

Special Metals Wiggin Limited

Report and Accounts

31 December 2002

Registered No: 36721



Special Metals Wiggin Limited

Registered No. 36721

DIRECTORS

P Edelstyn
R S Stone
D L Wanlass

SECRETARY

P Edelstyn

AUDITORS

Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

BANKERS

HSBC Bank plc
PO Box 360
100 King Street
Manchester
M60 2HD

REGISTERED OFFICE

Holmer Road
Hereford
HR4 9SL

Special Metals Wiggin Limited

DIRECTORS' REPORT

The directors submit their report with the audited financial statements for the year ended 31 December 2002.

RESULTS

The profit and loss account on page 7 shows that the loss for the year amounted to £298,000 (2001 – profit of £1,550,000). A dividend of £3,000,000 (2001 – £nil) has been paid during the year, and a loss of £3,298,000 (2001 – profit of £1,550,000) has been transferred from reserves.

PRINCIPAL ACTIVITIES

There was no change during the year in the principal activities of the company, which are the manufacture and sale of nickel alloys.

BUSINESS REVIEW

For 2002 and 2003 Aerospace activity was depressed as a result of the downturn in the sector, which was exacerbated by the events of September 11, 2001. Volumes in other sectors were also lower although Automotive remained strong helped by a growth in market share for Automotive Wire products. Owing to the further deterioration in sales volumes in 2003 over 2002, a major review of required capacity took place resulting in a 20% reduction in the workforce in 2003. High oil prices have assisted growth in the Oil & Gas sector and this is expected to continue. Growth across all sectors is expected in 2004.

IMPORTANT EVENTS

Special Metals Corporation and its U.S. subsidiaries filed petitions for Chapter 11 bankruptcy on 27 March 2002. After admission to Chapter 11, the corporation secured interim financing facilities whilst it traded normally and developed a plan for financial and operational reorganisation. It emerged from Chapter 11 on November 26, 2003 with a lower debt level and a new revolving credit facility in place. SMW Holdings Limited and its subsidiaries were not involved in the Chapter 11 process and continued to trade normally during this period. Special Metals Wiggin Limited is a participant in the new revolving credit facility through its own sub-line of credit based on the collateral of its own assets.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 2002 and subsequently were:

P Choppin de Janvry	(resigned 3 October 2002)
E Duval	(resigned 28 January 2004)
P Edelstyn	(appointed 13 May 2004)
A J L Glover	(resigned 31 March 2004)
T G John	(resigned 27 November 2003)
R P McLellan	(resigned 17 January 2003)
G B Nairn	(resigned 1 March 2002)
R L Shacklady	(appointed 6 January 2003; resigned 30 September 2003)
R S Stone	(appointed 1 October 2003)
D L Wanlass	(appointed 4 November 2002)

At no time during the year did any director hold an interest in the share capital of the company or any other group companies. There are no directors' interests requiring disclosure under the Companies Act 1985.

RESEARCH AND DEVELOPMENT

During the year, the company supported research projects at several Universities, and collaborative research with specific customers. Development of new alloys, products and process routes continued at Hereford.

Special Metals Wiggin Limited

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

The company operated a Performance Related Pay Scheme, effective from 1 January 2001.

Bi-monthly employee team briefs continue to be used for the dissemination of information to all employees.

There are also the following arrangements for consultation:

- (1) The Factory Affairs Panel is available to discuss particular issues as and when required and consult employees annually concerning the scheduling of holidays.
- (2) The Safety Committee covering the whole plant holds regular meetings and conducts regular inspections.

DISABLED PERSONS

It is the policy of the group to give full and fair consideration to applications for employment made by disabled persons and to continue whenever possible the employment of staff who have become disabled, and to provide opportunities for the training and career development of disabled employees.

GOING CONCERN

On November 26, 2003 the company's ultimate parent company - Special Metals Corporation emerged from reorganisation proceedings under Chapter 11 in the USA having successfully restructured their funding arrangements. The directors have given full consideration to the circumstances of this emergence and the funding available to their parent company, fellow group undertakings and the UK group and are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in the financial statements.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board



P Edelstyn

Secretary

25 June 2004

Special Metals Wiggin Limited

STATEMENTS 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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.

Special Metals Wiggin Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECIAL METALS WIGGIN LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group'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 and as at 31 December 2002 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

Dated 28 June 2004.

Special Metals Wiggin Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000 (as restated)
TURNOVER	2	104,456	114,029
Cost of sales		(94,360)	(101,156)
GROSS PROFIT		10,096	12,873
Distribution costs		(2,006)	(2,213)
Administrative expenses		(8,557)	(7,843)
Other operating income		160	153
OPERATING (LOSS)/PROFIT		(307)	2,970
Profit on disposal of properties in continuing operations		671	-
Interest receivable and similar income		110	133
Interest payable and similar charges	6	(692)	(736)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(218)	2,367
Taxation on (loss)/profit on ordinary activities	7	(80)	(817)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(298)	1,550
Dividends	8	(3,000)	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED (FROM)/TO RESERVES	16	(3,298)	1,550

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	2002 £'000	2001 (as restated) £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED (FROM)/TO RESERVES	(3,298)	1,550
Currency translation differences on foreign investments	112	(48)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(3,186)	1,502
Prior year adjustment	(4,496)	-
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	(7,682)	1,502

Special Metals Wiggin Limited

BALANCE SHEET

at 31 December 2002

		2002	2001
		(as restated)	
	Notes	£'000	£'000
FIXED ASSETS			
Tangible assets	9	17,665	18,777
Investments	10	3,771	3,821
		<u>21,436</u>	<u>22,598</u>
CURRENT ASSETS			
Stocks	11	30,038	33,279
Debtors - falling due within one year	12	27,867	30,569
- falling due after one year	12	16,056	14,484
		<u>73,961</u>	<u>78,332</u>
CREDITORS: amounts falling due within one year	13	(25,491)	(27,865)
NET CURRENT ASSETS		<u>48,470</u>	<u>50,467</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>69,906</u>	<u>73,065</u>
PROVISIONS: deferred taxation	14	(5,783)	(5,756)
NET ASSETS		<u><u>64,123</u></u>	<u><u>67,309</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	757	757
Share Premium account	16	49,924	49,924
Profit and loss account	16	13,442	16,628
EQUITY SHAREHOLDERS' FUNDS		<u><u>64,123</u></u>	<u><u>67,309</u></u>

Notes 1 to 21 form part of these accounts.

The accounts were approved by the Board of Directors on 25 June 2004.



R S Stone
Director

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention. The company is a wholly-owned subsidiary of SMW Holdings Limited, a company registered in England and Wales. Accordingly, consolidated accounts have not been prepared as permitted by S.228 of the Companies Act 1985. The accounts therefore present information about the company as an individual undertaking and not about its group.

In preparing the financial statements for the current year, the company has adopted FRS 19 "Deferred Tax".

The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 1 January 2001 have been reduced by £5,870,000 and the tax charge for the year ended 31 December 2001 has been decreased by £114,000. The provision for deferred tax has been increased by £5,756,000 at 31 December 2001. Loss for the current year has been increased by £27,000 as a result of the change in accounting policy.

Going Concern

On November 26, 2003 the Group's ultimate parent company - Special Metals Corporation emerged from reorganisation proceedings under Chapter 11 in the USA having successfully restructured their funding arrangements. The directors have given full consideration to the circumstances of this emergence and the funding available to their parent company, fellow group undertakings and the UK group and are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in the financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated using the straight-line method based on the estimated economic lives of the assets. Such lives are generally limited to a maximum of twenty years and are subject to periodic review by management. No depreciation has been provided on freehold land. Estimated useful lives are principally:

Freehold buildings	-	20 years
Plant and equipment	-	5 to 20 years
Long leasehold property	-	20 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recovered.

Pension costs

The company operates a defined benefit pension scheme which requires contribution to be made to a separately administered fund. The expected cost of providing pensions for employees is charged to the profit and loss account over the average working life of employees in accordance with recommendations of independent qualified actuaries. Differences between amounts funded and amounts charged to the profit and loss account are treated as assets or liabilities in the balance sheet.

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES *(continued)*

Post-retirement benefits other than pensions

The company has agreed to provide additional post-retirement benefits to certain employees. The estimated cost of providing such benefits is charged against profits on a systematic basis over the employees' working lives within the company.

Government grants

Government capital grants receivable are released to revenue over the useful lives of the assets to which they relate.

Stocks

Stocks are stated at the lower of production or purchase cost on a FIFO cost basis and net realisable value. Costs include an appropriate share of production overheads.

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

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract date. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Research and technical development

Research and development expenditure is charged to the profit and loss account when incurred except for expenditure on buildings and equipment which is written off over the estimated useful lives of the assets.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

FRS 19 'Deferred Taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxation profits from which the future reversal of the underlying timing difference can be deducted.
- Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES *(continued)*

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

Cash flow statement

The cash flows of the company for the year are included within the consolidated cash flow statement disclosed in the accounts of its parent company, SMW Holdings Limited. In accordance with the provisions of FRS 1 (Revised), no cash flow statement is required in these accounts.

Related party transactions

The company has taken advantage of the exemption not to disclose related party transactions with other members of the group under FRS8 (Related Party Disclosures) as it is a wholly owned subsidiary.

2. TURNOVER

Turnover represents the invoiced amounts of goods and services provided after deducting discounts and net of value added tax.

	2002 £'000	2001 £'000
Geographical market:		
Europe	89,943	96,305
Americas	6,611	8,795
Rest of the world	7,902	8,929
	<u>104,456</u>	<u>114,029</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	2002 £'000	2001 £'000
Research and development	(5)	2
Hire of plant and equipment	23	40
Operating lease rentals - plant and machinery	622	709
Depreciation of tangible fixed assets	3,020	3,087
Provision against investment	50	317
Auditors' remuneration	78	48
Redundancy costs	360	211
Loss on sale of tangible fixed assets	-	4
Loss/(Profit) on foreign exchange	538	(118)
	<u></u>	<u></u>

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

4. DIRECTORS' EMOLUMENTS

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Aggregate emoluments	198	237
Company contribution paid to defined benefit pension scheme	2	6
	<i>2002</i> <i>No.</i>	<i>2001</i> <i>No.</i>
Directors accruing benefits under defined benefit pension schemes	3	3
	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
The amounts in respect of the highest paid director are as follows:		
Emoluments	117	103
Accrued pension	26	46

5. STAFF COSTS

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Staff costs:		
Wages and salaries	16,981	17,503
Social security costs	1,618	1,665
Other pension costs	1,424	532
	20,023	19,700
	<i>2002</i> <i>No.</i>	<i>2001</i> <i>No.</i>
The average number of employees during the year was	846	885

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001 (as restated)
	£'000	£'000
Interest Payable	692	736

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002	2001 (as restated)
	£'000	£'000
<i>Current tax:</i>		
UK Corporation Tax at 30%	-	978
Adjustment in respect of prior years	53	(47)
	53	931
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 14)	27	(114)
Tax on profit on ordinary activities	80	817

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2001 – higher) than the standard rate of corporation tax in the UK of 30% (2001 – 30%). The differences are reconciled below:

	2002	2001 (as restated)
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(218)	2,367
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2001 – 30%)	(65)	710
Effect of:		
Disallowed expenses	61	154
Depreciation in excess of capital allowances	192	288
Short term timing differences	(66)	(174)
Adjustments in respect of previous periods	53	(47)
Chargeable gains	(122)	-
Current tax charge	53	931

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(c) Factors that may affect future tax charges

Based on current capital investment plans, the company does not expect to be able to claim capital allowances in excess of depreciation in future years and that there will therefore be a reversal of timing differences in respect of capital allowances at a similar level to the current year. The company expects to continue to make pension contributions in excess of pension charges in the immediate future and that the corresponding timing differences will therefore increase.

In accordance with the requirements of FRS 19, no provision is made for deferred tax on gains recognised in revaluing freehold land and buildings to its market value.

(d) Deferred tax

The amounts of deferred taxation provided and not provided as at 31 December 2002 and 2001 calculated at 30% (2001 - 30%) are as follows:

	2002 £'000	2001 as restated £'000
<u>Provided</u>		
Accelerated capital allowances	1,920	2,336
Pension prepayment	4,818	4,346
Other timing differences	(955)	(926)
	<u>5,783</u>	<u>5,756</u>
<u>Not Provided</u>		
Deferred capital gains	888	827
	<u>6,671</u>	<u>6,583</u>

8. DIVIDENDS

	2002 £'000	2001 £'000
Final dividends paid	3,000	-

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

9. TANGIBLE FIXED ASSETS

	<i>Freehold properties £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 2002	12,849	77,364	90,213
Additions	41	1,879	1,920
Disposals	(36)	(72)	(108)
At 31 December 2002	12,854	79,171	92,025
Accumulated depreciation:			
At 1 January 2002	8,191	63,245	71,436
Charge for the year	463	2,557	3,020
Disposals	(34)	(62)	(96)
At 31 December 2002	8,620	65,740	74,360
Net book value:			
At 31 December 2002	4,234	13,431	17,665
At 31 December 2001	4,658	14,119	18,777

10. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	<i>Subsidiaries £'000</i>	<i>Associate £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 2001 and 2002	5,996	50	6,046
Provisions:			
At 1 January 2002	2,225	-	2,225
Charge for the year	-	50	50
At 31 December 2002	2,225	50	2,275
Net book value:			
At 31 December 2002	3,771	-	3,771
At 31 December 2001	3,771	50	3,821

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

10. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (continued)

<i>Subsidiary undertakings</i>	<i>Business</i>	<i>Country of incorporation and operation</i>	<i>Proportion of nominal value of shares held and voting rights</i>
Special Metals Services SpA Italy	Distribution of nickel alloys	Italy	100%
Special Metals Services SA France	Distribution of nickel alloys	France	100%
Special Metals Services BV Holland	Marketing	Holland	100%
Greengrove Welding Wires Limited	Dormant	England	100%
Incotherm Limited	Dormant	England	100%
Special Metals Services Limited	Sales liaison Office	England/ India	100%
Special Metals Wiggin Trustees Limited	Pension fund trustee	England	100%
<i>Associated undertakings</i>			
Wiggin Alloy Products Limited	Marketing	England	50%

Note: All holdings are in respect of the ordinary share capital of the undertaking concerned.

In the opinion of the directors, the aggregate value of the company's investments in undertakings is not less than the aggregate amount at which they are stated in the balance sheet.

11. STOCKS

	<i>2002 £'000</i>	<i>2001 £'000</i>
Raw materials and consumables	2,388	2,620
Work-in-progress	16,881	20,192
Finished goods	10,769	10,467
	<u>30,038</u>	<u>33,279</u>

In the opinion of the directors the replacement cost of the above stock is not significantly different from the values stated.

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

12. DEBTORS

	2002	2001
	£'000	£'000
Falling due within one year:		
Trade debtors	19,932	20,686
Amounts owed by group undertakings	7,293	8,766
Corporation tax receivable	38	513
Other debtors	270	256
Prepayments and accrued income	334	348
	<u>27,867</u>	<u>30,569</u>
Falling due after one year:		
Other debtors - pension prepayment	<u>16,056</u>	<u>14,484</u>

13. CREDITORS: amounts falling due within one year

	2002	2001
	£'000	(as restated) £'000
Trade creditors	4,969	6,610
Amounts owed to group undertakings	5,470	6,727
Other taxes and social security costs	426	412
Accruals and deferred income	9,870	10,043
Bank overdraft	4,756	4,073
	<u>25,491</u>	<u>27,865</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current year are as follows:

	Deferred tax £'000
At 1 January 2002	5,756
Deferred tax charge in profit and loss account (note 7(a))	<u>27</u>
At 31 December 2002 (note 7(d))	<u>5,783</u>

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

15. SHARE CAPITAL

	2002 £'000	Authorised 2001 £'000
80,000 Ordinary shares of £10 each	800	800
	<u> </u>	<u> </u>
	<i>Allotted, called up and fully paid</i>	
	2002 £'000	2001 £'000
75,695 Ordinary shares of £10 each	757	757
	<u> </u>	<u> </u>

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £'000	Share Premium Account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2001 (as previously reported)	757	49,924	20,001	70,682
Prior year adjustments (see note below)	-	-	(4,875)	(4,875)
At 1 January 2001 (as restated)	<u>757</u>	<u>49,924</u>	<u>15,126</u>	<u>65,807</u>
Profit for the year (as restated)	-	-	1,550	1,550
Currency translation	-	-	(48)	(48)
At 31 December 2001 (as restated)	<u>757</u>	<u>49,924</u>	<u>16,628</u>	<u>67,309</u>
Loss for the year	-	-	(3,298)	(3,298)
Currency translation	-	-	112	112
At 31 December 2002	<u>757</u>	<u>49,924</u>	<u>13,442</u>	<u>64,123</u>

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES (continued)

Prior Year Adjustments

Following the acquisition of the company by Special Metals Corporation in 1998, interest was accrued in connection with the delayed settlement of an outstanding balance. It has now been established that this interest was over accrued and accordingly it has been written back. As required by UK GAAP, the company has now adopted FRS 19. This has resulted in a prior year adjustment to reserves (see note 1). The amounts dealt with in the accounts for the year ended 31 December 2001, as restated, and in prior years are as follows:

	Year ended 31 December 2001 (as restated) £000	2000 and prior years £000	Total £000
Write back of accrued interest	265	995	1,260
Provision for deferred taxation	114	(5,870)	(5,756)
At 31 December 2001	379	(4,875)	(4,496)

17. CAPITAL COMMITMENTS

At 31 December 2002 amounts contracted for but not provided in the accounts amounted to £303,000 (2001: £1,446,000).

18. PENSION COMMITMENTS

The Special Metals Wiggin Pension Plan is a defined benefit pension plan covering substantially all employees. Plan assets are held separately from those of the company, in funds administered by Trustees and invested by independent fund managers. This defined benefit plan was closed to new entrants with effect from July 31, 2002. A defined contribution plan has been set up for employees joining the company after that date.

An actuarial review of the pension plan was carried out by a professionally qualified actuary as at 31 December 2002. It used the projected unit method and assumed a pre-retirement investment return of 6.5% per annum, a post-retirement investment return of 5.0% per annum, earnings growth of 4.0% per annum and pension increases for service after 6 April 1997 of 2.5% per annum. At 31 December 2002, the Fund's assets had a market value of £68.5 million (31 December 2001 £74.8 million) which represents 86% (31 December 2001 - 96%) of liabilities. This deficit is amortised over the average estimated residual working life of the employees.

The regular cost of pension benefits for the period amounted to £1,954,000 offset by a credit of £530,000 in respect of amortisation of funding differences resulting in a net charge of £1,424,000. These costs were calculated using the actuarial assumptions used in the review as at 31 December 2002 other than to use a uniform rate of investment return of 6.5% per annum. During the year Special Metals Wiggin Limited made contributions to the Pension Plan, in accordance with the Schedule of Contributions agreed with the Actuary, totalling £2,907,000. At 31 December 2002, there was a funding prepayment of £16,056,000 included in other debtors due after more than one year.

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

18. PENSION COMMITMENTS *(continued)*

Additional Disclosures Required by FRS 17

The Special Metals Wiggin Pension Plan is a defined benefit pension plan covering substantially all employees. Calculations performed by an independent qualified actuary, based on actuarial valuations as at 31 December 2001 and 31 December 2002, have been undertaken to provide the information required for FRS 17. The major assumptions used by the actuary in producing these calculations were:

Financial assumptions	31 December 2002	31 December 2001
Salary increases	3.00% pa	3.50% pa
Pension increases (on pensions accrued since April 1997)	2.25% pa	2.50% pa
Discount rate	5.50% pa	6.00% pa
RPI	2.25% pa	2.50% pa

The assets of the Plan and the expected rates of return were

	Long term rate of return expected as at 31 December 2002	Market value as at 31 December 2002 £000	Long term rate of return expected as at 31 December 2001	Market value as at 31 December 2001 £000
Equities	8.0%	25,293	8.0%	33,344
Fixed Interest	5.5%	42,948	6.0%	40,608
Cash	4.0%	254	5.0%	870
Total		68,495		74,822

	31 December 2002 £000	31 December 2001 £000
The assets of the Scheme	68,495	74,822
Actuarial liabilities	77,236	71,339
(Deficit)/Surplus in Scheme	(8,741)	3,483
Related deferred tax asset/(liability)	2,622	(2,065)
Net pension (liability)/asset	(6,119)	1,418

Special Metals Wiggin Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

18. PENSION COMMITMENTS *(continued)*

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 December 2001 would be as follows:

	31 December 2002	31 December 2001
	£000	£000
Net assets excluding pension asset	52,885	57,171
Pension (liability)/asset	(6,119)	1,418
Net assets including pension (liability)/asset	46,766	58,589
Profit and loss reserve excluding pension asset	2,204	6,490
Pension reserve	(6,119)	1,418
Profit and loss reserve	(3,915)	7,908

During the year, the Company paid contributions totalling £2,907,000 (2001 £1,119,000). The Company has agreed a Contribution Schedule from July 2001 to April 2007 at a rate of 20.5% of Pensionable Earnings.

19. OTHER FINANCIAL COMMITMENTS

The company has annual commitments under operating leases as follows:

	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>
	2002	2002	2002	2001	2001	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	8	8	-	11	11
In two to five years	-	248	248	-	88	88
	-	256	256	-	99	99

20. CONTINGENT LIABILITIES

At 31 December 2002 the company had contingent liabilities of £705,000 (2001 - £597,000) in respect of bank guarantees given in the normal course of business.

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NOTES TO THE ACCOUNTS

at 31 December 2002

21. PARENT UNDERTAKING AND CONTROLLING PARTY

Special Metals Corporation, which is incorporated in the USA, is the ultimate holding company. The company's immediate parent undertaking is SMW Holdings Limited, which was established after the acquisition by Special Metals Corporation and has produced group accounts for the period ended 31 December 2002.