

2307037

TYK Limited

Report and Accounts

31 March 1999



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 **ERNST & YOUNG**

TYK Limited

Registered No. 2307037

DIRECTORS

Mr S Ushigome (Chairman)
Mr H Okumura

SECRETARY

Mr N Kameyama

AUDITORS

Ernst & Young
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AD

BANKERS

National Westminster Bank plc
123 High Street
Stockton on Tees
Cleveland
TS18 1AY

SOLICITORS

Smith & Graham
Church Square Chambers
Hartlepool
Cleveland
TS24 7HE

REGISTERED OFFICE

Chilton Way
Chilton Industrial Estate
Chilton
Ferryhill
Durham
DL17 OSD

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1999.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £688,531 (1998 loss: £480,675). The directors do not recommend the payment of a final ordinary dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the manufacture of refractory products including lances, blocks and black nozzles for continuous castings.

Turnover for the year has increased to £4,017,386 (1998: £3,897,153).

The impact of foreign currency exchange rates on sales prices and on the re-translation of foreign currency borrowings, has contributed significantly to the overall loss before tax reported in these accounts.

The loss for the year before unrealised exchange gains/losses, depreciation and taxation was £70,994 (1998 loss : £327,036)

FUTURE DEVELOPMENTS

The directors anticipate that the company will improve sales volumes during the year ended 31 March 2000 by means of further development of new products and new markets.

DIRECTORS AND THEIR INTERESTS

The directors at 31 March 1999 and their interest in the share capital of the company were as follows:

	<i>At 31 March 1999</i>	<i>At 31 March 1998</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
S Ushigome	-	-
M Kogiso (resigned 28 July 1998) - held as nominee	-	1
T Takasu (resigned 19 May 1998)	-	-
H Okumura (appointed 28 July 1998) - held as nominee	1	-

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Our systems have been reviewed to assess the impact, if any, of the Year 2000. We believe there are plans and procedures in place to enhance our computer and other systems prior to the end of this millennium which, when implemented, should ensure that the impact of the Year 2000 problem will not create significant errors in accounting records or adversely impact operations. The total cost of this exercise is not likely to be significant.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

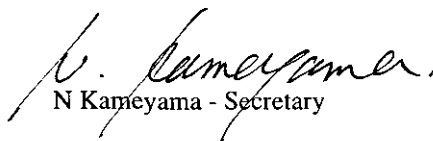
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board


N Kameyama - Secretary

14 June 1999

**REPORT OF THE AUDITORS
to the members of TYK Limited**

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

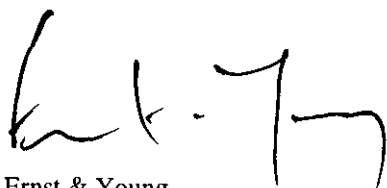
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Newcastle upon Tyne

14 June 1999

TYK Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1999

	Notes	1999 £	1998 £
TURNOVER	2	4,017,386	3,897,153
Cost of sales		3,248,736	3,323,836
GROSS PROFIT		768,650	573,317
Distribution costs		409,676	421,855
Administrative expenses		796,725	898,114
Unrealised exchange loss/(gain) on foreign currency borrowings	3	186,430	(201,761)
		1,392,831	1,118,208
OPERATING LOSS	3	(624,181)	(544,891)
Bank interest receivable		10,588	9,289
Interest payable	6	(74,938)	(68,484)
Other interest receivable		-	4,656
		(64,350)	(54,539)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(688,531)	(599,430)
Tax on loss on ordinary activities	7	-	118,755
LOSS RETAINED FOR THE FINANCIAL YEAR	17	£(688,531)	£(480,675)

RECOGNISED GAINS AND LOSSES


There are no recognised gains or losses other than the loss attributable to shareholders of £688,531 in the year ended 31 March 1999 and the loss of £480,675 in the year ended 31 March 1998.

TYK Limited

BALANCE SHEET

at 31 March 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	8	2,587,558	2,956,167
Investments	9	17,786	17,786
		<u>2,605,344</u>	<u>2,973,953</u>
CURRENT ASSETS			
Stocks	10	412,611	492,787
Debtors	11	970,930	1,026,402
Cash at bank and in hand		657,411	788,775
		<u>2,040,952</u>	<u>2,307,964</u>
CREDITORS: amounts falling due within one year	12	3,117,781	2,007,381
		<u>(1,076,829)</u>	<u>300,583</u>
NET CURRENT (LIABILITIES)/ASSETS			
		<u>1,528,515</u>	<u>3,274,536</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year			
Bank loans	13	-	1,037,805
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	-	-
ACCRUALS AND DEFERRED INCOME			
Deferred government grants	15	153,027	172,712
		<u>153,027</u>	<u>1,210,517</u>
		<u>£1,375,488</u>	<u>£2,064,019</u>
CAPITAL AND RESERVES			
Called up share capital	16	2,300,000	2,300,000
Profit and loss account	17	(924,512)	(235,981)
EQUITY SHAREHOLDERS' FUNDS	17	<u>£1,375,488</u>	<u>£2,064,019</u>


H Okumura - Director

14 June 1999

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared on the going concern concept because the parent undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due.

Accounting convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a reducing balance basis over its expected life, as follows:

Freehold buildings	-	8.8% per annum
Plant and machinery	-	14%- 54% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	15% per annum

Deferred government grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset.

Grants of a revenue nature are credited to income in the period to which they relate.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the monthly average rate ruling prior to the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES (continued)

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Cash flow statement

In accordance with the exemptions conferred by FRS1 (revised 1996), the company has not prepared a cash flow statement on the basis that it is a wholly owned subsidiary undertaking of the TYK Corporation Group which prepares full group accounts.

Related parties

The company is a wholly owned subsidiary undertaking of the TYK Corporation Group, and as such has taken advantage of the exemption conferred by FRS8 from the requirement to disclose transactions with other group entities.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

The turnover and pre-tax profit is attributable to one continuing activity, the manufacture of refractory lances and blocks.

An analysis of turnover by geographical market is given below:

	1999 £	1998 £
United Kingdom	1,569,167	1,331,334
Europe	2,137,895	2,315,679
Japan	267,697	250,140
Rest of the world	42,627	-
	<u>£4,017,386</u>	<u>£3,897,153</u>

NOTES TO THE ACCOUNTS
at 31 March 1999

3. OPERATING LOSS

	1999 £	1998 £
This is stated after charging/(crediting):		
Operating lease rentals - other	16,682	16,364
Auditors' remuneration	4,800	4,700
Depreciation of owned fixed assets	431,107	474,155
Exchange losses/(gains) on re-translation of bank loans (see below)	186,430	(201,761)
Government grants released	(19,685)	(16,450)

The exchange losses/(gains) above are unrealised and relate to bank loans denominated in foreign currencies, which are re-translated at the rate of exchange ruling at the balance sheet date. The exchange losses/(gains) have been separately disclosed on the face of the profit and loss account, as, in the opinion of the directors, such disclosure is necessary in order that the profit and loss account shows a true and fair view.

4. DIRECTORS' REMUNERATION

	1999 £	1998 £
Emoluments	51,147	74,454
Estimated benefits in kind	2,447	4,376
	<u>£53,594</u>	<u>£78,830</u>

5. STAFF COSTS

	1999 £	1998 £
Wages and salaries	616,025	605,492
Social security costs	56,364	45,493
	<u>£672,389</u>	<u>£650,985</u>

The average monthly number of employees during the year was as follows:

	No.	No.
Administration	5	5
Manufacturing	26	26
	<u>31</u>	<u>31</u>

6. INTEREST PAYABLE

	1999 £	1998 £
Bank loans and overdrafts	<u>£74,938</u>	<u>£68,484</u>

NOTES TO THE ACCOUNTS

at 31 March 1999

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999 £	1998 £
Corporation tax	-	-
Deferred taxation (note 14)	-	(54,000)
Corporation tax overprovided in previous years	-	(21,755)
Corporation tax repayable in respect of previous years (carry back of tax losses)	-	(43,000)
	<u>£ -</u>	<u>£(118,755)</u>

Taxation losses of approximately £1,200,000 are available for offset against future trading profits, subject to Inland Revenue agreement.

8. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £	<i>Fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Plant and machinery</i> £	<i>Total</i> £
Cost:					
At 1 April 1998	1,732,613	40,322	48,906	2,308,259	4,130,100
Additions	195	592	-	64,844	65,631
Disposals	-	-	-	(5,804)	(5,804)
At 31 March 1999	<u>1,732,808</u>	<u>40,914</u>	<u>48,906</u>	<u>2,367,299</u>	<u>4,189,927</u>
Depreciation:					
At 1 April 1998	396,888	11,301	28,372	737,372	1,173,933
Provided during the year	98,754	4,390	5,133	322,830	431,107
Disposals	-	-	-	(2,671)	(2,671)
At 31 March 1999	<u>495,642</u>	<u>15,691</u>	<u>33,505</u>	<u>1,057,531</u>	<u>1,602,369</u>
Net book value:					
At 31 March 1999	<u>£1,237,166</u>	<u>£25,223</u>	<u>£15,401</u>	<u>£1,309,768</u>	<u>£2,587,558</u>
At 1 April 1998	<u>£1,335,725</u>	<u>£29,021</u>	<u>£20,534</u>	<u>£1,570,887</u>	<u>£2,956,167</u>

Included in freehold land and buildings is freehold land at a cost of £213,583 (1998 £213,583) which is not depreciated.

NOTES TO THE ACCOUNTS
at 31 March 1999

9. INVESTMENTS

Unlisted at cost:

At 1 April 1998 and 31 March 1999 £17,786

Details of the investment made by the company is as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>
TYK Europe GmbH	Germany	Ordinary shares	20%

The investment in TYK Europe GmbH is not accounted for as an equity investment as TYK Limited do not have any significant influence over the operating and financial policies of TYK Europe GmbH, nor do they have a representation on the Board.

10. STOCKS

	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Raw materials and consumables	217,514	313,990
Work in progress	70,698	53,318
Finished goods and goods for resale	124,399	125,479
	<u>£412,611</u>	<u>£492,787</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. DEBTORS

	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Trade debtors	474,631	330,446
Amounts owed by parent undertaking	48,166	30,891
Amounts owed by fellow subsidiary undertaking	374,476	548,828
Other debtors	58,790	98,384
Prepayments and accrued income	14,867	17,853
	<u>£970,930</u>	<u>£1,026,402</u>

TYK Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

12. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Current instalments due on bank loans (Note 13)	2,123,848	893,546
Bank overdraft	2,403	17,029
Trade creditors	370,467	537,995
Amounts owed to parent undertaking	502,478	441,267
Amounts owed to fellow subsidiary undertakings	910	162
Other taxes and social security costs	39,135	66,315
Other creditors	13,236	9,159
Accruals	65,304	41,908
	<u>£3,117,781</u>	<u>£2,007,381</u>

13. BANK LOANS

	1999 £	1998 £
Wholly repayable within five years		
Bank loans	<u>£2,123,848</u>	<u>£1,931,351</u>
Amounts repayable within five years other than by instalments	2,123,848	1,931,351
Included in creditors: amounts falling due within one year (note 12)	<u>2,123,848</u>	<u>893,546</u>
	<u>£ -</u>	<u>£1,037,805</u>

The bank loans are due to be re-negotiated during 1999 and are shown in the balance sheet as being repayable within one year. The directors anticipate that the loans will be rolled over such that repayment will be deferred to a future date.

The bank loans are secured by guarantees from TYK Corporation, the ultimate parent undertaking.

NOTES TO THE ACCOUNTS

at 31 March 1999

14. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	1999 £	1998 £
At 1 April	-	54,000
Credit for the year (note 7)	-	(54,000)
At 31 March	£ -	£ -

Deferred taxation has been provided in full in the accounts as follows:

	1999 £	1998 £
Capital allowances in advance of depreciation	8,000	9,000
Other timing differences	(5,000)	(3,000)
	3,000	6,000
Less: available tax losses	(3,000)	(6,000)
	£ -	£ -

15. ACCRUALS AND DEFERRED INCOME

The provision for deferred government grants is calculated as follows:

	1999 £	1998 £
At 1 April	172,712	69,162
Grants received in the year	-	120,000
Release to profit and loss account	(19,685)	(16,450)
At 31 March	£153,027	£172,712

16. SHARE CAPITAL

	1999 No.	Authorised 1998 No.	Allotted, called up and fully paid 1999 £	1998 £
Ordinary shares of £1 each	2,500,000	2,500,000	£2,300,000	£2,300,000

NOTES TO THE ACCOUNTS

at 31 March 1999

17. MOVEMENT ON RESERVES AND RECONCILIATION OF SHAREHOLDERS FUNDS

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 April 1997	1,800,000	244,694	2,044,694
Loss for the year	-	(480,675)	(480,675)
Issue of ordinary share capital	500,000	-	500,000
At 31 March 1998	2,300,000	(235,981)	2,054,019
Loss for the year	-	(688,531)	(688,531)
Issue of ordinary share capital	-	-	-
At 31 March 1999	£2,300,000	£(924,512)	£1,375,488

18. CAPITAL COMMITMENTS

	1999	1998
Contracted and authorised by the directors	£ -	£2,544

19. OTHER FINANCIAL COMMITMENTS

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999 £	Other 1998 £
Operating leases which expire:		
Within one year	-	532
Within two to five years	16,439	15,299
	£16,439	£15,831

20. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 1999 (1998 - none).

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking and controlling party is TYK Corporation, a company incorporated in Japan.