

Tyco Engineered Products (UK) Limited
Annual report
for the year ended 30 September 2000

Registered Number: 03814871



Tyco Engineered Products (UK) Limited

Annual report for the year ended 30 September 2000

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Tyco Engineered Products (UK) Limited

Directors and Advisors for the year ended 30 September 2000

Directors

A Ross (appointed 28 September 1999, resigned 22 May 2001)
T Spencer (appointed 28 September 1999, resigned 25 October 2000)
F Duquesnel (appointed 18 June 2001)
M Ward (appointed 9 February 2001)
W Brehme (appointed 28 September 1999, resigned 22 February 2001)
C Tankard (appointed 28 September 1999, deceased)

Secretary

F Duquesnel

Registered office

Crosby Road
Market Harborough
Leicestershire
LE16 9EE

Auditors

Pricewaterhouse Coopers
Kintyre House
209 West George Street
Glasgow
G2 2LW

Solicitors

Cobbets Solicitors
Skip Connell House
King Street
Manchester
M2 4WB

Bankers

Bank of Scotland plc
19-21 Spring Gardens
Manchester
M2 1FB

National Westminster Bank plc
Underbank Hall Branch
P O Box 13
10 Great Underbank
Stockport
SK1 1LT

National Westminster Bank plc
38 Morely Street
P O Box 356
Manchester
M60 2BE

National Westminster Bank plc
Manchester City Centre Branch
P O Box 305
Spring Gardens
Manchester
M60 2DB

Anglo Irish Bank Corporation plc
Gracechurch House
55 Gracechurch Street
London
EC3V OEE

Barclays Bank plc
31 High Row
Darlington
Co Durham
DL3 7BS

Registered Number

03814871

Tyco Engineered Products (UK) Limited

Directors' report for the year ended 30 September 2000

The directors present their report and the audited financial statements for the year ended 30 September 2000.

Incorporation

The company was incorporated as Tyco Engineered Products (UK) Limited on 1 October 1999.

Principal activities

The company and its subsidiaries are principally engaged in the manufacture and distribution of valves and other engineering products.

Review of business and future developments

On 1 October 1999, the company's operating divisions were transferred from other companies within the Tyco group. The Anderson Greenwood Crosby operations were transferred from Keystone Valve (UK) Limited. The Dewrance operations were transferred from Tyco Valves Limited. Following these transfers, net inter company payables of £7,777,000 were written back to operating profit.

Results and dividends

The profit for the year was £8,416,000 as outlined on page 5. No dividends were paid during the period.

Directors and their interests

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

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.

Disabled 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 other employees.

Employee consultation

The company places considerable value of the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employees are consulted regularly on a wide range of matters affecting their current and future interests. Employees are made aware of financial and economic factors that affect the company performance.

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 45.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the Annual General Meeting.

By order of the board



F Duquesnel
Secretary
27 August 2001

Tyco Engineered Products (UK) Limited

Auditors' report to the members of Tyco Engineered Products Limited

We have audited the financial statements on pages 5 to 17 and the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the company's affairs at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow
27 August 2001

Tyco Engineered Products (UK) Limited

Profit and loss account for the year ended 30 September 2000

	Notes	£'000
Turnover – continuing operations	1	33,988
Cost of sales		(23,663)
Gross profit		10,325
Distribution costs		(3,174)
Administration expenses		(5,781)
Other operating expenses		(568)
Exceptional other operating income	4	7,777
Operating profit – continuing operations	5	8,579
Interest receivable	6	67
Interest payable and similar charges	7	(129)
Profit on ordinary activities before taxation		8,517
Tax on profit on ordinary activities	8	(101)
Profit for the financial period	20	8,416

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


The company has no recognised gains and losses other than gains above and therefore no separate statement of total acquired gains and losses has been presented.

Tyco Engineered Products (UK) Limited

Balance sheet as at 30 September 2000

	Notes	£'000
Fixed assets		
Intangible assets	9	2,818
Tangible assets	10	4,714
Investments	11	8,625
		16,157
Current assets		
Stocks	12	7,043
Debtors	13	17,946
Cash at bank and in hand		399
		25,388
Creditors: amounts falling due within one year	14	(20,598)
Net current assets		4,790
Total assets less current liabilities		20,947
Creditors: amounts falling due after more than one year	15	(12,430)
Provisions for liabilities and charges	18	(101)
Net assets		8,416
Capital and reserves		
Called up share capital	19	-
Profit and loss account	20	8,416
Equity shareholders' funds		8,416

The financial statements on pages 5 to 17 were approved by the board of directors on 27 August 2001 and were signed on its behalf by:



F Duquesnel
Director

27 August 2001

Tyco Engineered Products (UK) Limited

Accounting policies

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention. Details of the material accounting policies followed by the company are set out below.

Cash flow

No cash flow statement has been prepared for the company as they are exempt from the requirement of Financial Reporting Standard Number 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.

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 at between 33% and 10% per annum.

Goodwill and other intangible fixed assets

Goodwill arising represents the excess of the fair value of the consideration given 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.

Long-term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work carried out at the period end, by recording turnover and related costs as contract activity progresses. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the period in which they are first foreseen.

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

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

Research and development costs

Costs incurred on research and development projects are charged to the profit and loss account as incurred.

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 regular cost of providing benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from regular cost arising from periodic actuarial valuations of the principal schemes are allocated to operating profit over the expected remaining service lives of the members. Further information on pensions is provided in note 23.

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.

Government grants

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Tyco Engineered Products (UK) Limited

Notes to the financial statements for the year ended 30 September 2000

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.

	£'000
United Kingdom	13,727
Rest of Europe	9,300
America	2,421
Asian-Pacific	3,722
Middle East and other	4,818
	33,988

2. Staff costs

	£'000
Wages and salaries	6,766
Social security costs	632
Other pensions costs	414
Staff costs	7,812

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

	Number
Production	179
Selling and distribution	72
Administration	43
	294

Tyco Engineered Products (UK) Limited

3. Directors' emoluments

	£'000
Aggregate emoluments	211
Emoluments of highest paid director	152

The aggregate value of company contributions paid to a money purchase pension scheme in respect of directors' qualifying services was £2,583.

The number of directors who were members of pension schemes were as follows:

Money purchase shares	2
Defined benefit scheme	2

Retirement benefits of £54,156 per annum are accruing to the highest paid director under the defined benefit scheme. At the year end, the highest paid director had accumulated an estimated 'accrued lump sum' of £27,156 at expected retirement age.

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.

The number of directors exercising share options during the year was one. These were received under a long term incentive scheme.

The highest paid director exercised share options during the year.

4. Exceptional items

The exceptional other operating income of £7,777,000 arises as a result of the write back of a loan of £7,240,000 to the company by Keystone Valve (UK) Limited to effect the transfer of the operations of Anderson Greenwood Crosby on 1 October 1999 and the write back of a loan of £537,000 to the company by Tyco Valves Limited to effect the transfer of the Dewrance operations on 1 October 1999.

5. Operating profit

	£'000
Operating profit is stated after charging:	
Cost of restructuring operations	1,352
Staff costs	7,812
Auditors' remuneration - audit fees	49
Depreciation - owned assets	811
Operating lease rentals - plant and machinery	27
- other operating leases	337
Amortisation of intangibles	155
Foreign exchange losses	289

Tyco Engineered Products (UK) Limited

6. Interest receivable

	£'000
Bank interest	67

7. Interest payable and similar charges

	£'000
Bank loans and overdrafts	106
On loans from other group companies	23
	129

8. Tax on profit on ordinary activities

	£'000
Taxation on the profit for the year	
UK corporation tax	-
Deferred taxation (note 18)	101
	101

No corporation tax charge arises as a result of available tax losses within the Tyco Flow Control (UK) Limited group.

Tyco Engineered Products (UK) Limited

9. Intangible fixed assets

	Goodwill £'000	Know-how £'000	Total £'000
Cost			
Transfers from other operating divisions	1,867	1,106	2,973
At 30 September 2000	1,867	1,106	2,973
Depreciation			
Provided during the year	99	56	155
At 30 September 2000	99	56	155
Net book value			
At 30 September 2000	1,768	1,050	2,818

Know-how of £825,000 and £281,000 was transferred from Keystone Valve (UK) Limited and from Tyco Valves Limited respectively on 1 October 1999. Goodwill of £1,867,000 was transferred from Tyco Valves Limited on 1 October 1999.

10. Tangible fixed assets

	Freehold land & buildings £'000	Plant, equipment & vehicles £'000	Total £'000
Cost			
Transferred in from other operating divisions	3,127	6,460	9,587
Additions	11	444	455
At 30 September 2000	3,138	6,904	10,042
Depreciation			
Transferred in from other operating divisions	424	4,093	4,517
Charge for the year	128	683	811
At 30 September 2000	552	4,776	5,328
Net book value			
At 30 September 2000	2,586	2,128	4,714

Tyco Engineered Products (UK) Limited

11. Investments

	Subsidiary undertakings £'000
Cost	
Acquired during the year	8,625
At 30 September 2000	8,625

The principal acquisitions during the year were as follows. Companies whose shares are owned directly by Tyco Engineered Products (UK) Limited are marked with an asterisk (*)

Subsidiary undertakings	Class of shares	Proportions of Voting rights & shares held	Country of registration/ incorporation	Nature of Business
Whessoe Vapour Control Ltd	Ordinary	100%	UK	Valve manufacturer
A G Marvac Ltd (*)	Ordinary	100%	UK	Valve manufacturer

The principal country of operation is considered to be the same as the country of registration or incorporation.

12. Stocks

	£'000
Raw materials and consumables	4,910
Work in progress	668
Finished goods and goods for resale	1,465
	7,043

13. Debtors

	£'000
Trade debtors	11,564
Prepayments and accrued income	320
Amounts due by subsidiary undertakings	5,398
VAT recoverable	664
	17,946

Tyco Engineered Products (UK) Limited

14. Creditors: amounts falling due within one year

	£'000
Bank overdraft	822
Trade creditors	1,331
Other taxes and social security	144
Accruals and deferred income	3,416
Amounts due to other group undertakings	14,815
VAT payable	70
	20,598

15. Creditors: amounts falling due after more than one year

	£'000
Loans from fellow subsidiary undertakings	12,430

16. Operating lease commitments

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

	Land & buildings	Other operating leases
	£'000	£'000
On leases expiring:		
Within one year	32	209
Within two to five years	-	142
After five years	136	-
	168	351

17. Financial commitments

Performance Bonds and Guarantees entered into by the company in the normal course of business amount to £1,195,000.

Tyco Engineered Products (UK) Limited

18. Provisions for liabilities and charges

Deferred taxation	£'000
Provided in the year (note 8)	101
At 31 December 2000	101

The full potential liability and amounts provided in respect of deferred taxation are as follows:

	Full potential £'000	Provided £'000
Capital allowances in advance of depreciation	101	101

19. Called up share capital

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

20. Profit and loss account

	£'000
Retained profit for the financial year	8,416
At 30 September 2000	8,416

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.

Tyco Engineered Products (UK) Limited

23. Pension commitments

The company operates a defined benefit pension scheme providing benefits based on years of pensionable service in the scheme and pensionable earnings close to retirement. The assets of the scheme are held in separate trustee administered funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was at 6 April 1998. The assumptions which have the most significant effect on the results of the valuation are the discount rate for valuing liabilities and the rates of increases to earnings and pensions. The following assumptions were adopted.

Discount rate for valuing liabilities	- pre-retirement	7.5% pa
	- post-retirement	6% pa
Increases to pensionable earnings		4.5% pa
Increases to pensions in payment		2.5% pa

The pension charge of the company for the year to the defined benefit scheme was £305,000.

The most recent actuarial valuation of the scheme's assets was £15,182,000 and the actuarial value of those assets represented 113% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Contributions of the company and employees are 10% and 5% respectively of pensionable salary. This scheme is now 'closed' to new joiners. Future employees will be offered a defined contribution pension arrangement. Company contributions during the year to this defined contribution scheme were £95,000.

The company also operates other defined contribution schemes for certain employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £14,000.

Contributions owing at the year end and on defined benefit schemes were £26,000. Contributions owing at the year end on defined contribution schemes were £9,000.

24. Related party transactions

The company, as a wholly owned subsidiary, has taken advantage of the exemption in Financial Reporting Standard No 8 for disclosures related party transactions on the grounds that the consolidated accounts of the ultimate parent undertaking are publicly available.

On 1 September 1999, the company entered into a transaction with a director, A Ross. The residence of A Ross was purchased for a sum of £161,500 for relocation purposes. The residence was subsequently sold on 17 March 2000 for a consideration of £158,000, representing a loss to the company of £3,500.

Tyco Engineered Products (UK) Limited

25. Ultimate parent undertaking

At 30 September 2000, 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.