

Tyco Engineered Products (UK) Limited
Annual report
for the year ended 30 September 2002

Registered Number: 03814871



Tyco Engineered Products (UK) Limited

Annual report for the year ended 30 September 2002

Contents

Directors and advisers	1
Directors' report.....	2
Independent auditors' report to the members of Tyco Engineered Products (UK) Limited.....	4
Profit and loss account.....	5
Balance sheet.....	6
Accounting policies	7
Notes to the financial statements	9

Tyco Engineered Products (UK) Limited

Directors and advisers for the year ended 30 September 2002

Directors

F Duquesnel (resigned 19 May 2003)
M Ward
D Simpson (appointed 19 May 2003)
A Durn (appointed 19 May 2003)

Secretary

F Duquesnel (resigned 19 May 2003)
G Latham (appointed 19 May 2003)

Registered office

Victoria Road
Leeds
LS11 5UG

Independent Auditors

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

Solicitors

Cobbets Solicitors
Skip Connell House
King Street
Manchester
M2 4WB

Bankers

National Westminster Bank plc
Manchester City Centre Branch
11 Spring Gardens
Manchester
M60 2BD

Registered Number

03814871

Tyco Engineered Products (UK) Limited

Directors' report for the year ended 30 September 2002

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2002.

Principal activities

The company is principally engaged in the manufacture and sale of instrumentation valves and other engineering products.

Review of business and future developments

On 1 October 2001, the Anderson Greenwood Crosby Market Harborough, Dewrance and Marston operations were transferred to Safety Systems UK Limited, a fellow subsidiary company. On the same day, the Anderson Greenwood Crosby Aberdeen operations were transferred to Tyco Valves and Controls Distribution (UK) Limited, another fellow subsidiary company. The transfers took place at net book value, and were satisfied via group loans.

Furthermore on 1 October 2001, the subsidiary undertakings, Whessoe Vapour Control Limited and AG Marvac Limited were transferred to Safety Systems UK Limited at cost.

Results and dividends

The loss for the year was £4,581,000 (2001: loss of £498,000) as outlined on page 5. No dividends were paid during the year.

Directors and their interests

The directors who held office during the year and since the year end are set out on page 1.

None of the directors (or their families) had any interest in the share capital of the company or any other subsidiary of Tyco International Limited

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 ultimate parent undertaking.

Any interests in, or option to purchase, the share capital of fellow subsidiary undertakings are disclosed in the financial statements of the relevant companies.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

Tyco Engineered Products (UK) Limited

Policy and practices on payments of creditors

It is the company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not yet negotiated, the company endeavours to adhere to suppliers' standard terms. The number of creditors days in relation to trade creditors outstanding at the year end was 40 days (2001: 40 days).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period. 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 30 September 2002 and that applicable accounting standards have been followed.

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 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 1 May 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the board



A Durn

Director

4 December 2003

Tyco Engineered Products (UK) Limited

Independent auditors' report to the members of Tyco Engineered Products Limited

We have audited the financial statements on pages 5 to 17 which comprise the profit and loss account, the balance sheet, the related notes and the accounting policies set out in the statement of accounting policies.

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.

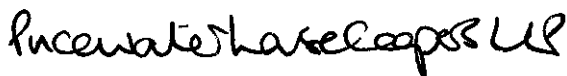
Basis of audit opinion

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 as at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

4 December 2003

Tyco Engineered Products (UK) Limited

Profit and loss account for the year ended 30 September 2002

	Note	Continuing operations 2002 £'000	Continuing operations 2001 £'000	Discontinued operations 2001 £'000	Total 2001 £'000
Turnover	1	6,032	6,334	27,236	33,570
Cost of sales		(4,232)	(4,202)	(19,945)	(24,147)
Gross profit		1,800	2,132	7,291	9,423
Distribution costs		(489)	(470)	(2,154)	(2,624)
Administration expenses		(377)	(457)	(6,674)	(7,131)
Other operating (expenses) / income		(20)	182	(549)	(36)
Operating profit / (loss)	3	914	1,387	(2,086)	(699)
Exceptional item	5	(5,237)			-
Loss before interest and tax		(4,323)			(699)
Interest receivable	6	6			133
Interest payable	7	-			(33)
Loss on ordinary activities before taxation		(4,317)			(599)
Taxation	8	(264)			101
Loss for the year	20	(4,581)			(498)

Results from discontinued operations relate to the Anderson Greenwood Crosby Market Harborough operation and the Dewrance operation which were transferred to Safety Systems UK Limited, a fellow subsidiary company, on 1 October 2001 and also the Anderson Greenwood Crosby Aberdeen operation which was transferred to Tyco Valves and Controls Distribution (UK) Limited on 1 October 2001.

There is no material difference between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those contained in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

Tyco Engineered Products (UK) Limited

Balance sheet as at 30 September 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	9	-	2,663
Tangible assets	10	649	5,487
Investments	11	-	8,625
		649	16,775
Current assets			
Business held for resale	12	-	2,000
Stocks	13	1,573	5,340
Debtors	14	6,419	18,106
Cash at bank and in hand		3,029	2,996
		11,021	28,442
Creditors: amounts falling due within one year	15	(7,645)	(20,803)
Net current assets		3,376	7,639
Total assets less current liabilities		4,025	24,414
Creditors: amounts falling due after more than one year	16	(688)	(16,496)
Net assets		3,337	7,918
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	3,337	7,918
Equity shareholders' funds	20	3,337	7,918

The financial statements on pages 5 to 17 were approved by the board of directors on 4 December 2003 and were signed on its behalf by:



A Durn
Director

Tyco Engineered Products (UK) Limited

Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Cash flow statement and related party disclosures

No cash flow statement has been prepared for the company as it is exempt from the requirement of Financial Reporting Standard No. 1 to include a cash flow statement in the financial statements. The basis is that they are a wholly owned subsidiary undertaking of a US parent company whose group financial statements include a consolidated cash flow statement and are publicly available.

The company, as a wholly owned subsidiary, has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Disclosures" on the grounds that the consolidated account of the ultimate parent company are publicly available.

Tangible fixed assets

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

Freehold land	-	nil
Freehold buildings	-	on a straight line basis at 4% per annum
Plant, equipment and vehicles	-	on a straight line basis between 12.5% and 33% per annum.

Goodwill and other intangible fixed assets

Goodwill arising represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Technical know-how represents the fair value of the drawings and technical knowledge.

Goodwill and know-how are eliminated by amortisation through the profit and loss account over its useful economic life which is expected to be 20 years from the date of acquisition. The carrying values of goodwill and technical know-how are reviewed by the directors annually with provision made for any diminution of value.

Investments

Fixed asset investments are stated at cost less any provision necessary for diminution in value.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location or condition:

Raw materials and consumables	-	Purchase cost
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 further costs expected to be incurred to completion and disposal.

Tyco Engineered Products (UK) Limited

Deferred taxation

Financial Reporting Standard 19, "Deferred Tax", which became effective in the financial period has been adopted. The adoption of Financial Reporting Standard 19 represents a change in accounting policy and the comparative figures have been restated accordingly

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date if transactions have occurred that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All resulting exchange differences are dealt with through the profit and loss account.

Pensions

The company participates in group pension arrangements, consisting of both defined benefit and defined contributions schemes, operated by the Tyco group. The contributions for the defined benefit scheme are based on pension costs across all the participating companies. Full details of these pension arrangements are disclosed in the annual report of Tyco Flow Control UK Limited.

Leasing

Assets held under finance leases are capitalised at the fair values of the assets at the inception of the leases. Depreciation is calculated to write off their values on a straight line basis over the useful lives of the assets. The finance cost is written off on a straight line basis over the term of the agreement. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Tyco Engineered Products (UK) Limited

Notes to the financial statements for the year ended 30 September 2002

1 Turnover

Turnover includes amounts invoiced to third parties for goods sold, services provided and, for long-term contracts, the sales value of work done but not invoiced. All turnover is net of value added tax.

	2002	2001
	£'000	£'000
United Kingdom	1,816	13,642
Rest of Europe	2,573	10,975
America	267	4,864
Asian-Pacific	959	3,385
Middle East and other	417	704
	6,032	33,570

2 Staff costs

	2002	2001
	£'000	£'000
Wages and salaries	1,336	7,168
Social security costs	97	632
Other pensions costs (note 22)	112	462
	1,545	8,262

The average monthly number of persons employed by the company during the year was:

By activity	2002	2001
	Number	Number
Production	37	156
Selling and distribution	10	70
Administration	8	42
	55	268

Tyco Engineered Products (UK) Limited

3 Operating profit / (loss)

	2002	2001
	£'000	£'000
Operating profit / (loss) is stated after charging:		
Cost of restructuring operations	149	643
Auditors' remuneration - audit fees	21	76
Depreciation - owned assets	206	1,283
Operating lease rentals - plant and machinery	-	24
- other operating leases	145	389
Amortisation of intangibles	-	155
Foreign exchange losses	33	258

4 Directors' emoluments

	2002	2001
	£'000	£'000
Aggregate emoluments	-	42
Compensation for loss of office	-	43

None of the directors received any remuneration from the company during the year. The emoluments of the directors are paid by other group undertakings which make no recharge to the company as it is not possible to make an accurate apportionment of their emoluments in respect of their services to specific group companies.

The emoluments do not include any gains on options exercised over shares in the company's parent, Tyco International Limited (2001: £nil) nor any amount in respect of shares granted to directors (2001: £nil).

The aggregate value of company contributions paid to a money purchase pension scheme in respect of directors' qualifying services was £nil (2001: £nil).

The above amounts do not include any gains on options over shares in the company's parent, Tyco International Limited, nor any amount in respect of shares granted to directors. No directors exercised share options during the year (2001: nil).

Tyco Engineered Products (UK) Limited

5 Exceptional item

On 1 October 2001, four of the trades were transferred to other legal entities within the Tyco group. The Anderson Greenwood Crosby and Dewrance operations were transferred to Safety Systems (UK) Limited in addition to the Marston business, which was held for resale within Tyco Engineered Products (UK) Limited in 2001 (note 12). The Aberdeen services division was transferred to Tyco Valves and Controls Distribution (UK) Limited. Following these transfers, inter-company receivables totalling £19,576k were deemed irrecoverable and were written off in Tyco Engineered Products (UK) limited's profit and loss account for the year to 30 September 2002. In addition, inter-company payables totalling £3,714k and loans falling due after more than one year totalling £10,625k were waived by the counterparty and were written back in Tyco Engineered Products (UK) limited's profit and loss account for the year to 30 September 2002.

No exceptional tax charge or credit arises in respect of this item.

6 Interest receivable

	2002	2001
	£'000	£'000
Bank interest	6	133

7 Interest payable and similar charges

	2002	2001
	£'000	£'000
Bank loans and overdrafts	-	33

8 Tax on profit / (loss) on ordinary activities

	2002	2001
	£'000	£'000
Taxation on the profit / (loss) for the year		
Deferred taxation	-	(101)

No current year corporation tax charge arises as taxable profits are reduced to nil as a result of group relief surrenders from other Tyco Flow Control companies for nil consideration.

Tyco Engineered Products (UK) Limited

The effective rate of tax is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(4,317)	(599)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(1,295)	(180)
Effects of:		
- Expenses not deductible for tax purposes	1,562	93
- Depreciation the period in excess of capital allowances	(54)	194
- Other short term timing differences		
- Adjustments to tax charge in respect of prior periods		
- Group relief not paid for	(213)	(107)
Total current tax charge for the year	-	-

9 Intangible fixed assets

	Goodwill £'000	Know-how £'000	Total £'000
Cost			
At 1 October 2001	1,867	1,106	2,973
Transfer to fellow subsidiary undertakings	(1,867)	(1,106)	(2,973)
At 30 September 2002	-	-	-
Depreciation			
At 1 October 2001	198	112	310
Transfer to fellow subsidiary undertakings	(198)	(112)	(310)
At 30 September 2002	-	-	-
Net book value			
At 30 September 2002	-	-	-
At 30 September 2001	1,669	994	2,663

Intangible assets were transferred to a fellow subsidiary company, Safety Systems UK Limited, on 1 October 2001.

Tyco Engineered Products (UK) Limited

10 Tangible fixed assets

	Freehold land & buildings £'000	Plant, equipment & vehicles £'000	Total £'000
Cost			
At 1 October 2001	5,157	6,880	12,037
Additions	4	178	182
Transfers to fellow subsidiary undertakings	(5,069)	(3,070)	(8,139)
At 30 September 2002	92	3,988	4,080
Accumulated depreciation			
At 1 October 2001	736	5,814	6,550
Charge for the year	4	202	206
Transfers to fellow subsidiary undertakings	(729)	(2,596)	(3,325)
At 30 September 2001	11	3,420	3,431
Net book value			
At 30 September 2002	81	568	649
At 30 September 2001	4,421	1,066	5,487

11 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2001	8,625
Transferred to group undertaking	(8,625)
At 30 September 2002	-

12 Business for resale

At 30 September 2001 the business held for resale represents the Marston operation, a bursting disc manufacturer. This operation was part of a number of IMI companies and assets acquired by Tyco on 22 June 2001. The Marston operation is held exclusively with a view to resale to a fellow subsidiary company. It is held at the directors' valuation of anticipated net sales proceeds of £2,000,000 at 30 September 2001.

On 1 October 2001, the Marston operation was transferred to Safety Systems UK Limited, a fellow subsidiary company, at the directors' valuation

Tyco Engineered Products (UK) Limited

13 Stocks

	2002	2001
	£'000	£'000
Raw materials and consumables	963	2,770
Work in progress	308	1,544
Finished goods and goods for resale	302	1,026
	1,573	5,340

14 Debtors

	2002	2001
	£'000	£'000
Trade debtors	712	6,114
Prepayments and accrued income	169	282
Amounts due by subsidiary undertakings	5,453	11,307
VAT recoverable	85	403
	6,419	18,106

15 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Trade creditors	294	1,396
Taxation and social security	295	480
Accruals and deferred income	982	1,974
Amounts due to other group undertakings	6,074	16,823
VAT payable	-	130
	7,645	20,803

16 Creditors: amounts falling due after more than one year

	2002	2001
	£'000	£'000
Loans from fellow subsidiary undertakings	688	16,496

Tyco Engineered Products (UK) Limited

17 Operating lease commitments

Commitments to operating lease payments which fall due in the next financial year are as follows:

	2002		2001	
	Land & buildings	Other operating leases	Land & buildings	Other operating leases
	£'000	£'000	£'000	£'000
On leases expiring:				
Within one year	-	-	29	42
Within two to five years	-	9	69	132
After five years	136	-	136	2
	136	9	234	176

As a result of the transfer of operations from the company to Safety Systems UK Limited and Tyco Valves and Controls Distribution (UK) Limited, a number of operating leases were also deemed to transfer at 1 October 2001.

18 Financial commitments

Performance Bonds and Guarantees entered into by the company in the normal course of business amount to £262,746 (2001: £839,000).

19 Called up share capital

	2002	2001
	£	£
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

20 Reconciliation of movement in shareholder's funds

	Share capital	Profit and loss	To
	£'000	£'000	£'0
At 1 October 2001	-	7,918	7,918
Loss for the financial year	-	(4,581)	(4,581)
At 30 September 2002	-	3,337	3,337

Tyco Engineered Products (UK) Limited

21 Capital commitments

There were no capital commitments contracted but not provided at the year end.

22 Contingent liabilities

Other contingent liabilities arise in the ordinary course of business in connection with the completion of contracts. In the opinion of the directors no material loss will arise from such contingent liabilities in excess of the amounts provided in the accounts.

23 Pensions

The Tyco group operates a number of defined benefit and defined contributions schemes in the UK. Tyco Engineered Products (UK) Limited is a participating company in these arrangements and the contributions for the defined benefit schemes are based on pension costs across all the participating companies.

The pension cost figures incorporated into these accounts comply with the current pension costs accounting standard, Statement of Standard Accounting Practice No. 24. The company is in compliance with the transitional requirements of FRS 17 and follows the guidance given with respect to the disclosures for multi-employer pension schemes.

Full details of the most recent actuarial valuation carried out under SSAP 24 for the Keystone Valve (UK) Limited Retirement Benefit Scheme are shown within the Annual Report of Keystone Valve (UK) Limited for the year ended 30 September 2002.

Accounting for pension costs – FRS 17

Tyco Engineered Products (UK) Limited is unable to calculate its share of the underlying assets and liabilities in the Keystone Valve (UK) Limited Retirement Benefit Scheme, as the scheme administrators do not calculate these separately for each of the various companies participating in the scheme. As such, the Keystone Valve (UK) Limited Retirement Benefit Scheme is accounted for as if the scheme were a defined contribution scheme, together with the other defined contribution schemes which the company contributed to during the year.

Pension contributions for the year were £112,000 (2001: £462,000) and £[] (2001: £155,000) was outstanding at year end. The deficit on the Keystone Valve (UK) Limited Retirement Benefit Scheme at 30 September 2002 calculated under FRS 17 is £9,951,000 (2001: £3,035,000). The directors do not believe that the deficit will significantly affect the company's contributions to the scheme.

Tyco Engineered Products (UK) Limited

24 Deferred taxation

Analysis of deferred tax balances:

	2002	2001
	£'000	£'000
Deferred taxation unprovided in the financial statements comprises:		
Accelerated capital allowances	(160)	(44)
Short term timing differences	(5)	(47)
Deferred tax provision	(165)	(91)

25 Ultimate parent undertaking

At 30 September 2002, the controlling ultimate parent undertaking was Tyco International Limited, a company incorporated in Bermuda. The company's immediate parent undertaking is Tyco Flow Control (UK) Limited. Tyco Engineered Products (UK) Limited's financial statements form a part of the consolidated results of both of these entities.

The financial statements of the ultimate parent undertaking can be obtained from the company secretary at the following address: Zurich Centre, 9 Pitts Bay Road, Pembroke, HM08, Bermuda.