Special Metals Wiggin Limited

Report and Accounts

31 December 2003

Registered No: 36721

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COMPANIES HOUSE
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29/06/04

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

DIRECTORS' REPORT

The directors submit their report with the audited financial statements for the year ended 31 December 2003.

RESULTS

The profit and loss account on page 7 shows that the loss for the year amounted to £1,816,000 (2002 – loss of £298,000). A dividend of £2,250,000 (2002 - £3,000,000) has been paid during the year, and a loss of £4,066,000 (2002 – loss of £3,298,000) 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 2003 Aerospace activity continued to be depressed as a result of the downturn in the sector, which was still affected by the events of September 11, 2001. Volumes in other sectors were also lower in 2003, leading to a 20% reduction in the workforce during the year. Automotive remained strong helped by a growth in market share for Automotive Wire products. 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 2003 and subsequently were:

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)
R L Shacklady	(appointed 6 January 2003, resigned 30 September 2003)
R S Stone	(appointed 1 October 2003)
D L Wanlass	

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.

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.

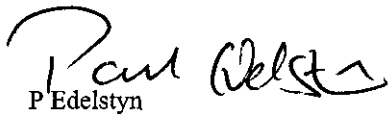
GOING CONCERN

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

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.

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 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 applicable 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 company 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 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 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham
28 June 2004.

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
TURNOVER	2	93,749	104,456
Cost of sales		(86,212)	(94,360)
GROSS PROFIT		7,537	10,096
Distribution costs		(1,930)	(2,006)
Administrative expenses		(7,710)	(8,557)
Other operating income		224	160
OPERATING (LOSS)		(1,879)	(307)
Profit on disposal of properties in continuing operations		-	671
Interest receivable and similar income		191	110
Interest payable and similar charges	6	(643)	(692)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(2,331)	(218)
Taxation on loss on ordinary activities	7	515	(80)
LOSS FOR THE FINANCIAL YEAR		(1,816)	(298)
Dividends	8	(2,250)	(3,000)
LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES	18	(4,066)	(3,298)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2003

	2003 £'000	2002 £'000
LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES	(4,066)	(3,298)
Currency translation differences on foreign investments	140	112
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(3,926)	(3,186)
Prior year adjustment	-	(4,496)
	(3,926)	(7,682)

BALANCE SHEET
at 31 December 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	9	15,323	17,665
Investments	10	7,214	3,771
		22,537	21,436
CURRENT ASSETS			
Stocks	11	28,854	30,038
Debtors - falling due within one year	12	23,329	27,867
- falling due after one year	12	17,226	16,056
Cash at bank and in hand		5,372	-
		74,781	73,961
CREDITORS: amounts falling due within one year	13	(31,406)	(25,491)
NET CURRENT ASSETS		43,375	48,470
TOTAL ASSETS LESS CURRENT LIABILITIES		*65,912*	*69,906*
CREDITORS: amounts falling after one year	14	(20)	-
PROVISIONS: deferred taxation	16	(5,695)	(5,783)
NET ASSETS		60,197	64,123
CAPITAL AND RESERVES			
Called up share capital	17	757	757
Share Premium account	18	49,924	49,924
Profit and loss account	18	9,516	13,442
EQUITY SHAREHOLDERS' FUNDS		60,197	64,123

Notes 1 to 23 form part of these accounts.

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

R S Stone
Director

NOTES TO THE ACCOUNTS
at 31 December 2003

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.

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.

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.

NOTES TO THE ACCOUNTS
at 31 December 2003

1. **ACCOUNTING POLICIES** *(continued)*

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.

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.

NOTES TO THE ACCOUNTS
at 31 December 2003

2. TURNOVER

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

	2003	*2002*
	£'000	*£'000*
Geographical market:		
Europe	79,425	89,943
Americas	7,145	6,611
Rest of the world	7,179	7,902
	93,749	104,456

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	2003	*2002*
	£'000	*£'000*
Research and development	(79)	(5)
Hire of plant and equipment	23	23
Operating lease rentals - plant and machinery	622	622
Depreciation of tangible fixed assets	3,413	3,020
Provision against investment	-	50
Auditors' remuneration	65	78
Redundancy costs	1,212	360
Loss on sale of tangible fixed assets	4	-
Loss/(Profit) on foreign exchange	(387)	538

4. DIRECTORS' EMOLUMENTS

	2003	*2002*
	£'000	*£'000*
Aggregate emoluments	261	198
Company contribution paid to defined benefit pension scheme	-	2

	2003	*2002*
	No.	*No.*
Directors accruing benefits under defined benefit pension schemes	1	3

	2003	*2002*
	£'000	*£'000*
The amounts in respect of the highest paid director are as follows:		
Emoluments	102	117
Accrued pension	23	26

NOTES TO THE ACCOUNTS
at 31 December 2003

5. STAFF COSTS

	2003 *£'000*	*2002* *£'000*
Staff costs:		
Wages and salaries	14,169	16,981
Social security costs	1,400	1,618
Other pension costs	1,350	1,424
	16,919	20,023

	2003 *No.*	*2002* *No.*
The average number of employees during the year was	725	846

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 *£'000*	*2002* *£'000*
Interest Payable	643	692

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities

The tax credit/charge is made up as follows:

	2003 *£'000*	*2002* *£'000*
Current tax:		
UK Corporation Tax at 30%	(427)	-
Adjustment in respect of prior years	-	53
	(427)	53
Deferred tax:		
Origination and reversal of timing differences (note 16)	(88)	27
Tax on profit on ordinary activities	(515)	80

NOTES TO THE ACCOUNTS
at 31 December 2003

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

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2002 – higher) than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

	2003 *£'000*	*2002* *£'000*
Loss on ordinary activities before tax	(2,331)	(218)
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2002 – 30%)	(699)	(65)
Effect of:		
Disallowed expenses	160	61
Depreciation in excess of capital allowances	320	192
Short term timing difference	(208)	(66)
Adjustments in respect of previous periods	-	53
Chargeable gains	-	(122)
Current tax (credit)/charge	(427)	53

(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 charge in the immediate future and that therefore the corresponding timing differences will 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 2003 and 2002 calculated at 30% (2002 - 30%) are as follows:

	2003 *£'000*	*2002* *£'000*
Provided		
Accelerated capital allowances	1,609	1,920
Pension prepayment	5,169	4,818
Other timing differences	(1,083)	(955)
	5,695	5,783
Not Provided		
Deferred capital gains	888	888
	6,583	6,671

NOTES TO THE ACCOUNTS
at 31 December 2003

8. DIVIDENDS

	2003	*2002*
	£'000	*£'000*
Final dividends paid	2,250	3,000

9. TANGIBLE FIXED ASSETS

	Freehold properties	*Plant and machinery*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 January 2003	12,854	79,171	92,025
Additions	421	654	1,075
Disposals	-	(160)	(160)
At 31 December 2003	13,275	79,665	92,940
Accumulated depreciation:			
At 1 January 2003	8,620	65,740	74,360
Charge for the year	432	2,981	3,413
Disposals	-	(156)	(156)
At 31 December 2003	9,052	68,565	77,617
Net book value:			
At 31 December 2003	4,223	11,100	15,323
At 31 December 2002	4,234	13,431	17,665
Net book value of assets held on finance leases:			
At 31 December 2003	-	29	29
At 31 December 2002	-	-	-

NOTES TO THE ACCOUNTS
at 31 December 2003

10. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	Subsidiaries *£'000*	*Associate* *£'000*	*Total* *£'000*
Cost:			
At 1 January 2003	5,996	50	6,046
Additions	3,443	-	3,443
Disposals	-	(50)	(50)
At 31 December 2003	9,439	-	9,439
Provisions:			
At 1 January 2003	2,225	50	2,275
Disposals	-	(50)	(50)
At 31 December 2003	2,225	-	2,225
Net book value:			
At 31 December 2003	7,214	-	7,214
At 31 December 2002	3,771	-	3,771

NOTES TO THE ACCOUNTS
at 31 December 2003

10. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS *(continued)*

Subsidiary undertakings	*Business*	*Country of incorporation and operation*	*Proportion of nominal value of shares held and voting rights*
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%
Rescal S.A.	Resistance wire & furnace manufacture	France	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%

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

The shareholding in Rescal S.A. was acquired on November 26, 2003 from a fellow subsidiary Special Metals SARL.

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

	2003 *£'000*	*2002* *£'000*
Raw materials and consumables	1,847	2,388
Work-in-progress	18,534	16,881
Finished goods	8,473	10,769
	28,854	30,038

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

NOTES TO THE ACCOUNTS
at 31 December 2003

12. DEBTORS

	2003 £'000	2002 £'000
Falling due within one year:		
Trade debtors	15,414	19,932
Amounts owed by group undertakings	7,336	7,293
Corporation tax receivable	-	38
Other debtors	187	270
Prepayments and accrued income	392	334
	23,329	27,867
Falling due after one year:		
Other debtors - pension prepayment	17,226	16,056

13. CREDITORS: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	7,276	4,969
Amounts owed to group undertakings	3,321	5,470
Corporation tax payable	363	-
Other taxes and social security costs	389	426
Accruals and deferred income	1,223	9,870
Bank overdraft	-	4,756
Short-term debt	18,829	-
Obligations under finance leases (note 15)	5	-
	31,406	25,491

14. CREDITORS: amounts falling due after one year

Obligations under finance leases (note 15)	20	-

15. OBLIGATIONS UNDER FINANCE LEASES

Commitments under finance lease contracts are as follows:

	2003 £'000	2002 £'000
In one year or less	5	-
In two to five years	20	-
	25	-

NOTES TO THE ACCOUNTS
at 31 December 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Deferred tax £'000
At 1 January 2003	5,783
Deferred tax credit in profit and loss account (note 7(a))	(88)
At 31 December 2003 (note 7(d))	5,695

17. SHARE CAPITAL

	Authorised	
	2003 £'000	*2002 £'000*
80,000 Ordinary shares of £10 each	800	800

	Allotted, called up and fully paid	
	2003 £'000	*2002 £'000*
75,695 Ordinary shares of £10 each	757	757

18. 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 2002	757	49,924	16,628	67,309
Loss for the year	-	-	(3,298)	(3,298)
Currency translation	-	-	112	112
At 31 December 2002	757	49,924	13,442	64,123
At 1 January 2003	757	49,924	13,442	64,123
Loss for the year	-	-	(4,066)	(4,066)
Currency translation	-	-	140	140
At 31 December 2003	757	49,924	9,516	60,197

NOTES TO THE ACCOUNTS
at 31 December 2003

19. CAPITAL COMMITMENTS

At 31 December 2003 amounts contracted for but not provided in the accounts amounted to £125,000 (2002: £303,000).

20. 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 2003, the Fund's assets had a market value of £72.2 million (31 December 2002 £68.5 million) which represents 92 % (31 December 2002 - 86%) 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 £1,454 000 offset by a credit of £104,000 in respect of amortisation of funding differences resulting in a net charge of £1,350,000. 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 £2,520,000. At 31 December 2003, there was a funding prepayment of £17,226,000 included in other debtors due after more than one year.

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 an actuarial valuation as at 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 2003**	**31 December 2002**
Salary increases	3.00% pa	3.00% pa
Pension increases (on pensions accrued since April 1997)	2.75% pa	2.25% pa
Discount rate	5.50% pa	5.50% pa
RPI	2.75% pa	2.25% pa

NOTES TO THE ACCOUNTS
at 31 December 2003

20. PENSION COMMITMENTS *(continued)*

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

	Long term rate of return expected as at 31 December 2003	**Market value as at 31 December 2003** *£000*	**Long term rate of return expected as at 31 December 2002**	**Market value as at 31 December 2002** *£000*
Equities	7.5%	27,975	8.0%	25,293
Fixed Interest	5.5%	43,849	5.5%	42,948
Cash	4.0%	360	4.0%	254
Total		72,184		68,495

	31 December 2003 *£000*	**31 December 2002** *£000*
The assets of the Scheme	72,184	68,495
Actuarial liabilities	78,817	77,236
(Deficit) in Scheme	(6,633)	(8,741)
Related deferred tax asset	1,990	2,622
Net pension liability/(asset)	(4,643)	(6,119)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserves at 31 December 2002 and 2003 would be as follows:

	31 December 2003 *£000*	**31 December 2002** *£000*
Net assets excluding pension asset	48,140	52,885
Pension (liability)/asset	(4,643)	(6,119)
Net assets including pension liability	43,497	46,766
Profit and loss reserve excluding pension asset	(2,541)	2,204
Pension reserve	(4,643)	(6,119)
Profit and loss reserve	(7,184)	(3,915)

NOTES TO THE ACCOUNTS
at 31 December 2003

20. PENSION COMMITMENTS *(continued)*

During the year, the Company paid contributions totalling £2,520,000 (2002 £2,907,000). The Company has agreed a Contribution Schedule from July 2001 to April 2007 at a rate of 20.5% of Pensionable Earnings.

21. OTHER FINANCIAL COMMITMENTS

The company has annual commitments under operating leases as follows:

	Land and buildings 2003 £'000	*Other 2003 £'000*	*Total 2003 £'000*	*Land and buildings 2002 £'000*	*Other 2002 £'000*	*Total 2002 £'000*
Operating leases which expire:						
Within one year	-	11	11	-	8	8
In two to five years	-	231	231	-	248	248
	-	242	242	-	256	256

22. CONTINGENT LIABILITIES

At 31 December 2003 the company had contingent liabilities of £473,000 (2002 - £705,000) in respect of bank guarantees given in the normal course of business.

23. 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 2003.