

STERIS CORP  
Form 11-K  
June 25, 2004  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 11-K

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**Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934**

**For the Twelve-Month Period Ended December 31, 2003**

Commission File No. 0-20165

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**A. Full title of the plan and the address of the plan if different from that of the issuer named below:**

## **STERIS Corporation 401(k) Plan**

**B. Name of issuer of securities held pursuant to the plan and the address of its principal executive office:**

**STERIS Corporation**

**5960 Heisley Road**

**Mentor, Ohio 44060**

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AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

STERIS Corporation 401(k) Plan

December 31, 2003 and 2002 and the Year ended December 31, 2003

with Report of Independent Registered Public Accounting Firm

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STERIS Corporation 401(k) Plan

Audited Financial Statements and Supplemental Schedule

December 31, 2003 and 2002,

and the Year ended December 31, 2003

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Report of Independent Registered Public Accounting Firm

Board of Directors

STERIS Corporation

Mentor, Ohio

We have audited the accompanying statements of net assets available for benefits of the STERIS Corporation 401(k) Plan as of December 31, 2003 and 2002, and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in its net assets available for benefits for the year ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio

June 23, 2004

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STERIS Corporation

401(k) Plan

Statements of Net Assets Available for Benefits

	<b>December 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Investments, at fair value	<b>\$ 188,790,121</b>	\$ 160,327,232
Employer contributions receivable	<b>930,992</b>	851,356
Net assets available for benefits	<b>\$ 189,721,113</b>	\$ 161,178,588

*See accompanying notes to the audited financial statements.*

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STERIS Corporation

401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2003

<b>Additions</b>	
Net realized and unrealized appreciation in fair value of investments	\$ 20,448,662
Interest and dividend income	1,500,617
Loan interest income	285,326
Contributions:	
Participant	11,561,536
Employer	4,312,514
Rollovers	1,130,945
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Total contributions	17,004,995
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Total additions	39,239,600
<b>Deductions</b>	
Benefits paid directly to participants	10,661,014
Administrative expenses	36,061
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Total deductions	10,697,075
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Net increase	28,542,525
Net assets available for benefits:	
Beginning of year	161,178,588
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End of year	\$ 189,721,113
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*See accompanying notes to the audited financial statements.*

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STERIS Corporation

401(k) Plan

Notes to Audited Financial Statements

December 31, 2003 and 2002

and Year ended December 31, 2003

**1. Description of Plan**

The following brief description of the STERIS Corporation 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for complete information regarding the Plan's provisions.

**General**

The Plan is a defined contribution plan administered by STERIS Corporation (the Company, STERIS, or Plan Administrator). All domestic employees of STERIS and certain subsidiaries who have completed three months of service and have attained the age of 18 are eligible to participate. The assets of the Plan are maintained and the transactions therein are executed by Principal Life Insurance Company (the Trustee), who also serves as the Plan recordkeeper. Employee participation in the Plan is voluntary and enrollment in the Plan is permitted on the first day of each January, April, July, and October (an entry date). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Contributions**

A participant is permitted to contribute between 0 percent and 10 percent of their compensation received during a calendar year. For participants age 50 and older they may also make additional catch up contributions. All contributions made by a participant must be before-tax deferred compensation contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Company may make matching discretionary contributions to a participant's account. The level of matching contributions is determined quarterly by the Company for participants who are not Erie UAW Local 832 or Erie IAM Local 1968, hired on or before December 4, 1998. Employer contributions are allocated to each participant's account in accordance with the investment election choices made by the participant. For the year ended December 31, 2003, the Company made 25 percent matching cash contributions on the first 6 percent of compensation that an employee of Erie UAW Local 832 and Erie IAM Local 1968, hired on or before December 4, 1998 made to the Plan. The Company made a 50 percent matching contribution in cash on the first 6 percent of compensation made to the Plan for all other participants.





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STERIS Corporation

401(k) Plan

Notes to Audited Financial Statements (continued)

**1. Description of Plan (continued)**

**Vesting**

All participants are immediately vested in their contributions plus actual earnings thereon and Company matching contributions plus actual earnings thereon.

**Participant Accounts**

A separate account is maintained for each participant in the Plan, reflecting contributions, investments, realized and unrealized investment gains and losses, loans, withdrawal transfers, and investment fees. The net value of each participant account is established at the close of each business day through the valuation of each fund's assets at market value.

A participant may elect to invest contributions, including the Company contributions, in any combination of the investment funds offered by the Plan, including STERIS Corporation common stock, in 1 percent increments.

Participants can change their investment elections at any time. A participant may elect to have a portion or all of the balance of his prior contributions (in increments of 1 percent) transferred from any fund in which it is invested to any other fund.

**Plan Withdrawals and Distributions**

On termination of service, upon death, disability or retirement a participant may receive a lump sum amount equal to the vested value of their account. An employed participant who is age 59 1/2 or older or who has a specific financial hardship may withdraw a portion of their account.

**Participants Loans**

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Participants currently employed may borrow from their fund accounts a minimum of \$500 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loan terms range from 1-5 years and are secured by the balance in the participants account. The loans bear interest at a rate established by the Trustee. Principal and interest is paid through payroll deductions.

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STERIS Corporation

401(k) Plan

Notes to Audited Financial Statements (continued)

**1. Description of Plan (continued)**

**Plan Termination**

Although it has not expressed any intent to do so, the Company, by action of its Board of Directors and without approval of its shareholders, has the right under the Plan to amend, suspend, or terminate the Plan in its entirety subject to the provisions of ERISA. In the event of Plan termination, participants will remain 100 percent vested in their accounts.

**Plan Expenses**

Costs incident to the purchase and sale of securities, such as brokerage commissions and stock transfer taxes, are paid by the respective funds. All other administrative expenses incurred in the administration of the Plan are charged against the respective funds, unless the employer elects to pay such amounts. The Company has elected to pay audit and consulting fees only.

**2. Summary of Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Investment Valuation and Income Recognition**

The Plan's investments in common shares are stated at fair value which equals the quoted market price on the last business day of the plan year. The fair value of the participation units held by the Plan in the mutual funds and common/collective fixed income investment funds are based on quoted redemption values on the last business day of the plan year. The pooled separate accounts are valued at the redemption value of units held by the Plan at year end. The participant loans are valued at their outstanding balances, which approximate fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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STERIS Corporation

401(k) Plan

Notes to Audited Financial Statements (continued)

**3. Transactions with Parties-in-Interest**

Party-in-interest transactions include the investment in the funds of the Trustee and the payment of administrative expenses.

The Plan purchased common shares of the Company for \$4,069,393 and sold common shares of the Company for \$7,166,589 during the year ended December 31, 2003.

**4. Income Tax Status**

The Plan has received a determination letter from the Internal Revenue Service dated July 10, 2002, stating that the plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

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STERIS Corporation

401(k) Plan

Notes to Audited Financial Statements (continued)

**5. Investments**

During 2003, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated/(depreciated) in fair value as follows:

	Year ended December 31, 2003
Net realized and unrealized appreciation (depreciation) in fair value of investments:	
STERIS Corporation common shares	\$ (2,567,862)
Mutual funds	13,193,975
Common/collective fixed income investment fund	1,324,341
Pooled separate accounts	8,498,208
Net realized and unrealized appreciation in fair value of investments	\$ 20,448,662

Investments that represent 5% or more of the fair value of the Plan's net assets are as follows:

	December 31,	
	2003	2002
Dodge & Cox Balanced Fund	\$ 44,933,427	\$ 36,663,071
Principal Large Cap Stock Index Separate Account	39,702,474	29,695,306
STERIS Corporation common shares	34,595,548	41,101,060
Victory DCS Magic Fund	27,607,789	23,641,518
Pimco Total Return Admin Fund	12,695,357	12,045,752

**6. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balance and the amounts reported in the

statements of net assets available for benefits.

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STERIS Corporation

401(k) Plan

Notes to Audited Financial Statements (continued)

**7. Subsequent Events**

Effective January 1, 2004, the Plan has been amended to allow a participant to contribute between 0 and 20 percent of their compensation received during a calendar year. Prior to January 1, 2004, a participant was permitted to contribute between 0 and 10 percent of their compensation received during a calendar year.

Effective July 1, 2004, the Plan has been amended to allow participants to modify elected deferral percentages at any time. Prior to July 1, 2004, participants were permitted to change elected deferral percentages once per calendar quarter.

Effective July 1, 2004, the Plan has been amended to require the Company discretionary matching contribution to be made each pay period. Prior to July 1, 2004, the Company matching contribution was made once per calendar quarter.

Effective July 1, 2004, the Plan has been amended to allow four new investment options: American Funds Growth Fund of America R4, Vanguard U.S. Value Fund, Vanguard Explorer Fund and Principal REIT Separate Account.



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STERIS Corporation

401(k) Plan

EIN: 34-1482024      Plan Number: 001

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

December 31, 2003

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment Including Maturity Date, Rate of Interest Par, or Maturity Value	Current Value
<b>Common Stock</b>		
* STERIS Corporation	STERIS Corporation common shares	\$ 34,595,548
<b>Mutual Funds</b>		
Pacific Investment Management Co.	Pimco Total Return Admin Fund	12,695,357
Dodge and Cox Funds	Dodge & Cox Balanced Fund	44,933,427
Victory Funds	Victory Diversified Stock A Fund	5,594,681
Fidelity Investments	Fidelity Advisor Mid Cap T Fund	7,556,695
Neuberger Berman Management	Neuberger Berman Genesis Asset Fund	9,219,203
The American Funds	American Europacific Growth Fund	2,116,539
		<u>82,115,902</u>
<b>Common/Collective Fixed Income Investments Funds</b>		
Victory Funds	Victory DCS Magic Fund	27,607,789
<b>Pooled Separate Accounts</b>		
* Principal Life Insurance Company	Principal Large Cap Stock Index Separate Account	39,702,474
<b>Other</b>		
*Participant Loans	Bearing interest between 5.0% and 10.5% and maturing through 2009	4,768,408
		<u>\$ 188,790,121</u>

\* Indicates party-in-interest to the Plan.



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SIGNATURE

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 25, 2004

STERIS Corporation 401 (k) Plan

/s/ Laurie Brlas

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Laurie Brlas  
Senior Vice President and Chief Financial Officer  
Principal Financial and Accounting Officer