average period of 2.4 years.

Employee Stock Purchase Plans

The Group adopted the Mallinckrodt Employee Stock Purchase Plan ("ESPP") effective October 1, 2013. Substantially all full-time employees of the Group's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries are eligible to participate in this ESPP. Eligible employees authorize payroll deductions to be made for the purchase of shares. The Group matches a portion of the employee contribution by contributing an additional 15% (25% in fiscal 2014) of the employee's payroll deduction up to a $25,000 employee contribution. All shares purchased under the ESPP are purchased on the open market by a designated broker.

19. Accumulated Other Comprehensive Profit

The components of accumulated other comprehensive profit were as follows:

	Currency Translation	Unrecognized Loss on Derivatives	Unrecognized Gain (Loss) on Benefit Plans	Accumulated Other Comprehensive Profit
Balance at September 30, 2011	$ 160.0	$ —	$ (61.5)	$ 98.5
Pre-tax change	(2.9)	—	(15.3)	(18.2)
Taxation	—	—	4.6	4.6
Balance at September 28, 2012	157.1	—	(72.2)	84.9
Pre-tax change	1.5	(7.3)	51.4	45.6
Taxation	—	—	(22.0)	(22.0)
Balance at September 27, 2013	$ 158.6	$ (7.3)	$ (42.8)	$ 108.5

20. Transactions with Former Parent Company

Prior to the completion of the Separation on June 28, 2013, the Group was part of Covidien and, as such, transactions between Covidien and the Group were considered related party transactions. As discussed in Note 1, these intercompany transactions are included in the combined financial statements and were considered to be effectively settled for cash at the time the transaction was recorded. The continuing relationship between Covidien and the Group is primarily governed through agreements entered into as part of the Separation. The Separation and Distribution Agreement, Tax Matters Agreement and a transition services agreement were filed with the SEC as Exhibits 2.1, 10.1 and 10.3, respectively, to the Group's Current Report on Form 8-K filed on July 1, 2013. The following discusses the related party transactions and those agreements.

Turnover and Purchases

During fiscal 2013 and 2012, the Group sold stocks to Covidien in the amount of $51.2 million and $54.2 million, respectively, which was included in turnover in the consolidated and combined profit and loss account. The Group also purchases stocks from Covidien. The Group recognized cost of sales from these stock purchases of $38.4 million and $34.7 million during fiscal 2013 and 2012, respectively.

Allocated Expenses

As discussed in Note 1, the combined financial statements for periods prior to June 28, 2013 include expense allocations for certain functions provided by Covidien, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and share-based compensation. These expenses were allocated to the Group on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating expenses, headcount or other measures. The amounts allocated were $39.6 million and $49.2 million for fiscal 2013 and 2012, respectively, and are included within distribution and administrative expenses.

Balance Sheet Impacts

Prior to the Separation, intercompany transactions between the Group and Covidien were considered to be effectively settled for cash at the time the transaction was recorded and were presented within other reserves in the combined balance sheet. However, at the completion of the Separation on June 28, 2013, certain transactions remained unsettled and were reclassified from other reserves and included within the assets and liabilities of the Group. The condensed consolidated balance sheet immediately following the Separation included $22.3 million of amounts due to the Group from Covidien and $61.9 million of amounts the Group owed Covidien. Subsequent to the Separation, Covidien made an additional cash contribution for the net difference in these amounts, which was recorded through shareholders' funds. In conjunction with this contribution, each party settled the amounts outstanding immediately following the Separation.

Subsequent the Separation, the Group and Covidien maintain an ongoing relationship in which each party may provide services to the other party, including the distribution of goods. As a result of these relationships, the consolidated balance sheet as of September 27, 2013 includes $62.2 million of amounts due to the Group from Covidien, within debtors, and $79.3 million of amounts the Group owes Covidien, included within creditors (amounts falling due within one year).

In connection with the Separation, the Group recorded separation related adjustments within other reserves, which represent transfers of certain assets and liabilities with Covidien pursuant to the Separation and Distribution Agreement. The Group has used available information to develop its best estimates for certain assets and liabilities related to the Separation. In limited instances, final determination of the balances will be made in subsequent periods. Any adjustments, if necessary, are not expected to be material and will be recorded through shareholders' funds in subsequent periods when determined.

Separation and Distribution Agreement

On June 28, 2013, the Group entered into a Separation and Distribution Agreement and other agreements with Covidien to effect the Separation and provide a framework for the Group's relationships with Covidien after the Separation. These agreements govern the relationship between Mallinckrodt and Covidien subsequent to the Separation and provide for the assignment to Mallinckrodt of certain of Covidien's assets, liabilities and obligations attributable to periods prior to the Separation.

In general, each party to the Separation and Distribution Agreement assumed liability for all pending, threatened and unasserted legal matters related to its own business or its assumed or retained liabilities and will indemnify the other party for any liability to the extent arising out of, or resulting from, such assumed or retained legal matters.

The Separation and Distribution Agreement provided for the initial cash capitalization of Mallinckrodt plc in the amount of approximately $168.0 million at June 28, 2013. The Separation and Distribution Agreement also provided for an adjustment payment to compensate either Mallinckrodt or Covidien, as applicable, to the extent that the aggregate of the Group's cash, indebtedness and specified working capital accounts as of June 28, 2013 ("the Distribution Date"), as well as the capital expenditures made with respect to the Group's business during fiscal 2013 through the Distribution Date, deviated from a target. The target was calculated pursuant to a formula set forth in the Separation and Distribution Agreement, which assumed the Distribution Date would be June 28, 2013, that the Pharmaceuticals business was conducted in the ordinary course through that date and that the Group would have approximately $168.0 million of cash upon completion of the distribution. The Separation and Distribution Agreement also provided that an adjustment payment would only be payable if the amount of the adjustment payment exceeded $20.0 million (in which case the entire amount would be paid). Upon final calculation, no adjustment payment was required by either the Group or Covidien.

Tax Matters Agreement

In connection with the Separation, Mallinckrodt entered into the Tax Matters Agreement with Covidien that generally will govern Covidien's and Mallinckrodt's respective rights, responsibilities and obligations after the Separation with respect to certain taxes, including ordinary course of business taxes and taxes, if any, incurred as a result of any failure of the distribution of Mallinckrodt plc shares to qualify as a tax-free distribution for U.S. federal income tax purposes within the meaning of Section 355 of the U.S. Internal Revenue Code, or other applicable tax law, or any failure of certain internal transactions undertaken in anticipation of the distribution to qualify for tax-free or tax-favored treatment under the applicable tax law. The Group expects, with certain exceptions, to be responsible for the payment of all taxes attributable to Mallinckrodt plc or its subsidiaries for taxable periods beginning on or after September 29, 2012. For periods prior to September 29, 2012, the Group is subject to a $200.0 million liability limitation, net of any benefits, as prescribed by the Tax Matters Agreement. To the extent that the Group's liability for such taxes, net of any tax benefits, does not exceed $200.0 million, it may be responsible for additional taxes attributable to periods prior to September 29, 2012, taxes related to the Separation and a percentage of any taxes arising from the Separation failing to qualify for tax-free or tax-favored treatment through no fault of Covidien or the

Group. The Tax Matters Agreement also assigns rights and responsibilities for administrative matters, such as the filing of returns, payment of taxes due, retention of records, tax reporting practices and conduct of audits, examinations or similar proceedings. In addition, the Tax Matters Agreement provides for cooperation and information sharing with respect to tax matters.

The Tax Matters Agreement also contains restrictions on the Group's ability to take actions without Covidien's consent that could cause the Separation or certain internal transactions undertaken in anticipation of the Separation to fail to qualify as tax-free or tax-favored transactions under applicable tax law. These transactions include, but are not limited to, entering into, approving or allowing any transaction that results in a change in ownership of more than 35% of Mallinckrodt's shares; any merger, consolidation, scheme of arrangement, liquidation or partial liquidation, or any approval or allowance of such transaction with respect to certain of the Group's subsidiaries; the cessation or transfer of certain business activities; the sale, issuance or other disposition of any equity interest in certain of the Group's subsidiaries; a sale or other disposition of a substantial portion of the Group's assets or a substantial portion of the assets of certain of the Group's subsidiaries; extraordinary distributions by or to certain of the Group's subsidiaries; or engaging in certain internal transactions. These restrictions will all apply for the two-year period after the Separation and in some cases will apply for periods as long as five years following the Separation. Any taxes imposed on the other party attributable to certain post-distribution actions taken by or in respect of the responsible party or its shareholders that result in failure of the Separation or internal transactions to qualify as tax-free or tax-favored transactions are the responsibility of the party at fault, regardless of whether the actions occur more than two years after the distribution, or whether Covidien consents to such actions. Any actions of the Group or its shareholders that directly give rise to additional taxes are not subject to the $200.0 million threshold noted previously.

Transition Services Agreement

Mallinckrodt and Covidien entered into a transition services agreement in connection with the Separation pursuant to which Mallinckrodt and Covidien will provide each other, on an interim and transitional basis, various services including, but not limited to, treasury administration, information technology services, non-exclusive distribution and importation services for our products in certain countries outside the U.S., regulatory, general administrative services and other support services. The agreed-upon charges for such services are generally intended to allow the servicing party to recover all out-of-pocket costs and expenses, and include a predetermined profit margin.

21. Guarantees

MIFSA, a Luxembourg company, is a holding company that owns, directly or indirectly, substantially all of the operating subsidiaries of Mallinckrodt plc. MIFSA is the issuer of the Group's $900.0 million in senior notes, which are fully and unconditionally guaranteed by the Company. In addition, MIFSA is the borrower under the $250.0 million revolving credit facility, which is also guaranteed by the Company. As discussed in Note 15, no amount was outstanding under the revolving credit facility as of September 27, 2013.

In disposing of assets or businesses, the Group has historically provided representations, warranties and indemnities to cover various risks and liabilities, including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities related to periods prior to disposition. The Group assesses the probability of potential provisions related to such representations, warranties and indemnities and adjusts potential provisions as a result of changes in facts and circumstances. The Group has no reason to believe that these uncertainties would have a material adverse effect on its financial condition, results of operations and cash flows.

In connection with the sale of Mallinckrodt Baker in fiscal 2010, the Group agreed to indemnify the purchaser with respect to various matters, including certain environmental, health, safety, tax and other matters. The indemnification obligations relating to certain environmental, health and safety matters have a term of 17 years from the sale, while some of the other indemnification obligations have an indefinite term. The amount of the liability relating to all of these indemnification obligations included in provision for liabilities on the Group's consolidated and combined balance sheets at September 27, 2013 and September 28, 2012 was $20.1 million and $22.4 million, respectively, of which $17.2 million and $18.3 million, respectively, related to environmental, health and safety matters. The value of the environmental, health and safety indemnity was measured based on the probability-weighted present value of the costs expected to be incurred to address environmental, health and safety claims made under the indemnity. The aggregate fair value of these indemnification obligations did not differ significantly from their aggregate carrying value at September 27, 2013 and September 28, 2012. As of September 27, 2013, the maximum future payments the Group could be required to make under these indemnification obligations was $75.5 million. The Group was required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $23.5 million and

$24.5 million remained in financial assets on the consolidated and combined balance sheets at September 27, 2013 and September 28, 2012, respectively.

The Group has recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed in Note 22. In addition, the Group is liable for product performance; however in the opinion of management, such obligations will not have a material adverse effect on its financial condition, results of operations and cash flows.

The Group is required to provide the U.S. Nuclear Regulatory Commission financial assurance demonstrating its ability to fund the decommissioning of its Maryland Heights, Missouri radiopharmaceuticals production facility upon closure, though the Group does not intend to close this facility. The Group has provided this financial assurance in the form of a $58.0 million surety bond.

In addition, as of September 27, 2013, the Group had a $21.1 million letter of credit to guarantee decommissioning costs associated with its Saint Louis, Missouri plant. As of September 27, 2013, the Group had various other letters of credit and guarantee and surety bonds totaling $38.1 million.

In addition, the Separation and Distribution Agreement provides for cross-indemnities principally designed to place financial responsibility of the obligations and liabilities of the Group's business with the Group and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities.

22. Commitments and Contingencies

The Group has purchase obligations related to commitments to purchase certain goods and services. At September 27, 2013, such obligations were as follows:

Fiscal 2014	$	74.9
Fiscal 2015		23.7
Fiscal 2016		22.3
Fiscal 2017		—
Fiscal 2018		—

These amounts include $6.9 million related to contracted capital expenditures and $0.1 million related to contracted R&D expenditures. As of September 27, 2013, the board of directors had authorized capital expenditures of $99.0 million, of which $33.3 million had not yet been contracted.

The Group is subject to various legal proceedings and claims, including patent infringement claims, product liability matters, environmental matters, employment disputes, contractual disputes and other commercial disputes, including those described below. The Group believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these matters, the Group is of the opinion that their ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

Governmental Proceedings

On January 7, 2009, the Group received a subpoena from the U.S. Attorney's Office for the Northern District of California requesting production of documents relating to the sales and marketing of its TOFRANIL-PM™, Restoril and Magnacet products. In June 2013, the Group agreed to settlement terms in this proceeding providing for a cash payment by the Group of $3.5 million, which was consistent with the Group's previously established accrual.

On November 30, 2011 and October 22, 2012, the Group received subpoenas from the DEA requesting production of documents relating to its suspicious order monitoring programs. The Group is complying as required by the terms of the subpoenas. While it is not possible at this time to determine with certainty the outcome of these proceedings, the Group believes that the ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

Patent/Antitrust Litigation

Tyco Healthcare Group LP, et al. v. Mutual Pharmaceutical Company, Inc. The Group filed a patent infringement suit in the U.S. District Court for the District of New Jersey against Mutual Pharmaceutical Co., Inc., et al. (collectively, "Mutual") on March 20, 2007 pursuant to procedures set out in the Drug Price Competition and Patent Term Restoration Act of 1984, after Mutual submitted an ANDA to the FDA seeking to sell a generic version of the Group's 7.5mg Restoril sleep aid product. Mutual also filed antitrust and unfair competition counterclaims. The patents at issue have since expired or been found invalid. On January 18, 2013, the trial court issued an opinion and order granting the Group's motion for summary judgment regarding Mutual's antitrust and unfair competition counterclaims. On May 1, 2013, Mutual appealed this decision to the U.S. Court of Appeals for the Federal Circuit. While it is not possible at this time to determine with certainty the ultimate outcome of the counterclaims, the Group believes that the final resolution of the claims will not have a material adverse effect on its financial condition, results of operations and cash flows.

Pricing Litigation

Two cases were brought against the Group that allege generally that the Group and numerous other pharmaceuticals companies reported false pricing information in connection with certain drugs that are reimbursable under Medicaid, resulting in overpayment by state Medicaid programs for those drugs. These cases, brought by state Attorneys General in Utah and Louisiana, generally seek monetary damages and attorneys' fees. The Group is named as a defendant in *State of Utah v. Actavis US, Inc.*, *et al.* filed May 8, 2008, which is pending in the Third Judicial Circuit of Salt Lake County, Utah. The Group was also named in *State of Louisiana v. Abbott Laboratories Inc.*, *et al*. filed November 3, 2010, which was pending in the 19th Judicial District, Parish of East Baton Rouge, Louisiana. In May 2013, the Group agreed to terms of settlement with the Attorney General for the State of Louisiana resolving all claims in *State of Louisiana v. Abbott Laboratories Inc., et al.* The settlement did not have a material impact on the Group's consolidated and combined financial statements. The Utah case is pending and the Group intends to contest that case and to explore other options as appropriate. While it is not possible at this time to determine with certainty the outcome of the case, the Group believes that the ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

Environmental Remediation and Litigation Proceedings

The Group is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites, including those described below. The ultimate cost of site cleanup and timing of future cash outlays is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. The Group concluded that, as of September 27, 2013, it was probable that it would incur remedial costs in the range of $46.4 million to $81.5 million. The Group also concluded that, as of September 27, 2013, the best estimate within this range was $46.4 million which was included in provision for liabilities on the consolidated balance sheet at September 27, 2013.

Orrington, Maine. The Group was a successor to a company which owned and operated a chemical manufacturing facility in Orrington, Maine from 1967 until 1982. As such, the Group was responsible for the costs of completing an environmental site investigation required by the EPA and the Maine Department of Environmental Protection. The Group estimated that, as of September 28, 2012, the cost to comply with the proposed remediation alternatives at this site ranged from $95.8 million to $170.3 million. At September 28, 2012, estimated future investigation and remediation costs of $95.8 million were accrued for this site.

In accordance with the Separation and Distribution Agreement, this liability was retained by Covidien, and, therefore, this liability was removed from provision for liabilities as of June 28, 2013, the date the Separation was completed. As the Group no longer manages this case, it will not continue to update its status for further developments. Further information and details on the history of the case can be found in the information statement filed with the SEC as Exhibit 99.2 to the Group's Current Report on Form 8-K filed on July 1, 2013.

Penobscot River and Bay. Since April 2000, the Group had been involved in the lawsuit, *Maine People's Alliance and Natural Resources Defense Council, Inc. v. HoltraChem Manufacturing Company, LLC and Mallinckrodt US LLC*, filed in the U.S. District Court for the District of Maine by the Natural Resources Defense Council and the Maine People's Alliance. Plaintiffs sought an injunction requiring the Group to conduct extensive studies of mercury contamination of the Penobscot River and Bay and options for remediating such contamination, and to perform appropriate remedial activities, if necessary.

In accordance with the Separation and Distribution Agreement, this liability was retained by Covidien, and, therefore, this liability was removed from provision for liabilities as of June 28, 2013, the date the Separation was completed. As the Group no longer manages this case, it will not continue to update its status for further developments. Further information and details on the history of this case can be found in the information statement filed with the SEC as Exhibit 99.2 to the Group's Current Report on Form 8-K filed on July 1, 2013.

Crab Orchard National Wildlife Refuge Superfund Site, near Marion, Illinois. The Group is a successor in interest to International Minerals and Chemicals Corporation ("IMC"). Between 1967 and 1982, IMC leased portions of the Additional and Uncharacterized Sites ("AUS") Operable Unit at the Crab Orchard Superfund Site ("the Site") from the government and manufactured various explosives for use in mining and other operations. In March 2002, the Department of Justice, the U.S. Department of the Interior and the EPA (together, "the Government Agencies") issued a special notice letter to General Dynamics Ordnance and Tactical Systems, Inc. ("General Dynamics"), one of the other potentially responsible parties ("PRPs") at the Site, to compel General Dynamics to perform the remedial investigation and feasibility study ("RI/FS") for the AUS Operable Unit. General Dynamics negotiated an Administrative Order on Consent ("AOC") with the Government Agencies to conduct an extensive RI/FS at the Site under the direction of the U.S. Fish and Wildlife Service. General Dynamics asserted in August 2004 that the Group is jointly and severally liable, along with approximately eight other lessees and operators at the AUS Operable Unit, for alleged contamination of soils and groundwater resulting from historic operations, and has threatened to file a contribution claim against the Group and other parties for recovery of its costs incurred in connection with the RI/FS activities being conducted at the AUS Operable Unit. The Group and other PRPs who received demand letters from General Dynamics have explored settlement alternatives, but have not reached settlement to date. The Group and other PRPs are awaiting completion of the RI/FS by General Dynamics before the initiation of formal PRP negotiations to address resolution of these alleged claims. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Group believes that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Mallinckrodt Veterinary, Inc., Millsboro, Delaware. The Group previously operated a plant in Millsboro, Delaware ("the Millsboro Site") that manufactured various animal healthcare products. In 2005, the Delaware Department of Natural Resources and Environmental Control found trichloroethylene ("TCE") in the Millsboro public water supply at levels that exceeded the federal drinking water standards. Further investigation to identify the TCE plume in the ground water indicated that the plume has extended to property owned by a third party near the Millsboro Site. The Group, and other former owners, assumed responsibility for the Millsboro Site cleanup under the Alternative Superfund Program administered by the EPA. The Group and other PRPs entered into an AOC with the EPA on May 10, 2010, which was subsequently amended in November 2010 and January 2011, to investigate the potential source of TCE contamination and to evaluate options to abate, mitigate or eliminate the release or threat of release of hazardous substances at the Millsboro Site. The Group, along with other parties, continues to conduct the studies and prepare remediation plans in accordance with the amended AOC. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Group believes that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Coldwater Creek, Saint Louis County, Missouri. The Group is one of several companies named as defendants in six tort complaints (*McClurg, et al. v. Mallinckrodt, Inc., et al*., filed February 28, 2012; *Adams, et al. v. Mallinckrodt, Inc., et al*., filed April 10, 2012; *Steinmann, et al. v. Mallinckrodt, Inc., et al*., filed October 23, 2012; *Schneider, et al. v. Mallinckrodt, Inc., et al.*, filed April 19, 2013; *Vorce v. Mallinckrodt, Inc., et al.,* filed June 18, 2013; and *Lange, et al. v. Mallinckrodt, Inc., et al.*, filed July 31, 2013) with numerous plaintiffs pending in the U.S. District Court for the Eastern District of Missouri. These cases allege personal injury for alleged exposure to radiological substances present in Coldwater Creek in Missouri. Plaintiffs lived in various locations in Saint Louis County, Missouri near Coldwater Creek. Radiological residues which may have been present in the creek have been remediated by the U.S. Army Corps of Engineers. The Group believes that it has meritorious defenses to these complaints and is vigorously defending against them. The Group is unable to estimate a range of reasonably possible losses for the following reasons: (i) the proceedings are in early stages; (ii) the Group has not received and reviewed complete information regarding the plaintiffs and their medical conditions; and (iii) there are significant factual issues to be resolved. While it is not possible at this time to determine with certainty the ultimate outcome of these cases, the Group believes that the final resolution of all known claims will not have a material adverse effect on its financial condition, results of operations and cash flows.

Lower Passaic River, New Jersey. The Group and approximately 70 other companies comprise the Lower Passaic Cooperating Parties Group ("the CPG") and are parties to a May 2007 AOC with the EPA to perform a RI/FS of the lower seventeen miles of the Lower Passaic River in New Jersey ("the River"). The Group's potential liability stems from former operations at Lodi and Belleville, New Jersey. In June 2007, the EPA released a draft Focused Feasibility Study ("FFS") which addressed various early action remediation alternatives for the River. The EPA has not released the final FFS. As an interim step related to the 2007 AOC, the CPG voluntarily entered into an AOC on June 18, 2012, with the EPA for remediation actions focused solely at mile 10.9 of the River. The Group's estimated costs related to the RI/FS and focused remediation action at mile 10.9, based on an interim allocation, are immaterial and have been accrued.

At this time, the Group cannot reasonably estimate its liability related to the remediation efforts, excluding the RI/FS and remediation actions at mile 10.9, as the RI/FS is ongoing, the ultimate remedial approach and associated cost has not yet been determined, and the parties that will participate in funding the remediation and their respective allocations are not yet known. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Group believes, given the information currently available, that the ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows. However; in the event of adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact to the Group's results of operations and cash flows could become material.

Products Liability Litigation

The Group is one of four manufacturers of Gadolinium-Based Contrast Agents, such as the Group's Optimark product, involved in litigation alleging that administration of these agents causes development of nephrogenic systemic fibrosis in a small number of patients with advanced renal impairment. In May 2013, the Group agreed to terms of settlement with the plaintiffs in all of its previously disclosed lawsuits involving its Optimark product. These settlements resolved cases that were included in federal multi-district litigation pending in the U.S. District Court for the Northern District of Ohio (In re Gadolinium-Based Contrast Agents Product Liability Litigation, which was established on February 27, 2008) and cases in various state courts. These settlements did not have a material impact on the Group's consolidated and combined financial statements.

Beginning with lawsuits brought in July 1976, the Group is also named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims based principally on allegations of past distribution of products containing asbestos. A limited number of the cases allege premises liability based on claims that individuals were exposed to asbestos while on the Group's property. Each case typically names dozens of corporate defendants in addition to the Group. The complaints generally seek monetary damages for personal injury or bodily injury resulting from alleged exposure to products containing asbestos. The Group's involvement in asbestos cases has been limited because it did not mine or produce asbestos. Furthermore, in the Group's experience, a large percentage of these claims have never been substantiated and have been dismissed by the courts. The Group has not suffered an adverse verdict in a trial court proceeding related to asbestos claims and intends to continue to defend these lawsuits. When appropriate, the Group settles claims; however, amounts paid to settle and defend all asbestos claims have been immaterial. As of September 27, 2013, there were approximately 11,500 asbestos-related cases pending against the Group.

The Group estimates pending asbestos claims and claims that were incurred but not reported, as well as insurance recoveries, which are recorded on a gross basis in the consolidated and combined balance sheets. The Group's estimate of its liability for pending and future claims is based on claims experience over the past five years and covers claims either currently filed or expected to be filed over the next seven years. The Group believes that it has adequate amounts recorded related to these matters. While it is not possible at this time to determine with certainty the ultimate outcome of these asbestos-related proceedings, the Group believes that the final outcome of all known and anticipated future claims, after taking into account amounts already accrued and insurance coverage, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Asset Retirement Obligations

The Group has recorded asset retirement obligations for the estimated future costs primarily associated with legal obligations to decommission facilities within the Global Medical Imaging segment, including the facilities located in the Netherlands and Maryland Heights, Missouri. Substantially all of these obligations are included in provision for liabilities on the consolidated and combined balance sheets. The following table provides a summary of the changes in the Group's asset retirement obligations for fiscal 2013 and 2012:

	2013	2012
Balance at beginning of period	$ 46.4	$ 45.9
Additions	0.4	—
Accretion expense	2.9	2.5
Payments	(0.2)	—
Currency translation	1.1	(2.0)
Balance at end of period	$ 50.6	$ 46.4

The Group believes that any potential payment of such estimated amounts will not have a material adverse effect on its financial condition, results of operations and cash flows.

Leases

The Group has facility, vehicle and equipment leases that expire at various dates. Rental expense under facility, vehicle and equipment operating leases related to continuing operations was $16.9 million and $15.5 million for fiscal 2013 and 2012, respectively. The Group also has facility and equipment commitments under capital leases.

The following is a schedule of minimum lease payments for non-cancelable leases as of September 27, 2013:

	Operating Leases	Capital Leases
Fiscal 2014	$ 19.3	$ 1.5
Fiscal 2015	13.3	1.5
Fiscal 2016	10.4	0.4
Fiscal 2017	8.7	—
Fiscal 2018	4.8	—
Thereafter	10.2	—
Total minimum lease payments	$ 66.7	3.4
Less: interest portion of payments		(0.2)
Present value of minimum lease payments		$ 3.2

The Group exchanged title to $11.3 million of its plant assets in return for an equal amount of Industrial Revenue Bonds ("IRB") issued by the Saint Louis County. The Group also simultaneously leased such assets back from Saint Louis County under a capital lease expiring December 2022, the terms of which provide the Group with the right of offset against the IRBs. The lease also provides an option for the Group to repurchase the assets at the end of the lease for nominal consideration. These transactions collectively result in a property tax abatement ten years from the date the property is placed in service. Due to the right of offset, the capital lease obligation and IRB asset are recorded net in the consolidated and combined balance sheets and excluded from the above table. The Group expects that the right of offset will be applied to payments required under these arrangements.

Tax Matters

The tax returns of the Group and its subsidiaries are periodically examined by various tax authorities. The resolution of these matters is subject to the conditions set forth in the Tax Matters Agreement between the Group and Covidien. Covidien has the right to administer, control and settle all U.S. taxation audits for periods prior to the Separation. While it is not possible at this time to determine with certainty the ultimate outcome of these matters, the Group believes that established liabilities are reasonable and that final resolution of these matters will not have a material adverse effect on its financial condition, results of operations and cash flows.

With respect to certain tax returns filed by predecessor affiliates of the Group and Covidien, the IRS has concluded its field examination for the years 1997 through 2000 and has proposed tax adjustments. Several of the proposed adjustments could also affect both Covidien's and the Group's tax returns for years after 2000. Certain of the IRS's proposed adjustments have been appealed, and all but one of the matters associated with the proposed tax adjustments have been resolved. The unresolved proposed adjustment asserts that substantially all of the predecessor affiliates' intercompany debt originating during the years 1997 through 2000 should not be treated as debt for U.S. federal taxation purposes, and has disallowed interest deductions related to the intercompany debt and certain tax attribute adjustments recognized on the U.S. tax returns. This matter is subject to the Group's $200.0 million limitation for periods prior to September 29, 2012, as prescribed in the Tax Matters Agreement. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Group believes that it will not have a material adverse effect on its financial condition, results of operations and cash flows.

Other Matters

The Group is a defendant in a number of other pending legal proceedings relating to present and former operations, acquisitions and dispositions. The Group does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on its financial condition, results of operations and cash flows.

23. Derivative Instruments

The Group is exposed to certain risks relating to its business operations. Prior to the Separation on June 28, 2013, the Group participated in the centralized hedging functions of Covidien to help mitigate risks related to foreign exchange exposure and certain commodity price exposures. Foreign currency option and forward contracts were used to manage the foreign exchange exposures of operations outside the U.S. Swap contracts on commodities were periodically entered into to manage the price risk associated with forecasted purchases of commodities used in the Group's manufacturing processes. The associated derivative assets and liabilities for these types of instruments were not included on the Group's combined balance sheet prior to June 28, 2013, since derivative activity was centrally managed by Covidien. In conjunction with the Separation, the Group assumed the foreign currency forward and option contacts directly related to its business and, as such, has recognized the fair value of the these derivatives in its consolidated balance sheet as of September 27, 2013. The commodity swap contracts were retained by Covidien. Changes in the fair value of the derivative financial instruments which related to the Group's business operations have been recognized in the Group's profit after taxation unless specific hedge criteria are met. Covidien designated certain commodity swap contracts as cash flow hedges but did not designate the foreign currency forward and option contracts as hedging instruments.

Risks that relate to interest rate exposure were managed by using derivative instruments. In March 2013 and April 2013, MIFSA entered into forward interest rate lock contracts to hedge the risk of variability in the market interest rates prior to the issuance of the Notes in April 2013. These transactions have been reflected in the consolidated and combined financial statements for all periods, since the transactions were solely entered into in connection with the Separation and were not centrally managed by Covidien.

Foreign Exchange Exposure

The Group has foreign exchange exposure on the translation of the financial statements and on transactions denominated in foreign currencies. The Group's policy is to use various forward and option contracts to manage foreign currency exposures on trade debtors, notes receivable, accounts payable, intercompany loans, intercompany cash pooling arrangements and forecasted transactions that are denominated in certain foreign currencies. These contracts did not meet the necessary criteria to qualify for hedge accounting; accordingly, all associated changes in fair value were recognized in earnings.

The location and amount of the net gain (loss) on foreign exchange forward and option contracts not designated as hedging instruments was recorded as follows:

	Fiscal Year	
	2013	2012
Cost of sales	$ 2.2	$ (0.3)
Distribution and administrative expenses	—	0.1
Other income, net	8.3	—
	$ 10.5	$ (0.2)

Foreign currency losses included within profit after taxation for fiscal 2013 were $14.2 million. The impact of foreign currency on profit after taxation in fiscal 2012 was immaterial.

The fair value of foreign exchange forward and option contracts are included in the following captions of our consolidated and combined balance sheets at the end of each period:

	September 27, 2013	September 28, 2012
Debtors	$ 0.9	$ —
Creditors (amounts falling due within one year)	1.4	—

Commodities Exposure

Prior to the Separation, Covidien entered into gas commodity swap contracts on behalf of the Group, which were accounted for as cash flow hedges. The amounts of the net losses on these contracts were recorded as follows:

	Fiscal Year	
	2013	2012
Cost of sales	$ 0.3	$ 0.9
Distribution and administrative expenses	0.8	2.3
	$ 1.1	$ 3.2

As of September 27, 2013, there were no outstanding gas commodity swap contracts; however, the Group may utilize such contracts in the future to mitigate price risk associated with its forecasted commodity purchases.

Interest Rate Exposure

MIFSA entered into three forward interest rate lock contracts in March 2013 and April 2013, each with a $300.0 million notional value and designated as cash flow hedges, against the risk of variability in market interest rates in advance of its anticipated issuance of its ten-year fixed rate senior notes due April 2023. Each interest rate lock contract was considered to be highly effective and the $7.6 million loss resulting from their settlements was recorded in accumulated other comprehensive profit. As of September 27, 2013, $7.3 million of this loss remains in accumulated other comprehensive profit and will be amortized to interest payable and similar charges over the remaining term of the ten-year notes.

24. Financial Instruments and Fair Value Measurements

Fair value is defined as the exit price that would be received from the sale of an asset or paid to transfer a liability, using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level fair value hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs used in measuring fair value. The levels within the hierarchy are as follows:

Level 1— observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2— significant other observable inputs that are observable either directly or indirectly; and

Level 3— significant unobservable inputs in which there is little or no market data, which requires the Group to develop its own assumptions.

The following tables provide a summary of the significant assets and liabilities that are measured at fair value on a recurring basis at the end of each period:

	September 27, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 35.3	$ 22.6	$ 12.7	$ —
Foreign exchange forward and option contracts	0.9	0.9	—	—
	$ 36.2	$ 23.5	$ 12.7	$ —
Liabilities:				
Deferred compensation liabilities	$ 13.5	$ —	$ 13.5	$ —
Contingent consideration	6.9	—	—	6.9
Foreign exchange forward and option contracts	1.4	1.4	—	—
	$ 21.8	$ 1.4	$ 13.5	$ 6.9

	September 28, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 25.2	$ 13.7	$ 11.5	$ —
Liabilities:				
Deferred compensation liabilities	$ 9.3	$ —	$ 9.3	$ —

Debt and equity securities held in rabbi trust. Debt securities held in the rabbi trust primarily consist of U.S. government and agency securities and corporate bonds. When quoted prices are available in an active market, the investments are classified as level 1. When quoted market prices for a security are not available in an active market, they are classified as level 2. Equity securities held in the rabbi trust primarily consist of U.S. common stocks, which are valued using quoted market prices reported on nationally recognized securities exchanges. The $10.1 million increase in debt and equity securities held in rabbi trust primarily reflects the transfer of these assets from Covidien in connection with the Separation.

Foreign exchange forward and option contracts. Foreign currency option and forward contracts are used to economically manage the foreign exchange exposures of operations outside the U.S. Quoted prices are available in an active market; as such, these derivatives are classified as level 1.

Deferred compensation liabilities. Covidien maintains a non-qualified deferred compensation plan in the U.S., which permits eligible employees of the Group to defer a portion of their compensation. A recordkeeping account is set up for each participant and the participant chooses from a variety of funds for the deemed investment of their accounts. The measurement funds generally correspond to the funds offered in Covidien's U.S. tax-qualified defined contribution retirement plan and the account balance fluctuates with the investment returns on those funds.

Contingent consideration. In October 2012, the Group recorded contingent consideration of $6.9 million upon the acquisition of CNS Therapeutics. This contingent consideration, which could potentially total a maximum of $9.0 million, is primarily based on whether the FDA approves another concentration of Gablofen on or before December 31, 2016. The fair value of the contingent payments was measured based on the probability-weighted present value of the consideration expected to be transferred using a discount rate of 1.0%. There were no changes to the initial estimate of the fair value of the consideration during fiscal 2013.

At September 28, 2012	$ —
Fair value of contingent consideration	6.9
At September 27, 2013	$ 6.9

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash at bank and in hand, trade debtors, trade creditors and the majority of other debtors (amounts falling due within one year) and creditors (amounts falling due within one year) approximate fair value because of their short-term nature. The Group classifies cash on hand and deposits in banks, including commercial paper, money market accounts and other investments it may hold from time to time, with an original maturity to the Group of three months or less, as cash in bank and on hand (level 1). The fair value of restricted cash is equivalent to its carrying value of $24.0 million and $24.6 million as of September 27, 2013 and September 28, 2012, respectively (level 1), substantially all of which is included in financial assets on the consolidated and combined balance sheets. The Group's life insurance contracts are carried at cash surrender value, which is based on the present value of future cash flows under the terms of the contracts (level 3). Significant assumptions used in determining the cash surrender value include the amount and timing of future cash flows, interest rates and mortality charges. The fair value of these contracts approximates the carrying value of $67.7 million and $47.6 million at September 27, 2013 and September 28, 2012, respectively. These contracts are included in financial assets on the consolidated and combined balances sheets. The $20.1 million increase in the Group's life insurance contracts primarily reflects the transfer of these assets from Covidien in connection with the Separation.The carrying value of the Group's loan payable approximates fair value due to its short term nature. Since the quoted market prices for the Group's 7.00%, 8.00% and 9.50% debentures are not available in an active market, they are classified as level 2 for purposes of developing an estimate of fair value. The Group's 3.50% and 4.75% notes are classified as level 1, as quoted prices are available in an active market for these notes. The following table presents the carrying values and estimated fair values of the Group's long-term debt, excluding capital leases, as of the end of each period:

	September 27, 2013		September 28, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loan payable	$ 0.1	$ 0.1	$ —	$ —
7.00% debentures due December 2013	—	—	5.8	5.8
3.50% notes due April 2018	299.9	293.7	—	—
9.50% debentures due May 2022	10.4	14.3	—	—
8.00% debentures due March 2023	8.0	10.2	—	—
4.75% notes due April 2023	598.2	568.5	—	—

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Group to concentrations of credit risk primarily consist of trade debtors. The Group does not require collateral from customers. A portion of the Group's trade debtors outside the U.S. includes turnover to government-owned or supported healthcare systems in several countries, which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies. Deteriorating credit and economic conditions in parts of Western Europe, particularly in Spain and Italy, may continue to increase the average length of time it takes the Group to collect its trade debtors in certain regions within these countries.

The Group routinely evaluates all government trade debtors for potential collection risks associated with the availability of government funding and reimbursement practices. The Group has not incurred any significant losses on government trade debtors; however, if the financial condition of customers or the countries' healthcare systems continue to deteriorate such that their ability to make payments is uncertain, additional allowances may be required in future periods.

The Group's trade debtors, net of the allowance for doubtful accounts, in Spain and Italy at the end of each period were as follows:

	September 27, 2013	September 28, 2012
Spain	$ 9.2	$ 15.0
Italy	12.6	12.5

Turnover to customers in Spain and Italy totaled $51.7 million and $55.0 million for fiscal 2013 and 2012, respectively.

The following table shows turnover attributable to distributors that accounted for 10% or more of the Group's turnover:

	Fiscal Year	
	2013	2012
Cardinal Health, Inc.	18%	19%
McKesson Corporation	15%	14%

The following table shows trade debtors attributable to distributors that accounted for 10% or more of the Group's gross trade debtors at the end of each period:

	September 27, 2013	September 28, 2012
Cardinal Health, Inc.	18%	19%
McKesson Corporation	22%	20%
Amerisource Bergen Corporation	14%	10%

The following table shows turnover attributable to products that accounted for 10% or more of the Group's turnover:

	Fiscal Year	
	2013	2012
Optiray (CMDS)	14%	17%
Acetaminophen products (API)	10%	11%

Mo-99 is a key raw material in the Group's Ultra-Technekow DTE technetium generators that are sold by its Global Medical Imaging segment. There are only eight suppliers of this raw material worldwide. The Group has agreements to obtain Mo-99 with three nuclear research reactors and relies predominately on two of these reactors for its Mo-99 supply. Accordingly, a disruption in the commercial supply or a significant increase in the cost of this material from these sources could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

25. Segment and Geographical Data

The Group is engaged in the development, manufacture and distribution of pharmaceuticals and diagnostic imaging agents. The Group manages and operates its business through the following two segments:

- *Specialty Pharmaceuticals* produces and markets branded and generic pharmaceuticals and API, comprised of medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients; and
- *Global Medical Imaging* develops, manufactures and markets CMDS and radiopharmaceuticals (nuclear medicine).

Management measures and evaluates the Group's operating segments based on segment turnover and operating profit. Management excludes corporate expenses from segment operating profit. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment operating profit because management evaluates the operating results of the segments excluding such items. These items include turnover and expenses associated with turnover of products to Covidien, intangible asset amortization, net restructuring and related charges, and separation costs. Although these amounts are excluded from segment operating profit, as applicable, they are included in reported consolidated and combined operating profit and in the reconciliations presented below. Selected information by business segment was as follows:

	Fiscal Year	
	2013	2012
Turnover:		
Specialty Pharmaceuticals	$ 1,217.6	$ 1,005.2
Global Medical Imaging	935.7	996.8
Turnover of operating segments [1]	2,153.3	2,002.0
Other [2]	51.2	54.2
Turnover	$ 2,204.5	$ 2,056.2
Operating profit:		
Specialty Pharmaceuticals	$ 311.7	$ 162.8
Global Medical Imaging	112.3	214.3
Segment operating profit	424.0	377.1
Unallocated amounts:		
Corporate and allocated expenses [3]	(133.8)	(69.9)
Intangible asset amortization	(35.4)	(27.3)
Restructuring and related charges, net [4]	(35.8)	(19.2)
Separation costs	(74.2)	(25.5)
Operating profit	$ 144.8	$ 235.2
Depreciation and amortization [5]:		
Specialty Pharmaceuticals	$ 97.6	$ 88.7
Global Medical Imaging	42.0	42.2
Depreciation and amortization	$ 139.6	$ 130.9

(1) Amounts represent turnover to external customers. There was no intersegment turnover.

(2) Represents products that were sold to Covidien, which is discussed in Note 20.

(3) Includes administration expenses and certain compensation, environmental and other costs not charged to the Group's operating segments.

(4) Includes restructuring-related accelerated depreciation of $2.6 million and $8.0 million for fiscal 2013 and 2012, respectively.

(5) Depreciation for certain shared facilities is allocated based on occupancy percentage.

Turnover by business within the Group's segments was as follows:

	Fiscal Year	
	2013	2012
Generics and API	$ 1,011.2	$ 848.8
Brands	206.4	156.4
Specialty Pharmaceuticals	1,217.6	1,005.2
Contrast Media and Delivery Systems	498.1	542.0
Nuclear Imaging	437.6	454.8
Global Medical Imaging	935.7	996.8
Turnover of operating segments	2,153.3	2,002.0
Other [1]	51.2	54.2
Turnover	$ 2,204.5	$ 2,056.2

(1) Represents products that were sold to Covidien, which are discussed in Note 20.

Selected information by geographic area was as follows:

	Fiscal Year	
	2013	2012
Turnover [1]:		
U.S.	$ 1,518.7	$ 1,350.2
Europe, Middle East and Africa	404.3	411.0
Other	281.5	295.0
	$ 2,204.5	$ 2,056.2
Long-lived assets [2]:		
U.S.	$ 893.3	$ 847.7
Europe, Middle East and Africa [3]	81.0	72.2
Other	51.8	52.1
	$ 1,026.1	$ 972.0

(1) Turnover is attributed to regions based on the location of the entity that records the transaction, none of which relate to the country of Ireland.

(2) Long-lived assets are primarily composed of tangible assets.

(3) Includes long-lived assets located in Ireland of $48.7 million and $45.5 million at the end of fiscal 2013 and 2012, respectively.

26. Loss Attributable to Mallinckrodt plc

In accordance with Section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting and filing its individual profit and loss account. The Company's loss for the financial year as determined in accordance with Irish GAAP was $17.7 million. As the Company was incorporated on January 9, 2013, there are no comparative profit and loss amounts to disclose.

27. Directors' Remuneration

Directors' remuneration is set forth in the table below. As noted previously, prior to the Separation Mallinckrodt plc's board of directors consisted of Mr. Trudeau, Mr. Harbaugh, Mr. Edwards and Dr. Keenan, who were also officers of the Pharmaceuticals business of Covidien and, as such, were not compensated for their services as directors. On June 17, 2013, Ms. Reed was appointed to the board of directors. In connection with the Separation, Mr. Harbaugh, Mr. Edwards and Dr. Keenan resigned from the board of directors, and Mr. Booth, Mr. Carlucci, Mr. Carroll, Ms. Gulyas, Ms. Lurker, Dr. Youngblood and Mr. Zaccagnino were appointed to the board of directors. Additionally, Mr. Trudeau, the Company's President and Chief Executive Officer and Director, is not compensated for his services as a director. Accordingly, the amounts below for "Managerial Services" include compensation for Mr. Trudeau's services as President and Chief Executive Officer, as well as his services as the Senior Vice President and President of Covidien's Pharmaceuticals business and the services of Mr. Harbaugh, Mr. Edwards and Dr. Keenan as officers of the same business for the applicable period of fiscal 2013. The amounts below also include compensation for all non-executive directors in their capacities as such (referred to as "Director Services").

	2013
Director Services [1]	$ 0.5
Managerial Services [2]	3.5
	$ 4.0

(1) Includes cash payments and amounts expensed for outstanding equity awards. Also includes a $0.2 million one-time pre-Separation payment made to our non-executive directors by our former parent company, Covidien.

(2) Includes cash payments, amounts expensed for outstanding equity awards, retirement and supplemental savings plan contributions, health benefits and auto allowance.

Indemnification Agreements. On June 28, 2013, Mallinckrodt entered into deeds of indemnification with each of Mallinckrodt plc's directors and Secretary ("the Deeds of Indemnification"), and Mallinckrodt Brand Pharmaceuticals, Inc., a Delaware corporation and a wholly owned subsidiary of Mallinckrodt ("Brand Pharma"), entered into indemnification agreements with each of Mallinckrodt plc's directors and Secretary ("the Indemnification Agreements"). The Deeds of Indemnification and Indemnification Agreements provide, respectively, that Mallinckrodt and Brand Pharma will, to the fullest extent permitted by law, indemnify each indemnitee against claims related to such indemnitee's service to Mallinckrodt, except (i) in respect of any claim as to which a final and nonappealable judgment is rendered against the indemnitee for an accounting of profits made from the purchase or sale by such indemnitee of securities of Mallinckrodt plc pursuant to the provisions of Section 16(b) of the Exchange Act or similar provision of any federal, state or local laws; (ii) in respect of any claim as to which a court of competent jurisdiction has determined in a final and non-appealable judgment that indemnification is not permitted under applicable law; or (iii) in respect of any claim as to which the indemnitee is convicted of a crime constituting a felony under the laws of the jurisdiction where the criminal action was brought (or, where a jurisdiction does not classify any crime as a felony, a crime for which the indemnitee is sentenced to death or imprisonment for a term exceeding one year).

28. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	2013 [1]
Audit of the group accounts [2]	$ 179.4
Other assurance services [2]	76.4
Tax advisory services [2]	—
	$ 255.8

(1) No amounts were incurred for non-audit services.

(2) The Group incurred additional fees of $5,181.2 thousand during fiscal 2013 payable to affiliates of Deloitte & Touche, Ireland. These additional amounts reflect fees for professional services rendered, including audit fees payable to Deloitte & Touche LLP in the U.S. for the audit of the Group's consolidated and combined financial statements.

29. Financial Assets

The Group's financial asset activity during fiscal 2013 was as follows:

	Assets Held by Rabbi Trust	Insurance Contracts for Pension Plans	Restricted Cash	Deferred Debt Fees	Other Financial Assets	Total Financial Assets
At September 28, 2012	$ 62.9	$ 9.8	$ 24.6	$ 0.1	$ 2.4	$ 99.8
Unrealized gain	3.7	0.8	—	—	—	4.5
Transfers from (to) Covidien	25.4	2.5	—	—	—	27.9
Cash paid	(2.1)	(0.9)	(0.6)	12.0	—	8.4
Amortization	—	0.4	—	(0.8)	(0.2)	(0.6)
Currency translation	—	0.5	—	—	—	0.5
At September 27, 2013	$ 89.9	$ 13.1	$ 24.0	$ 11.3	$ 2.2	$ 140.5

30. Debtors

At the end of fiscal 2013 and 2012, debtors were comprised of:

	2013	2012
Amounts falling due within one year		
Trade debtors	$ 400.8	$ 315.4
Deferred taxes	171.1	119.9
Due from former parent company (Note 20)	62.2	—
Sales taxes recoverable	23.9	8.6
Receivable on hedges	0.9	—
Prepaid income tax charges	5.5	—
Other debtors and prepayments	41.4	22.2
	705.8	466.1
Amounts falling due after more than one year		
Income taxes receivable	1.9	—
Deferred taxes	7.5	3.9
Insurance receivables	15.9	22.4
Pension asset	17.1	17.7
Other debtors	30.6	28.4
	73.0	72.4
	$ 778.8	$ 538.5

31. Provisions for Liabilities

At the end of fiscal 2013 and 2012, provisions for liabilities comprised of:

	2013	2012
Pensions and similar obligations (Note 16)	$ 121.1	$ 204.7
Deferred taxes (Note 8)	311.7	76.4
Other provisions	284.6	354.5
	$ 717.4	$ 635.6

Other provision activity during fiscal 2013 was as follows:

	Environmental (Note 22)	Asset Retirement Obligations (Note 22)	Insurance Claims	Restructuring Reserves (Note 6)	Guarantees (Note 21)	Other	Total
At September 28, 2012	$ 151.5	$ 46.4	$ 4.9	$ 8.9	$ 44.9	$ 97.9	$ 354.5
Provisions, net	10.1	3.3	53.1	31.7	(2.3)	32.1	128.0
Transfers (to) from Covidien	(103.2)	—	2.9	—	—	0.5	(99.8)
Utilization	(11.9)	(0.2)	(50.9)	(15.1)	—	(21.0)	(99.1)
Other, including currency translation	(0.1)	1.1	—	—	—	—	1.0
At September 27, 2013	$ 46.4	$ 50.6	$ 10.0	$ 25.5	$ 42.6	$ 109.5	$ 284.6

32. Employees

The average number of persons, including executive directors, employed by the Group during the year was as follows:

	2013	2012
Manufacturing	3,281	3,317
Sales, marketing and distribution	1,140	1,140
Research and development	435	438
General and administrative	491	331
	5,347	5,226

Employee costs consisted of the following:

	2013	2012
Wages and salaries	$ 557.9	$ 475.3
Social security costs	50.3	37.2
Pension and postretirement costs	29.3	42.1
	$ 637.5	$ 554.6

33. Post-Balance Sheet Events

The Group was involved in patent disputes with a counterparty relating to certain intellectual property relevant to extended-release oxymorphone. In December 2013, the counterparty agreed to pay the Group an upfront cash payment of $4.0 million and contractually obligated future payments of $8.0 million through July 2018, in exchange for the withdrawal of all claims associated with the intellectual property and a license to utilize the Group's intellectual property. The Group has completed the earnings process associated with the agreement and recorded an $11.7 million gain during the three months ended December 27, 2013.

34. Subsidiary Undertakings

As of September 27, 2013, the Group had the following subsidiary undertakings:

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Carnforth Limited	Healthcare	100%	65 Front Street Hamilton HM12 Bermuda Bermuda
CNS Therapeutics, Inc.	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Comercializadora Mallinckrodt Chile Limitada	Healthcare	100%	Cerro El Plomo N° 5630 Edificio Las Artes, Piso 9 Las Condes, Santiago Chile
Covidien Imaging France Sarl (FKA Mallinckrodt France S.a.r.l.)	Healthcare	100%	2 Rue Denis Diderot 78852 Elancourt Cedex France
Dritte CORSA Verwaltungsgesellschaft GmbH	Inactive	100%	Gewerbepark 1 93333 Neustadt a. d. Donau Germany
Enterprises Holdings, Inc.	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
IMC Exploration Company	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Lafayette Pharmaceuticals LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Liebel-Flarsheim Company LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Ludlow Corporation	Holding Co	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt (Pty) Ltd	Healthcare	100%	Country Club Estate Building 2 21 Woodlands Drive Woodmead 2052 South Africa
Mallinckrodt AG	Healthcare	100%	Hinterbergstrasse 20 6330 Cham Switzerland
Mallinckrodt Australia Pty Ltd	Healthcare	100%	Level 2 South 166 Epping Road Lane Cove West, NSW, 2066 Australia
Mallinckrodt Belgium BVBA	Healthcare	100%	Generaal De Wittelaan 9/5 2800 Mechelen Belgium
Mallinckrodt Brand Pharmaceuticals, Inc. (DE)	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Canada Cooperatie U.A.	Healthcare	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Canada Holdings ULC	Holding Co	100%	7500 Trans-Canada Highway Pointe-Claire, Quebec H9R 5H8 Canada
Mallinckrodt Canada ULC	Healthcare	100%	7500 Trans-Canada Highway Pointe-Claire, Quebec H9R 5H8 Canada
Mallinckrodt Caribbean, Inc.	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Chemical Holdings (UK) Ltd.	Inactive	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Mallinckrodt Chemical Limited	Healthcare	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt Colombia SAS	Healthcare	100%	Edificio Prados De La Morea (Cra. 7A) Km .18, Chia Cundinamarca Colombia
Mallinckrodt Deutschland GmbH	Healthcare	100%	Gewerbepark 1 93333 Neustadt a. d. Donau Germany
Mallinckrodt Deutschland Holdings GmbH	Holding Co	100%	Gewerbepark 1 93333 Neustadt a. d. Donau Germany
Mallinckrodt do Brasil, Ltda.	Healthcare	100%	Rua Gomes de Carvalho 1.069 Vila Olimpia Sao Paulo Brazil
Mallinckrodt Enterprises Holdings, Inc.	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Finance GmbH	Healthcare	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall Switzerland
Mallinckrodt Group S.a.r.l	Healthcare	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Holdings GmbH	Holding Co	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall, Switzerland Germany
Mallinckrodt Hong Kong Limited	Healthcare	100%	Units 01-02, 20th Floor, Tower 1 Grand Century Place 193 Prince Edward Road West Kowloon Hong Kong
Mallinckrodt Inc. (DE)	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt International Finance S.A.	Holding Co	100%	3b, Boulevard Prince Henri L-1274 Luxembourg Luxembourg
Mallinckrodt Ireland Limited	Healthcare	100%	Damastown, Mulhuddart Dublin 15 Ireland
Mallinckrodt Italia Spa	Healthcare	100%	Via Rivoltana, 2/d Italy
Mallinckrodt Japan Co. Ltd.	Healthcare	100%	4-14, Koraku 1-chome Bunkyo-ku, Tokyo 112-0004 Japan
Mallinckrodt Korea Inc.	Healthcare	100%	#610, 6th Floor, Korea City Air Terminal 22, Teheran-ro 87-gil, Gangnam-gu Seoul, Korea (135-728) Korea
Mallinckrodt LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Medical Argentina Ltd.	Healthcare	100%	4500 Parkway Whiteley, Fareham, Hampshire, PO15 7NY United Kingdom
Mallinckrodt Medical B.V.	Healthcare	100%	Westerduinweg 3, Postbus 3 1755LE Petten The Netherlands

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Mallinckrodt Medical Consulting (Shanghai) Co., Ltd.	Healthcare	100%	Room 4604 and 4605, No. 268 Middle Xizang Road Huangpu District Shanghai, P.R. China
Mallinckrodt Medical Holdings (UK) Limited	Inactive	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt Medical Imaging - Ireland	Healthcare	100%	Damastown, Mulhuddart Dublin 15 Ireland
Mallinckrodt Medical S.A. de C.V.	Healthcare	100%	Insurgents Sur 1647 Piso 7 - Oficina 701 Colonia San José Insurgentes Delegación Benito Juárez México
Mallinckrodt Nederland B.V.	Healthcare	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Netherlands Holdings BV	Holding Co	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Nuclear LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Panama Distribution, S.A.	Healthcare	100%	Complejo Logistico Farmazona Boulevard Ernesto Perez Balladares Ft Davis, Colon Panama
Mallinckrodt Panama, S.A.	Healthcare	100%	Regus, Torre de Las Americas Piso 15, Oficina 1503 Panama
Mallinckrodt Petten Holdings B.V.	Holding Co	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Pharmaceuticals India Private Limited	Healthcare	100%	Doshi Tower, 6th Floor 156 Poonamalle High Road Kilpauk, Chennai 600010 India
Mallinckrodt Saglik Anonim Sirketi	Healthcare	100%	Maslak Mahallesi Bilim Sokak No: 5 Sun Plaza Kat:2-3 34398 Sisli, Istanbul Turkey
Mallinckrodt sp. z o.o.	Healthcare	100%	Al. Jerozolimski 162 02-342 Warszawa Poland
Mallinckrodt Spain, S.L.	Healthcare	100%	World Trade Center Almeda Park Placa de la Pau, s/n, Edif. 7 - 3ª planta 08940 CORNELLA DE LLOBREGAT (Barcelona) Spain
Mallinckrodt Sverige AB	Healthcare	100%	Hemvärnsgatan 9 171 74 Solna Sverige Sweden
Mallinckrodt Switzerland Limited	Healthcare	100%	Hinterbergstrasse 20 6330 Cham Switzerland
Mallinckrodt UK Commercial Ltd	Healthcare	100%	4500 Parkway Whiteley, Fareham, Hampshire, PO15 7NY United Kingdom
Mallinckrodt UK Ltd	Inactive	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt US Holdings LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Mallinckrodt US Holdings, Inc. (FKA Kendall Holding Corp.)	Holding Co	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Pool LLC	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Veterinary, Inc.	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MEH, Inc.	Healthcare	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MKG Medical UK Ltd	Inactive	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom

As of September 27, 2013, the Group had the following branches and representative offices outside of Ireland:

Branch	Country
Mallinckrodt Medical Argentina Ltd., Argentinean Branch	Argentina
Mallinckrodt Medical Consulting (Shanghai) Co., Ltd. (Beijing Branch)	China
Mallinckrodt Netherlands Holdings B.V. Holland (Denmark Branch)	Denmark
Mallinckrodt Netherlands Holdings B V (Finland Branch)	Finland
Mallinckrodt Netherlands Holdings B.V. (Norway Branch)	Norway
Mallinckrodt Caribbean, Inc. (Puerto Rico Branch)	Puerto Rico
Mallinckrodt Netherlands Holdings B.V. Russian Representative Office	Russia
Mallinckrodt Group S.a.r.l Luxembourg	Luxembourg
Mallinckrodt Group Sarl, Luxembourg (LU) Neuhausen AM Rheinfall Branch	Switzerland
Mallinckrodt Hong Kong Limited, Taiwan Representative Office	Taiwan
Mallinckrodt Hong Kong Limited, Thailand Branch	Thailand
Mallinckrodt Netherlands Holdings B.V. Slovakia, organizacná zlozka	Slovakia
Mallinckrodt Netherlands Holdings B.V., organizacní slozka	Czech Republic

MALLINCKRODT PUBLIC LIMITED COMPANY

Company Financial Statements
For the Period January 9, 2013 (Date of Incorporation)
to September 27, 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALLINCKRODT PLC

We have audited the company financial statements of Mallinckrodt plc for the period from January 9, 2013 (date of incorporation) to September 27, 2013 which comprise the Company Balance Sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990.

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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Company Financial Statements for the period ended September 27, 2013 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the company financial statements:
- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the company as at September 27, 2013; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Matters on which we are required to report by the Companies Acts, 1963 to 2013
- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The company's balance sheet is in agreement with the books of account.
- In our opinion the information given in the directors' report is consistent with the company financial statements.
- The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at September 27, 2013 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception
We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

/s/ Philip Barton
Philip Barton
For and on behalf of Deloitte and Touche
Chartered Accountants and Statutory Audit Firm
Dublin
Date: 7 February 2014

MALLINCKRODT PLC
COMPANY BALANCE SHEET
(in millions, except share data)

	Note		September 27, 2013
Fixed Assets			
Financial assets	2	$	2,621.1
Current Assets			
Debtors	3		3.5
Cash at bank and in hand			1.1
			4.6
Creditors (amounts falling due within one year)			
Amounts owed to subsidiaries			12.3
Accruals and other creditors			0.7
			13.0
Net Current Liabilities			(8.4)
Total Assets Less Current Liabilities			2,612.7
Creditors (amounts falling due after more than one year)			
Amounts owed to subsidiaries			2.4
Net Assets		$	2,610.3
Capital and Reserves			
Called-up share capital	5	$	11.5
Share premium account	5		0.6
Other reserves	5		6.5
Profit and loss account	5		2,591.7
Shareholders' Funds		$	2,610.3

Approved by the board of directors on February 7, 2014 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
Director	Director

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The fiscal 2013 Mallinckrodt plc parent company financial statements have been prepared in accordance with Irish GAAP, comprising the financial reporting standards issued by the FRC and published by the ICAI together with the Companies Acts, 1963 to 2013. The directors have elected to prepare the parent company financial statements in a manner different from the consolidated and combined financial statements of Mallinckrodt plc as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of the parent company, which is incorporated and registered in the Republic of Ireland.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised), Cash Flow Statements, the Company is exempt from preparing a cash flow statement as a cash flow statement is prepared for Mallinckrodt plc Group. The consolidated and combined financial statements of Mallinckrodt plc are publicly available.

Functional Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which Mallinckrodt plc operates ("the functional currency"). The financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency.

Currency Translation

Gains and losses resulting from foreign currency transactions are included in profit and loss.

Investments in Subsidiary

Mallinckrodt plc's investment in subsidiaries was recorded at fair value on June 28, 2013, the date Mallinckrodt plc acquired 100% of the ordinary share capital of these companies. The fair value was based on the Company's market capitalization at that date and became Mallinckrodt plc's cost basis for its investment in subsidiaries. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist.

Dividends

The Company currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisitions and the operation and expansion of its subsidiaries' business. The recommendation, declaration and payment of any dividends in the future by the Company will be subject to the sole discretion of its board of directors and will depend upon many factors, including its financial condition, earnings, capital requirements of its operating subsidiaries, covenants associated with certain of its debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by its board of directors. Moreover, if the Company determines to pay any dividends in the future, there can be no assurance that it will continue to pay such dividends.

2. Financial Assets

	2013
At January 9, 2013 *(date of incorporation)*	$ —
Investment in subsidiary undertakings following the Separation	2,621.1
At September 27, 2013	$ 2,621.1

On June 28, 2013, Mallinckrodt plc acquired 100% of the ordinary share capital of MIFSA and Mallinckrodt Belgium BVBA ("MB-BVBA"). As described in Note 15 to Notes to Consolidated and Combined Financial Statements, MIFSA was formed in November 2012 as a 100%-owned subsidiary of Covidien in connection with the Separation. MIFSA is a holding company established to own, directly or indirectly, substantially all of the operating subsidiaries of the Group, to issue debt securities and to perform treasury operations. The principal activity of MB-BVBA, a company incorporated in Belgium, is a pharmaceuticals and imaging trading company.

The Company's investment in MIFSA and MB-BVBA was recorded at fair value on the date of the Separation, based on the Company's market capitalization on that date. This initial valuation became Mallinckrodt plc's cost basis in MIFSA and MB-BVBA.

3. Debtors

At the end of fiscal 2013, debtors were comprised of:

	2013
Due from subsidiary undertakings	$ 2.5
Other debtors and prepayments	1.0
	$ 3.5

4. Guarantees and Contingencies

As discussed in Note 21 to the Group's Notes to Consolidated and Combined Financial Statements, MIFSA, a Luxembourg company, is a holding company that owns, directly or indirectly, substantially all of the operating subsidiaries of the Company. MIFSA is the issuer of the Group's $900.0 million in senior notes, which are fully and unconditionally guaranteed by the Company. In addition, MIFSA is the borrower under the $250.0 million revolving credit facility, which is also guaranteed by the Company. As discussed in Note 15 to the Group's Notes to Consolidated and Combined Financial Statements, no amount was outstanding under the revolving credit facility as of September 27, 2013. The Company has assessed the fair value of this guarantee and determined it to be insignificant.

The Company has entered into guarantee arrangements with various banks and third parties that provide Mallinckrodt Group companies with extensions of credit, including overdraft facilities, foreign exchange facilities and bank guaranty facilities. Under these arrangements, the Company has unconditionally guaranteed all obligations of these Group companies to the banks and third parties, up to a maximum amount outstanding of approximately $171.2 million as of September 27, 2013. The Company has assessed the fair value of these guarantees and determined them to be insignificant.

5. Shareholders' Funds

Shareholders' funds activity of the Parent Company was as follows:

	Called-up Share Capital			Other Reserves		
	Number	Amount	Share Premium Account	Other	Profit and Loss Account	Total
Balance at January 9, 2013	—	$ —	$ —	$ —	$ —	$ —
Issuance of ordinary shares	57.7	11.5	2,609.4	—	—	2,620.9
Transfer to profit and loss account	—	—	(2,609.4)	—	2,609.4	—
Net loss	—	—	—	—	(17.7)	(17.7)
Share options exercised	—	—	0.6	—	—	0.6
Share-based compensation	—	—	—	6.5	—	6.5
Balance at September 27, 2013	57.7	$ 11.5	$ 0.6	$ 6.5	$ 2,591.7	$ 2,610.3

Called-up Share Capital. The Company has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 57,713,873 of which were issued at September 27, 2013.

Preference Shares. The Company is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at September 27, 2013. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Company, the holders of any preferred shares then outstanding would, if issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to payment to them of the amount for which the preferred shares were subscribed and any unpaid dividends prior to any payment to the ordinary shareholders.

Preferred Share Purchase Rights. Pursuant to the Rights Agreement, the Company issued the Rights to shareholders of record on July 9, 2013. The Rights will not be exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 10% or more of the outstanding ordinary shares of Mallinckrodt plc. The Rights will expire on June 28, 2014. The Rights Agreement and the Rights are discussed further in the Company's Form 8A filed with the SEC on July 1, 2013.

Acquisition of Own Shares. Prior to the Separation, the Company had authorized 40,000 ordinary A shares with a par value of €1.00 per share. These shares were authorized in order to satisfy minimum statutory requirements for the granting of a trading certificate to an Irish public limited company. These ordinary A shares carried no voting or dividend rights. All ordinary A shares, as well as the seven ordinary shares held by the nominee shareholders of the Company, were acquired and canceled for no consideration contemporaneously with the Separation being effected.

Since the Separation, the Company has repurchased 483 shares at an average market price of $43.33, which are held in treasury at cost. These transactions represent deemed repurchases in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations. The Company has not and currently does not intend to initiate a comprehensive share repurchase program in the foreseeable future.

Share Premium Account. As of September 27, 2013, the balance in the share premium account resulted from the exercise of employee share options. Previously, the share premium account also contained the share premium related to the ordinary shares issued with the Separation of $2.6 billion. On September 9, 2013, the High Court of Ireland approved the creation of distributable reserves of Mallinckrodt plc through a reduction in the share premium account, which will facilitate any future payment of dividends to shareholders of the Company, as well as effect the repurchase of shares. The court order authorizing the creation of distributable reserves was filed with the Registrar of Companies in Ireland and became effective on September 13, 2013.

Other Reserves. Other reserves is comprised of share-based compensation of $6.5 million. For further discussion on the Company's share plans, refer to Note 18 to the Group's Notes to Consolidated and Combined Financial Statements.

Dividends. The Company currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisition and the operation and expansion of its business.

6. Loss Attributable to Mallinckrodt plc

In accordance with Section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting and filing its individual profit and loss account. Mallinckrodt plc's loss for the financial year as determined in accordance with Irish GAAP was $17.7 million. As Mallinckrodt plc was incorporated on January 9, 2013, there are no comparative profit and loss amounts to disclose.

7. Directors' Remuneration

Note 27 to the Group's Notes to Consolidated and Combined Financial Statements provides details of directors' remuneration paid by the Group.

8. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	2013
Audit of individual accounts	$ 17.9
Other assurance services	161.5
	$ 179.4

No amounts were incurred for tax advisory services or other non-audit services. Note 28 to the Group's Notes to Consolidated and Combined Financial Statements provides additional details of fees paid by the Group.

9. Related Party Transactions

The Company has availed of the exemption provided in Financial Reporting Standard 8, Related Party Transactions, for subsidiary undertakings, 100% of whose voting rights are controlled within the Group. Consequently, the financial statements do not contain disclosures of transactions with entities in Mallinckrodt plc.

Prior to the Separation, transactions with our former parent company, Covidien, were considered related party transactions. Those transactions are discussed in Note 20 to the Group's Notes to Consolidated and Combined Financial Statements.

10. Subsidiary Undertakings

Mallinckrodt plc owns MIFSA and MB-BVBA. The subsidiaries of each of these companies are included in Note 34 to the Group's Notes to Consolidated and Combined Financial Statements.