

Tyco European Steel Strip Limited
Annual report
for the year ended 23 September 2003

Registered Number 533160



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for the year ended 23 September 2003

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Tyco European Steel Strip Limited

Directors and Advisors for the year ended 23 September 2003

Directors

D C Nicholas
R Grigg
P C D Meyer
A Durn

Secretary

G C M Latham

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

HSBC Plc
New Street Branch
PO Box 68
130 New Street
Birmingham
B2 4JM

Registered Office

Tyco Valves Limited
Victoria Road
Leeds
LS11 5UG

Registered Number

533160

Tyco European Steel Strip Limited

Directors' report for the year ended 23 September 2003

The directors present their report and the audited financial statements of the company for the year ended 23 September 2003.

Principal activities, review of the business and future developments

During the year, the principal activity of the company was the manufacture and distribution of specialised steel strip. The directors consider the company's performance to be satisfactory. The company will continue to trade in its established products and markets.

Results and dividends

The company's loss for the year ended 23 September 2003 was £4,187,000 (2002 restated: £1,287,000). No dividends have been paid or proposed (2002: £Nil). The 2002 comparatives have been restated following the adoption of FRS 19, 'Deferred tax'.

Post balance date events

Under a Share and Business Sale Agreement dated 21 October 2004 the trade and certain business assets of the company were sold to Caparo Precision Tubes Limited.

The consideration receivable in respect of the assets was lower than the carrying values and therefore an impairment charge has been recognised in these accounts.

Directors and their interests

The directors who held office during the year are given below:

D C Nicholas
R Grigg
P C D Meyer
A Durn

The company's ultimate parent undertaking is incorporated outside the United Kingdom. As permitted by statutory instrument, the register of directors' shareholdings maintained in accordance with Section 325 of the Companies Act 1985, does not include the interests of directors in the shares of the parent undertaking.

No director has a beneficial interest in the shares of the company or other subsidiaries of the ultimate parent company and no contracts exist, other than service agreements with the company or other subsidiaries of the ultimate parent company in which the directors have an interest.

Donations

During the year the company made donations of £90 (2002: £166) for charitable purposes in the UK.

Employees

The company has continued its policy of employee involvement by making information available to employees through briefing sessions, announcements and bulletins. Training remains a key part of the company's human resource programme.

It is the company's policy to give employment opportunities to disabled persons wherever possible and to afford such employees equal opportunities for training, career development and promotion.

Tyco European Steel Strip Limited

Directors' report for the year ended 23 September 2003 (continued)

Policy and practice on payment of creditors

Individual operating units within the company are responsible for establishing appropriate policies with regard to the payment of their suppliers. The units agree terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

The company's average trade creditor payment year at 23 September 2003 was 70 days (2002: 63 days).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

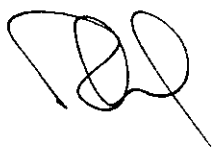
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 23 September 2003 and that applicable accounting standards have been followed.

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

Auditors

PricewaterhouseCoopers LLP will not be seeking re-appointment as auditors. A resolution to appoint Deloitte & Touche as auditors will be proposed at the annual general meeting.

By order of the Board



R Grigg
Director
9 November 2004

Tyco European Steel Strip Limited

Independent auditors' report to the members of Tyco European Steel Strip Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 23 September 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
9 November 2004

Tyco European Steel Strip Limited

Profit and loss account for the year ended 23 September 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	32,847	32,122
Net operating costs	3	(31,767)	(30,915)
Exceptional impairment charge		(5,676)	-
Operating (loss)/profit		(4,596)	1,207
Interest receivable		8	12
(Loss)/profit on ordinary activities before taxation	4	(4,588)	1,219
Tax credit on (loss)/profit on ordinary activities	7	401	68
(Deficit)/retained profit for the financial year		(4,187)	1,287

The results noted above all relate to activities from continuing operations.

Statement of recognised gains and losses for the year ended 23 September 2003

	2003 £'000	2002 £'000
(Loss)/profit for the financial year	(4,187)	1,287
Total recognised gains and losses for the year	(4,187)	1,287
Prior year adjustment	-	(452)
Total gains and losses recognised since last annual report	(4,187)	835

Tyco European Steel Strip Limited

Balance sheet as at 23 September 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	8	1,413	7,346
Investments	9	617	617
		2,030	7,963
Current assets			
Stocks	10	5,389	6,266
Debtors	11	21,993	7,680
Cash at bank and in hand		2,808	17,615
		30,190	31,561
Creditors: amounts falling due within one year	12	(5,829)	(5,262)
Net current assets		24,361	26,299
Total assets less current liabilities		26,391	34,262
Creditors: amounts falling due after more than one year	13	(36,642)	(39,925)
Provisions for liabilities and charges	14	-	(401)
Net liabilities		(10,251)	(6,064)
Capital and reserves			
Called up share capital	15	10	10
Profit and loss account	16	(10,261)	(6,074)
Equity shareholders' deficit	17	(10,251)	(6,064)

The financial statements on pages 5 to 15 were approved by the board of directors on 9 November 2004 and were signed on its behalf by:



R Grigg
Director

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Consolidated financial statements

The company is exempt from preparing group financial statements by virtue of Section 228 of the Companies Act 1985, which states that group financial statements do not have to be prepared for a company which is a wholly owned subsidiary of another body corporate incorporated in Great Britain.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Tyco International Ltd and is included in the consolidated financial statements of Tyco International Ltd, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Tyco International Ltd group or investees of the Tyco International Ltd group.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All gains and losses arising are charged directly to the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	50 years
Plant, machinery and equipment	4 – 10 years
Fixtures, fittings tools equipment and motor vehicles	4 – 10 years
Freehold land is not depreciated	

Investments

Fixed asset investments are stated at the lower of cost and net realisable value.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

1 Accounting policies (continued)

Stocks

Manufactured and bought in finished goods for sale, are stated at cost or, if lower, at net realisable value. Cost includes all appropriate production overheads and provision is made for obsolete and slow moving items.

Turnover

Turnover represents the invoiced amount of goods sold and services provided (stated net of value added tax and trade discounts). All turnover originates in the United Kingdom. Turnover is recognised on despatch of goods.

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

Employees are eligible to join the Tyco UK Group Pension Scheme which is a defined contribution scheme. The company contributes to the scheme in accordance with rates agreed by the Trust Deed and contributions are charged to the profit and loss account as incurred. Employees' benefits remain accrued in the Glynwed International Pension Scheme, a defined benefit scheme operated by the former parent. Company contributions are made into this scheme and are based upon independent actuarial advice. Any such contributions are charged to the profit and loss account to meet the cost of pensions over the employees' remaining working lives with the company. Further details concerning the company's pension arrangements can be found in note 19.

Research and development

Research and development expenditure is written off in the year it is incurred.

2 Segmental analysis

All turnover originates in the United Kingdom

	2003 £'000	2002 £'000
Turnover by geographical market		
United Kingdom	11,976	12,731
Europe (excluding United Kingdom)	10,414	9,549
North Americas	8,613	7,478
Rest of World	1,844	2,364
	32,847	32,122

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

3 Net operating costs

	2003 £'000	2002 £'000
Change in stocks of finished goods, consignment stock and work in progress	(32)	6
Raw materials and consumables	13,534	13,429
Other external charges	2,020	1,726
Staff costs (see note 5)	10,140	10,046
Depreciation and other amounts written off tangible fixed assets	546	542
Other operating charges	5,578	5,172
Other operating income	(19)	(6)
	31,767	30,915

4 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Operating lease rentals:		
Hire of plant, equipment and vehicles	71	70
Land and buildings	157	163
Auditors remuneration	80	49
Profit on disposal of fixed assets	-	(1)

5 Employee information

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

	2003 Number	2002 Number
By function		
Production	388	403
Selling	16	17
Admin	26	26
	430	446

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

5 Employee information (continued)

	2003 £'000	2002 £'000
Staff costs (for the above persons)		
Wages and salaries	8,738	8,729
Social security costs	838	778
Other pension costs (note 19)	564	539
	10,140	10,046

6 Directors' remuneration

No director received remuneration for services to the company during the year.

7 Taxation on profit on ordinary activities

	2003 £'000	2002 £'000
Current tax		
Adjustments in respect of prior periods	-	(17)
Total current tax	-	(17)
Deferred tax		
Origination and reversal of timing differences	(401)	82
Adjustments in respect of previous periods	-	(133)
Total deferred tax	(401)	(51)
Tax on profit on ordinary activities	(401)	(68)

The tax assessed is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before tax	(4,588)	1,219
(Loss)/profit on ordinary activities multiplied by the standard rate in the UK 30% (2002: 30%)	(1,376)	366
Expenses not deductible for tax	987	23
Group relief (claimed)	(308)	(307)
Accelerated capital allowances/other timing differences	697	(82)
Adjustments in respect of prior periods	-	(17)
Current tax credit for the year	-	(17)

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

8 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tools equipment and motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 24 September 2002	4,048	4,038	477	8,563
Additions	-	267	22	289
Disposals	-	-	(25)	(25)
At 23 September 2003	4,048	4,305	474	8,827
Depreciation				
At 24 September 2002	194	898	125	1,217
Charge for year	54	462	30	546
Exceptional impairment charge	3,329	2,003	344	5,676
Disposals	-	-	(25)	(25)
At 23 September 2003	3,577	3,363	474	7,414
Net book value				
At 23 September 2003	471	942	-	1,413
At 24 September 2002	3,854	3,140	352	7,346

Exceptional impairment charge

As explained in note 22, the trade and certain assets of the company were sold post year end. The assets were sold for a value lower than the value stated in the company's books and records and have been written down to this recoverable amount.

9 Investments

	£'000
Shares in group undertakings	
At 24 September 2002 and 23 September 2003	617

Subsidiary undertaking is set out below:

Name	% Holding	Country of registration	Activity
OCYT 2	100	United Kingdom	Dormant

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

10 Stocks

	2003 £'000	2002 £'000
Raw materials	1,270	2,179
Work in progress	2,821	3,044
Finished goods and goods for resale	1,298	1,043
	5,389	6,266

11 Debtors

	2003 £'000	2002 £'000
Trade debtors	6,345	6,299
Amounts owed by group undertakings	15,351	1,139
Other debtors	117	101
Prepayments and accrued income	180	141
	21,993	7,680

12 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	4,273	3,857
Amounts owed to group undertakings	252	111
Other taxation and social security	147	133
Other creditors and accruals	1,157	1,161
	5,829	5,262

13 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	36,642	39,925

All long term loans have no specified repayment terms, except that they are not repayable in less than one year, and do not bear interest.

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

14 Deferred taxation

	£'000
At 24 September 2002	401
Charged to the profit and loss account	(401)
At 23 September 2003	-

	2003 £'000	2002 £'000
Accelerated capital allowances	-	401

A deferred tax asset of £296,000 has not been recognised in these accounts due to uncertainty over the availability of future taxable profits against which it could be utilised.

15 Called up share capital

	2003 £	2002 £
Authorised		
10,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10,000	10,000

16 Profit and loss account

	£'000
At 24 September 2002	(6,074)
Loss for the financial year	(4,187)
At 23 September 2003	(10,261)

17 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Opening deficit of shareholders' funds as previously reported	(6,064)	(6,899)
Prior year adjustment	-	(452)
Opening deficit of shareholders' funds as restated	(6,064)	(7,351)
(Loss)/profit for the financial year	(4,187)	1,287
Closing deficit of shareholders' funds	(10,251)	(6,064)

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

18 Financial commitments

At 23 September 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003		2002	
	Plant and machinery £'000	Property £'000	Plant and machinery £'000	Property £'000
Operating leases which expire:				
Within one year	16	-	13	-
Between two to five years, inclusive	19	-	75	-
After more than five years	-	143	-	-
	35	143	88	-

Capital commitments contracted for but not provided for in the financial statements at the year end amounted to £8,934 (2002: £42,076).

19 Pensions

Following the change of ownership of the company in 1999 some employees were entitled to continue their membership of the Glynwed International Group defined benefit pension scheme ("the Glynwed scheme") which provides members with pensions on retirement, based on final pensionable salary and taking into account years of service. The assets of the scheme are managed by independent investment managers and are held separately from those of the group.

From 1 October 1999, employees became entitled to join the Tyco UK Group Pension Scheme ("the Tyco scheme"), which is a defined contribution scheme. The assets of the scheme are managed by independent investment managers and are held separately from those of the group. There will be no further contributions into the Glynwed scheme.

Employees who have elected to join the Tyco scheme have retained their accrued benefits in the Glynwed scheme. The company is unable to identify its share of the underlying assets in the Glynwed scheme and therefore is accounted for as a multi-employee scheme as defined by Financial Reporting Standard 17 "Retirement Benefits". Full particulars of the scheme, including funding levels and actuarial assumptions, are disclosed in the financial statements of the immediate parent undertaking, Tyco Flow Control (UK) Limited.

The pension charge for the year was £564,129 (2002: £539,379).

20 Parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of Tyco Flow Control (UK) Limited, a company registered in England and Wales, which is the smallest group of undertakings for which group financial statements are prepared. Copies of these group financial statements can be obtained from the Registrar of Companies, Crown Way, Cardiff, CF4 3UZ.

The ultimate parent company and controlling party is Tyco International Ltd, a company incorporated in Bermuda. Copies of the group financial statements may be obtained from the Company Secretary, Tyco International Ltd, The Gibbons Building, 10 Queen Street, Hamilton HM11, Bermuda.

Tyco European Steel Strip Limited

Notes to the financial statements for the year ended 23 September 2003 (continued)

21 Financial support

The directors of Tyco Group S.A.R.L, the immediate parent undertaking of Tyco Flow Control (UK) Limited, the company's parent, have confirmed that they will continue to provide ongoing financial support for the company to meet its obligations as they fall due for the foreseeable future.

22 Post balance date events

Under a Share and Business Sale Agreement dated 21 October 2004 the trade and certain business assets of the company were sold to Caparo Precision Tubes Limited.