2014 IRISH STATUTORY ACCOUNTS

MALLINCKRODT PUBLIC LIMITED COMPANY

Directors' Report and Consolidated Financial Statements
For the Year Ended September 26, 2014

MALLINCKRODT PLC

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DIRECTORS' REPORT

For the Fiscal Year Ended September 26, 2014

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

The directors present their report, audited consolidated and combined financial statements for the fiscal year ended September 26, 2014, which are set out on pages 36 to 105, and audited parent company financial statements for the fiscal year ended September 26, 2014, which are set out on pages 108 to 113.

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.

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 2014 and 2013 each consisted of 52 weeks and ended on September 26, 2014 and September 27, 2013, respectively.

Principal Activities

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

Review of the Development and Performance of the Business

Mallinckrodt is a global specialty biopharmaceutical and medical imaging business that develops, manufactures, markets and distributes specialty pharmaceutical products and medical imaging agents. Therapeutic areas of focus include autoimmune and rare disease specialty areas (including neurology, rheumatology, nephrology and pulmonology), along with pain and attention-deficit hyperactivity disorder ("ADHD"), for prescription by office- and hospital-based physicians. We also support the diagnosis of disease with nuclear medicine and contrast 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 65 countries. We believe our experience in the acquisition and management of highly regulated raw materials, deep regultory expertise, and specialized chemistry, formulation and manufacturing capabilities 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 pharmaceuticals and biopharmaceuticals, specialty generic pharmaceuticals and API consisting of biologics, 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 15.6% in fiscal 2014. 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				
	2014	2013	Increase in Turnover	Currency Impact	Operational Growth
Turnover	$ 2,540.4	$ 2,204.5	15.2%	(0.4)%	15.6%

Adjusted profit after taxation, which represents (loss) profit after taxation, prepared in accordance with U.S. GAAP, excluding the after-tax effects related to separation costs; acquisition-related costs; restructuring and related charges, net; amortization; impairment charges; discontinued operations; immediately expensed up-front and milestone payments and other items identified by the Group, was $324.8 million in fiscal 2014. A reconciliation for this non-U.S. GAAP financial measure to (loss) profit after taxation is as follows:

	Fiscal Year			
	2014		2013	
	(Loss) Profit After Taxation	Diluted (Loss) 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	$ (319.3)	$ (4.92)	$ 58.8	$ 1.02
Adjustments:				
Non-restructuring impairment charges [1]	355.6	5.48	—	—
Intangible amortization expense	162.3	2.50	35.4	0.61
Restructuring and related charges, net [2]	129.1	1.99	35.8	0.62
Acquisition related expenses [3]	65.1	1.00	—	—
Inventory step-up expense [4]	25.7	0.40	—	—
Incremental equity conversion costs [5]	13.0	0.20	—	—
Separation costs [6]	9.6	0.15	74.2	1.28
Significant environmental and legal charges [7]	35.3	0.54	—	—
Up-front and milestone payments [8]	5.0	0.08	5.0	0.09
Loss (profit) from discontinued operations [9]	0.7	0.01	(1.0)	(0.02)
Gain on intellectual property license [10]	(11.7)	(0.18)	—	—
Taxation [11]	(144.7)	(2.23)	(27.5)	(0.48)
Dilutive share impact	(0.9)	(0.08)	—	—
As adjusted	$ 324.8	$ 4.94	$ 180.7	$ 3.13

(1) Primarily represents $219.7 million associated with impairment of goodwill in our Global Medical Imaging Segment and $118.3 million of tangible and intangible asset impairments within our CMDS asset group.

(2) Includes accelerated depreciation of $0.5 million and $2.6 million for fiscal 2014 and 2013, respectively.

(3) Represents costs related to our acquisitions of Questcor Pharmaceuticals, Inc. ("Questcor") in August 2014 and Cadence Pharmaceuticals, Inc. ("Cadence") in March 2014.

(4) Represents the increase in cost of sales related to the step-up in fair value of stocks of Questcor and Cadence at the respective acquisition dates.

(5) Represents the incremental share-based compensation expense associated with the conversion of Questcor equity awards into Mallinckrodt equity awards.

(6) Represents costs related to our separation from Covidien.

(7) Primarily represents our estimate of our allocable share of the joint and several remediation liability related to the cleanup of the lower 8-mile stretch of the Lower Passaic River (see Note 22).

(8) Represents milestone payments made to Depomed, Inc. ("Depomed") related to the U.S. Food and Drug Administration's ("FDA") acceptance of our New Drug Applications ("NDAs") in 2014 for MNK-155 and in 2013 for XARTEMIS™ XR (oxycodone HCl and acetaminophen Extended-Release Tablets (MNK-795)) ("Xartemis XR").

(9) Represents the loss (profit) in the current period related to our 2010 sale of the Specialty Chemicals business (formerly known as Mallinckrodt Baker).

(10) Represents the gain from the license of extended-release oxymorphone intellectual property to a third-party.

(11) Represents the tax effect of above adjustments and certain effects associated with acquisitions.

Acquisitions

In August 2014, we acquired Questcor, a high-growth biopharmaceutical company, for total consideration of approximately $5.9 billion ("the Questcor Acquisition"). The Questcor Acquisition was funded through an issuance of approximately 57 million common shares, proceeds from the issuance of $900.0 million aggregate principle of senior unsecured notes, proceeds from the issuance of $700.0 million senior secured term loan facility, $150.0 million of cash from a receivable securitization program and cash on hand. Questcor is focused on the treatment of patients with serious, difficult-to-treat autoimmune and rare diseases. Questcor's primary product, H.P. Acthar® Gel (repository corticotropin injection) ("Acthar"), is an injectable drug that is approved by the FDA for use in 19 indications, including the areas of neurology, rheumatology, nephrology and pulmonology. Questcor also supplies specialty contract manufacturing services to the global pharmaceutical and biotechnology industry through its wholly-owned subsidiary, BioVectra Inc. ("BioVectra"). The Questcor Acquisition is expected to provide a strong and sustainable platform for future turnover and earnings growth within the Group's Specialty Pharmaceuticals segment. The consolidated profit and loss account for fiscal 2014 included $122.9 million of turnover for Acthar.

In March 2014, we acquired Cadence, a biopharmaceutical company focused on commercializing products principally for use in the hospital setting for approximately $1.3 billion ("the Cadence Acquisition"). The Cadence Acquisition was primarily funded through a $1.3 billion senior secured term loan credit facility. Cadence's sole product, OFIRMEV® (acetaminophen) injection ("Ofirmev"), is a proprietary intravenous formulation of acetaminophen for the management of mild to moderate pain, the management of moderate to severe pain with adjunctive opioid analgesics and the reduction of fever. The Cadence Acquisition added a growth product to the Specialty Pharmaceuticals product portfolio and provides us with an opportunity to expand our reach into the adjacent hospital market, in which Cadence had established a presence. The consolidated profit and loss account for fiscal 2014 included $124.4 million of turnover for Ofirmev.

Consolidated and Combined Results of Operations

Loss after taxation of $319.3 million for fiscal 2014 and profit after taxation of $58.8 million for fiscal 2013 were (debited) credited to capital and reserves. No profits were distributed as dividends during fiscal 2014 and 2013. The following table presents the consolidated and combined results of operations, including discontinued operations, with percentage of turnover:

	Fiscal Year			
	2014		2013	
Turnover	$ 2,540.4	100.0%	$ 2,204.5	100.0%
Cost of sales	1,337.3	52.6	1,179.6	53.5
Gross profit	1,203.1	47.4	1,024.9	46.5
Distribution and administrative expenses	826.5	32.5	607.0	27.5
Research and development costs	166.9	6.6	165.7	7.5
Separation costs	9.6	0.4	74.2	3.4
Restructuring charges, net	128.6	5.1	33.2	1.5
Non-restructuring impairment charges	355.6	14.0	—	—
Operating (loss) profit	(284.1)	(11.2)	144.8	6.6
Interest payable and similar charges	(82.6)	(3.3)	(19.5)	(0.9)
Interest receivable and similar income	1.5	0.1	0.3	—
Other income, net	1.8	0.1	0.8	—
(Loss) profit on ordinary activities before taxation	(363.4)	(14.3)	126.4	5.7
Taxation (credit) charge	(44.8)	(1.8)	68.6	3.1
(Loss) profit on ordinary activities after taxation	(318.6)	(12.5)	57.8	2.6
(Loss) income from discontinued operations, net of taxation	(0.7)	—	1.0	—
(Loss) profit after taxation	$ (319.3)	(12.6)	$ 58.8	2.7

Turnover. Our turnover in fiscal 2014 increased $335.9 million, or 15.2%, to $2,540.4 million, compared with $2,204.5 million in fiscal 2013. This increase was primarily attributable to increased Specialty Generics and API turnover, driven by strategic initiatives on certain specialty controlled substance generics and increased Methylphenidate HCl Extended-Release tablets USP (CII) ("Methylphenidate ER") turnover. Brands turnover also contributed to the increase due to turnover of the newly acquired Acthar and Ofirmev. These increases were partially offset by a decrease in CMDS turnover.

Turnover generated by our businesses in the U.S. was $1,899.8 million and $1,518.7 million in fiscal 2014 and 2013, respectively. Our non-U.S. businesses generated turnover of $640.6 million and $685.8 million in fiscal 2014 and 2013, respectively. Our businesses outside the U.S. represented approximately 25.2% of our turnover in fiscal 2014 and 31.1% of our turnover in fiscal 2013.

Gross profit. Gross profit for fiscal 2014 increased $178.2 million, or 17.4%, to $1,203.1 million, compared with $1,024.9 million in fiscal 2013. The increase in gross profit primarily resulted from increased turnover from strategic initiatives and a further shift in turnover to the higher margin Specialty Pharmaceuticals segment, including the newly acquired Acthar and Ofirmev products. These increases were partially offset by a $126.9 million increase in amortization primarily associated with Acthar and Ofirmev, $25.7 million of expense recognition associated with the fair value adjustment of acquired Acthar and Ofirmev stocks, a $16.7 million increase in stocks provision expense and higher raw material costs in the Global Medical Imaging segment, including the unscheduled shutdowns of our molybdenum-99 ("Mo-99") processing facility and the High Flux Reactor ("HFR") in the Netherlands that supplies us with Mo-99. Gross profit margin was 47.4% during fiscal 2014, compared with 46.5% during fiscal 2013. The fiscal 2014 profit margin includes the increased amortization and expense recognition of stocks fair value adjustments.

Distribution and administrative expenses. Distribution and administrative expenses for fiscal 2014 were $826.5 million compared with $607.0 million for fiscal 2013, an increase of $219.5 million, or 36.2%. The increase primarily resulted from higher internal and third-party expenses associated with being an independent, publicly-traded company, $93.0 million from the inclusion of distribution, administrative and integration costs associated with Acthar and Ofirmev, $65.1 million of transaction costs associated with our fiscal 2014 acquisitions, a $23.1 million environmental remediation charge and $29.6 million of higher distribution expenses in our Brands business related to the launch of Xartemis XR and PENNSAID® (diclofenac sodium topical solution) 2% w/w ("Pennsaid 2%"). These increases were partially offset by benefits from restructuring actions and certain prior year costs that did not recur in fiscal 2014. Included within distribution and administrative expenses for fiscal 2014 and 2013 were gains on divestiture and license of $15.6 million and $2.9 million, respectively. The $15.6 million gain recorded during fiscal 2014 primarily resulted from an $11.7 million gain from the license of extended-release oxymorphone intellectual property to a third-party. Distribution and administrative expenses were 32.5% of our turnover for fiscal 2014 and 27.5% of our turnover for fiscal 2013.

Research and development costs. Research and development ("R&D") costs increased $1.2 million, or 0.7%, to $166.9 million in fiscal 2014, compared with $165.7 million in fiscal 2013. As products such as Xartemis XR, Pennsaid 2% and MNK-155 moved toward or through the FDA review process, we devoted additional resources to other potential products in our R&D pipeline and the continued pursuit of abuse-deterrent labeling for Xartemis XR. As a percentage of our turnover, R&D costs were 6.6% and 7.5% in fiscal 2014 and 2013, respectively.

Separation costs. During fiscal 2014 and 2013, we incurred separation costs of $9.6 million and $74.2 million, respectively, primarily related to legal, accounting, tax and other professional fees. Separation costs were higher in the prior year period as we approached and completed the Separation on June 28, 2013. We have continued 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 historical levels.

Restructuring and related charges, net. During fiscal 2014, we recorded $129.1 million of restructuring and related charges, net, of which $0.5 million related to accelerated depreciation and was included in cost of sales. The remaining $128.6 million primarily related to severance and benefits across both our segments, consulting costs and non-cash charges. The non-cash charges included $25.7 million of asset impairments, most notably associated with the termination of a related-party supply agreement, and $35.1 million of accelerated share-based compensation associated with Questcor unvested equity awards that were converted to Mallinckrodt awards at the date of the Questcor Acquisition. During fiscal 2013, we recorded restructuring and related charges, net of $35.8 million, 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.

Non-restructuring impairment charges. During fiscal 2014, we recorded $355.6 million of non-restructuring impairment charges. The charges consisted of $219.7 million associated with impairment of goodwill in the Global Medical Imaging Segment and $65.9 million and $52.4 million of tangible and intangible asset impairments, respectively, of assets included within our CMDS asset group. These impairment charges are partially the result of receiving notification that we lost preferred supplier status with a significant group purchasing organization ("GPO") and that we terminated a related-party supply contract, both of which occurred in the fourth quarter of fiscal 2014. Further, we recorded other impairments of $17.6 million, which primarily relate to the the impairment of Pennsaid (diclofenac sodium topical solution) 1.5% w/w ("Pennsaid") and Pennsaid 2% intangibles upon the return of our product rights to Nuvo Research Inc. ("Nuvo") as part of a fourth quarter legal settlement.

Interest payable and similar charges and interest receivable and similar income. During fiscal 2014 and 2013, interest payable and similar charges was $82.6 million and $19.5 million, respectively. Interest payable and similar charges during fiscal 2014 was primarily attributable to our $900.0 million issuance of senior unsecured notes in April 2013, $1.3 billion of debt associated with the Cadence Acquisition and approximately $1.8 billion of debt associated with the Questcor Acquisition. Interest receivable and similar income was $1.5 million and $0.3 million during fiscal 2014 and 2013, respectively.

Other income, net. During fiscal 2014 and 2013, we recorded other income, net of $1.8 million and $0.8 million, respectively, which represents miscellaneous items, including gains and losses on intercompany financing foreign currency transactions and related hedging instruments.

Taxation. In fiscal 2014, we recognized a taxation benefit of $44.8 million on a loss on ordinary activities before taxation of $363.4 million. In fiscal 2013, taxation was $68.6 million on profit on ordinary activities before taxation of $126.4 million. Our effective tax rate was 12.3% compared with 54.3% for fiscal 2014 and 2013, respectively. Our effective tax rate for fiscal 2014 was impacted by receiving a $17.4 million tax benefit on $74.7 million of transaction and separation costs, $39.4 million of tax benefit associated with $129.1 million of restructuring costs, $8.5 million of tax benefit associated with accrued income tax liabilities and uncertain tax positions, $12.4 million of tax benefit associated with the favorable rate difference between non-U.S. and U.S. jurisdictions (excluding impact of below referenced impairments), $4.8 million of tax benefit associated with the U.S. Domestic Manufacturing Deduction, a $20.0 million expense associated with an adjustment to the Group's wholly-owned partnership investment and a $45.3 million tax benefit associated with the $355.6 million impairment of tangible and intangible assets and goodwill. Our effective tax rate for fiscal 2013 was impacted by 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, $2.5 million of tax benefit associated with the U.S. Domestic Manufacturing Deduction and $2.2 million of tax benefit associated with the favorable rate difference between non-U.S. and U.S. jurisdictions, which includes the benefit of intercompany debt transferred to the Group at the Separation.

(Loss) income from discontinued operations, net of taxation. We recorded a $0.7 million loss and a $1.0 million gain on discontinued operations, net of taxation during fiscal 2014 and 2013, 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 company.

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.

Extensive laws and regulations govern the industry in which we operate and changes to those 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 that governs and influences the development, testing, manufacturing, processing, packaging, holding, record keeping, safety, efficacy, approval, advertising, promotion, sale, distribution and import/export of our products. Under these laws and regulations, we are subject to periodic inspection of our facilities, procedures and operations and/or the testing of our products by the FDA, the U.S. Drug Enforcement Administration ("DEA") and similar authorities within and outside the U.S., which conduct periodic inspections to confirm that we are in compliance with all applicable requirements. If we are found to have violated one or more applicable law or regulation, we could be subject to a variety of fines, penalties, and related administrative sanctions, and our competitive position, business, financial condition, results of operations and cash flows could be materially adversely affected. We are also required to report adverse events associated with our products to the FDA and other regulatory authorities. Unexpected or serious health or safety concerns associated with our products, including Acthar, could result in reduced sales of the affected products, product liability claims, labeling changes, recalls, market withdrawals or

other regulatory actions, including withdrawal of product approvals, any of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

In addition, changes in laws, regulations and regulatory actions 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. When the FDA finds that a new formulation of a product has abuse-deterrent characteristics, the agency may have the authority to require that generic versions of that product also have abuse-deterrent characteristics. One of our Abbreviated New Drug Applications ("ANDAs") 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 for the abuse, overdose and diversion of controlled substances through various enforcement actions as well as the implementation of compliance practices for controlled substances, including suspicious ordering monitoring 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, 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.

Further, on November 12, 2014, we were informed by the FDA that they believe that our Methylphenidate ER products may not be therapeutically equivalent to the category reference listed drug. As a result, on November 13, 2014, the FDA reclassified Methylphenidate ER from freely substitutable at the pharmacy level (class AB) to presumed to be therapeutically inequivalent (class BX). The FDA has indicated that it has not identified any serious safety concerns with the products. The FDA indicated that its reclassification is attributable to concerns that the products may not produce the same therapeutic benefits for some patients as the reference listed drug. The FDA further indicated that our Methylphenidate ER products are still approved and can be prescribed. The FDA has requested that within six months we demonstrate the bioequivalence of our products using the draft guidance for revised bioequivalence standards issued by the FDA on November 6, 2014, or voluntarily withdraw our products from the market. We expect that the FDA's action to reclassify our Methylphenidate ER products will significantly impact turnover and operating profit unless the FDA revises its decision.

We may be unable to identify, acquire or close acquisition targets successfully.

Part of our business strategy includes evaluating potential business development opportunities to grow the business through merger, acquisition or other business combinations. The process to evaluate potential targets may be complex, time-consuming and expensive. Once a potential target is identified, we may not be able to conclude negotiations of a potential transaction on terms that are satisfactory to us, which could result in a significant diversion of management and other employee time, as well as substantial out-of-pocket costs. In addition, there are a number of risks and uncertainties relating to our ability to close a potential transaction.

With any acquisitions of technologies, products and businesses, including our recently completed acquisitions of Questcor and Cadence, it may be difficult to realize all the benefits of the acquisition in the expected time frame and may adversely affect our business, financial condition and the results of operations.

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 realize all the benefits of our acquisitions in the expected time frame, including our fiscal 2014 acquisitions of Cadence (completed on March 19, 2014) and Questcor (completed on August 14, 2014), we may not obtain the advantages and synergies that such 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 customers, licensors, suppliers and employees and may face difficulties in managing the expanded operations of a significantly larger and more complex company. 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. Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected turnover and diversion of management's time and energy, which could materially impact our business, financial condition and results of operations.

We may be unable to successfully develop or commercialize new or expand commercial opportunities for existing 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 or expand commercial opportunities for existing 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 delays in the commercialization of generic products by up to 30 months resulting from the listing of patents with the FDA; and
- effective execution of the product launches 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 is heightened with respect to the development of proprietary branded 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. 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. Finally, once developed and approved, new products may fail to achieve commercial acceptance due to the price of the product, third-party reimbursement of the product and the effectiveness of sales and marketing efforts to support the product.

We may be unable to protect our intellectual property rights, intellectual property rights may be limited 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, proprietary know-how, market exclusivity gained from the regulatory approval process and other intellectual property to support our business strategy, most notably in relation to Acthar and Ofirmev. 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 could adversely affect our business, financial condition and results of operations.

The composition patent for Acthar has expired and we may have no patent-based market exclusivity with respect to any indication or condition we might target. We rely on trade secrets and proprietary know-how to protect the commercial viability and value of Acthar. We currently obtain such protection, in part, through confidentiality and proprietary information agreements. These agreements may not provide meaningful protection or adequate remedies for proprietary technology in the event of unauthorized use or disclosure of confidential and proprietary information. The parties may not comply with or may breach these agreements. Furthermore, our trade secrets may otherwise become known to, or be independently developed by, competitors.

The active ingredient in Ofirmev is acetaminophen. Patent protection is not available for the acetaminophen molecule itself in the territories licensed to us, which include the U.S. and Canada. As a result, competitors who obtain the requisite regulatory approval can offer products with the same active ingredient as Ofirmev so long as the competitors do not infringe any process or formulation patents that Cadence has in-licensed from Bristol-Myers Squibb Company ("BMS") and its licensor, SCR Pharmatop S.A. ("Pharmatop") or that we subsequently obtain.

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 sales 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. For example, several third parties have challenged, and additional third parties may challenge, the patents covering Ofirmev, which could result in the invalidation or unenforceability of some or all of the relevant patent claims. Such litigation and related matters are described in Note 22 of Notes to Consolidated and Combined Financial Statements included within this report.

The pursuit of or defense against patent infringement 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.

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 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, and hydrocodone. 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 2014, manufacturing and procurement quotas granted by the DEA have been sufficient to meet our sales and inventory requirements on most products. However, during calendar 2012, the initial hydrocodone manufacturing and procurement quota grants we received from the DEA were below the amounts requested and were insufficient to meet customer demand. While we were granted additional quota, these shortfalls did result in lost sales 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.

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, large pharmacy chains and specialty pharmaceutical distributors. In turn, these wholesale drug distributors, large pharmacy chains and specialty pharmaceutical distributors supply products to pharmacies, hospitals, governmental agencies and physicians. Sales 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 turnover in each of the past three fiscal years. Additionally, AmerisourceBergen Corporation accounted for 10% of our total turnover in fiscal 2014. CuraScript Specialty Distributor distributes Acthar and turnover to it is expected to account for more than 10% of our total turnover in fiscal 2015. If we were to lose the business of these distributors, if these distributors failed to fulfill their obligations, 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.

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

We sell a wide variety of products including branded pharmaceuticals, branded biopharmaceuticals and specialty generic pharmaceuticals, API and diagnostic imaging agents. However, following our acquisitions of Cadence and Questcor, both of which were completed in fiscal 2014, we expect that a small number of products, most notably Acthar and to a lesser extent, Ofirmev, will represent a significant percentage of our turnover. Our ability to maintain and increase turnover from these products depends on several factors, including:

- our ability to increase market demand for products through our own marketing and support of our sales force;
- our ability to implement and maintain pricing actions and continue to maintain or increase market demand for these products;
- our ability to maintain confidentiality of the proprietary know-how and trade secrets relating to Acthar;
- our ability to maintain and defend the patent protection and regulatory exclusivity of Ofirmev;
- our ability to continue to procure a supply of Acthar and Ofirmev from internal and third-party manufacturers in sufficient quantities and at acceptable quality and pricing levels in order to meet commercial demand;
- our ability to maintain fees and discounts payable to the wholesalers and distributors and GPOs, at commercially reasonable levels;
- whether the Federal Trade Commission ("FTC"), Department of Justice or third parties seek to challenge and are successful in challenging patents or patent-related settlement agreements or our sales and marketing practices;
- warnings or limitations that may be required to be added to FDA-approved labeling;
- the occurrence of adverse side effects related to or emergence of new information related to the therapeutic efficacy of these products, and any resulting product liability claims or product recalls; and
- our ability to achieve hospital formulary acceptance, and maintain reimbursement levels by third-party payers.

Moreover, turnover of Acthar may also be materially impacted by the decrease in the relatively small number of prescriptions written for Acthar as compared to other products in our portfolio, given Acthar's use in treating rare diseases. Any disruption in our ability to generate turnover from Acthar could have an adverse impact on our business, financial condition, results of operations and cash flows.

Cost-containment efforts of our customers, purchasing groups, third-party payers and governmental organizations could materially adversely affect our net sales 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 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. For example, in September 2014 we were notified by Premier, Inc., that we were no longer a preferred supplier of CMDS products. 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, our turnover and results of operations may be negatively affected by the loss of a contract with a GPO or IDN. In addition, 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 forming strategic alliances and 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 sale 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.

Turnover of our products is affected by the reimbursement practices of public and private insurers. In addition, reimbursement criteria or policies 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 payers. The ability of patients to obtain appropriate reimbursement for products and services from these third-party payers affects the selection of products they purchase and the prices they are willing to pay. In the U.S., there have been, and we expect there will continue to be, a number of state and federal proposals that limit the amount that third-party payers may pay to reimburse the cost of drugs, for example with respect to Acthar. We believe the increasing emphasis on managed care in the U.S. has and will continue to put pressure on the usage and reimbursement of Acthar.

Reimbursement of highly-specialized products, such as Acthar, is typically reviewed and approved or denied on a patient-by-patient, case-by-case basis, after careful review of details regarding a patient's health and treatment history that is provided to the insurance carriers through a prior authorization submission, and appeal submission, if applicable. During this case-by-case review, the reviewer may refer to coverage guidelines issued by that carrier. These coverage guidelines are subject to on-going review by insurance carriers. Because of the large number of carriers, there is a large number of guideline updates issued each year.

In addition, demand for new products may be limited unless we obtain reimbursement approval from governmental and private third-party payers 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.

We are unable to predict what additional legislation or regulation or changes in third party coverage and reimbursement policies may be enacted or issued in the future or what effect such legislation, regulation and policy changes would have on our business.

Clinical trials demonstrating the efficacy for Acthar are limited. The absence of such clinical trial data could cause physicians not to prescribe Acthar, which could negatively impact our business, financial condition, results of operations and cash flows.

Our turnover of Acthar, which is expected to comprise a significant portion of our overall product portfolio, could be negatively impacted by the level of clinical data available on the product. Acthar was originally approved by the FDA in 1952, prior to the enactment of the 1962 Kefauver Harris Amendment, or the "Drug Efficacy Amendment," to the Food, Drug, and Cosmetic Act. This Amendment introduced the requirement that drug manufacturers provide proof of the effectiveness (in addition to the previously required proof of safety) of their drugs in order to obtain FDA approval. As such, the FDA's original approval in 1952 was based on safety data as clinical trials evaluating efficacy were not then required. In the 1970s, the FDA reviewed the safety and efficacy of Acthar during its approval of Acthar for the treatment of acute exacerbations in multiple sclerosis ("MS") and evaluated all other previous indications on the label through the Drug Efficacy Study Implementation ("DESI") process. In this process, the medical and scientific merits of the label and each indication on the label were evaluated based on publications, information from sponsors, and the judgment of the FDA. The label obtained after the DESI review and the addition of the MS indication is the Acthar label that was used until the most recent changes in 2010.

In 2010, in connection with its review of a supplemental New Drug Application for use of Acthar in treatment of infantile spasms ("IS"), the FDA again reviewed evidence of safety and efficacy of Acthar, and added the IS indication to label of approved indications while maintaining approval of Acthar for treatment of acute exacerbations in MS and 17 other indications. In conjunction with its decision to retain these 19 indications on a modernized Acthar label, the FDA eliminated approximately 30 other indications from the label. The FDA review included a medical and scientific review of Acthar and each indication and an evaluation of available clinical and non-clinical literature as of the date of the review. The FDA did not require additional clinical trials for Acthar.

Accordingly, evidence of efficacy is based on physician's clinical experience with Acthar and does not include clinical trails except for the MS and IS indications. Despite recent increases in Acthar prescriptions for several of its on-label indications, this limited clinical data of efficacy could impact future turnover of Acthar. We have initiated Phase 4 clinical trials to supplement the non-clinical evidence supporting the use of Acthar in the treatment of the on-label indications of idiopathic membraneous nephropathy and systemic lupus erythematosus. The completion of such ongoing or future clinical trials to provide further evidence on the efficacy of Acthar in the treatment of its approved indications could take several years to complete and will require the expenditure of significant time and financial and management resources. Such clinical trials may not result in data that supports the use of Acthar to treat any of its approved indications. In addition, a clinical trial to evaluate the use of Acthar to treat indications not on the current Acthar label may not provide a basis to pursue adding such indications to the current Acthar label.

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 accruals may have a higher inherent risk for material changes in estimates. 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 become subject to in this or other actions could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not achieve the anticipated benefits of price increases enacted on our pharmaceutical products, which may adversely affect our business.

From time to time, we initiate price increases on certain of our pharmaceutical products. There is no guarantee that our customers will be receptive to these price increases and continue to purchase the products at historical quantities. If customers do not maintain or increase existing sales volumes after price increases are enacted, and we are unable to replace lost sales with orders from other customers, it 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 our restructuring activities and our restructuring activities may adversely affect our business.

From time to time, we initiate restructuring activities 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 program. 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.

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 turnover, 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. For example, 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. 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.

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. This competition may limit the effectiveness of any price increases we initiate. Following any price increase by us, competitors may elect to maintain a lower price point that may result in a decline in our sales volume. Our current or future products could be rendered obsolete or uneconomical as a result of such 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.

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 with respect to, but not limited to, patent infringement, product liability, antitrust matters, securities class action lawsuits, breach of contract, Medicare and Medicaid reimbursements claims, and compliance with laws relating to the marketing and sale of controlled substances, such as those relating to the establishment of suspicious order monitoring 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 such retained liabilities. We believe this coverage level is adequate to address our current risk 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.

We are involved in an ongoing government investigation by the United States Department of Justice involving Questcor's promotional practices and related matters, the results of which may have a material adverse effect on our sales, financial condition, results of operations and cash flows.

In September 2012, Questcor received a subpoena from the United States Attorney's Office for the Eastern District of Pennsylvania ("USAO"), requesting documents pertaining to an investigation of its promotional practices. Additionally, Questcor has been informed by the USAO for the Eastern District of Pennsylvania that the USAO for the Southern District of New York and the U.S. Securities and Exchange Commission ("SEC") are also participating in the investigation to review Questcor's promotional practices and related matters. We are cooperating with the USAO and the SEC with regard to this investigation.

If some of Questcor's existing business practices are challenged as unlawful, we may have to change those practices, which could have a material adverse effect on our business, financial condition and results of operations. If, as a result of this investigation, we are found to have violated one or more applicable laws, we could be subject to a variety of fines, penalties, and related administrative sanctions, and our business, financial condition and results of operations could be materially adversely affected.

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. The costs under these programs may exceed amounts we have accrued as asset retirement obligations. 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 requirements and operating expenditures. 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 26, 2014, it was probable that we would incur remedial costs in the range of $43.7 million to $106.9 million. We also concluded that, as of September 26, 2014, the best estimate within this range was $67.1 million. For further information on our environmental obligations, refer to Note 22 of Notes to Consolidated and Combined Financial Statements included within this report. Based upon information known to date, we believe our current capital and operating plans are adequate to address 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 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.

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

- potentially longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain non-U.S. legal systems;
- political and economic instability;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and trade barriers;
- failure to successfully implement our new non-U.S. operating structure, and difficulties and costs of staffing and managing non-U.S. operations;
- exposure to global economic conditions; and
- exposure to potentially unfavorable movements in foreign currency exchange rates associated with international net sales and operating expense and intercompany debt financings.

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.

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. The manufacturing process is complex, can be vulnerable due to the limited number of reactors and Mo-99 processing facilities worldwide, and is subject to short product half-lives. Given the product's radioactive decay, if we encounter delays in transporting Mo-99 to our generator facilities, or if the generator facilities experience unscheduled shutdowns or delays in loading Mo-99, we may be limited in the amount of Ultra-Technekow™ DTE generators that we are able to 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 fiscal 2013 and fiscal 2014, the HFR in the Netherlands, one of two primary reactors we utilize, experienced unscheduled shutdowns and in fiscal 2014 our own Mo-99 processing facility in the Netherlands experienced a shutdown. We were able to receive increased target irradiations from 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.

Future unplanned shutdowns of nuclear reactors that we use to irradiate targets and processing facilities could impact the amount of available Mo-99, which could result in global shortages, continued increased raw material costs and decreased sales. 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. Mo-99 prices may also be impacted by higher operating costs of nuclear reactors and the elimination of governmental subsidies of nuclear reactors. Ongoing increased raw material and manufacturing costs will limit our ability to return the Global Medical Imaging segment to historical operating margins.

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. In addition, any unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations, and damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business.

Risks Related to the Separation

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 company 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 company 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 company during the entirety of the periods presented or those that we will achieve in the future due to various factors, including those described below.

- Prior to the Separation, our business was operated by Covidien as part of its broader corporate organization, rather than as an independent company, 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 continued to provide some of these functions to us for a period of time following the Separation 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 which expenses are less than the expenses we have incurred operating as an independent, publicly-traded company following the Separation.
- We incur additional expenses as a result of being an independent, publicly-traded company including, among other things, directors and officers liability insurance, director fees, reporting fees with the SEC, New York Stock Exchange listing fees, transfer agent fees, and increased auditing and legal fees. These expenses are 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 have made 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 have been 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. We have obtained and 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.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a company separate from Covidien. Additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements is described in Note 1 of Notes to the Consolidated and Combined Financial Statements included within this report.

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

The separation and distribution agreement that we entered into with Covidien in connection with the Separation 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 provides 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.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

We have substantial indebtedness, which could adversely affect our ability to fulfill our financial obligations and have a negative impact on our financing options and liquidity position. As of September 26, 2014, we had $3,972.7 million of total debt.

Our indebtedness may impose restrictions on us that could have material adverse consequences by:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- imposing restrictive covenants on our operations;
- placing us at a competitive disadvantage to other less leveraged competitors; and
- increasing our costs of borrowing.

In addition, the documents that govern the terms of our indebtedness contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of repayment of our debt.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations. If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions

may not allow us to meet our scheduled debt service obligations. The agreements governing our indebtedness restrict (a) our ability to dispose of assets and use the proceeds from any such dispositions and (b) our ability to raise debt capital to be used to repay our indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, lenders under any of our indebtedness could declare all outstanding principal and interest to be due and payable, the lenders under our existing credit facilities could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

Despite current and anticipated indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.

We may be able to incur substantial additional indebtedness in the future. Although agreements governing our indebtedness restrict the incurrence of additional indebtedness, these restrictions are and will be subject to a number of qualifications and exceptions and the additional indebtedness incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face could intensify.

The terms of the agreements that govern our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to pursue our business strategies.

The agreements that govern the terms of our indebtedness contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including limitations or restrictions on our ability to:

- incur, assume or guarantee additional indebtedness;
- declare or pay dividends or make other distributions;
- make any principal payment on, or redeem or repurchase, subordinated debt;
- make loans, advances or other investments;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- incur liens;
- enter into transactions with affiliates;
- enter into sale and leaseback transactions; and
- consolidate or merge with or into, or sell all or substantially all of our assets to, another person.

In addition, the restrictive covenants in the credit agreement governing our senior secured credit facilities require us to comply with a financial maintenance covenant in certain circumstances. Our ability to satisfy this financial maintenance covenant can be affected by events beyond our control and we cannot provide assurance that we will meet it.

A breach of the covenants under the agreements that govern the terms of any of our indebtedness could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement that governs our senior secured credit facilities would permit the lenders under such facilities to terminate all commitments to extend further credit thereunder. Furthermore, if we are unable to repay the amounts due and payable under our senior secured credit facilities, those lenders will be able to proceed against the collateral granted to them to secure that indebtedness. In the event our debtholders accelerate the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively, execute our growth strategy or take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

Our variable-rate indebtedness exposes us to interest rate risk, which could cause our debt service obligations to increase significantly.

Certain of our indebtedness, including borrowings under our senior secured credit facilities and our receivables securitization, are subject to variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable-rate indebtedness would increase and our net income would decrease, even though the amount borrowed under the facilities remained the same. As of September 26, 2014, we had $1,990.3 million outstanding variable-rate debt on our senior secured term loan and $150.0 million outstanding variable-rate debt on our receivables securitization. The term loan had an interest rate as of September 26, 2014 of 3.50%, which was comprised of LIBOR plus margin of 2.75%. The LIBOR rate has a minimum value of 0.75%. The receivables securitization has an interest rate as of September 26, 2014 of 0.96%, which is comprised of LIBOR plus margin of 0.80%. An unfavorable 25 basis point increase in LIBOR, in excess of the 0.75% minimum value on the senior secured term loan, would increase our quarterly payments on our senior secured term loan by approximately $1.2 million and our interest expense under the receivable securitization by $0.1 million. As of September 26, 2014, we had no outstanding borrowings under our revolving credit facility. Although we may enter into interest rate swaps, involving the exchange of floating for fixed-rate interest payments, to reduce interest rate volatility, we cannot provide assurance that we will enter into such arrangements or that they will successfully mitigate such interest rate volatility.

Our current debt levels and 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 by our current debt levels or if there is a material decline in the demand for our products or in the solvency of our customers or suppliers or 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.

A lowering or withdrawal of the ratings assigned to our debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating from Standard & Poor's Corporation and Moody's Investor Services, Inc. ("Moody's"). Any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Risks Related to Tax Matters

If the distribution completed in connection with the Separation 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 $113.6 million, excluding associated tax benefits from such payments, or $82.2 million, net of associated tax benefits, and will be subject to an overall limitation of $200 million, net of associated tax benefits. Payments to date qualifying under the overall limitation of $200 million are $33.0 million, net of associated tax 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 has 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 agreed 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.

Our status as a foreign corporation for U.S. federal tax purposes could be affected by a change in law.

We believe that, under current law, we are treated as a foreign corporation for U.S. federal tax purposes. However, changes to the inversion rules in Section 7874 or the U.S. Treasury Regulations promulgated thereunder or other IRS guidance could adversely affect our status as a foreign corporation for U.S. federal tax purposes, and any such changes could have prospective or retroactive application to us and our shareholders and affiliates. In addition, recent legislative proposals have aimed to expand the scope of U.S. corporate tax residence, and such legislation, if passed, could have an adverse effect on us. For example, in March 2014, the President of the United States proposed legislation which would amend the anti-inversion rules. Although its application is limited to transactions closing after 2014, no assurance can be given that such proposal will not be changed in the legislative process to apply to prior transactions. Additionally, in September 2014, legislation was introduced in the U.S. Senate that seeks to address the practice of earnings stripping by companies that move their domicile overseas. Furthermore, the Department of the Treasury and the IRS provided notice in September 2014 that the agencies intend to issue regulations to reduce the tax benefits of or preclude entirely certain inversion transactions.

Future changes to U.S. and foreign tax laws could adversely affect us.

The U.S. Congress, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the U.S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

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

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 provide assurance 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;
- perceived impacts to our results from acquisitions of products, licenses rights or businesses;
- 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.

Volatility can also occur from short sellers becoming active in our stock. It is generally in the short seller's interest for the price of a stock to decline. Prior to our acquisition of Questcor, Questcor experienced high levels of short interests in their stock. It has been alleged that short sellers may take various actions aimed at attempting to cause harm to a company's business or reputation in an effort to cause such company's stock to decline. There can be no assurance that short sellers will not become active in our stock.

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.

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. For example, we issued approximately 57 million ordinary shares in connection with the completion of our acquisition of Questcor in August 2014. 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 our 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.

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 a takeover offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not 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 are also 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.

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.

Our exposure to interest rate risk relates primarily to our variable-rate debt instruments, which bear interest based on LIBOR plus margin. As of September 26, 2014, our outstanding debt included $1,990.3 million variable-rate debt on our senior secured term loan and $150.0 million variable-rate debt on our receivables securitization. Assuming a one percent increase in the applicable interest rates, in excess of applicable minimum floors, annual interest expense would increase by approximately $21.4 million.

In addition, we maintain a $250 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 26, 2014, there were no outstanding borrowings under this credit facility.

The remaining outstanding debt as of September 26, 2014 is fixed-rate debt. Changes in market interest rates generally affect the fair value of fixed-rate debt, but do not impact earnings or cash flows.

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 incurred R&D expenses of $166.9 million and $165.7 million in fiscal 2014 and 2013, respectively. We expect to continue to invest in R&D activities, as well as enter into license agreements and business development opportunities to supplement our internal R&D initiatives. We intend to focus our R&D investments in the specialty pharmaceuticals area, specifically investments to support our Brands business, where we believe there is the greatest opportunity for growth and profitability.

Specialty Pharmaceuticals. We devote significant R&D resources for our branded products. A number of our branded products are protected by patents and have enjoyed market exclusivity. Our R&D strategy focuses on the development of extended-release opioid products with abuse deterrent properties and expanding the opportunities for existing products by documenting and publishing clinical experience and evidence that support health economic and patient outcomes. MNK-155 has completed Phase III clinical trials and our NDA filing was accepted for review by the FDA in May 2014. We have received notice of allowance from the U.S. Patent and Trademark Office ("USPTO") related to composition claims directed to unique design, formulation, pharmacokinetic and release characteristics for MNK-155.

In accordance with a Pediatric Research Equity Act requirement included in the NDA approval for Ofirmev, Cadence began enrolling patients in 2012 in a post-marketing efficacy study of Ofirmev in infants and neonates. The data from this study will be used to satisfy a formal written request Cadence received from the FDA under Section 505A of the U.S. Food, Drug and Cosmetic Act ("FDCA") that was made as part of the approval process for Ofirmev. The FDA has agreed to an August 2015 due date for completion of this study. Upon timely completion and the acceptance by the FDA of the data from this study, Ofirmev may be eligible for an additional six months of marketing exclusivity in the U.S. The FDA is also currently reviewing a supplemental NDA that Cadence submitted in December 2013, which would enable us to offer Ofirmev in flexible intravenous bags.

In regard to specialty generic product development, we are focused on controlled substances with difficult-to-replicate pharmacokinetic profiles. As of September 26, 2014, we had various ANDAs on file with the FDA. In addition, we are focused on process improvements to increase yields and reduce costs.

Global Medical Imaging. Our R&D efforts in our Global Medical Imaging segment are focused on driving efficiency and regulatory compliance throughout CMDS and Nuclear Imaging.

Acquisition of Own Shares

During fiscal 2014 we repurchased 230,282 shares at an average market price of $75.73, 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. In January 2015, the Mallinckrodt plc Board of Directors approved a share repurchase program of up to $300.0 million of ordinary shares.

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

Acquisitions. The Cadence Acquisition was completed on March 19, 2014 and the Questcor Acquisition was completed on August 14, 2014. Therefore, the Group's fiscal 2014 financial results include the results of each business from the date of acquisition through September 26, 2014. The Group's fiscal 2015 results will include the results from these businesses for the entirety of fiscal 2015, which is likely to impact the comparability of the two fiscal periods. The Group evaluates strategic transaction alternatives on an ongoing basis and may complete additional transactions that may impact the comparability of the two fiscal periods.

Methylphenidate ER. On November 12, 2014, we were informed by the FDA that they believe that our Methylphenidate ER products may not be therapeutically equivalent to the category reference listed drug. As a result, on November 13, 2014, the FDA reclassified Methylphenidate ER from class AB to class BX. The FDA has indicated that it has not identified any serious safety concerns with the products. The FDA indicated that its reclassification is attributable to concerns that the products may not produce the same therapeutic benefits for some patients as the reference listed drug. The FDA further indicated that our Methylphenidate ER products are still approved and can be prescribed. The FDA has requested that within six months, we demonstrate the bioequivalence of our products using the draft guidance for revised bioequivalence standards issued by the FDA on November 6, 2014, or voluntarily withdraw our products from the market. We expect that the FDA's action to reclassify our Methylphenidate ER products will significantly impact turnover and operating profit unless the FDA revises its decision.

Restructuring Initiatives. Following the Separation, we have focused on realigning our cost structure due to the changing nature of our business and looked for opportunities to achieve operating efficiencies. As such, in July 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 two to three-year period, from the approval of the program, with a two-year cost recovery period. Through September 26, 2014, we incurred restructuring charges of $89.4 million under our July 2013 program which are primarily expected to generate savings within our distribution and administrative expenses. In addition to the July 2013 program, we have taken restructuring actions to generate synergies from our fiscal 2014 acquisitions. We expect our actions under these programs to continue throughout fiscal 2015.

Research and Development Investment. 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 the specialty pharmaceuticals area, specifically investments to support our Brands business, where we believe there is the greatest opportunity for growth and profitability.

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

On November 12, 2014, we were informed by the FDA that they believe that our Methylphenidate ER products may not be therapeutically equivalent to the category reference listed drug. As a result, on November 13, 2014, the FDA reclassified Methylphenidate ER from class AB to class BX. The FDA has indicated that it has not identified any serious safety concerns with the products. The FDA indicated that its reclassification is attributable to concerns that the products may not produce the same therapeutic benefits for some patients as the reference listed drug. The FDA further indicated that our Methylphenidate ER products are still approved and can be prescribed. The FDA has requested that within six months, we demonstrate the bioequivalence of our products using the draft guidance for revised bioequivalence standards issued by the FDA on November 6, 2014 or voluntarily withdraw our products from the market. We expect that the FDA's action to reclassify our Methylphenidate ER products will significantly impact turnover and operating profit unless the FDA revises its decision.

Mallinckrodt Inc. v. U.S. Food and Drug Administration and United States of America. We filed a Complaint for Declaratory and Injunctive Relief in the U.S. District Court for the District of Maryland Greenbelt Division against the FDA and the United States of America on November 17, 2014 for judicial review of what we believe is the FDA's inappropriate and unlawful reclassification of our Methylphenidate ER tablets in the Orange Book: Approved Drug Products with Therapeutic Equivalence ("Orange Book") on November 13, 2014. In its complaint, we have asked the court to issue an injunction to (a) set aside the FDA's reclassification of our Methylphenidate ER products from class AB to class BX in the Orange Book and (b) prohibit the FDA from reclassifying our Methylphenidate ER products in the future without following applicable legal requirements; and issue a declaratory judgment that the FDA's action reclassifying our Methylphenidate ER products in the Orange Book is unlawful. We concurrently filed a motion with the same court requesting an expedited hearing to issue a temporary restraining order ("TRO") directing FDA to reinstate the Orange Book AB rating for our Methylphenidate ER products on a temporary basis. At a hearing held on November 25, 2014, the court denied our motion for a TRO. On December 23, 2014, the FDA filed a motion to dismiss the Compliant with the district court. We filed our opposition to the motion to dismiss on January 9, 2015, and concurrently filed a motion for summary judgment.

In January 2015, Mallinckrodt Securitization S.À.R.L. ("Mallinckrodt Securitization") amended the $160.0 million accounts receivable securitization facility that matures in July 2017 ("the Receivable Securitization") with third-party lenders to increase the borrowing limit from $160.0 million to $250.0 million. The terms of the Receivable Securitization, and the determination of interest rates, were largely unchanged. The Receivable Securitization may be increased to $300.0 million upon approval of the third-party lenders, subject to certain conditions. In conjunction with this amendment, we borrowed an additional $80.0 million to increase the outstanding borrowings to $230.0 million.

Directors

Don M. Bailey, Angus C. Russell and Virgil D. Thompson were appointed to the Mallinckrodt plc Board of Directors on August 14, 2014, following the acquisition of Questcor. Mr. Bailey previously served as the President and Chief Executive Officer of Questcor, and Mr. Russell and Mr. Thompson previously served on the Questcor Board of Directors. The remaining directors of the Company listed in the table below have served throughout the year, and since year end.

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 26 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 beginning of the financial year, or date of appointment if later, and at the end of the financial year were as follows:

	Ordinary shares, US $0.20 each			
	At September 26, 2014		At September 28, 2013 [1]	
	Shares [2]	Options	Shares [2]	Options
Directors				
Melvin D. Booth [3]	16,812	—	4,551	—
Don M. Bailey	138,498	165,308	681,987	165,308
David R. Carlucci	5,209	—	3,034	—
J. Martin Carroll	9,209	—	3,034	—
Diane H. Gulyas	6,759	—	4,184	—
Nancy S. Lurker	5,209	—	3,034	—
JoAnn A. Reed	5,209	—	3,034	—
Angus C. Russell	15,524	—	15,524	—
Virgil D. Thompson	67,181	—	92,151	—
Mark C. Trudeau	135,892	413,280	117,970	383,803
Kneeland C. Youngblood, M.D.	5,209	—	3,034	—
Joseph A. Zaccagnino	9,774	—	4,599	—
Secretary				
Miriam R. Singer	3,194	12,606	1,324	8,016

(1) Or at date of appointment.
(2) Includes shares underlying unvested restricted share units. Does not include shares underlying unvested performance share units.
(3) Includes shares indirectly owned.

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 33 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 & Touche, Chartered Accountants, 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

January 22, 2015

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 year ended 26 September 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Reconciliation of Movement in Shareholders' Funds, the Consolidated Statement of Cash Flows and the related notes 1 to 33 except for the unaudited pro-forma financial information set out in note 5. 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 year ended 26 September 2014.

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 26 September 2014 and of the loss of the group for the year then ended; 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 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/ Phillip Barton
Philip Barton
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

Date: January 22, 2015

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

	Note	Fiscal Year 2014	2013
Turnover	24	$ 2,540.4	$ 2,204.5
Cost of sales		1,337.3	1,179.6
Gross profit		1,203.1	1,024.9
Distribution and administrative expenses		826.5	607.0
Research and development costs		166.9	165.7
Separation costs		9.6	74.2
Restructuring charges, net	6	128.6	33.2
Non-restructuring impairment charges		355.6	—
Operating (loss) profit		(284.1)	144.8
Interest payable and similar charges	7	(82.6)	(19.5)
Interest receivable and similar income		1.5	0.3
Other income, net		1.8	0.8
(Loss) profit on ordinary activities before taxation		(363.4)	126.4
Taxation (credit) charge	8	(44.8)	68.6
(Loss) profit on ordinary activities after taxation financial year		(318.6)	57.8
Income (loss) from discontinued operations, net of taxation	4	(0.7)	1.0
(Loss) profit after taxation		$ (319.3)	$ 58.8
Basic (loss) earnings per ordinary share:	9		
(Loss) profit on ordinary activities after taxation		$ (4.91)	$ 1.00
(Loss) income on discontinued operations, net of taxation		(0.01)	0.02
(Loss) profit after taxation		(4.92)	1.02
Diluted (loss) earnings per ordinary share:	9		
(Loss) profit on ordinary activities after taxation		$ (4.91)	$ 1.00
(Loss) income on discontinued operations, net of taxation		(0.01)	0.02
(Loss) profit after taxation		(4.92)	1.02

Approved by the board of directors on January 22, 2015 and signed on its behalf by:

/s/ JoAnn A. Reed
Director

/s/ Mark C. Trudeau
Director

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

	Fiscal Year	
	2014	2013
(Loss) profit after taxation	$ (319.3)	$ 58.8
Other comprehensive (loss) profit, net of taxation		
Currency translation adjustments	(27.6)	1.5
Unrecognized gain (loss) on derivatives, net of ($0.2) and $- tax	0.5	(7.3)
Unrecognized (loss) gain on benefit plans, net of $7.3 and ($23.9) tax	(15.7)	34.2
Total other comprehensive (loss) profit, net of taxation	(42.8)	28.4
Comprehensive (loss) profit	$ (362.1)	$ 87.2

MALLINCKRODT PLC
CONSOLIDATED BALANCE SHEETS
(in millions)

	Note	September 26, 2014	September 27, 2013
Fixed Assets			
Intangible assets	12	$ 9,514.1	$ 954.1
Tangible assets	11	952.9	1,004.6
Financial assets	28	255.1	140.5
		10,722.1	2,099.2
Current Assets			
Stocks	10	396.6	403.1
Debtors	29	1,038.3	778.8
Cash at bank and in hand		707.8	275.5
		2,142.7	1,457.4
Creditors (amounts falling due within one year)	13	713.8	487.6
Net Current Assets		1,428.9	969.8
Total Assets Less Current Liabilities		12,151.0	3,069.0
Creditors (amounts falling due after more than one year)	14	4,102.1	1,096.0
Provisions for Liabilities	30	3,090.9	717.4
Net Assets		$ 4,958.0	$ 1,255.6
Capital and Reserves			
Called-up share capital	17	$ 23.2	$ 11.5
Share premium account	17	3,948.4	0.6
Other reserves	17	1,289.7	1,210.0
Profit and loss account		(303.3)	33.5
Shareholders' Funds		$ 4,958.0	$ 1,255.6

Approved by the board of directors on January 22, 2015 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	
	2014	**2013**
Cash Flows From Ordinary Operating Activities:		
(Loss) profit after taxation	$ (319.3)	$ 58.8
Loss (income) from discontinued operations, net of taxation	0.7	(1.0)
(Loss) profit on ordinary activities after taxation	(318.6)	57.8
Adjustments to reconcile net cash provided by ordinary operating activities:		
Depreciation and amortization	275.9	139.6
Share-based compensation	67.7	16.2
Deferred taxation	(107.5)	(9.0)
Non-cash impairment charges	381.2	—
Stocks provisions	32.1	15.5
Other non-cash items	(24.3)	(5.2)
Changes in assets and liabilities, net of the effects of acquisitions:		
Trade debtors	(51.3)	(181.2)
Stocks	56.0	27.7
Trade creditors	(32.9)	7.2
Taxation	(54.8)	60.7
Accrued and other liabilities	110.5	22.6
Other	39.4	(16.0)
Net cash provided by ordinary operating activities	373.4	135.9
Cash Flows From Ordinary Investing Activities:		
Capital expenditures	(127.8)	(147.9)
Acquisitions and intangibles, net of cash acquired	(2,793.8)	(88.1)
Restricted cash	4.1	—
Other	26.7	1.3
Net cash (used in) ordinary investing activities	(2,890.8)	(234.7)
Cash Flows From Ordinary Financing Activities:		
Issuance of external debt	3,043.2	898.1
Repayment of external debt and capital leases	(34.8)	(1.3)
Debt financing costs	(71.7)	(12.0)
Excess tax benefit from share-based compensation	8.9	3.4
Net transfers to parent	—	(515.9)
Proceeds from exercise of share options	25.8	0.6
Repurchase of shares	(17.5)	—
Other	—	0.1
Net cash provided by ordinary financing activities	2,953.9	373.0
Effect of currency rate changes on cash at bank and in hand	(4.2)	1.3
Net increase in cash at bank and in hand	432.3	275.5
Cash at bank and in hand at beginning of period	275.5	—
Cash at bank and in hand at end of period	$ 707.8	$ 275.5
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest, net	$ 57.2	$ 0.8
Cash paid for taxation, net	128.0	15.0

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 17)	Profit and Loss Account	Total
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
Loss after taxation	—	—	—	—	—	(319.3)	(319.3)
Other comprehensive loss, net of tax	—	—	—	—	(42.8)	—	(42.8)
Share options exercised	0.8	0.2	25.6	—	—	—	25.8
Vesting of restricted shares	0.4	0.1	(0.1)	—	—	—	—
Excess tax benefit from share-based compensation	—	—	—	8.9	—	—	8.9
Share-based compensation	—	—	—	67.7	—	—	67.7
Issuance of ordinary shares	57.3	11.4	3,922.3	45.9	—	—	3,979.6
Repurchase of ordinary shares	—	—	—	—	—	(17.5)	(17.5)
Balance at September 26, 2014	116.2	$ 23.2	$ 3,948.4	$ 1,224.0	$ 65.7	$ (303.3)	$ 4,958.0

1. Background and Basis of Presentation

Background

Mallinckrodt is a global specialty biopharmaceutical and medical imaging business that develops, manufactures, markets and distributes specialty pharmaceutical products and medical imaging agents. Therapeutic areas of focus include autoimmune and rare disease specialty areas (including neurology, rheumatology, nephrology and pulmonology), along with pain and ADHD for prescription by office- and hospital-based physicians. The Group also supports the diagnosis of disease with nuclear medicine and contrast 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 65 countries. The Group believes its experience in the acquisition and management of highly regulated raw materials, deep regulatory expertise and specialized chemistry, formulation and manufacturing capabilities have created compelling competitive advantages that they anticipate will sustain future revenue growth.

The Group conducts its business in the following two segments:

- *Specialty Pharmaceuticals* produces and markets branded pharmaceuticals and biopharmaceuticals, specialty generic pharmaceuticals and API consisting of biologics, 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.

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, 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.

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 amount allocated was $39.6 million for fiscal 2013, and was included within distribution and administrative expenses. Management considers the bases on which the expenses were allocated 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 expects to substantially reduce the level of service provided by Covidien in fiscal 2015, as the Group has substantially completed the implementation of information systems in jurisdictions outside the U.S. and terminated the transition services agreement during the first quarter of fiscal 2015.

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. 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 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 26, 2014. 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.

Fiscal Year

The Group reports its results based on a "52-53 week" year ending on the last Friday of September. Fiscal 2014 and 2013 consisted of 52 weeks and ended on September 26, 2014 and September 27, 2013, respectively. Unless otherwise indicated, fiscal 2014 and 2013 refer to the Group's fiscal years ended September 26, 2014 and September 27, 2013, 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 is 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 $55.8 million and $56.5 million in fiscal 2014 and 2013, 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 $7.4 million and $7.5 million in fiscal 2014 and 2013, 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. During fiscal 2014 and 2013, $0.6 million of foreign currency gains and $14.2 million of foreign currency losses, respectively, were included within (loss) profit after taxation. The Group entered into derivative instruments to mitigate the exposure of movements in certain of these foreign currency transactions and recognized a $7.9 million loss in fiscal 2014 and a $10.5 million gain in fiscal 2013.

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	45 years
Leasehold improvements	1	to	20 years
Capitalized software	1	to	10 years
Machinery and equipment	1	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 or asset groups using undiscounted cash flows whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If an asset or asset group is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value of the asset or asset group 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 R&D. 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 fair 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 fair 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.

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 (a level three measurement technique) 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, with the Group allocating 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 generally using the straight-line method over the following estimated useful lives of the assets, except for customer relationships, which are amortized over the estimated pattern of benefit from these relationships:

Completed technology	5	to	25 years
License agreements	8	to	30 years
Trademarks	3	to	30 years
Customer relationships			12 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, or the asset group they are part of, 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, or the asset group they are part of, with their carrying value. The fair value of the intangible asset, or the asset group they are part of, is estimated using an income approach. If the fair value is less than the carrying value of the intangible asset, or the asset group they are part of, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the fair value of the asset. 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. 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.

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 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 balance sheet 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. Interest on transactions treated as installment sales are included within interest expense.

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 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 was effective for the Group in the first quarter of fiscal 2014. The adoption did not have a material impact on the Group's 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 was effective for the Group in the first quarter of fiscal 2014. The adoption did not have a material impact on the Group's 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. Based on the assessment to date, the Group does not believe the adoption of this pronouncement will have a material impact to the Group's financial condition, results of operations and cash flows.

FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," in July 2013. This update provides guidance on the financial statement presentation of an unrecognized taxation benefit when a net operating loss carryforward, a similar taxation loss or a taxation credit carryforward exists, to eliminate diversity in practice in the presentation of unrecognized taxation benefits in those instances. Except in certain circumstances, an unrecognized taxation benefit, or a portion of an unrecognized taxation benefit, should be presented in the financial statements as a reduction to a deferred taxation asset for a net operating loss carryforward, a similar taxation loss or a taxation credit carryforward. This guidance is effective for the Group in the first quarter of fiscal 2015. The Group has completed its assessment and does not believe the adoption of this pronouncement will have a material impact to the Group's financial condition, results of operations and cash flows.

FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," in April 2014. Under the new guidance, only disposals representing a strategic shift in a company's operations and financial results should be reported as discontinued operations, with expanded disclosures. In addition, disclosure of the profit on ordinary activities before taxation attributable to a disposal of a significant part of an organization that does not qualify as a discontinued operation is required. This guidance is effective for the Group in the first quarter of fiscal 2016, with early adoption permitted. The Group did not have any recent significant disposals. The Group will assess the impact of the pronouncement to prospective disposals, if applicable, disclosures in future filings and the potential early adoption of the standard.

FASB issued ASU 2014-09, "Revenue from Contracts with Customers," in May 2014. The issuance of ASU 2014-09 and International Financial Reporting Standards ("IFRS") 15, "Revenue from Contracts with Customers," completes the joint effort by FASB and the International Accounting Standards Board to clarify the principles for recognizing turnover and develop a common turnover standard for U.S. GAAP and IFRS. Under the new guidance, an entity should recognize turnover to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize turnover when (or as) the entity satisfies a performance obligation. The guidance is effective for the Group in the first quarter of fiscal 2018. Early adoption is not permitted for public companies. The Group will assess the impact of the pronouncement.

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 2014, the Group recorded a loss of $0.7 million and in fiscal 2013 recorded a gain of $1.0 million. This gain and loss were primarily related to the indemnification obligations to the purchaser, which are discussed in Note 21.

License of Intellectual Property

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, included within distribution and administrative expenses, during fiscal 2014.

Divestitures

During fiscal 2011, the Group sold the rights to market TussiCaps extended-release capsules, a cough suppressant, for an upfront cash payment of $11.5 million. 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 2014 and 2013, which were included in distribution and administrative expenses.

5. Acquisitions

Business Acquisitions

Questcor Pharmaceuticals

On August 14, 2014, the Group acquired all of the outstanding common stock of Questcor, a biopharmaceutical company, for total consideration of approximately $5.9 billion, comprised of cash consideration of $30.00 per share, 0.897 ordinary shares of the Company for each share of Questcor common stock owned and the portion of outstanding equity awards deemed to have been earned as of August 14, 2014. The Questcor Acquisition was funded through an issuance of approximately 57 million common shares, proceeds from the issuance of $900.0 million aggregate principle of senior unsecured notes, proceeds from the issuance of $700.0 million senior secured term loan facility, $150.0 million of cash from a receivable securitization program, as further discussed in Note 15, and cash on hand. Acthar, Questcor's primary product, is focused on the treatment of patients with serious, difficult-to-treat autoimmune and rare diseases. Acthar is an injectable drug that is approved by the FDA for use in 19 indications, including the areas of neurology, rheumatology, nephrology and pulmonology. Questcor also supplies specialty contract manufacturing services to the global pharmaceutical and biotechnology industry through its wholly-owned subsidiary, BioVectra.

Cadence Pharmaceuticals

On March 19, 2014, the Group acquired all of the outstanding common stock of Cadence, a biopharmaceutical company focused on commercializing products principally for use in the hospital setting, for total consideration of $14.00 per share in cash, or approximately $1.3 billion. The Cadence Acquisition was primarily funded through a $1.3 billion senior secured term loan credit facility, as further discussed in Note 15. Cadence's sole product, Ofirmev, is a proprietary intravenous formulation of acetaminophen for the management of mild to moderate pain, the management of moderate to severe pain with adjunctive opioid analgesics and the reduction of fever. The Cadence Acquisition added a growth product to the Specialty Pharmaceuticals segment and provides the Group an opportunity to expand its reach into the adjacent hospital market, in which Cadence had established a presence.

CNS Therapeutics

On October 1, 2012, the Group's Specialty Pharmaceuticals segment acquired all the outstanding equity of CNS Therapeutics, Inc. ("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, net of cash acquired, of $95.0 million ("the CNS Therapeutics Acquisition"). 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 23. The CNS Therapeutics Acquisition 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 CNS Therapeutics Acquisition, the Group now offers products for use in the management of severe spasticity of cerebal or spinal origin with a research and development pipeline of an additional presentation and concentration of GABLOFEN® (baclofen injection) ("Gablofen"), as well as other investigational pain products for intrathecal administration.

Fair Value Allocation

The following amounts represent the preliminary allocation of the fair value of the identifiable assets acquired and liabilities assumed for the Cadence Acquisition and Questcor Acquisition and final allocation of the fair value of the identifiable assets acquired and liabilities assumed for CNS Therapeutics Acquisition:

	Questcor	Cadence	CNS Therapeutics
Cash	$ 445.1	$ 43.2	$ 3.6
Stocks	67.9	21.0	—
Intangible assets	5,601.1	1,300.0	91.9
Goodwill (non-tax deductible)	1,771.5	318.1	24.5
Other assets, current and non-current	273.9	18.0	9.7
Total assets acquired	8,159.5	1,700.3	129.7
Current liabilities	159.8	60.1	4.0
Unpaid purchase consideration (current)	128.8	—	—
Other liabilities (non-current)	183.7	18.7	—
Deferred taxation liabilities, net (non-current)	1,900.7	292.3	27.1
Contingent consideration (non-current)	—	—	6.9
Total liabilities assumed	2,373.0	371.1	38.0
Net assets acquired	$ 5,786.5	$ 1,329.2	$ 91.7

The following reconciles the total consideration to net assets acquired:

	Questcor	Cadence	CNS Therapeutics
Total consideration, net of cash	$ 5,470.2	$ 1,286.0	$ 95.0
Plus: cash assumed in acquisition	445.1	43.2	3.6
Total consideration	5,915.3	1,329.2	98.6
Less: unpaid purchase consideration	(128.8)	—	—
Less: contingent consideration	—	—	(6.9)
Net assets acquired	$ 5,786.5	$ 1,329.2	$ 91.7

Intangible assets acquired consist of the following:

Questcor	Amount	Weighted-Average Amortization Period
Completed technology	$ 5,343.3	18 years
Trademark	5.2	13 years
Customer relationships	34.3	12 years
IPR&D	218.3	Non-Amortizable
	$ 5,601.1	

The completed technology intangible asset relates to Acthar. The trademark and customer relationship intangible assets relate to BioVectra, a wholly-owned subsidiary of Questcor. The IPR&D relates to the development of Synacthen®, a synthetic pharmaceutical product. The fair value of the intangible assets were determined using the income approach, which is a valuation technique that provides an estimate of the fair value of the asset based on market participant expectations of the cash flows an asset would generate. The cash flows were discounted at various discount rates commensurate with the level of risk associated with each asset or their projected cash flows. Completed technology, customer relationships, trademark and IPR&D intangibles utilized discount rates of 14.5%, 10.0%, 10.0% and 16.0%, respectively. The IPR&D discount rate was developed after assigning a probability of success to achieving the projected cash flows based on the current stage of development, inherent uncertainty in the FDA approval process and risks associated with commercialization of a new product. Based on the Group's preliminary estimate, the excess of purchase price over net tangible and intangible assets acquired resulted in goodwill,

which represents the assembled workforce, anticipated synergies and the tax status of the transaction. The goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Pharmaceuticals segment.

Cadence	**Amount**	**Amortization Period**
Completed technology	$ 1,300.0	8 years

The completed technology intangible asset relates to Ofirmev, the rights to which have been in-licensed from BMS. The fair value of the intangible asset was determined using the income approach, which is a valuation technique that provides an estimate of the fair value of the asset based on market participant expectations of the cash flows an asset would generate. The cash flows were discounted at a 13.0% rate. For more information on the BMS license agreement, refer to "License Agreement" below. The excess of purchase price over net tangible and intangible assets acquired resulted in goodwill, which represents the assembled workforce, anticipated synergies and the tax status of the transaction. The goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Pharmaceuticals segment.

CNS Therapeutics	**Amount**	**Weighted-Average Amortization Period**
Completed technology	$ 73.1	13 years
Trademark	0.2	3 years
IPR&D	18.6	Non-Amortizable
	$ 91.9	

The IPR&D projects primarily relate to certain investigational 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 IPR&D 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 goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Pharmaceuticals segment.

Financial Results - The amount of turnover and earnings included in the Group's fiscal 2014 results for each of the fiscal 2014 acquisitions discussed above were as follows:

Turnover	
Questcor	$ 129.2
Cadence	124.4
	$ 253.6
Operating profit (loss)	
Questcor	$ 17.4
Cadence	(66.9)
	$ (49.5)

Acquisition-Related Costs - Acquisition-related costs incurred in fiscal 2014 for each of the fiscal 2014 acquisitions discussed above were as follows:

Questcor	$	47.5
Cadence		17.6
	$	65.1

Unaudited Pro Forma Financial Information - The following unaudited pro forma information presents a summary of the results of operations for the periods indicated as if the Questcor Acquisition and Cadence Acquisition had been completed as of September 29, 2012. The pro forma financial information is based on the historical financial information for Mallinckrodt, Questcor and Cadence, along with certain pro forma adjustments. These pro forma adjustments consist primarily of:

- non-recurring costs related to the step-up in fair value of acquired stocks and transaction costs related to the acquisitions;
- increased amortization expense related to the intangible assets acquired in the acquisitions;
- elimination of direct acquisition transaction costs from the period of acquisition;
- increased interest expense to reflect the variable-rate term loan and revolving credit facility entered into in connection with the acquisition of Cadence (utilizing the interest rate in effect at September 26, 2014 of 3.50%) and the fixed-rate senior unsecured notes and variable-rate term loan entered into in connection with the acquisition of Questcor (utilizing the interest rate in effect at September 26, 2014 of 3.50%), including interest and amortization of deferred financing costs and original issue discount; and
- the related taxation effects.

The following unaudited pro forma information has been prepared for comparative purposes only and is not necessarily indicative of the results of operations as they would have been had the acquisition occurred on the assumed date, nor is it necessarily an indication of future operating results. In addition, the unaudited pro forma information does not reflect the cost of any integration activities, benefits from any synergies that may be derived from the acquisition or turnover growth that may be anticipated.

		2014 (unaudited)		**2013 (unaudited)**
Turnover	$	3,487.1	$	3,015.5
Loss after taxation		(326.8)		(61.5)
Basic loss per ordinary share	$	(2.84)	$	(0.54)
Diluted loss per ordinary share		(2.84)		(0.54)

The consolidated and combined statement of income 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.

License Agreements

Bristol-Myers Squibb

As part of the Cadence Acquisition, the Group acquired the exclusive development and commercialization rights to Ofirmev in the U.S. and Canada, as well as the rights to the patents and technology, which were originally in-licensed by Cadence from BMS in March 2006. BMS sublicensed these rights to Cadence under a license agreement with Pharmatop, and the Group has the right to grant sublicenses to third parties. Under this license agreement, the Group may be obligated to make future milestone payments of up to $25.0 million upon the achievement of certain levels of turnover, in addition to on-going royalties on turnover of the product. From the date of acquisition to the end of fiscal 2014, the Group paid royalties of $13.2 million.

Exalgo

In 2009, the Group's Specialty Pharmaceuticals segment acquired the rights to market and distribute the pain management drug EXALGO® (hydromorphone HCl) extended-release tablets (CII) ("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 2014, $65.0 million of additional payments have been made, with $55.0 million being capitalized as an intangible asset. The amount capitalized related to FDA approval of the NDA for the 8 mg, 12 mg and 16 mg tablet dosage forms of Exalgo. During fiscal 2012 the Group received FDA approval to market a 32 mg tablet dosage form. The Group is also required to pay royalties on sales of the product. During fiscal 2014 and 2013, the Group paid royalties of $22.0 million and $24.0 million, respectively.

In January 2014, the Group purchased royalty rights associated with Exalgo for $7.2 million, which have been classified as an intangible asset.

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 2014, approximately $22.0 million of these payments have been made by the Group. During fiscal 2014, upon approval by the FDA for Xartemis XR, the Group made a milestone payment of $10.0 million, which has been capitalized as an intangible asset. In addition, subsequent to FDA's acceptance of the Group's NDA for MNK-155 in July 2014, the Group made a milestone payment of $5.0 million, which was expensed as incurred as it was made prior to regulatory approval. During fiscal 2013, a milestone payment of $5.0 million was expensed as incurred as it was also made prior to regulatory approval. In addition, an insignificant amount of royalties have been paid through fiscal 2014.

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 which was approved in February 2014 by the FDA and indicated for the treatment of pain associated with osteoarthritis of the knee. The Group was responsible for all future development activities and expenses and were required to make milestone payments of up to $120.0 million based upon the successful completion of specified regulatory and sales milestones. Through fiscal 2014, $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 sales of the products under this agreement. During fiscal 2014 and 2013, the Group paid royalties of $4.3 million and $3.9 million, respectively. For further discussion regarding Pennsaid, refer to Note 22.

During the fourth quarter of fiscal 2014, the Group reached an agreement in principle with Nuvo to settle various claims associated with our license of Pennsaid obtained from Nuvo. As part of the legal settlement, the Group agreed to return the license to Nuvo, which resulted in the Group recording an impairment of $11.1 million during the fourth quarter of fiscal 2014. For more information on the Nuvo matter, refer to Note 22.

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 both segments, as well as within 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.

Prior to the Separation, Covidien initiated restructuring programs, which also applied to its Pharmaceuticals business. These programs were substantially completed as of September 26, 2014.

Net restructuring and related charges by segment are as follows:

	Fiscal Year	
	2014	2013
Specialty Pharmaceuticals	$ 66.8	$ 16.4
Global Medical Imaging	60.9	16.4
Corporate	1.4	3.0
Restructuring and related charges, net	129.1	35.8
Less: accelerated depreciation	(0.5)	(2.6)
Restructuring charges, net	$ 128.6	$ 33.2

Net restructuring and related charges are comprised of the following:

	Fiscal Year	
	2014	2013
2013 Mallinckrodt Program	$ 74.5	$ 14.9
Acquisition programs	56.4	—
Other programs	(1.8)	20.9
Total programs	129.1	35.8
Less: non-cash charges, including impairments and accelerated share based compensation expense	(61.3)	(2.6)
Total charges expected to be settled in cash	$ 67.8	$ 33.2

Non-cash charges in fiscal 2014 include $35.1 million of accelerated share based compensation expense related to employee terminations, primarily related to the Questcor Acquisition, and $25.6 million of tangible asset impairments. The following table summarizes cash activity for restructuring reserves, substantially all of which related to employee severance and benefits, with the exception of $8.5 million related to consulting costs associated with restructuring initiatives:

	2013 Mallinckrodt Program	Acquisition Programs	Other Programs	Total
Balance 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)
Balance at September 27, 2013	14.9	—	10.6	25.5
Charges	58.2	22.9	2.5	83.6
Changes in estimate	(9.4)	(1.6)	(4.8)	(15.8)
Cash payments	(34.8)	(13.4)	(6.8)	(55.0)
Reclassifications [1]	(1.3)	—	(1.0)	(2.3)
Currency translation	(1.0)	—	(0.1)	(1.1)
Balance at September 26, 2014	$ 26.6	$ 7.9	$ 0.4	$ 34.9

(1) Represents the reclassification of pension and other postretirement benefits from restructuring reserves to pension and postretirement obligations.

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

Specialty Pharmaceuticals	$ 12.6
Global Medical Imaging	71.5
Corporate	5.3
	$ 89.4

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

7. Interest Payable and Similar Charges

Interest payable and similar charges were comprised of:

	2014	2013
Interest on debt repayable within five years, otherwise than by installment	$ 11.5	$ 5.2
Interest on debt repayable beyond five years, otherwise than by installment	36.9	13.8
Interest on debt repayable within five years, by installment	1.8	—
Interest on debt repayable beyond five years, by installment	26.0	0.4
Amortization of debt issue costs	6.6	1.1
Capitalized interest	(4.3)	(1.0)
Other [1]	4.1	—
Interest payable and similar charges	$ 82.6	$ 19.5

(1) Includes other non-cash interest and Section 453a interest.

8. Taxation

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

	2014	2013
U.S.	$ (334.7)	$ 70.0
Non-U.S.	(28.7)	56.4
Total	$ (363.4)	$ 126.4

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

	2014	2013
Current:		
U.S.:		
Federal	$ 49.8	$ 45.7
State	1.5	9.2
Non-U.S. [1]	11.4	22.7
Current taxation	62.7	77.6
Deferred:		
U.S.:		
Federal	(68.3)	(11.7)
State	(17.0)	(1.2)
Non-U.S. [1]	(22.2)	3.9
Deferred taxation (benefit)	(107.5)	(9.0)
	$ (44.8)	$ 68.6

(1) Non-U.S. taxation includes $5.7 million and $3.8 million of Irish corporation taxation charges for the year ended September 26, 2014 and September 27, 2013, respectively.

The fiscal 2014 U.S. federal and state current taxation reflect a utilization of $221.3 million of net operating losses and $8.6 million of U.S. Research credits. The net operating loss utilization is comprised of $187.8 million of net operating losses acquired in conjunction with the Cadence Acquisition and the remainder utilization relating to net operating losses carried forward from fiscal 2013.

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

	2014	2013
Notional U.S. federal income taxation at the statutory rate	$ (127.2)	$ 44.3
Adjustments to reconcile to taxation:		
U.S. state taxation, net [1]	(7.9)	4.8
Rate difference between non-U.S. and U.S. jurisdictions [2] [3]	(5.8)	(2.2)
Domestic manufacturing deduction	(4.8)	(2.5)
Valuation allowances, nonrecurring	(2.4)	3.4
Adjustments to accrued taxation liabilities and uncertain tax positions [3]	(0.5)	8.6
Interest and penalties on accrued taxation liabilities and uncertain tax positions [3]	(8.0)	4.7
Investment in partnership	20.0	—
Credits, principally research [4]	(0.7)	(6.2)
Impairments, nondeductible	76.9	—
Permanently nondeductible and nontaxable items [5]	15.0	12.0
Other	0.6	1.7
Taxation	$ (44.8)	$ 68.6

(1) Fiscal 2014 includes approximately $4.4 million of taxation benefit associated with the favorable impact of the Questcor Acquisition on the Group's measurement of its net deferred taxation liabilities.
(2) Excludes non-deductible charges and other items which are broken out separately in the statutory rate reconciliation presented. Also includes the impact of certain valuation allowances.
(3) Fiscal year 2013 includes the impact of items relating to entities retained by Covidien in connection with the Separation.
(4) During fiscal 2013, tax 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. Due to the December 31, 2013 tax law expiration, fiscal 2014 includes $0.7 million for the period September 28, 2013 through December 31, 2013.
(5) Includes the impact of nondeductible transaction and separation costs.

As of September 26, 2014 and September 27, 2013, 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 $82.0 million and $100.1 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 the income tax provision through parent company investment, which was a component of parent company equity in the combined balance sheets.

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

	2014	2013
Balance at beginning of fiscal year	$ 100.1	$ 165.5
Unrecognized tax benefits retained by Covidien	—	(153.7)
Unrecognized tax benefits transferred from Covidien	—	84.2
Additions related to current year tax positions	3.2	3.5
Additions related to prior period tax positions	30.6	6.6
Reductions related to prior period tax positions	(33.0)	(4.3)
Settlements	(6.9)	(1.6)
Lapse of statute of limitations	(12.0)	(0.1)
Balance at end of fiscal year	82.0	100.1
Cash advance paid in connection with proposed settlements	—	—
Balance at end of fiscal year, net of cash advance	$ 82.0	$ 100.1

During fiscal 2011, Covidien made a $35.1 million advance payment to the IRS in connection with the proposed settlement of certain taxation matters. This payment was comprised of $23.5 million of tax and $11.6 million of interest. This asset was retained by Covidien in connection with the Separation. During fiscal 2014, the Group made a $35.9 million advanced payment to the IRS in connection with the proposed settlement of certain taxation matters for 2005 through 2007. This payment was comprised of $27.3 million of tax and $8.6 million of interest. As of September 26, 2014, the 2005 through 2007 U.S. federal tax years were considered to have been effectively settled. Therefore, this advance payment, associated unrecognized tax benefits and interest were moved to creditors (amounts falling due within one year).

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

	September 26, 2014	September 27, 2013
Creditors (amounts falling due within one year)	$ 6.5	$ 23.4
Creditors (amounts falling due after more than one year)	70.7	76.7
Other reserves	4.8	—
	$ 82.0	$ 100.1

Included within total unrecognized tax benefits at September 26, 2014 and September 27, 2013, were $82.0 million and $96.3 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 2014, the Group accrued $7.0 million of additional interest and released interest of $24.0 million. During fiscal 2013, the Group accrued additional interest of $2.4 million. The total amount of accrued interest related to uncertain tax positions was $45.1 million and $62.1 million, respectively.

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 could decrease by up to $19.8 million. The amount of interest and penalties could decrease by up to $13.4 million.

Taxation payable, including uncertain tax positions and related interest accruals, was reported in the following consolidated balance sheet captions in the amounts shown.

	September 26, 2014	September 27, 2013
Creditors (amounts falling due within one year)	$ 17.7	$ 28.2
Creditors (amounts falling due after more than one year)	122.6	153.1
	$ 140.3	$ 181.3

Debtors includes, within other debtors, $14.8 million of tax payments associated with non-current deferred intercompany transactions. Debtors also includes a receivable of $60.0 million associated with the Questcor Acquisition and tax payments of $3.6 million associated with current deferred intercompany transactions within prepaid taxation and other debtors and prepayments.

	September 26, 2014	September 27, 2013
Debtors (due within one year)	$ 76.6	$ 5.5
Debtors (due after more than one year)	14.8	—
	$ 91.4	$ 5.5

Covidien continues to be examined by various taxing authorities for periods the Group was included within the consolidated results of Covidien. In connection with the Separation, the Group entered into the Tax Matters Agreement with Covidien that 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 26, 2014, 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 26, 2014	September 27, 2013
Deferred tax assets:		
Accrued liabilities and reserves	$ 79.1	$ 35.5
Stocks	22.1	30.5
Tax loss and credit carryforwards	102.0	53.6
Environmental liabilities	29.5	27.3
Rebate reserves	41.1	43.4
Expired product	38.9	18.4
Postretirement benefits	36.3	31.2
Federal and state benefit of uncertain tax positions and interest	29.6	47.1
Deferred intercompany interest	—	19.2
Share-based compensation	28.0	12.3
Other	31.5	25.6
	438.1	344.1
Deferred tax liabilities:		
Tangible assets	(110.0)	(160.5)
Intangible assets	(2,176.5)	(113.1)
Installment sale	(93.5)	—
Investment in partnership	(191.3)	(173.6)
	(2,571.3)	(447.2)
Deferred taxation before valuation allowances	(2,133.2)	(103.1)
Valuation allowances	(77.5)	(30.0)
Deferred taxation	$ (2,210.7)	$ (133.1)

Deferred taxation activity for fiscal 2014 was as follows:

At September 27, 2013	$ (133.1)
Provisions	107.5
Acquisitions	(2,193.0)
Currency translation and other	7.9
At September 26, 2014	$ (2,210.7)

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

	September 26, 2014	September 27, 2013
Debtors (due within one year)	$ 165.2	$ 171.1
Debtors (due after more than one year)	24.1	7.5
Provision for liabilities	(2,400.0)	(311.7)
	$ (2,210.7)	$ (133.1)

The Group's current deferred tax asset decreased from $171.1 million at September 27, 2013 to $165.2 million at September 26, 2014, primarily due to an increase in deferred tax assets of $21.4 million as a result of the Questcor Acquisition, offset by the Group's utilization of its U.S. federal net operating losses and the utilization of U.S. Research credits. Additionally, the Group's deferred tax liabilities increased from $311.7 million at September 27, 2013 to $2,400.0 million at September 26, 2014, primarily due to $292.3 million related to the Cadence Acquisition, $1,900.7 million related to the Questcor Acquisition, $20.0 million related to an adjustment to the Group's indefinite-lived deferred tax liability on its wholly-owned partnership investment resulting from pre-Separation taxation adjustments to Covidien and its predecessor affiliates, $43.3 million of decreases associated with amortization of intangibles, $25.7 million of decreases associated with impairments, and increases to operational deferred tax assets due to normal operating activities.

The Cadence Acquisition resulted in a net deferred tax liability increase of $292.3 million. Significant components of this increase include $487.2 million of deferred tax liability associated with the Ofirmev intangible asset, $197.4 million of deferred tax asset associated with U.S. federal and state net operating losses, $6.4 million of deferred tax assets associated with federal and state tax credits, and a $12.5 million valuation allowance related to the uncertainty of the utilization of certain deferred tax assets. Following the Cadence Acquisition, the Group entered into an internal installment sale transaction that resulted in a decrease of $272.7 million to the deferred tax liability associated with the Ofirmev intangible asset, a $93.6 million increase to the deferred tax liability associated with an installment sale note receivable, and a $182.7 million decrease to the deferred tax asset associated with the U.S. federal and state net operating losses.

The Questcor Acquisition resulted in a net deferred tax liability increase of $1,900.7 million. Significant components of this increase include $1,928.8 million of deferred tax liability associated with the Acthar intangible asset, $10.8 million of deferred tax liability associated with other intangible assets, $16.2 million of deferred tax liability associated with stocks, $34.1 million of deferred tax assets associated with share-based compensation and associated merger cash consideration, and $18.5 million of deferred tax assets associated with accrued royalties.

At September 26, 2014, the Group had approximately $50.6 million of net operating loss carryforwards in certain non-U.S. jurisdictions, of which $41.3 million have no expiration and the remaining $9.3 million will expire in future years through 2024. The Group had $33.1 million of U.S. federal and state net operating loss carryforwards and $3.3 million of U.S. federal capital loss carryforwards at September 27, 2013, which will expire during fiscal 2015 through 2034.

At September 26, 2014, the Group also had $15.9 million of tax credits available to reduce future taxation payable, primarily in jurisdictions within the U.S., of which $5.2 million have no expiration and the remainder expire during fiscal 2015 through 2029.

The valuation allowances for deferred taxation of $77.5 million and $30.0 million at September 26, 2014 and September 27, 2013, respectively, relate principally to the uncertainty of the utilization of certain deferred tax assets, primarily non-U.S. 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 2014 and 2013, the Group provided for U.S. and non-U.S. profit and withholding taxes in the amount of $1.4 million and $0.2 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 26, 2014, the cumulative amount of such undistributed earnings was approximately $1.1 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

In fiscal 2014, basic and diluted earnings (loss) per ordinary share were computed using the two-class method. The two-class method is an earnings allocation that determines earnings per ordinary share for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. The Group's restricted stock awards, issued in conjunction with the Questcor Acquisition in August 2014, are considered participating securities as holders are entitled to receive non-forfeitable dividends during the vesting term. Diluted earnings per ordinary share includes securities that could potentially dilute basic earnings per ordinary share during a reporting period, for which the Group includes all share-based compensation awards other than participating securities. Dilutive securities, including participating securities, are not included in the computation of loss per ordinary share when the Group reports a loss on ordinary activities after taxation as the impact would be anti-dilutive.

In periods prior to fiscal 2014, basic earnings (loss) per ordinary share was computed by dividing profit after taxation by the number of weighted-average shares outstanding during the period. Diluted earnings (loss) per ordinary share was computed using the weighted-average shares outstanding and, if dilutive, potential ordinary shares outstanding during the period. Potential ordinary shares represent the incremental ordinary shares issuable for restricted share units and share option exercises. The Group calculated 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 outstanding on June 28, 2013, immediately following the distribution of one ordinary share of Mallinckrodt 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 conversion of Questcor share-based awards with the Questcor Acquisition, 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 2014 and 2013, calculated under the methodologies outlined above, weighted appropriately for the portion of the period they were outstanding.

	2014	2013
Weighted-average ordinary shares for basic earnings (loss) per ordinary share	64.9	57.7
Effect of share options and restricted shares	—	0.1
Weighted-average ordinary shares for diluted earnings (loss) per ordinary share	64.9	57.8

As the Group incurred a net loss in fiscal 2014, there was no allocation of the undistributed loss to participating securities because the effect would have been anti-dilutive to basic and diluted earnings per ordinary share. The computation of diluted earnings per ordinary share for fiscal 2014 and 2013 excludes approximately 5.7 million and 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 26, 2014	September 27, 2013
Raw materials and supplies	$ 73.6	$ 68.8
Work in process	212.1	191.5
Finished goods	110.9	142.8
Stocks	$ 396.6	$ 403.1

11. Tangible Assets

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

	September 26, 2014	September 27, 2013
Land	$ 59.9	$ 60.4
Buildings	330.6	316.6
Capitalized software	97.6	76.4
Machinery and equipment	1,202.1	1,226.6
Construction in process	198.2	193.7
Demonstration equipment	25.8	31.5
	1,914.2	1,905.2
Less: accumulated depreciation	(961.3)	(900.6)
Total tangible assets	$ 952.9	$ 1,004.6

The amounts above include property under capital leases of $16.9 million and $17.8 million at September 26, 2014 and September 27, 2013, respectively, consisting primarily of buildings. Accumulated amortization of capitalized lease assets was $15.8 million at the end of both fiscal 2014 and 2013.

Depreciation expense, including amounts related to capitalized leased assets, was $113.6 million and $104.2 million for fiscal 2014 and 2013, respectively. Depreciation expense includes depreciation on demonstration equipment of $4.3 million and $3.6 million for fiscal 2014 and 2013, respectively.

Tangible assets activity for fiscal 2014 was as follows:

	Land	Buildings	Capitalized Software	Machinery and Equipment	Construction in Process	Demonstration Equipment	Total Tangible Assets
Cost:							
At September 27, 2013	$ 60.4	$ 316.6	$ 76.4	$ 1,226.6	$ 193.7	$ 31.5	$ 1,905.2
Additions	—	0.9	0.3	0.8	131.3	3.9	137.2
Acquisitions	0.1	16.0	0.2	25.1	3.6	—	45.0
Impairments	—	(16.3)	(3.9)	(60.4)	(13.0)	—	(93.6)
Disposals	—	(5.5)	(2.1)	(31.5)	—	(8.1)	(47.2)
Transfers	—	23.4	27.3	65.4	(116.1)	—	—
Currency translation and other	(0.6)	(4.5)	(0.6)	(23.9)	(1.3)	(1.5)	(32.4)
At September 26, 2014	$ 59.9	$ 330.6	$ 97.6	$ 1,202.1	$ 198.2	$ 25.8	$ 1,914.2
Depreciation:							
At September 27, 2013	$ —	$ 130.2	$ 49.2	$ 696.9	$ —	$ 24.3	$ 900.6
Depreciation expense	—	17.8	10.5	81.0	—	4.3	113.6
Disposals	—	(5.5)	(2.1)	(31.3)	—	(5.3)	(44.2)
Currency translation and other	—	(1.3)	—	(6.2)	—	(1.2)	(8.7)
At September 26, 2014	$ —	$ 141.2	$ 57.6	$ 740.4	$ —	$ 22.1	$ 961.3
Net book value:							
At September 27, 2013	$ 60.4	$ 186.4	$ 27.2	$ 529.7	$ 193.7	$ 7.2	$ 1,004.6
At September 26, 2014	$ 59.9	$ 189.4	$ 40.0	$ 461.7	$ 198.2	$ 3.7	$ 952.9

Gain or loss on disposal of tangible assets of was immaterial in both fiscal 2014 and 2013.

Long-Lived Asset Impairment Analysis

During the fourth quarter of fiscal 2014, the Group received notification that we lost preferred supplier status with a significant GPO and that a related-party supply contract was terminated by the Group. The Group determined that these events constituted a triggering event with respect to its CMDS asset group within the Global Medical Imaging segment and assessed the recoverability of the CMDS asset group. The Group determined that the undiscounted cash flows of this asset group were less than its net book value. This would require the Group to record an impairment charge if the fair value of the CMDS asset group was less than its net book value.

The Group determined the fair value of the CMDS asset group using the income approach, a level three measurement technique. For purposes of determining fair value the Group made various assumptions regarding estimated future cash flows, discount rates and other factors in determining the fair values of each reporting unit using the income approach. The Group's projections of future cash flows were then discounted based on a weighted-average cost of capital ("WACC") determined from relevant market comparisons, adjusted upward for specific risks (primarily the uncertainty of achieving projected operating cash flows). A terminal value growth rate was applied to the terminal year cash flows, both of which represent the Group's estimate of stable, sustainable growth. The fair value of the asset group represents the sum of the discounted cash flows from the discrete period and the terminal year cash flows.

The Group's projections in the CMDS asset group included long-term net sales and operating income at lower than historical levels. The decrease in net sales and operating income is reflective of the notification of the loss of a significant customer, termination of a supply contract with a related party and increased competition in the marketplace. The Group utilized a WACC of 8.0%, which reflects the lower inherent risk with the decreasing revenue trends. These assumptions resulted in a fair value of the CMDS asset group that was less than its net book value. Therefore, the Group recorded impairment charges of $65.9 million and $52.4 million to the tangible assets and long-lived amortizing intangible assets, respectively, included in the CMDS asset group. The Global Medical Imaging reporting unit could be subject to further impairment should the Group experience greater than expected revenue declines, revise our long-term projections downward or utilize higher discount rates.

12. Intangible Assets

Intangible asset activity for fiscal 2014 was as follows:

	Goodwill	Completed Technology	Licenses	Trademarks	In-process Research and Development	Customer Relationships	Other	Total Intangible Assets
Cost:								
At September 27, 2013	$ 532.0	$ 449.2	$ 191.1	$ 42.9	$ 18.6	$ —	$ —	$ 1,233.8
Additions	2,089.6	6,643.3	10.0	5.1	218.3	34.3	7.2	9,007.8
Write-offs	—	—	(16.0)	—	(1.7)	—	—	(17.7)
Impairment	(219.7)	(52.4)	—	—	—	—	—	(272.1)
Currency translation	—	—	—	—	—	(0.5)	(0.5)	(1.0)
At September 26, 2014	$ 2,401.9	$ 7,040.1	$ 185.1	$ 48.0	$ 235.2	$ 33.8	$ 6.7	$ 9,950.8
Amortization:								
At September 27, 2013	$ —	$ 196.6	$ 79.3	$ 3.8	$ —	$ —	$ —	$ 279.7
Amortization expense	—	143.1	12.8	0.3	—	0.6	5.5	162.3
Write-offs	—	—	(4.8)	—	—	—	—	(4.8)
Currency translation	—	—	—	—	—	—	(0.5)	(0.5)
At September 26, 2014	$ —	$ 339.7	$ 87.3	$ 4.1	$ —	$ 0.6	$ 5.0	$ 436.7
Net book value:								
At September 27, 2013	$ 532.0	$ 252.6	$ 111.8	$ 39.1	$ 18.6	$ —	$ —	$ 954.1
At September 26, 2014	$ 2,401.9	$ 6,700.4	$ 97.8	$ 43.9	$ 235.2	$ 33.2	$ 1.7	$ 9,514.1

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

	Specialty Pharmaceuticals	Global Medical Imaging	Total
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
Acquisitions	2,089.6	—	2,089.6
Impairments	—	(219.7)	(219.7)
At September 26, 2014	$ 2,401.9	$ —	$ 2,401.9

Goodwill Impairment Analysis

The Group has identified the Brands and Generics and API businesses to be the reporting units within its Specialty Pharmaceuticals segment and that the Global Medical Imaging business represents both a segment and reporting unit. For purposes of assessing impairment and the recoverability of goodwill for each reporting unit the Group makes various assumptions regarding estimated future cash flows, discount rates and other factors in determining the fair values of each reporting unit using the income approach. The Group's projections of future cash flows were then discounted based on a WACC determined from relevant market comparisons, adjusted upward for specific reporting unit risks (primarily the uncertainty of achieving projected operating cash flows). A terminal value growth rate was applied to the terminal year cash flows, both of which represent the Group's estimate of stable, sustainable growth. The fair value of the reporting unit represents the sum of the discounted cash flows from the discrete period and the terminal year cash flows. The fair values of the reporting units were assessed for reasonableness by aggregating the fair values and comparing this to the Group's market capitalization with a control premium.

The Group's projections in our Brands business include long-term revenue and operating profit at levels higher than historical levels which is primarily associated with turnover growth for Ofirmev, Xartemis XR and the introduction of MNK-155. The projections also reflect the potential impacts from the future loss of exclusivity related to Ofirmev. The Group utilized a WACC of 10.5%. These assumptions resulted in a fair value of the Brands business in excess of its net book value. The Group does not believe that the Brands reporting unit is at risk of impairment; however, should it fail to experience growth in the aforementioned products, revise its long-term projections for these products downward or market conditions dictate utilization of higher discount rates, the Brands reporting unit could be subject to impairment in future periods.

The Group's projections in our Generics and API reporting unit include long-term turnover and operating profit at higher than historical levels primarily attributable to long-term, single-digit turnover growth. The Group utilized a WACC of 10.5%. These assumptions resulted in a fair value of the Generics and API reporting unit that was significantly in excess of its net book value. Therefore, the Group does not believe that the Generics and API reporting unit is at risk of impairment.

The Group's projections in the Global Medical Imaging reporting unit include long-term turnover and operating profit at lower than historical levels. The decrease in turnover and operating profit is reflective of the notification that it lost preferred supplier status with a significant GPO, that a related-party supply contract was terminated and increased competition in the marketplace. During the fourth quarter of fiscal 2014, the Group received notification that it lost preferred supplier status with a significant GPO and that a related-party supply contract was terminated by the Group. The Group utilized a WACC of 8.0%, which reflects the Group's risk premium associated with the projected cash flows. These assumptions resulted in a fair value of the Global Medical Imaging segment that was less than its net book value, after recording the impairments to long-lived assets discussed in Note 11. Therefore, the Group recognized a $219.7 million goodwill impairment in the Global Medical Imaging segment.

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

	September 26, 2014		September 27, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable:				
Completed technology	$ 7,040.1	$ 339.7	$ 449.2	$ 196.6
Licenses	185.1	87.3	191.1	79.3
Customer relationships	33.8	0.6	—	—
Trademarks	13.0	4.1	7.9	3.8
Other	6.7	5.0	—	—
Total	$ 7,278.7	$ 436.7	$ 648.2	$ 279.7
Non-Amortizable:				
Trademarks	$ 35.0		$ 35.0	
In-process research and development	235.2		18.6	
Total	$ 270.2		$ 53.6	

Long-Lived Asset Impairment Analysis

During the fourth quarter of fiscal 2014, the Group received notification that it lost preferred supplier status with a significant GPO and that a related-party supply contract was terminated by the Group. The Group determined that these events constituted a triggering event with respect to its CMDS asset group, including a finite-lived intangible asset, within the Global Medical Imaging segment and assessed the recoverability of the CMDS asset group. As discussed further in Note 11, the Group recorded a $52.4 million impairment to a finite-lived completed technology intangible asset.

Finite-lived intangible asset amortization expense was $162.3 million and $35.4 million in fiscal 2014 and 2013, respectively. The estimated aggregate amortization expense on intangible assets owned by the Group is expected to be as follows:

Fiscal 2015	$ 496.5
Fiscal 2016	494.3
Fiscal 2017	492.4
Fiscal 2018	483.3
Fiscal 2019	483.0

13. Creditors (amounts falling due within one year)

At the end of fiscal 2014 and 2013, creditors (amounts falling due within one year) were comprised of:

	September 26, 2014	September 27, 2013
Debt (Note 15)	$ 21.2	$ 1.5
Trade creditors	128.7	120.9
Accrued payroll and employee benefits	125.1	66.5
Due to former parent company (Note 20)	84.5	79.3
Income taxes payable (Note 8)	17.7	28.2
Sales taxes payable	14.6	19.5
Other taxes	10.7	6.9
Accrued interest	39.8	18.8
Accrued royalties	68.0	13.2
Accrued rebates	19.9	11.9
Accrued professional fees	20.0	11.5
Payables on hedges	—	1.4
Accruals and other creditors	163.6	108.0
	$ 713.8	$ 487.6

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

At the end of fiscal 2014 and 2013, creditors (amounts falling due after more than one year) were comprised of:

	September 26, 2014	September 27, 2013
Debt (Note 15)	$ 3,951.5	$ 918.3
Income taxes payable (Note 8)	122.6	153.1
Deferred compensation	15.0	13.5
Accruals and other creditors	13.0	11.1
	$ 4,102.1	$ 1,096.0

As of September 26, 2014, accruals and other creditors includes €0.7 million, or approximately $0.8 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 2014 and 2013 was not material.

15. Debt

Debt was comprised of the following at the end of each period (all amounts are fully payable on their maturity date unless otherwise noted:

	September 26, 2014	September 27, 2013
Current maturities of long-term debt:		
2.85% term loan due April 2016 [1]	$ 0.4	$ —
Term loan due March 2021 [1] [2]	18.2	—
4.00% term loan due February 2022 [1] [2]	1.2	—
Capital lease obligation [1]	1.4	1.4
Loan payable	—	0.1
Total current debt	21.2	1.5
Long-term debt:		
Variable rate receivable securitization [3]	150.0	—
2.85% term loan due April 2016 [1]	2.7	—
3.50% notes due April 2018 [3]	300.0	299.9
Term loan due March 2021 [1] [2]	1,972.1	—
4.00% term loan due February 2022 [1] [2]	9.6	—
9.50% debentures due May 2022 [4]	10.4	10.4
5.75% notes due August 2022 [4]	900.0	—
8.00% debentures due March 2023 [4]	8.0	8.0
4.75% notes due April 2023 [4]	598.3	598.2
Capital lease obligation [1]	0.4	1.8
Total long-term debt	3,951.5	918.3
Total debt	$ 3,972.7	$ 919.8

(1) Includes debt repayable within five years, by installment, of $109.7 million.
(2) Includes debt repayable beyond five years, by installment, of $1896.3 million.
(3) Includes debt repayable within five years, otherwise than by installment, of $450.0 million.
(4) Includes debt repayable beyond five years, otherwise than by installment, of $1516.7 million.

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 was scheduled to mature in June 2018 ("the Credit Facility"). Borrowings under the Credit Facility initially accrued interest at LIBOR plus 1.50% per annum (subject to adjustment pursuant to a ratings-based pricing grid). The Credit Facility was replaced by the Revolver (defined below) in March 2014. There were no borrowings or letters of credit issued under the Credit Facility.

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. 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 semiannually in arrears on April 15 and October 15 of each year, which commenced 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 a separation and distribution agreement entered into with Covidien at the Separation.

In March 2014, MIFSA and Mallinckrodt CB LLC ("MCB"), each a wholly-owned subsidiary of the Group, entered into senior secured credit facilities consisting of a $1.3 billion term loan facility due 2021 ("the Term Loan") and a $250.0 million revolving credit facility due 2019 ("the Revolver") (collectively, "the Facilities"). The Facilities are fully and unconditionally guaranteed by Mallinckrodt plc, certain of its direct or indirect wholly-owned U.S. subsidiaries and each of its direct or indirect wholly-owned subsidiaries that owns directly or indirectly any such wholly-owned U.S. subsidiary (collectively, "the Guarantors"). The Facilities are secured by a security interest in certain assets of MIFSA, MCB and the Guarantors. The Facilities contain customary affirmative and negative covenants, which include, among other things, restrictions on the Group's ability to declare or pay dividends, create liens, incur additional indebtedness, enter into sale and lease-back transactions, make investments, dispose of assets and merge or consolidate with any other person. In addition, the Revolver contains a financial covenant that may limit the Group's total net leverage ratio, which is defined as the ratio of (i) the Group's consolidated debt, less any unrestricted cash and cash equivalents, to (ii) the Group's adjusted consolidated EBITDA, as defined in the credit agreement. The Facilities bear interest at LIBOR plus a margin based on the Group's total net leverage ratio, and the Term Loan is subject to a minimum LIBOR level of 0.75%. Interest payment dates are variable based on the LIBOR rate utilized, but the Group generally expects interest to be payable every 90 days. The Term Loan requires quarterly principal amortization payments in an amount equal to 0.25% of the original principal amount of the Term Loan payable on the last day of each calendar quarter, which commenced on June 30, 2014, with the remaining balance payable on the due date, March 19, 2021. The Group incurred an original issue discount of 0.25%, or $3.3 million, associated with the Term Loan. The Revolver contains a $150.0 million letter of credit provision, of which none had been issued as of September 26, 2014. Unused commitments on the Revolver are subject to an annual commitment fee determined by reference to the Group's public debt rating, which was 0.375% as of September 26, 2014, and the fee applied to outstanding letters of credit is based on the interest rate applied to borrowings. As of September 26, 2014, the applicable interest rate on outstanding borrowings under the Revolver would have been approximately 3.00%; however, there were no outstanding borrowings.

In July 2014, Mallinckrodt Securitization, a wholly-owned special purpose subsidiary of the Group, entered into a $160.0 million accounts receivable securitization facility that matures in July 2017. Mallinckrodt Securitization may, from time to time, obtain up to $160.0 million in third-party borrowings secured by certain receivables. The borrowings under the Receivable Securitization are to be repaid as the secured receivables are collected. Loans under the Receivable Securitization will bear interest (including facility fees) at a rate equal to one month LIBOR rate plus a margin of 0.80%. Unused commitments on the Receivables Securitization are subject to an annual commitment fee of 0.35%. The Receivable Securitization agreements contain customary representations, warranties, and affirmative and negative covenants. The size of the securitization facility may be increased to $300.0 million upon approval of the third-party lenders subject to certain conditions. As of September 26, 2014, the applicable interest rate on outstanding borrowings under the Receivable Securitization was 0.96% and outstanding borrowings totaled $150.0 million.

In August 2014, MIFSA and MCB issued $900.0 million aggregate principal amount of 5.75% senior unsecured notes due August 1, 2022 ("the 2022 Notes”). The 2022 Notes are guaranteed on an unsecured basis by certain of MIFSA's subsidiaries. The 2022 Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the 2022 Notes and could cause a cross-default that could result in the acceleration of other indebtedness of the Company and its subsidiaries. MIFSA may redeem some or all of the 2022 Notes prior to August 1, 2017 by paying a make-whole premium. MIFSA may redeem some or all of the 2022 Notes on or after August 1, 2017 at specified redemption prices. In addition, prior to August 1, 2017, MIFSA may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the net proceeds of certain equity offerings. The issuers are obligated to offer to repurchase the 2022 Notes at a price of (a) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These obligations are subject to certain qualifications and exceptions. MIFSA will pay interest on the 2022 Notes semiannually in arrears on February 1 and August 1 of each year, commencing on February 1, 2015.

In August 2014, MIFSA and MCB entered into a $700.0 million senior secured term loan facility ("the New Term Loan"). The New Term Loan is an incremental tranche under the credit agreement governing the existing Term Loan and Revolver, entered into in March 2014, (collectively, with the New Term Loan, represent "the Senior Secured Credit Facilities"). New Term Loan has substantially similar terms to the Term Loan (other than pricing); including the determination of interest rates and quarterly principal amortization payments equal to 0.25% of the original principal amount of the New Term Loan. The quarterly principal payments commence on December 31, 2014, with the remaining balance payable on the due date of March 19, 2021. The Company and its subsidiaries (other than MIFSA, MCB and the subsidiaries of MIFSA that guarantee the Facilities) will not guarantee the New Term Loan, and the New Term Loan will not be secured by the assets of such entities. The New Term Loan bears interest under the same terms of the Term Loan entered into in March 2014, including the use of LIBOR rates with a minimum floor.

As of September 26, 2014, the applicable interest rate for the Term Loan and New Term Loan was 3.50% and outstanding borrowings under these agreements totaled approximately $2.0 billion.

As of September 26, 2014, the Group was, and expects to remain, in compliance with the provisions and covenants associated with its Credit Agreement, the Notes, the 2022 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 2015	$ 21.2
Fiscal 2016	24.3
Fiscal 2017	171.3
Fiscal 2018	321.3
Fiscal 2019	21.5

16. Retirement Plans

At the end of fiscal 2014 and 2013, pension and similar obligations, presented net of funded status, were comprised of:

	2014	2013
U.S. defined benefit pension plans	$ 47.6	$ 38.0
Non-U.S. defined benefit pension plans	17.2	7.7
Postretirement benefit obligations	52.0	53.2
Other	4.6	5.0
	$ 121.4	$ 103.9

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 26, 2014, U.S. plans represented 71% 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.

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

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Service cost	$ 5.1	$ 5.0	$ 0.1	$ 0.1
Interest cost	19.6	18.2	2.1	2.4
Expected return on plan assets	(24.6)	(29.6)	—	—
Amortization of net actuarial loss	8.1	12.3	—	0.3
Amortization of prior service cost	(0.6)	0.6	(9.3)	(9.1)
Plan settlements loss	3.8	6.8	—	—
Net periodic benefit cost (credit)	$ 11.4	$ 13.3	$ (7.1)	$ (6.3)

The following table represents the changes in benefit obligations, plan assets and the net amounts recognized on the consolidated balance sheets for pension and postretirement benefit plans at the end of fiscal 2014 and 2013:

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Change in benefit obligation:				
Projected benefit obligations at beginning of year	$ 501.7	$ 533.2	$ 53.2	$ 80.3
Service cost	5.1	5.0	0.1	0.1
Interest cost	19.6	18.2	2.1	2.4
Employee contributions	0.6	0.3	—	—
Actuarial (gain) loss	60.0	(24.0)	0.5	(9.3)
Benefits and administrative expenses paid	(21.9)	(21.9)	(3.9)	(3.8)
Plan amendments	—	(9.0)	—	(16.5)
Plan settlements	(17.6)	(24.2)	—	—
Plan combinations	—	18.4	—	—
Currency translation	(9.1)	5.7	—	—
Projected benefit obligations at end of year	$ 538.4	$ 501.7	$ 52.0	$ 53.2
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 456.0	$ 432.0	$ —	$ —
Actual return on plan assets	59.7	17.3	—	—
Employer contributions	4.9	44.4	3.9	3.8
Employee contributions	0.6	0.3	—	—
Benefits and administrative expenses paid	(21.9)	(21.9)	(3.9)	(3.8)
Plan settlements	(17.6)	(24.2)	—	—
Plan combinations	—	2.3	—	—
Currency translation	(8.1)	5.8	—	—
Fair value of plan assets at end of year	473.6	456.0	—	—
Funded status at end of year	$ (64.8)	$ (45.7)	$ (52.0)	$ (53.2)

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Amounts recognized on the consolidated balance sheet:				
Debtors (amounts falling due after more than one year)	$ 9.8	$ 17.1	$ —	$ —
Provisions for liabilities	(74.6)	(62.8)	(52.0)	(53.2)
Net amount recognized on the consolidated balance sheet	$ (64.8)	$ (45.7)	$ (52.0)	$ (53.2)
Amounts recognized in accumulated other comprehensive profit consist of:				
Net actuarial loss	$ (115.1)	$ (102.9)	$ (2.9)	$ (2.4)
Prior service credit (cost)	6.9	7.9	18.8	28.2
Net amount recognized in accumulated other comprehensive profit	$ (108.2)	$ (95.0)	$ 15.9	$ 25.8

The estimated amounts that will be amortized from accumulated other comprehensive profit into net periodic benefit cost (credit) in fiscal 2015 are as follows:

	Pension Benefits	Postretirement Benefits
Amortization of net actuarial loss	$ 9.4	$ —
Amortization of prior service cost	(0.6)	(3.9)

The accumulated benefit obligation for all pension plans at the end of fiscal 2014 and 2013 was $533.6 million and $499.9 million, respectively. Additional information related to pension plans is as follows:

	2014	2013
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 394.7	$ 377.6
Fair value of plan assets	321.6	316.2

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	
	2014	2013	2014	2013
Discount rate	4.2%	3.5%	3.5%	4.0%
Expected return on plan assets	6.5%	7.9%	3.1%	3.5%
Rate of compensation increase	—%	—%	3.5%	3.7%

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

	U.S. Plans		Non-U.S. Plans	
	2014	2013	2014	2013
Discount rate	3.9%	4.3%	2.5%	3.7%
Rate of compensation increase	—	—	3.4%	3.5%

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 is to obtain a long-term return on plan assets that is consistent with the level of investment risk that is considered appropriate. 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:

	2014	2013
Net periodic benefit cost	4.0%	3.2%
Benefit obligations	3.7%	4.0%

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

	2014	2013
Healthcare cost trend rate assumed for next fiscal year	7.1%	7.3%
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	$ —	$ —
Effect on postretirement benefit obligation	0.4	(0.3)

Plan Assets

The Group's U.S. pension plans have a target allocation of 24% equity securities and 76% 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, 55% debt securities and 6% 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	
	2014	2013	2014	2013
Equity securities	28%	42%	8%	7%
Debt securities	70	56	2	3
Cash in bank and at hand	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 2014 and 2013:

		Basis of Fair Value Measurement		
	Fiscal 2014	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	$ 16.6	$ 16.6	$ —	$ —
U.S. large cap	50.2	50.2	—	—
International	39.8	28.7	11.1	—
Debt securities:				
Diversified fixed income funds [1]	218.7	216.6	2.1	—
High yield bonds	13.0	13.0	—	—
Emerging market funds	9.5	9.5	—	—
Insurance contracts	119.8	—	—	119.8
Other	6.0	2.6	3.4	—
Total	$ 473.6	$ 337.2	$ 16.6	$ 119.8

		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

(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.

Insurance contracts. Insurance contracts held by the Group are issued primarily 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 and cash equivalents 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 2014 and 2013:

	Insurance Contracts
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
Net unrealized gains	15.5
Net purchases, sales and issuances	(0.6)
Currency translation	(7.1)
At September 26, 2014	$ 119.8

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 2014 and 2013, the Group made $4.9 million and $44.4 million in contributions to the Group's pension plans, including a voluntary contribution of $37.5 million made by Covidien prior to the Separation in fiscal 2013. The Group does not anticipate making material involuntary contributions in fiscal 2015, but may elect to make voluntary contributions to its defined benefit pension plans or its postretirement benefit plans during fiscal 2015.

Expected Future Benefit Payments

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

	Pension Benefits	Postretirement Benefits
Fiscal 2015	$ 45.8	$ 4.8
Fiscal 2016	34.9	4.5
Fiscal 2017	33.9	4.2
Fiscal 2018	33.4	4.0
Fiscal 2019	32.7	3.7
Fiscal 2020 - 2024	149.8	16.1

Defined Contribution Retirement Plans

The Group maintains one active tax-qualified 401(k) retirement plan and one active non-qualified deferred compensation plan in the U.S. The 401(k) retirement plan provides for an automatic Group contribution of three percent of an eligible employee's pay, with an additional Group 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. The deferred compensation plan permits eligible employees to defer a portion of their compensation. Total defined contribution expense related to continuing operations was $22.5 million and $22.7 million for fiscal 2014 and 2013, respectively.

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 23 provides additional information regarding the debt and equity securities. The carrying value of the 135 life insurance contracts held by these trusts was $56.3 million and $54.6 million at September 26, 2014 and September 27, 2013, respectively. These contracts have a total death benefit of $145.7 million and $143.1 million at September 26, 2014 and September 27, 2013, respectively. However, there are outstanding loans against the policies amounting to $38.2 million and $35.3 million at September 26, 2014 and September 27, 2013, respectively.

The Group has insurance contracts which serve as collateral for certain of the Group's non-U.S. pension plan benefits, which totaled $12.7 million and $13.1 million at September 26, 2014 and September 27, 2013, 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, 116,160,353 and 57,713,873 of which were issued as of September 26, 2014 and September 27, 2013, respectively.

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 26, 2014 or 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.

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.

Subsequent to the Separation, during fiscal 2013 the Company repurchased 483 shares at an average market price of $43.33, and during fiscal 2014 the Company repurchased 230,282 shares at an average market price of $75.73, 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. In January 2015, the Mallinckrodt plc Board of Directors approved a share repurchase program of up to $300.0 million of ordinary shares.

Share Premium Account. The balance in the share premium account resulted from the issuance of 57.3 million ordinary shares in connection with the Questcor Acquisition and the exercise of employee share options.

Other Reserves. The balance as of September 26, 2014 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 $65.7 million, treasury shares 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 at September 28, 2012. 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 $67.7 million and $16.2 million for fiscal 2014 and 2013, respectively. These amounts are generally included within distribution and administrative expenses in the consolidated and combined profit and loss account. In conjunction with the Questcor Acquisition, Questcor equity awards were converted to Mallinckrodt equity awards and resulted in post-combination expense of $48.2 million in fiscal 2014, included in the above total share-based compensation, of which $13.1 million is included within distribution and administrative expenses and $35.1 million is included within restructuring charges, net. Consistent with the prior fiscal year, the incremental fair value associated with the conversion of Covidien equity awards into Mallinckrodt equity awards is included in separation costs. The Group recognized a related tax benefit associated with this expense of $24.4 million and $5.8 million in fiscal 2014 and 2013, 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 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 ("PSUs"). 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 26, 2014, all equity awards held by the Group's employees were either converted from Covidien equity awards at the Separation, converted from Questcor equity awards 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 September 27, 2013	2,760,231	$ 37.30		
Granted	675,921	52.63		
Converted from Questcor Acquisition	1,292,736	25.08		
Exercised	(878,330)	30.96		
Expired/Forfeited	(323,769)	41.83		
Outstanding at September 26, 2014	3,526,789	36.84	6.4	$ 187.5
Vested and unvested expected to vest as of September 26, 2014	3,362,751	36.27	6.5	180.7
Exercisable at September 26, 2014	832,680	31.32	4.7	48.8

As of September 26, 2014, there was $54.0 million of total unrecognized compensation cost related to unvested share option awards, which is expected to be recognized over a weighted-average period of 1.7 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 in fiscal 2013 subsequent to the Separation are included within the discussion of modification expense above. The weighted-average assumptions used in the Black-Scholes pricing model for shares granted in fiscal 2014, along with the weighted-average grant-date fair value, were as follows:

	2014
Expected share price volatility	32%
Risk-free interest rate	1.96%
Expected annual dividend per share	—%
Expected life of options (in years)	5.5
Fair value per option	$ 17.38

In fiscal 2013, subsequent to the Separation, the total intrinsic value of share options exercised and the related excess cash tax benefit was not significant. In fiscal 2014, the total intrinsic value of options exercised and related tax benefit was $34.2 million and $12.0 million, respectively.

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 September 27, 2013	724,269	$ 40.62
Granted	229,281	55.40
Converted from Questcor Acquisition	30,747	70.88
Vested	(300,237)	34.77
Forfeited	(94,838)	42.48
Non-vested at September 26, 2014	589,222	47.88

The total fair value of Mallinckrodt plc restricted share unit awards granted during fiscal 2014 was $12.7 million. The total fair value of Mallinckrodt plc restricted share unit awards vested during fiscal 2014 was $16.5 million. As of September 26, 2014, there was $20.4 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.

Performance share units. Similar to recipients of RSUs, recipients of PSUs have no voting rights and receive dividend equivalent units. The grant date fair value of PSUs, adjusted for estimated forfeitures, is generally recognized as expense on a straight-line basis from the grant date through the end of the performance period. The vesting of PSUs and related dividend equivalent units is generally based on various performance metrics and relative total shareholder return (total shareholder return for the Group as compared to total shareholder return of the PSU peer group), measured over a three-year performance period. The PSU peer group is comprised of various healthcare companies which replicate the Group's mix of businesses. Depending on Mallinckrodt's relative performance during the performance period, a recipient of the award is entitled to receive a number of ordinary shares equal to a percentage, ranging from 0% to 200%, of the award granted.

PSU activity is as follows [(1)]:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 27, 2013	—	$ —
Granted	79,230	63.40
Performance metric adjustment	—	—
Vested	—	—
Forfeited	(6,490)	62.65
Non-vested at September 26, 2014	72,740	63.46

(1) The number of shares disclosed within this table are at the target number of 100%.

The Group generally uses the Monte Carlo model to estimate the probability of satisfying the performance criteria and the resulting fair value of PSU awards. The assumptions used in the Monte Carlo model for PSUs granted during fiscal 2014 were as follows:

	2014
Expected stock price volatility	28%
Peer group stock price volatility	33%
Correlation of returns	17%

The weighted-average grant-date fair value per share of PSUs granted was $63.40 in fiscal 2014. As of September 26, 2014, there was $5.2 million of unrecognized compensation cost related to PSUs, which is expected to be recognized over a weighted-average period of 2.0 years.

Restricted stock awards. Recipients of restricted stock awards ("RSAs") pertain solely to converted awards from the Questcor Acquisition, which were converted at identical terms to their original award. The converted RSAs maintain voting rights and a non-forfeitable right to receive dividends. RSAs are subject to accelerated vesting as prescribed by the terms of the original award based on a change in control, and substantially all of which will vest over a thirteen month period of time from the date of the Questcor Acquisition. Restrictions on RSAs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSAs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period.

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 27, 2013	—	$ —
Granted	—	—
Converted from Questcor Acquisition	1,829,164	70.88
Vested	(390,731)	70.88
Forfeited	(6,402)	70.88
Non-vested at September 26, 2014	1,432,031	70.88

The total fair value of Mallinckrodt RSAs converted as part of the Questcor Acquisition was $129.7 million. The total fair value of Mallinckrodt restricted share awards vested during fiscal 2014 was $30.8 million. As of September 26, 2014, there was $61.4 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 1.2 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 and fiscal 2015) of the employee's payroll deduction up to a $25 thousand per 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 28, 2012	$ 157.1	$ —	$ (72.2)	$ 84.9
Other comprehensive profit (loss), net of taxation	1.5	(7.3)	29.4	23.6
Balance at September 27, 2013	158.6	(7.3)	(42.8)	108.5
Other comprehensive loss before reclassification	(27.6)	—	(17.1)	(44.7)
Reclassification to other comprehensive profit (loss)	—	0.5	1.4	1.9
Balance at September 26, 2014	$ 131.0	$ (6.8)	$ (58.5)	$ 65.7

The following summarizes reclassifications out of accumulated other comprehensive profit for the 2014 fiscal year:

	Amount Reclassified from Accumulated Other Comprehensive Profit	
	September 26, 2014	Line Item in the Consolidated Profit and Loss Account
Amortization of unrealized gain on derivatives	$ 0.6	Interest expense
Taxation	(0.1)	Provision for income taxes
Net of taxation	0.5	
Amortization of pension and post-retirement benefit plans:		
Net actuarial loss	8.1	(1)
Prior service credit	(9.9)	(1)
Plan settlements	3.8	(1)
Total before taxation	2.0	
Taxation	(0.6)	Provision for income taxes
Net of taxation	1.4	
Total reclassifications for the period	$ 1.9	

(1) These accumulated other comprehensive profit components are included in the computation of net periodic benefit cost. See Note 16 for additional details.

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, including a separation and distribution agreement, the Tax Matters Agreement and a transition services agreement. These agreements 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 2014 and 2013, the Group sold stocks to Covidien in the amount of $46.0 million and $51.2 million, respectively, which was included in turnover in the consolidated and combined profit and loss account. The Group also purchased stocks from Covidien. The Group recognized cost of sales from these stock purchases of $28.9 million and $38.4 million during fiscal 2014 and 2013, 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 amount allocated for fiscal 2013 was $39.6 million, and is included within distribution and administrative expenses.

Balance Sheet Impacts

Subsequent to 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 26, 2014 includes $82.2 million of amounts due to the Group from Covidien, within debtors, and $84.5 million of amounts the Group owes Covidien, included within creditors (amounts falling due within one year).

Separation and Distribution Agreement

On June 28, 2013, the Group entered into a separation and distribution agreement ("the 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. The Group expects to substantially reduce the level of service provided by Covidien in fiscal 2015 as the Group has substantially completed the implementation of information systems in jurisdictions outside the U.S. and terminated the transition services agreement during the first quarter of fiscal 2015.

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, together with Mallinckrodt CB LLC ("MCB"), entered into senior secured credit facilities consisting of a $1.3 billion term loan facility and a $250.0 million revolving credit facility during March 2014, which are fully and unconditionally guaranteed by the Company, certain of its direct or indirect wholly-owned U.S. subsidiaries and each of its direct or indirect wholly-owned subsidiaries that owns directly or indirectly any such wholly-owned U.S. subsidiary. In August 2014, MIFSA and MCB issued $900.0 million in senior unsecured notes, which are guaranteed on an unsecured basis by certain of MIFSA's subsidiaries. As discussed in Note 15, no amount was outstanding under the revolving credit facility as of September 26, 2014.

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 liabilities related to such representations, warranties and indemnities and adjusts potential liabilities as a result of changes in facts and circumstances. The Group believes, given the information currently available, that their ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

In connection with the sale of the Specialty Chemical business (formerly known as 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 other liabilities on the Group's consolidated balance sheets at September 26, 2014 and September 27, 2013 was $16.6 million and $20.1 million, respectively, of which $13.9 million and $17.2 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 26, 2014 and September 27, 2013. As of September 26, 2014, the maximum future payments the Group could be required to make under these indemnification obligations was $71.4 million. The Group was required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $19.4 million and $23.5 million remained in financial assets on the consolidated balance sheets at September 26, 2014 and September 27, 2013, 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 the Group believes, given the information currently available, that their ultimate resolution 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 surety bonds totaling $57.2 million.

In addition, as of September 26, 2014, the Group had a $21.1 million letter of credit to guarantee decommissioning costs associated with its Saint Louis, Missouri plant. As of September 26, 2014, the Group had various other letters of credit and guarantee and surety bonds totaling $36.2 million.

In addition, the Separation and Distribution Agreement entered into with Covidien at the Separation 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 26, 2014, such obligations were as follows:

Fiscal 2015	$	93.8
Fiscal 2016		63.1
Fiscal 2017		60.2
Fiscal 2018		60.2
Fiscal 2019		3.9

These amounts include $6.3 million related to contracted capital expenditures and $2.6 million related to contracted R&D expenditures. As of September 26, 2014, the board of directors had authorized capital expenditures of $99.0 million, of which $14.1 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 November 30, 2011 and October 22, 2012, the Group received subpoenas from the DEA requesting production of documents relating to its suspicious order monitoring program.

On September 24, 2012, Questcor received a subpoena from the USAO for the Eastern District of Pennsylvania for information relating to its promotional practices. Questcor has also been informed by the USAO for the Eastern District of Pennsylvania that the USAO for the Southern District of New York and the SEC are also participating in the investigation to review Questcor's promotional practices and related matters.

On June 11, 2014, Questcor received a subpoena and Civil Investigative Demand ("CID") from the FTC seeking documentary materials and information regarding the FTC's investigation into whether Questcor's acquisition of certain rights to develop, market, manufacture, distribute, sell and commercialize Synacthen Depot® from Novartis AG and Novartis Pharma AG (collectively "Novartis") violates the antitrust laws.

The Group is in the process of responding to each of the subpoenas and the CID and intends to cooperate fully in each such investigation.

Mallinckrodt Inc. v. U.S. Food and Drug Administration and United States of America The Group filed a Complaint for Declaratory and Injunctive Relief in the U.S. District Court for the District of Maryland Greenbelt Division against the FDA and the United States of America on November 17, 2014 for judicial review of what the Group believes is FDA's inappropriate and unlawful reclassification of the Group's methylphenidate hydrochloride extended-release tablets in the Orange Book on November 13, 2014. In its complaint, the Group has asked the court to issue an injunction to (a) set aside the FDA's reclassification of the Group's methylphenidate ER products from class AB to class BX in the Orange Book and (b) prohibit the FDA from reclassifying the Group's methylphenidate ER products in the future without following applicable legal requirements; and issue a declaratory judgment that the FDA's action reclassifying the Group's methylphenidate ER products in the Orange Book is unlawful. The Group concurrently filed a motion with the same court requesting an expedited hearing to issue a TRO directing FDA to reinstate the Orange Book AB rating for the Group's Methylphenidate ER drugs on a temporary basis. At a hearing held on November 25, 2014, the court denied the Group's motion for a TRO. On December 23, 2014, the FDA filed a motion to dismiss the Compliant with the district court. The Company filed its opposition to the motion to dismiss on January 9, 2015, and concurrently filed a motion for summary judgment.

Patent/Antitrust Litigation

Tyco Healthcare Group LP, et al. v. Mutual Pharmaceutical Company, Inc. In March, 2007, 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"), after Mutual submitted an ANDA to the FDA seeking to sell a generic version of the Group's 7.5 mg 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 and on August 6, 2014, the Federal Circuit issued a split decision, affirming the trial court in part and remanding to the trial court certain counterclaims for further proceedings.

'222 and '218 Patent Litigation: Exela Pharma Sciences, LLC. In August 2011, Cadence, a subsidiary of the Group, and Pharmatop, the owner of the two U.S. patents licensed exclusively by Cadence, filed suit in the U.S. District Court for the District of Delaware against Exela Pharma Sciences, LLC, Exela PharmaSci, Inc. and Exela Holdings, Inc. (collectively, "Exela"), alleging that Exela infringed U.S. Patent Nos. 6,028,222 ("the '222 patent") and 6,992,218 ("the '218 patent"), by submitting an ANDA to the FDA seeking to sell a generic version of Ofirmev. The filing of the lawsuit triggered a stay of FDA approval of the Exela ANDA until the earlier of the expiration of a 30-month period, the expiration of the '222 and '218 patents, the entry of a settlement order or consent decree stating that the '222 and '218 patents are invalid or not infringed, a decision in the case concerning infringement or validity that is favorable to Exela, or such shorter or longer period as the court may order. After a bench trial, the court ruled in favor of Cadence in November 2013 and found that Exela's ANDA infringed the '222 and '218 patents. On December 20, 2013, Excela appealed the decision and oral arguments in the appeal occurred on November 7, 2014. It is not possible at this time to predict the outcome of this appeal.

'222 and '218 Patent Litigation: InnoPharma Licensing LLC and InnoPharma, Inc. In September 2014, Cadence and Mallinckrodt IP, subsidiaries of the Group, filed suit in the U.S. District Court for the District of Delaware against InnoPharma Licensing LLC and InnoPharma, Inc. (collectively "InnoPharma") following receipt of an August 2014 notice from InnoPharma concerning its submission of a NDA, containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev.

'222 and '218 Patent Litigation: Agila Specialties Private Limited, Inc. and Agila Specialties Inc. (a Mylan Inc. Company), (collectively "Agila"). In November 2014, Cadence and Mallinckrodt IP, subsidiaries of the Group, received notice from Agila concerning its submission of a NDA containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. The Group is currently evaluating the notice and will be analyzing the Agila submission to make a timely determination regarding potentially filing suit against Agila.

The Group intends to vigorously enforce its intellectual property rights relating to Ofirmev to prevent the marketing of infringing generic or competing products prior to the expiration of the Cadence patents. An adverse outcome in either the Exela or InnoPharma matters ultimately could result in the launch of one or more generic versions of Ofirmev before the expiration of the last of the listed patents on June 6, 2021 (or December 6, 2021 if pediatric exclusivity is granted), which could adversely affect the Group's ability to successfully maximize the value of Ofirmev and have an adverse effect on our financial condition, results of operations and cash flows.

'222 and '218 Patents: Ex Parte Reexamination. In September 2012, Exela filed with the USPTO, a Request for Ex Parte Reexamination of the '222 patent and the USPTO granted that request. The reexamination process requires the USPTO to consider the scope and validity of the patent based on substantial new questions of patentability raised by a third party or the USPTO. Cadence and Pharmatop have filed, with the USPTO, a patent owner's statement commenting on the reexamination request, and thereafter the parties have made various submissions. In July 2014, a Second Final Office Action was issued by the USPTO in which certain claims were indicated to be allowable and certain claims were rejected. A subsequent amendment was filed in September 2014, but the USPTO did not enter that amendment. In October 2014, Cadence and Pharmatop filed a notice of appeal and petitioned the Commissioner of Patents, requesting that certain claim amendments be entered so that set of claims are of record for consideration in any future appeal.

In addition, in January 2014, an unidentified third party filed, with the USPTO, a Request for Ex Parte Reexamination of the '218 patent. The reexamination request was granted on March 14, 2014. In July 2014, the USPTO issued a Non-Final Office Action in the ‘218 reexamination in which it rejected certain claims. In September 2014, Cadence and Pharmatop filed an Amendment and Response to the Office Action.

All of the claims of the '222 and '218 patents remain valid and in force during the reexamination proceedings. Because we and Pharmatop believe that the scope and validity of the patent claims in these patents are appropriate and that the USPTO's prior issuances of the patents were correct, the Group, in conjunction with Pharmatop, will vigorously defend these patents. It is not possible, at this time, to determine with certainty whether the Group will ultimately succeed in maintaining the scope and validity of the claims of these patents during reexamination. If any of the patent claims in these patents ultimately are narrowed during prosecution before the USPTO, the extent of the patent coverage afforded to Ofirmev could be impaired, which could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

'218 Patent Litigation: Exela Pharma Sciences, LLC. In April 2012, Exela filed suit against David J. Kappos and the USPTO in the U.S. District Court for the Eastern District of Virginia for declaratory judgment seeking a reversal of the USPTO's decision not to act on a petition by Exela to vacate the USPTO's April 2003 order reviving the international application for the '218 patent. The lawsuit followed the USPTO's rejection of Exela's petition to the USPTO filed in November 2011, which sought to vacate the April 2003 order. The USPTO determined that Exela lacked standing to seek such relief. Exela also seeks declaratory judgment that the USPTO's rules and regulations that allow for revival of abandoned, international patent applications under the "unintentional" standard are invalid, and seeks similar relief in connection with one or more counterclaims it has filed in the Delaware litigation. Cadence intervened in this lawsuit and in December 2012, the district court dismissed the case with prejudice as barred by the applicable statute of limitations. In February 2013, Exela appealed the dismissal to the Court of Appeals for the Federal Circuit, oral argument was held in February 2014 and a final decision has not been issued.

'222 and '218 Patent Litigation Settlement: Fresenius Kabi USA, LLC. In January 2013, Cadence filed suit in the U.S. District Court for the Southern District of California against Fresenius Kabi USA, LLC ("Fresenius"), alleging that Fresenius infringed the '222 and '218 patents by submitting a NDA to the FDA seeking to sell a competing version of Ofirmev. The filing of the lawsuit triggered a stay of FDA approval of the Fresenius NDA until the earlier of the expiration of a 30-month period, the expiration of the '222 and '218 patents, the entry of a settlement order or consent decree stating that the '222 and '218 patents are invalid or not infringed, a decision in the case concerning infringement or validity that is favorable to Fresenius, or such shorter or longer period as the court may order. In August 2014, Cadence entered into a settlement agreement and license agreement with Fresenius, dismissing with prejudice the lawsuit and granting to Fresenius the non-exclusive right to market an intravenous acetaminophen product in the U.S. under the Fresenius NDA beginning December 6, 2020, or earlier under certain circumstances. Under a related supply agreement, an affiliate of Fresenius will develop, manufacture and supply commercial quantities of Ofirmev to us if certain regulatory approvals are obtained. As a result of these agreements we recorded an $11.5 million charge during the third quarter of fiscal 2014.

Other '222 and '218 Patent Litigation Settlements. Three other similar cases involving generic versions of Ofirmev have previously settled. In each settlement, the defendant was granted the non-exclusive right to market a generic intravenous acetaminophen product in the U.S. under its respective ANDA after December 6, 2020, or earlier under certain circumstances. In connection with those settlements, one settling party was granted the exclusive right of first refusal to negotiate an agreement with Cadence to market an authorized generic of Ofirmev in the U.S. in the event that Cadence elects to launch an authorized generic version of the product. If that settling party elects not to exercise its right of first refusal, Cadence has agreed to grant a similar right of first refusal to another settling party.

Commercial and Securities Litigation

Retrophin Litigation. In January 2014, Retrophin Inc. filed a lawsuit against Questcor in the United States District Court for the Central District of California, alleging a variety of federal and state antitrust violations based on Questcor's acquisition from Novartis of certain rights to develop, market, manufacture, distribute, sell and commercialize Synacthen. Discovery has commenced, and the Court set July 10, 2015, as the deadline for filing dispositive motions. While it is not possible at this time to determine with certainty the outcome of this investigation, the Group believes, given the information currently available, that its ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

Glenridge Litigation. In June 2011, Glenridge Pharmaceuticals LLC ("Glenridge"), filed a lawsuit against Questcor in the Superior Court of California, Santa Clara County, alleging that Questcor had underpaid royalties to Glenridge under a royalty agreement related to net sales of Acthar. In August 2012, Questcor filed a separate lawsuit against the three principals of Glenridge, as well as Glenridge, challenging the enforceability of the royalty agreement. In August 2013, the two lawsuits were consolidated into one case in the Superior Court of California, Santa Clara County. On October 29, 2014, the parties entered into a binding term sheet settling the lawsuit. Under the terms of the settlement, the royalty rate payable by Questcor was reduced, royalties were capped instead of being payable for so long as Acthar was sold and Questcor agreed to pay Glenridge a reduced amount in satisfaction of royalties Questcor had withheld in the course of the lawsuit.

Putative Class Action Securities Litigation. On September 26, 2012, a putative class action lawsuit was filed against Questcor and certain of its officers and directors in the United States District Court for the Central District of California, captioned *John K. Norton v. Questcor Pharmaceuticals, et al.*, No. SACvl2-1623 DMG (FMOx). The complaint purports to be brought on behalf of shareholders who purchased Questcor common stock between April 26, 2011 and September 21,2012. The complaint generally alleges that Questcor and certain of its officers and directors engaged in various acts to artificially inflate the price of Questcor stock and enable insiders to profit through stock sales. The complaint asserts that Questcor and certain of its officers and directors violated sections l0(b) and/or 20(a) of the Securities Exchange Act of 1934, as amended, ("the Exchange Act"), by making allegedly false and/or misleading statements concerning the clinical evidence to support the use of Acthar for indications other than IS, the promotion of the sale and use of Acthar in the treatment of MS and nephrotic syndrome, reimbursement for Acthar from third-party insurers, and Questcor's outlook and potential market growth for Acthar. The complaint seeks damages in an unspecified amount and equitable relief against the defendants. This lawsuit has been consolidated with four subsequently-filed actions asserting similar claims under the caption: *In re Questcor Securities Litigation*, No. CV 12-01623 DMG (FMOx). On October 1, 2013, the District Court granted in part and denied in part Questcor's motion to dismiss the consolidated amended complaint. On October 29, 2013, Questcor filed an answer to the consolidated amended complaint. Discovery is currently ongoing. The Court set a jury trial for December 1, 2015.

Federal Shareholder Derivative Litigation. On October 4, 2012, another alleged shareholder filed a derivative lawsuit in the United States District Court for the Central District of California captioned *Gerald Easton v. Don M Bailey, et al.*, No. SACV12-01716 DOC (JPRx). The suit asserts claims substantially identical to those asserted in the *do Valle* derivative action described below against the same defendants. This lawsuit has been consolidated with five subsequently-filed actions asserting similar claims under the caption: *In re Questcor Shareholder Derivative Litigation*, CV 12- 01716 DMG (FMOx). Following the resolution of the motion to dismiss in the consolidated putative securities class action, the court issued an order staying the federal derivative action until the earlier of: (a) 60 days after the resolution of any motion for summary judgment filed in the putative class action lawsuit, (b) 60 days after the deadline to file a motion for summary judgment in the putative class action lawsuit, if none is filed, or (c) the execution of any settlement agreement (including any partial settlement agreement) to resolve the putative class action lawsuit.

State Shareholder Derivative Litigation. On October 2, 2012, an alleged shareholder filed a derivative lawsuit purportedly on behalf of Questcor against certain of its officers and directors in the Superior Court of the State of California, Orange County, captioned *Monika do Valle v. Virgil D. Thompson, et al.*, No. 30-2012-00602258-CU-SL-CXC. The complaint asserted claims for breach of fiduciary duty, abuse of control, mismanagement and waste of corporate assets arising from substantially similar allegations as those contained in the putative securities class action described above, as well as from allegations relating to sales of Questcor common stock by the defendants and repurchases of Questcor common stock. The complaint sought an unspecified sum of damages and equitable relief. On October 24, 2012, another alleged shareholder filed a derivative lawsuit purportedly on behalf of Questcor against certain of its officers and directors in the Superior Court of the State of California, Orange County, captioned *Jones v. Bailey, et al.*, Case No. 30-2012-00608001-CU-MC-CXC. The suit asserted claims substantially identical to those asserted in the *do Valle* derivative action. On February 19, 2013, the court issued an order staying the state derivative actions until the putative federal securities class action and federal derivative actions are resolved. On May 17, 2014, the Court granted plaintiffs' request for dismissal without prejudice of the *Jones* action. On November 18, 2014, the *do Valle* matter was voluntarily dismissed.

Put Options Securities Action. In March 2013, individual traders of put options filed a securities complaint in the United States District Court for the Central District of California captioned *David Taban, et al. v. Questcor Pharmaceuticals, Inc.,* No. SACV13-0425. The complaint generally asserts claims against Questcor and certain of its officers and directors for violations of the Exchange Act and for state law fraud and fraudulent concealment based on allegations similar to those asserted in the putative securities class action described above. The complaint seeks compensatory and punitive damages of an unspecified amount. Following the resolution of the motion to dismiss in the consolidated putative securities class action, the court issued an order staying this action until the earlier of: (a) sixty (60) days after the resolution of any motion for summary judgment filed in the putative class action lawsuit, (b) sixty (60) days after the deadline to file a motion for summary judgment in the putative class action lawsuit, if none is filed, or (c) the execution of any settlement agreement (including any partial settlement agreement) to resolve the putative class action lawsuit. The case remains stayed.

Pricing Litigation

State of Utah v. Actavis US, Inc., et al. The Group, along with numerous other pharmaceuticals companies, are defendants in this matter which was filed May 8, 2008, and is pending in the Third Judicial Circuit of Salt Lake County, Utah. The State of Utah alleges, generally, that the defendants 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 is seeking monetary damages and attorneys' fees. The Group believes that it has meritorious defenses to these claims and is vigorously defending against them. While it is not possible at this time to determine with certainty the outcome of the case, the Group believes, given the information currently available, that its 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 26, 2014, it was probable that it would incur remedial costs in the range of $43.7 million to $106.9 million. The Group also concluded that, as of September 26, 2014, the best estimate within this range was $67.1 million, which was included in provision for liabilities on the consolidated balance sheet at September 26, 2014.

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 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, given the information currently available, 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 another former owner, assumed responsibility for the Millsboro Site cleanup under the Alternative Superfund Program administered by the EPA. The Group and another PRP have entered into two AOCs with the EPA to perform investigations to abate, mitigate or eliminate the release or threat of release of hazardous substances at the Millsboro Site and to conduct an Engineering Evaluation/Cost

Analysis to characterize the nature and extent of the contamination. The Group, along with the other party, continues to conduct the studies and prepare remediation plans in accordance with the AOCs. 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 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 named as a defendant in numerous tort complaints filed between February 2012 and September 2014 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 allegedly 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, given the information currently available, that the ultimate 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 17-mile stretch known as the Lower Passaic River Study Area ("the River"). The Group's potential liability stems from former operations at Lodi and Belleville, New Jersey. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considered interim remedial options for the lower 8-miles of the river, in addition to a "no action" option. 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 Company's estimated costs related to the RI/FS and focused remediation at mile 10.9, based on interim allocations, are immaterial and have been accrued.

On April 11, 2014, the EPA issued its revised FFS, with remedial alternatives to address cleanup of the lower 8-mile stretch of the River, which also included a "no action" option. The EPA estimates the cost for the alternatives range from $365.0 million to $3.2 billion. The EPA's preferred approach would involve bank-to-bank dredging of the lower 8-mile stretch of the River and installing an engineered cap at a discounted, estimated cost of $1.7 billion. Based on the issuance of the EPA's revised FFS, the Group recorded a $23.1 million accrual in fiscal 2014 representing the Group's estimate of its allocable share of the joint and several remediation liability resulting from this matter. Despite the issuance of the revised FFS, there are many uncertainties associated with the final agreed upon remediation and the Group's allocable share of the remediation. Given those uncertainties, the amounts accrued may not be indicative of the amounts for which the Group is ultimately responsible and will be refined as events in the remediation process occur.

Products Liability Litigation

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 26, 2014, there were approximately 11,900 asbestos-related cases pending against the Group.

The Group estimates pending asbestos claims and claims that were incurred but not reported and related insurance recoveries, which are recorded on a gross basis in the consolidated 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, given the information currently available, that the ultimate resolution of all known and anticipated future claims, after taking into account amounts already accrued, along with recoveries from insurance, 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 Petten, the Netherlands and Maryland Heights, Missouri. Substantially all of these obligations are included in provision for liabilities on the consolidated balance sheets. The following table provides a summary of the changes in the Group's asset retirement obligations for fiscal 2014 and 2013:

	2014	2013
Balance at beginning of period	$ 50.6	$ 46.4
Additions and adjustments	(11.6)	0.4
Accretion expense	3.2	2.9
Payments	—	(0.2)
Currency translation	(1.4)	1.1
Balance at end of period	$ 40.8	$ 50.6

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 $19.9 million and $16.9 million for fiscal 2014 and 2013, 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 26, 2014:

	Operating Leases	Capital Leases
Fiscal 2015	$ 21.5	$ 1.4
Fiscal 2016	16.6	0.4
Fiscal 2017	13.9	—
Fiscal 2018	9.8	—
Fiscal 2019	8.2	—
Thereafter	25.0	—
Total minimum lease payments	$ 95.0	1.8
Less: interest portion of payments		—
Present value of minimum lease payments		$ 1.8

The Group exchanged title to $27.4 million of its plant assets in return for an equal amount of Industrial Revenue Bonds ("IRB") issued by Saint Louis County. The Group also simultaneously leased such assets back from Saint Louis County under a capital lease expiring December 2025, 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 ten-year property tax abatement 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 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 income 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. income tax 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, given the information currently available, that established liabilities are reasonable and that the ultimate 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 2007. The Group considers such uncertain tax positions associated with these years as having been effectively settled. All but one of the matters associated with these audits 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 income tax purposes, and has disallowed interest deductions related to the intercompany debt and certain tax attribute adjustments recognized on the U.S. income tax returns. This matter is subject to the Group's $200.0 million liability 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, given the information currently available, that it will not have a material adverse effect on its financial condition, results of operations and cash flows.

Acquisition-Related Litigation

Several purported class action lawsuits have been filed in February 2014 and March 2014 by purported holders of Cadence common stock in connection with the Cadence Acquisition, including in the Delaware Court of Chancery (consolidated under the caption *In re Cadence Pharmaceuticals, Inc. Stockholders Litigation*), and in California State Court, San Diego County (*Denny v. Cadence Pharmaceuticals, Inc., et al., Militello v. Cadence Pharmaceuticals, Inc., et al.,* and *Schuon v. Cadence Pharmaceuticals, Inc., et al.*). The actions bring claims against, and generally allege that, the board of directors of Cadence breached their fiduciary duties in connection with the the Cadence Acquisition by, among other things, failing to maximize shareholder value, and the Delaware and *Schuon* actions further allege that Cadence omitted to disclose allegedly material information in its Schedule 14D-9. The lawsuits also allege, among other things, that the Group aided and abetted the purported breaches of fiduciary duty. The lawsuits seek various forms of relief, including but not limited to, rescission of the transaction, damages and attorneys' fees and costs. On March 7, 2014, following expedited discovery, the parties in the consolidated Delaware action entered into a Memorandum of Understanding ("MOU"), which sets forth the parties' agreement in principle for a settlement of those actions. The settlement contemplated by the MOU will include, among other things, a release of all claims relating to the Cadence Acquisition as set forth in the MOU. The settlement is subject to a number of conditions, including, among other things, final court approval following notice to the class. There have been no substantive proceedings in any of the California actions. On July 29, 2014, the *Militello* case was voluntarily dismissed without prejudice. On September 8, 2014, the Denny case was voluntarily dismissed without prejudice. While it is not possible at this time to determine with certainty the ultimate outcomes of these matters, the Group believes, given the information available to it today, that they will not have a material adverse effect on its financial condition, results of operations and cash flows.

Since the announcement of the merger with Questcor on April 7, 2014, several putative class actions have been filed by purported holders of Questcor common stock in connection with the Questcor Acquisition (*Hansen v. Thompson, et al., Heng v. Questcor Pharmaceuticals, Inc., et al., Buck v. Questcor Pharmaceuticals, Inc., et al., Ellerbeck v. Questcor Pharmaceuticals, Inc, et al., Yokem v. Questcor Pharmaceuticals, Inc., et al., Richter v. Questcor Pharmaceuticals, Inc., et al., Tramantano v. Questcor Pharmaceuticals, Inc., et al., Crippen v. Questcor Pharmaceuticals, Inc., et al., Patel v. Questcor Pharmaceuticals, Inc., et al., and Postow v. Questcor Pharmaceuticals, Inc., et al.*). The actions were consolidated on June 3, 2014. The consolidated complaint names as defendants, and generally alleges that, the directors of Questcor breached their fiduciary duties in connection with the acquisition by, among other things, agreeing to sell Questcor for inadequate consideration and pursuant to an inadequate process. The consolidated complaint also alleges that the Questcor directors breached their fiduciary duties by failing to disclose purportedly material information to shareholders in connection with the merger. The consolidated complaint also alleges, among other things, that we aided and abetted the purported breaches of fiduciary duty. The lawsuit seeks various forms of relief, including but not limited to, rescission of the transaction, damages and attorney's fees and costs.

On July 29, 2014, the defendants reached an agreement in principle with the plaintiffs in the consolidated actions, and that agreement is reflected in a MOU. In connection with the settlement contemplated by the MOU, Questcor agreed to make certain additional disclosures related to the proposed transaction with the Group, which are contained in the Group's Current Report on Form 8-K filed with the SEC on July 30, 2014. Additionally, as part of the settlement and pursuant to the MOU, the Group agreed to forbear from exercising certain rights under the merger agreement with Questcor, as follows: the four business day period referenced in Section 5.3(e) of the merger agreement will be reduced to three business days. The MOU contemplates that the parties will enter into a stipulation of settlement.

The stipulation of settlement will be subject to customary conditions, including court approval. In the event that the parties enter into a stipulation of settlement, a hearing will be scheduled at which the California Superior Court will consider the fairness, reasonableness, and adequacy of the settlement. If the settlement is finally approved by the court, it will resolve and release all claims in all actions that were or could have been brought challenging any aspect of the proposed transaction, the merger agreement, and any disclosures made in connection therewith, including the definitive joint proxy statement/prospectus relating to the Questcor Acquisition, pursuant to terms that will be disclosed to shareholders prior to final approval of the settlement. In addition, in connection with the settlement, the parties contemplate that they shall negotiate in good faith

regarding the amount of attorney's fees and expense that shall be paid to plaintiffs' counsel in connection with the actions. There can be no assurance that the parties will ultimately enter into a stipulation of settlement or that the California Superior Court will approve the settlement even if the parties were to enter into such stipulation. In such event, the proposed settlement as contemplated by the MOU may be terminated.

While it is not possible at this time to determine with certainty the ultimate outcomes of these matters, the Group believes, given the information available to it today, that they 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. 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 26, 2014	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	$ 35.7	$ 22.9	$ 12.8	$ —
Liabilities:				
Deferred compensation liabilities	$ 15.0	$ —	$ 15.0	$ —
Contingent consideration and acquired contingent liabilities	202.8	—	—	202.8
Foreign exchange forward and option contracts	0.2	0.2	—	—
	$ 218.0	$ 0.2	$ 15.0	$ 202.8

	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

Debt and equity securities held in rabbi trusts. Debt securities held in the rabbi trusts 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 trusts primarily consist of U.S. common stocks, which are valued using quoted market prices reported on nationally recognized securities exchanges.

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. The Group 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 recordkeeping accounts generally correspond to the funds offered in the Group's U.S. tax-qualified defined contribution retirement plan and the account balance fluctuates with the investment returns on those funds.

Goodwill. The Group performs an annual goodwill impairment assessment using an income approach based on the present value of future cash flows. See further discussion in Notes 2 and 12.

Contingent consideration and acquired contingent liabilities. In October 2012, the Group recorded contingent consideration of $6.9 million upon the CNS Therapeutics Acquisition. 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%. At September 26, 2014, the fair value of this contingent consideration was $7.0 million.

In August 2014, the Group recorded acquired contingent liabilities of $195.4 million from the Questcor Acquisition. The contingent liabilities relate to Questcor's contingent obligations associated with their acquisition of an exclusive, perpetualy and irrevocable license to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot (collectively "Synacthen") from Novartis and their acquisition of BioVectra. The fair value of these contingent consideration obligations at September 26, 2014 was $195.8 million.

Under the terms of the license agreement with Novartis, the Group is obligated to make a $25.0 million payment in each of fiscal 2015 and 2016, make annual payments of $25.0 million subsequent to fiscal 2016 until such time that the Group obtains FDA approval of Synacthen and make a $25.0 million payment upon obtaining FDA approval of Synacthen. If FDA approval is obtained, the Group will pay an annual royalty to Novartis based on a percentage of net sales of the products in the U.S. market. As of both, the Questcor Acquisition date and September 26, 2014, the total remaining payments under the license agreement shall not exceed $215.0 million. The terms of the license agreement do allow the Group to terminate the license agreement at our discretion following the fiscal 2018 payment or upon the occurrence of certain events following the fiscal 2016 payment. The Group measured the fair value of the contingent payments based on a probability-weighted present value of the consideration expected to be transferred using a discount rate of 4.7%. Under the terms of the license agreement, the Group was required to maintain deposits equal to the the fiscal 2015 and 2016 annual $25.0 million payments which are included in prepaid expenses and other current assets and other assets in the consolidated balance sheets.

Based on the terms of the acquisition agreement with the former shareholders of BioVectra, the Group may be obligated to pay, as of both the Questcor Acquisition date and September 26, 2014, additional cash consideration of $45.0 million CAD based on BioVectra's financial results from January 2013 through a portion of fiscal 2016. The Group measured the fair value of the contingent payments based on a probability-weighted present value of the consideration expected to be transferred using a discount rate of 1.3%.

Balance at September 27, 2013	$	6.9
Acquisition date fair value of acquired contingent liabilities		195.4
Accretion expense		1.1
Effect of currency rate change		(0.6)
Balance at September 26, 2014	$	202.8

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 $69.8 million and $24.0 million as of September 26, 2014 and September 27, 2013, respectively (level 1), substantially all of which is included in financial assets on the consolidated 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 $69.0 million and $67.7 million at September 26, 2014 and September 27, 2013, respectively. These contracts are included in financial assets on the consolidated balances sheets.

The carrying values of the Group's loan payable and variable rate receivable securitization approximate the fair values due to the short-term nature of these instruments. The carrying values of the 2.85% and 4.00% term loans approximate the fair values of these instruments, as calculated using the discounted exit price for each instrument, and are therefore classified as level 3. Since the quoted market prices for the Group's term loans and 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%, 4.75%, and 5.75% 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 26, 2014		September 27, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loan payable	$ —	$ —	$ 0.1	$ 0.1
Variable rate receivable securitization	150.0	150.0	—	—
2.85% term loan due April 2016	3.1	3.1	—	—
3.50% notes due April 2018	300.0	290.2	299.9	293.7
Term loans due March 2021	1,990.3	1,970.4	—	—
4.00% term loan due February 2022	10.8	10.8	—	—
9.50% debentures due May 2022	10.4	14.2	10.4	14.3
5.75% notes due August 2022	900.0	907.3	—	—
8.00% debentures due March 2023	8.0	10.2	8.0	10.2
4.75% notes due April 2023	598.3	563.8	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.

The following table shows turnover attributable to distributors that accounted for 10% or more of the Groups total turnover:

	Fiscal Year	
	2014	2013
Cardinal Health, Inc.	18%	18%
McKesson Corporation	17%	15%
Amerisource Bergen Corporation	11%	9%

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 26, 2014	September 27, 2013
Cardinal Health, Inc.	17%	18%
McKesson Corporation	24%	22%
Amerisource Bergen Corporation	13%	14%
CuraScript, Inc.	13%	—

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

	Fiscal Year	
	2014	2013
Optiray™ (CMDS)	11%	14%
Acetaminophen products (API)	8%	10%

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 from three nuclear research reactors and relies predominantly upon 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.

24. 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 pharmaceuticals and biopharmaceuticals, specialty generic pharmaceuticals and API consisting of biologics, 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, non-restructuring impairments 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 following reconciliations. Selected information by business segment was as follows:

	Fiscal Year	
	2014	2013
Turnover:		
Specialty Pharmaceuticals	$ 1,612.9	$ 1,217.6
Global Medical Imaging	881.5	935.7
Turnover of operating segments [1]	2,494.4	2,153.3
Other [2]	46.0	51.2
Turnover	$ 2,540.4	$ 2,204.5
Operating (loss) profit:		
Specialty Pharmaceuticals	$ 566.8	$ 311.7
Global Medical Imaging	47.1	112.3
Segment operating profit	613.9	424.0
Unallocated amounts:		
Corporate and allocated expenses [3]	(241.4)	(133.8)
Intangible asset amortization	(162.3)	(35.4)
Restructuring and related charges, net [4]	(129.1)	(35.8)
Non-restructuring impairments	(355.6)	—
Separation costs	(9.6)	(74.2)
Operating (loss) profit	$ (284.1)	$ 144.8
Depreciation and amortization [5]:		
Specialty Pharmaceuticals	$ 230.7	$ 97.6
Global Medical Imaging	45.2	42.0
Depreciation and amortization	$ 275.9	$ 139.6

(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 $0.5 million and $2.6 million for fiscal 2014 and 2013, respectively.
(5) Depreciation for certain shared facilities is allocated based on occupancy percentage.

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

	Fiscal Year	
	2014	2013
Methylphenidate ER	$ 209.6	$ 148.3
Oxycodone (API) and oxycodone-containing tablets	155.2	139.0
Hydrocodone (API) and hydrocodone-containing tablets	99.4	140.0
Other controlled substances	584.5	443.3
Other	150.7	140.6
Specialty Generics and API	1,199.4	1,011.2
Exalgo	76.1	126.1
Ofirmev	124.4	—
Acthar	122.9	—
Other	90.1	80.3
Brands	413.5	206.4
Specialty Pharmaceuticals	1,612.9	1,217.6
Optiray	284.0	318.5
Other	165.8	179.6
Contrast Media and Delivery Systems	449.8	498.1
Nuclear Imaging	431.7	437.6
Global Medical Imaging	881.5	935.7
Other [1]	46.0	51.2
Net sales	$ 2,540.4	$ 2,204.5

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

Selected information by geographic area was as follows:

	Fiscal Year	
	2014	2013
Turnover [1]:		
U.S.	$ 1,899.8	$ 1,518.7
Europe, Middle East and Africa	394.0	404.3
Other	246.6	281.5
	$ 2,540.4	$ 2,204.5
Long-lived assets [2]:		
U.S.	$ 854.2	$ 893.3
Europe, Middle East and Africa [3]	61.9	81.0
Other	57.4	51.8
	$ 973.5	$ 1,026.1

(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 $26.9 million and $48.7 million at the end of fiscal 2014 and 2013, respectively.

25. 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 $54.4 million and $17.7 million for fiscal 2014 and 2013, respectively.

26. Directors' Remuneration

Directors' remuneration is set forth in the table below. Prior to the Separation, Mallinckrodt plc's board of directors consisted of Mr. Trudeau, Matthew K. Harbaugh, Peter G. Edwards and David P. Keenan, Ph.D., who were also officers of the Pharmaceuticals business of Covidien and, as such, were not compensated for their services as directors. In connection with the Separation on June 28, 2013, Mr. Harbaugh, Mr. Edwards and Dr. Keenan resigned from the board of directors. 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").

	2014	2013
Director Services [1]	$ 2.7	$ 0.5
Managerial Services [2]	5.9	3.5
	$ 8.6	$ 4.0

(1) Includes cash payments and amounts expensed for outstanding equity awards. Fiscal 2013 also includes a $0.2 million one-time pre-Separation payment made to our non-executive directors by our former parent company, Covidien.

(2) For both fiscal 2014 and 2013, includes cash payments, amounts expensed for outstanding equity awards, retirement and supplemental savings plan contributions and tax reimbursement payments. For fiscal 2013, also includes 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).

27. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	2014 [1]	2013 [1]
Audit of the group accounts [2]	$ 189.0	$ 179.4
Other assurance services [2]	144.0	76.4
Tax advisory services [2]	—	—
	$ 333.0	$ 255.8

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

(2) The Group incurred additional fees of $8,109.1 thousand and $5,181.2 thousand during fiscal 2014 and 2013, respectively, 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.

28. Financial Assets

The Group's financial asset activity during fiscal 2014 was as follows:

	Assets Held by Rabbi Trusts	Insurance Contracts for Pension Plans	Restricted Cash	Deferred Debt Fees	Other Financial Assets	Total Financial Assets
At September 27, 2013	$ 89.9	$ 13.1	$ 24.0	$ 11.3	$ 2.2	$ 140.5
Unrealized gain	5.4	—	—	—	—	5.4
Acquisitions	—	16.9	50.0	—	—	66.9
Cash received (paid)	(3.3)	(18.6)	(4.2)	71.7	1.0	46.6
Amortization		0.7	—	(5.5)	(0.1)	(4.9)
Currency translation and other	—	0.6	—	—	—	0.6
At September 26, 2014	$ 92.0	$ 12.7	$ 69.8	$ 77.5	$ 3.1	$ 255.1

29. Debtors

At the end of fiscal 2014 and 2013, debtors were comprised of:

	2014	2013
Amounts falling due within one year		
Trade debtors	$ 545.6	$ 400.8
Deferred taxation	165.2	171.1
Due from former parent company (Note 20)	82.2	62.2
Sales taxes recoverable	12.7	23.9
Receivable on hedges	—	0.9
Prepaid taxation charges	3.6	5.5
Other debtors and prepayments	131.8	41.4
	941.1	705.8
Amounts falling due after more than one year		
Taxation receivable	1.9	1.9
Deferred taxation	24.1	7.5
Insurance receivables	12.4	15.9
Pension asset	9.8	17.1
Other debtors	49.0	30.6
	97.2	73.0
	$ 1,038.3	$ 778.8

30. Provisions for Liabilities

At the end of fiscal 2014 and 2013, provisions for liabilities comprised of:

	2014	2013
Pensions and similar obligations (Note 16)	$ 131.2	$ 121.1
Deferred taxes (Note 8)	2,400.0	311.7
Other provisions	559.7	284.6
	$ 3,090.9	$ 717.4

Other provision activity during fiscal 2014 was as follows:

	Environmental (Note 22)	Asset Retirement Obligations (Note 22)	Insurance Claims	Restructuring Reserves (Note 6)	Guarantees (Note 21)	Contingent Consideration (Note 23)	Other	Total
At September 27, 2013	$ 46.4	$ 50.6	$ 10.0	$ 25.5	$ 42.6	$ 6.9	$ 102.6	$ 284.6
Provisions, net	28.0	(11.6)	62.5	67.8	—	195.4	60.4	402.5
Accretion	—	3.2	—	—	0.7	1.1	—	5.0
Utilization	(7.3)	—	(60.6)	(55.0)	(4.1)	—	—	(127.0)
Other, including currency translation	—	(1.4)	—	(3.4)	—	(0.6)	—	(5.4)
At September 26, 2014	$ 67.1	$ 40.8	$ 11.9	$ 34.9	$ 39.2	$ 202.8	$ 163.0	$ 559.7

31. Employees

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

	2014	2013
Manufacturing	3,072	3,281
Sales, marketing and distribution	1,235	1,140
Research and development	477	435
General and administrative	706	491
	5,490	5,347

Employee costs consisted of the following:

	2014	2013
Wages and salaries	$ 692.0	$ 557.9
Social security costs	50.1	50.3
Pension and postretirement costs	27.9	29.3
	$ 770.0	$ 637.5

32. Post-Balance Sheet Events

On November 12, 2014, the Group was informed by the FDA that they believe that its Methylphenidate ER products may not be therapeutically equivalent to the category reference listed drug. As a result, on November 13, 2014, the FDA reclassified Methylphenidate ER from class AB to class BX. The FDA has indicated that it has not identified any serious safety concerns with the products. The FDA indicated that its reclassification is attributable to concerns that the products may not produce the same therapeutic benefits for some patients as the reference listed drug. The FDA further indicated that the Group's Methylphenidate ER products are still approved and can be prescribed. The FDA has requested that within six months, the Group demonstrate the bioequivalence of its products using the draft guidance for revised bioequivalence standards issued by the FDA on November 6, 2014 or voluntarily withdraw its products from the market. The Group expects that the FDA's action to reclassify its Methylphenidate ER products will significantly impact turnover and operating profit unless the FDA revises its decision.

Mallinckrodt Inc. v. U.S. Food and Drug Administration and United States of America. The Group filed a Complaint for Declaratory and Injunctive Relief in the U.S. District Court for the District of Maryland Greenbelt Division against the FDA and the United States of America on November 17, 2014 for judicial review of what it believes is the FDA's inappropriate and unlawful reclassification of its Methylphenidate ER tablets in the Orange Book on November 13, 2014. In its complaint, the Group has asked the court to issue an injunction to (a) set aside the FDA's reclassification of its Methylphenidate ER products from class AB to class BX in the Orange Book and (b) prohibit the FDA from reclassifying its Methylphenidate ER products in the future without following applicable legal requirements; and issue a declaratory judgment that the FDA's action reclassifying its Methylphenidate ER products in the Orange Book is unlawful. The Group concurrently filed a motion with the same court requesting an expedited hearing to issue a TRO directing FDA to reinstate the Orange Book AB rating for its Methylphenidate ER products on a temporary basis. At a hearing held on November 25, 2014, the court denied the Group's motion for a TRO. On December 23, 2014, the FDA filed a motion to dismiss the Compliant with the district court. The Company filed its opposition to the motion to dismiss on January 9, 2015, and concurrently filed a motion for summary judgment.

In January 2015, Mallinckrodt Securitization amended the Receivable Securitization with third-party lenders to increase the borrowing limit from $160.0 million to $250.0 million. The terms of the Receivable Securitization, and the determination of interest rates, were largely unchanged. The Receivable Securitization may be increased to $300.0 million upon approval of the third-party lenders, subject to certain conditions. In conjunction with this amendment the Company borrowed an additional $80.0 million to increase the outstanding borrowings to $230.0 million.

33. Subsidiary Undertakings

As of September 26, 2014, the Group had the following subsidiary undertakings:

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
101610 PEI, Inc.	Holding	100%	BDC Place, Suite 620 119 Kent Street Charlottetown, PE, C1A 1N3 Canada
Acthar IP	Finance and Administrative	100%	Damastown, Mulhuddart Dublin 15 Ireland
BioVectra, Inc.	Operating	100%	11 Aviation Avenue Charlottetown, PE, C1E 0A1 Canada
Cadence Pharmaceuticals, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Carnforth Limited	Operating	100%	65 Front Street Hamilton HM12 Bermuda Bermuda
CNS Therapeutics, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Comercializadora Mallinckrodt Chile Limitada	Operating	100%	Cerro El Plomo N° 5630 Edificio Las Artes, Piso 9 Las Condes, Santiago Chile

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Dritte CORSA Verwaltungsgesellschaft GmbH	Inactive	100%	Gewerbepark 1 93333 Neustadt a. d. Donau Germany
Enterprises Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
IMC Exploration Company	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Lafayette Pharmaceuticals LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Liebel-Flarsheim Canada, Inc.	Operating	100%	1250 Rene-Levesque Boulevard W. Suite 1400 Montreal, H3B 5E9 Canada
Liebel-Flarsheim Company LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Ludlow Corporation	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt (Pty) Ltd	Operating	100%	Country Club Estate Building 2 21 Woodlands Drive Woodmead 2052 South Africa
Mallinckrodt AG	Operating	100%	Hinterbergstrasse 20 6330 Cham Switzerland
Mallinckrodt APAP LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt ARD Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt ARD Holdings Limited (FKA MIFSA UK Limited)	Holding	100%	TMF Corporate Secretarial Services Limited 5th Floor, 6 St. Andrew Street London, EC4A 3AE United Kingdom
Mallinckrodt Australia Pty Ltd	Operating	100%	Level 2 South 166 Epping Road Lane Cove West, NSW, 2066 Australia
Mallinckrodt Belgium BVBA	Operating	100%	Generaal De Wittelaan 9/5 2800 Mechelen Belgium
Mallinckrodt Brand Pharmaceuticals, Inc. (DE)	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Canada Cooperatie U.A.	Holding	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Canada Holdings ULC	Holding	100%	7500 Trans-Canada Highway Pointe-Claire, Quebec H9R 5H8 Canada
Mallinckrodt Canada ULC	Operating	100%	7500 Trans-Canada Highway Pointe-Claire, Quebec H9R 5H8 Canada
Mallinckrodt Caribbean, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt CB LLC	Finance and Administrative	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	Operating	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt Colombia SAS	Operating	100%	Edificio Prados De La Morea (Cra. 7A) Km .18, Chia Cundinamarca Colombia
Mallinckrodt Deutschland GmbH	Operating	100%	Gewerbepark 1 93333 Neustadt a. d. Donau Germany
Mallinckrodt Deutschland Holdings GmbH	Holding	100%	Gewerbepark 1 93333 Neustadt a. d. Donau Germany
Mallinckrodt do Brasil, Ltda.	Operating	100%	Rua Gomes de Carvalho 1.069 Vila Olimpia Sao Paulo Brazil
Mallinckrodt Enterprises Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises UK Limited	Holding	100%	TMF Corporate Secretarial Services Limited 5th Floor, 6 St. Andrew Street London, EC4A 3AE United Kingdom
Mallinckrodt Finance GmbH	Finance and Administrative	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall Switzerland
Mallinckrodt France S.a.r.l. (FKA Covidien Imaging France Sarl)	Operating	100%	2 Rue Denis Diderot 78852 Elancourt Cedex France
Mallinckrodt Group S.a.r.l	Finance and Administrative	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Holdings GmbH	Holding	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall, Switzerland Germany
Mallinckrodt Hong Kong Limited	Operating	100%	Units 01-02, 20th Floor, Tower 1 Grand Century Place 193 Prince Edward Road West Kowloon Hong Kong
Mallinckrodt Inc. (DE)	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt International Finance S.A.	Finance and Administrative	100%	3b, Boulevard Prince Henri L-1274 Luxembourg Luxembourg
Mallinckrodt IP	Finance and Administrative	100%	Damastown, Mulhuddart Dublin 15 Ireland
Mallinckrodt Ireland Limited	Other	100%	Damastown, Mulhuddart Dublin 15 Ireland
Mallinckrodt Italia Spa	Operating	100%	Via Rivoltana, 2/D Segrate (MI) Lombardia 200090 Italy
Mallinckrodt Japan Co. Ltd.	Operating	100%	4-14, Koraku 1-chome Bunkyo-ku, Tokyo 112-0004 Japan
Mallinckrodt Korea Inc.	Operating	100%	#610, 6th Floor, Korea City Air Terminal 22, Teheran-ro 87-gil, Gangnam-gu Seoul, Korea (135-728) Korea
Mallinckrodt LLC	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Mallinckrodt Lux IP Sarl	Finance and Administrative	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Medical Argentina Ltd.	Operating	100%	4500 Parkway Whiteley, Fareham, Hampshire, PO15 7NY United Kingdom
Mallinckrodt Medical B.V.	Operating	100%	Westerduinweg 3, Postbus 3 1755LE Petten The Netherlands
Mallinckrodt Medical Consulting (Shanghai) Co., Ltd.	Operating	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	Operating	100%	Damastown, Mulhuddart Dublin 15 Ireland
Mallinckrodt Medical S.A. de C.V.	Operating	100%	Insurgents Sur 1647 Piso 7 - Oficina 701 Colonia San José Insurgentes Delegación Benito Juárez México
Mallinckrodt MFC LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Nederland B.V.	Operating	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Netherlands Holdings BV	Operating	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Nuclear LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Nuclear Medicine LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Panama Distribution, S.A.	Operating	100%	Complejo Logistico Farmazona Boulevard Ernesto Perez Balladares Ft Davis, Colon Panama
Mallinckrodt Panama, S.A.	Operating	100%	Regus, Torre de Las Americas Piso 15, Oficina 1503 Panama
Mallinckrodt Petten Holdings B.V.	Holding	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Pharmaceuticals India Private Limited	Operating	100%	Doshi Tower, 6th Floor 156 Poonamalle High Road Kilpauk, Chennai 600010 India
Mallinckrodt Pharmaceuticals Ireland Limited	Operating	100%	Damastown, Mulhuddart Dublin 15 Ireland
Mallinckrodt Quincy Limited	In Liquidation	100%	Harcourt Centre Harcourt Street Dublin 2 Ireland
Mallinckrodt Quincy Sarl	Holding	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Radioisotopes B.V.	Other	100%	Westerduinweg 3, Postbus 3 1755LE Petten The Netherlands

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
Mallinckrodt Saglik Anonim Sirketi	Operating	100%	Maslak Mahallesi Bilim Sokak No: 5 Sun Plaza Kat:2-3 34398 Sisli, Istanbul Turkey
Mallinckrodt Securitization Sarl	Finance and Administrative	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt sp. z o.o.	Operating	100%	Al. Jerozolimski 162 02-342 Warszawa Poland
Mallinckrodt Spain, S.L.	Operating	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	Operating	100%	Hemvärnsgatan 9 171 74 Solna Sverige Sweden
Mallinckrodt Switzerland Limited	Operating	100%	Hinterbergstrasse 20 6330 Cham Switzerland
Mallinckrodt UK Commercial Ltd	Operating	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	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Holdings, Inc. (FKA Kendall Holding Corp.)	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Pool LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Veterinary, Inc.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MEH, Inc.	Holding	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
MUSHI UK Holdings Limited	Holding	100%	TMF Corporate Secretarial Services Limited 5th Floor, 6 St. Andrew Street London, EC4A 3AE United Kingdom
Phoenixglade Limited	Other	100%	Damastown, Mulhuddart Dublin 15 Ireland
Questcor International Limited	Other	100%	70 Sir John Rogerson's Quay Dublin 2 Ireland
Questcor Operations Limited	Operating	100%	70 Sir John Rogerson's Quay Dublin 2, Ireland
Questcor Pharmaceuticals, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Ribogene, Inc.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Viking Project Company, LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States

As of September 26, 2014, 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 Caribbean, Inc. (Puerto Rico Branch)	Puerto Rico
Mallinckrodt Netherlands Holdings B.V. Russian Representative Office	Russia
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 Fiscal Year ended September 26, 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALLINCKRODT PLC

We have audited the company financial statements of Mallinckrodt plc for the year ended 26 September 2014 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).

We have reported separately on the group financial statements of Mallinckrodt plc for the year ended 26 September 2014.

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 company 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 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 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 as applied in accordance with the provisions of the Companies Acts, 1963 to 2013, of the state of the affairs of the company as at 26 September 2014; 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 26 September 2014 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/ Phillip Barton
Philip Barton
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

Date: January 22, 2015

MALLINCKRODT PLC
COMPANY BALANCE SHEETS
(in millions)

	Note	September 26, 2014	September 27, 2013
Fixed Assets			
Financial assets	2	$ 3,981.3	$ 2,621.1
Current Assets			
Debtors	3	4,398.6	3.5
Cash at bank and in hand		0.2	1.1
		4,398.8	4.6
Creditors (amounts falling due within one year)			
Amounts owed to subsidiaries		25.7	12.3
Accruals and other creditors		2.4	0.7
		28.1	13.0
Net Current Assets (Liabilities)		4,370.7	(8.4)
Total Assets Less Current Liabilities		8,352.0	2,612.7
Creditors (amounts falling due after more than one year)			
Amounts owed to subsidiaries		—	2.4
Net Assets		$ 8,352.0	$ 2,610.3
Capital and Reserves			
Called-up share capital	5	$ 23.2	$ 11.5
Share premium account	5	3,948.4	0.6
Other reserves	5	1,860.6	6.5
Profit and loss account	5	2,519.8	2,591.7
Shareholders' Funds		$ 8,352.0	$ 2,610.3

Approved by the board of directors on January 22, 2015 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 2014 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 of consideration given plus any directly attributable costs. The investments are tested for impairment if circumstances or indicators suggest that impairment may exist.

Debtors

Debtor balances are carried at the original invoice or agreement amount, less any allowance for potentially uncollectable debts. A provision is recorded where there is evidence that the Company will not be in a position to collect the associated debt.

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

	2014
At September 27, 2013	$ 2,621.1
Investment in subsidiary undertaking	3,979.6
Disposal of investment in subsidiary undertaking	(2,619.4)
At September 26, 2014	$ 3,981.3

Mallinckrodt plc owns 100% of the ordinary share capital of Mallinckrodt Belgium BVBA ("MB-BVBA"), a company incorporated in Belgium. The principal activity of MB-BVBA is a pharmaceuticals and imaging trading company. As discussed in Note 1, the Company's investment in MB-BVBA was recorded at fair value on the date of the Separation, based on the Company's market capitalization on that date.

On July 25, 2014, Mallinckrodt plc acquired 100% of the ordinary share capital of Mallinckrodt Quincy S.a.r.l. ("MQS") for $20 thousand. The principal activity of MQS, a company incorporated in Luxembourg, is a holding company, established to carry out all transactions pertaining directly or indirectly to the acquisition of participations in Luxembourg and foreign companies, in any form whatsoever, and the administration, management, control and development of those participations.

On July 28, 2014, Mallinckrodt plc sold its 100% investment in MIFSA to MQS for a total consideration of $4.36 billion. As a result, the Company recorded an unrealized gain of $1.74 billion, which was recorded in other reserves in Shareholders' Funds. This $1.74 billion in other reserves is not part of distributable reserves. MIFSA is no longer a direct subsidiary of the Company, though Mallinckrodt plc continues to be their ultimate parent company.

On August 14, 2014, the Company increased its investment in MQS by way of capital contribution of an intercompany loan note of $3.93 billion without the issuance of new shares by MQS. In addition, the Company capitalized pre-merger stock compensation costs of $46.2 million associated with the Questcor Acquisition.

3. Debtors

At the end of fiscal 2014 and 2013, debtors were comprised of:

	2014	2013
Due from subsidiary undertakings	$ 4,398.2	$ 2.5
Other debtors and prepayments	0.4	1.0
	$ 4,398.6	$ 3.5

Amounts due from subsidiary undertakings include an unsecured loan note for $4.36 billion, which was issued to MQS on July 28, 2014. This is a non-interest bearing note and is payable in full on demand. In the absence of an earlier demand for payment, or extension by mutual consent, the note shall mature on July 28, 2034. The terms of the note do not allow transfer to third parties.

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, together with MCB, entered into senior secured credit facilities consisting of a $1.3 billion term loan facility and a $250.0 million revolving credit facility during March 2014, which are fully and unconditionally guaranteed by the Company, certain of its direct or indirect wholly-owned U.S. subsidiaries and each of its direct or indirect wholly-owned subsidiaries that owns directly or indirectly any such wholly-owned U.S. subsidiary. In August 2014, MIFSA and MCB issued $900.0 million in senior unsecured notes, which are guaranteed on an unsecured basis by certain of MIFSA's subsidiaries. As discussed in Note 15, no amount was outstanding under the revolving credit facility as of September 26, 2014. The Company has assessed the fair value of these guarantees and determined them 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 $171.0 million as of September 26, 2014. 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
Issuance of ordinary shares	57.3	11.4	3,922.3	45.9	—	3,979.6
Net loss	—	—	—	—	(54.4)	(54.4)
Unrealized gain on disposal of subsidiary	—	—	—	1,740.5	—	1,740.5
Share options exercised	0.8	0.2	25.6	—	—	25.8
Vesting of restricted shares	0.4	0.1	(0.1)	—	—	—
Repurchase of ordinary shares	—	—	—	—	(17.5)	(17.5)
Share-based compensation	—	—	—	67.7	—	67.7
Balance at September 26, 2014	116.2	$ 23.2	$ 3,948.4	$ 1,860.6	$ 2,519.8	$ 8,352.0

Called-up Share Capital. The Company has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 116,160,353 and 57,713,873 of which were issued at September 26, 2014 and September 27, 2013, respectively.

As described in Note 5 to Notes to the Consolidated and Combined Financial Statements, the Company issued approximately 57 million ordinary shares as part of the Questcor Acquisition on August 14, 2014.

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 26, 2014 or 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.

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.

Subsequent to the Separation, during fiscal 2013 the Company repurchased 483 shares at an average market price of $43.33, and during fiscal 2014 the Company repurchased 230,282 shares at an average market price of $75.73, which are held in treasury at cost. The value of the shares repurchased in fiscal 2014 was $17.5 million. The value of shares repurchased in fiscal 2013 was immaterial. These transactions represent deemed repurchases of shares issued in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations. The total number of treasury shares held by the Company at September 26, 2014 was 230,765. These shares had a nominal value of $46 thousand. In January 2015, the Mallinckrodt plc Board of Directors approved a share repurchase program of up to $300.0 million of ordinary shares.

Undistributable Reserves. The share premium account, which amounts to $3,948.4 billion, is considered an undistributable reserve. The Company also recorded an unrealized gain of $1.74 billion on the disposal of MIFSA to another group entity. This unrealized gain is not part of distributable reserves. Under Irish law, dividends and distributions cannot be made from undistributable reserves.

Share Premium. As of September 26, 2014, the balance in the share premium account resulted from the issuance of ordinary shares as part of the Questcor Acquisition and 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. The balance in other reserves is comprised of the unrealized gain on the disposal of MIFSA and share-based compensation.

As described in Note 2, the Company recorded an unrealized gain of $1.74 billion, which was recorded in other reserves in Shareholders' Funds. This $1.74 billion in other reserves is not part of the Company's distributable reserves.

The share-based compensation balance of other reserves was $74.2 million and $6.5 million at September 26, 2014 and September 27, 2013, respectively. In conjunction with the Questcor Acquisition, Questcor equity awards were converted to Mallinckrodt equity awards, and the Company recorded pre-acquisition share-based compensation costs of $46.2 million, which were included in the cost of the investment of MQS at September 26, 2014.

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 $54.4 million. The loss for the financial year ended September 27, 2013 was $17.7 million.

7. Directors' Remuneration

Note 26 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):

	2014	2013
Audit of individual accounts	$ 18.9	$ 17.9
Other assurance services	170.1	161.5
	$ 189.0	$ 179.4

No amounts were incurred for tax advisory services or other non-audit services. Note 27 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 the Group.

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 MB-BVBA and MSQ. The subsidiaries of each of these companies are included in Note 33 to the Group's Notes to Consolidated and Combined Financial Statements.