

IRELAND ALLOYS LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 31st AUGUST 2003



Hamilton

June 2004

Company Number 40892

IRELAND ALLOYS LIMITED

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

Robert P. Cochrane
Allan C Addie

SECRETARY

Allan C. Addie F.C.C.A.

REGISTERED OFFICE

P O Box 18,
Craighead,
Hamilton ML3 0EL, Scotland

HEAD OFFICE

Craighead,
Hamilton,
Scotland

AUDITORS

KPMG LLP, Chartered Accountants,
24 Blythswood Square,
Glasgow,
G2 4QS
Scotland

SOLICITORS

Dundas & Wilson,
Edinburgh,
Scotland

BANKERS

Bank of Scotland,
Edinburgh,
Scotland

IRELAND ALLOYS LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the Financial Statements and Auditors' Report for the year ended 31st August 2003.

RESULTS AND DIVIDENDS

The loss for the year attributable to Shareholders after all charges, depreciation and taxation amounted to £612,000 (2002, Loss of £176,000).

The Directors do not recommend payment of a dividend (2002, £nil).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The aerospace sector remains subdued with margins coming under increasing pressure due to a supply/demand imbalance.

At the beginning of the year demand in the stainless steel sector remained buoyant. However, towards the end of the period we encountered an unexpected downturn in demand, which is likely to continue into next year.

Therefore, despite a 38% increase in the Nickel price over the course of the year, market demand factors served to prevent the Company moving into profit.

Our view continues to be that market demand and commodity prices will remain generally unpredictable for the foreseeable future.

On 3 June 2004 the Company's ultimate parent undertaking confirmed its intention to dispose of the entire share capital of the company to a major Scottish Group with completion expected to take place on or about 30 June 2004.

DIRECTORS

The names of the Directors are as follows:-

Robert P. Cochrane
Allan C Addie

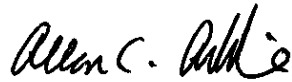
The interests of Directors in the share capital of Ireland Alloys (Holdings) Limited, the ultimate holding company, were as follows: -

	<u>Ordinary Shares of 10p each</u>	
	<u>2003</u>	<u>2002</u>
Allan C Addie	1,250	1,250
Robert P Cochrane	-	-

In accordance with the Company's Articles of Association, A. C. Addie retires as a director and hereby presents himself for re-election

AUDITORS

KPMG LLP have expressed their willingness to continue in office as auditors and a resolution proposing their appointment will be submitted at the Annual General Meeting.



BY ORDER OF THE BOARD

ALLAN C. ADDIE F.C.C.A.
Company Secretary

P O Box 18
Craighead
Hamilton

24 June 2004

IRELAND ALLOYS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 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;
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS TO THE MEMBERS
OF IRELAND ALLOYS LIMITED**

We have audited the financial statements on pages 8 to 19.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Uncertainty relating to going concern and over the level of the Company's financial exposure in respect of warranty claims relating to the sale of its US operations

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the future funding of the company and the level of the Company's financial exposure in respect of warranty claims relating to the sale of its US operations. In view of the significance of the uncertainty in these matters we consider that they should be brought to your attention but our opinion is not qualified in this respect.

Opinion:

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31st August 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP,
Chartered Accountants
Registered Auditor

24 Blythswood Square
Glasgow G2 4QS

24 June 2004

IRELAND ALLOYS LIMITED

PROFIT AND LOSS ACCOUNT

FOR YEAR ENDED 31st AUGUST 2003

	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
TURNOVER	2	7,075	8,328
Cost of Sales		<u>(6,989)</u>	<u>(7,992)</u>
GROSS PROFIT		86	336
Distribution costs		<u>(339)</u>	<u>(347)</u>
Administration expenses		<u>(207)</u>	<u>(219)</u>
OPERATING (LOSS)	3	<u>(460)</u>	<u>(230)</u>
Profit on Sale of Fixed Assets		-	197
Interest Payable	6	<u>(152)</u>	<u>(143)</u>
(LOSS) ON ORDINARY ACTIVITIES		<u>(612)</u>	<u>(176)</u>
BEFORE TAX AND FOR THE FINANCIAL YEAR			

Historical cost profit/losses are not materially different from those stated above.

No gains or losses have been recognised in the year other than the retained loss for the year.

The notes on pages 10 to 19 form part of these financial statements.

IRELAND ALLOYS LIMITED

BALANCE SHEET AT 31ST AUGUST, 2003

	Notes	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<u>FIXED ASSETS</u>			
Tangible assets	9	<u>751</u>	<u>798</u>
<u>CURRENT ASSETS</u>			
Stock	10	812	865
Debtors	11	3,072	4,047
Cash at bank and on hand – Escrow	19		
	& 20	<u>1,356</u>	<u>1,373</u>
		<u>5,240</u>	<u>6,285</u>
<u>CURRENT LIABILITIES</u>			
Creditors - Falling due within one year	12	<u>(5,962)</u>	<u>(6,441)</u>
<u>NET CURRENT (LIABILITIES)</u>		<u>(722)</u>	<u>(156)</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>29</u>	<u>642</u>
<u>CREDITORS</u> - Falling due after more than one year	14	<u>-</u>	<u>(1)</u>
<u>NET ASSETS</u>		<u>29</u>	<u>641</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	15	61	61
Profit & Loss Account	16	<u>(32)</u>	<u>580</u>
<u>EQUITY SHAREHOLDERS' FUNDS</u>	17	<u>29</u>	<u>641</u>

Approved by the directors on behalf of the Board on 24 June 2004.



ALLAN C. ADDIE
DIRECTOR



ROBERT P. COCHRANE
DIRECTOR

The notes on pages 10 to 19 form part of these financial statements

IRELAND ALLOYS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules, modified to include the revaluation of certain properties.

The company has net current liabilities at 31 August 2003 and is dependent for its working capital upon a bank overdraft facility which is repayable on demand. In addition, on 3 June 2004 the ultimate parent undertaking confirmed its intention to dispose of the entire share capital of the company to a major Scottish group, with completion expected to take place on or about 30 June 2004. The ability of the company to continue to trade will be dependent upon the company, under its new ultimate ownership or otherwise, securing an adequate level of order intake to generate sufficient operating cash flow and on securing the required level of bank and/or other funding necessary to enable the company to meet its liabilities as they fall due for payment in the normal course of business.

The directors believe that the disposal process will complete satisfactorily and, accordingly, they have continued to use the going concern basis of preparation for these financial statements. The financial statements do not include any adjustments that would result from the disposal process not being completed satisfactorily and, consequently, from the going concern basis of preparation of the financial statements being inappropriate.

As explained in note 20 if the disposal takes place, the company's financial exposure in respect of warranty claims relating to the sale of its US operations for which details are given in note 19 will cease. However if the disposal does not occur the Company remains liable for any amounts arising under this warranty for which there is uncertainty about the possible amount.

b) Depreciation

Depreciation is provided on fixed assets at the following rates in order to reduce the net cost of the assets to estimated net residual value over the anticipated useful life of the assets.

Freehold Buildings	- 4% straight line
Plant and machinery	- 20% reducing balance
Office equipment	- 20% straight line

Freehold land is not depreciated.

On adoption of FRS15 "Tangible Fixed Assets", the Group has followed the transitional provisions to retain the book value of Land and Buildings which were revalued in 1998 and has decided not to adopt a policy of revaluation in the future.

- c) Stock
Stock is stated at the lower of cost and net realisable value at the Balance Sheet date.
- d) Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the Profit and Loss Account.
- e) 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 for accounting purposes.
- f) Finance and Operating Leases
Assets under finance leases are capitalised and the commitment shown under the appropriate Payables. Costs in respect of operating leases are charged through the Profit and Loss Account.
- g) Pensions
The company participates in a defined benefit pension scheme. Contributions to the scheme are charged to the profit and loss account over the employees' working lives.
- h) Cash Flow
Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

2. TURNOVER

Turnover represents the invoiced amount of goods sold net of value added tax.

The Directors do not feel it is in the Company's interest to reveal the geographical analysis of the turnover in the body of these financial statements.

3. OPERATING (LOSS)

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Operating (loss) is stated after charging:		
Depreciation	53	59
Auditors' remuneration	13	10
Leasing	67	73
Exchange (gains)	<u>(9)</u>	<u>(37)</u>

4. DIRECTORS' EMOLUMENTS

Directors' emoluments	<u>82</u>	<u>73</u>
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Both Directors are members of the Company's Defined Benefits Pension Plan.

5. EMPLOYEE INFORMATION

- a) The average number of persons employed during the year, inclusive of Directors, is analysed below:-

	<u>2003</u> Number	<u>2002</u> Number
Office and management	11	12
Production	<u>25</u>	<u>28</u>
	<u>36</u>	<u>40</u>

- b) Staff costs during the year amounted to:-

	<u>£'000</u>	<u>£'000</u>
Wages and salaries	669	754
Social Security costs	47	54
Other Pension Costs	<u>41</u>	<u>43</u>
	<u>757</u>	<u>851</u>

6. INTEREST PAYABLE

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Bank loans and overdrafts.	171	160
Finance charges payable under finance leases and hire purchase contracts	1	1
Interest Receivable	<u>(20)</u>	<u>(18)</u>
	<u>152</u>	<u>143</u>

7. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Corporation tax at 30%	<u>-</u>	<u>-</u>

The differences between the Corporation tax charge and the standard UK corporation tax rate are explained below.

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
(Loss) on ordinary activities before tax	<u>(613)</u>	<u>(176)</u>
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(184)	(53)
Effects of:		
Items not subject to corporation tax	17	(58)
Corporation tax losses carried forward	<u>167</u>	<u>111</u>
Corporation tax for the period	<u>-</u>	<u>-</u>

8. PENSION

The Company operates a defined benefit pension scheme. The assets are held in separate trustee administered funds. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 1st October 2002 using the Projected Unit funding method. At the valuation date, the market value of the assets of the scheme was approximately £3,473,000. At the valuation date, the actuarial value of the assets represented 77% of the value of the accrued liabilities, after allowing for future salary increases.

The assumptions which have the most significant effect on the results of the valuation at 1st October 2002 were as follows:-

Investment returns	9% per annum
Salary increases	7% per annum
Dividend increases	5% per annum

Under transitional arrangements the Company is required to disclose the following information about the Scheme and the figures that would be shown under FRS17 "Retirement Benefits" in the current Balance Sheet and Profit and Loss Account had FRS17 been fully implemented at 31st August, 2003.

The valuation as at 1st October 2002 was updated on an FRS17 basis using the following assumptions: -

	<u>31st August 2003</u>	<u>31st August 2002</u>	<u>31st August 2001</u>
- Rate of increase in salaries	4.00%	4.00%	4.35%
- Discount rate	5.39%	5.50%	5.80%
- Inflation	2.75%	2.50%	2.60%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the Scheme's Assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised and the present value of the Scheme's Liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, were:

	Long-term rate of return expected at 31 st August <u>2003</u>	Value at 31 st August <u>2003</u> £'000	Long-term rate of return expected at 31 st August <u>2002</u>	Value at 31 st August <u>2002</u> £'000	Long-term rate of return expected at 31 st August <u>2001</u>	Value at 31 st August <u>2001</u> £'000
Equities	8.75%	1,360	8.75%	1,892	7.5%	2,982
Bonds	5.25%	1,602	5.25%	1,633	5.5%	1,453
Other	4.00%	81	4.00%	88	4.0%	23
Total market value of assets		3,043*		3,613*		4,458*
Present value of Scheme liabilities		(4,248)		(4,657)		(4,385)
(Deficit)/surplus in scheme at end of year		(1,205)		(1,044)		73
Related deferred tax asset/(liability)		-		150		(21)
Net Pension (liability)/asset		(1,205)		(894)		52

*Excludes the value of secured annuities.

An analysis of the amount which would be included as a charge against operating profit is: -

	Year ending on 31 st August 2003 £'000	Year ending on 31 st August 2002 £'000
Current service cost	97	111
Total operating charge	<u>97</u>	<u>111</u>

The current service cost shown above includes an allowance for death in service insurance premiums and administration expenses.

An analysis of the amount which would be (charged)/credited to other finance income is as follows: -

	Year ending on 31 st August 2003 £'000	Year ending on 31 st August 2002 £'000
Expected return on pension scheme assets	236	288
Interest on pension scheme liabilities	(246)	(254)
Net (Charge)/Return	<u>(10)</u>	<u>34</u>

An analysis of the amount which would be recognised in the statement of recognised gains and losses ('STRGL') is as follows: -

	Year ending on 31 st August 2003 £'000	Year ending on 31 st August 2002 £'000
Actual return less expected return on pension scheme assets	(179)	(753)
Experience gains and losses arising on the scheme Liabilities	129	(241)
Changes in assumptions underlying the present value of the scheme liabilities	(87)	(114)
Actuarial gain recognised in the STRGL	<u>(137)</u>	<u>(1,108)</u>

The movement in the scheme surplus/(deficit) during the year is analysed as follows: -

	Year ending on 31 st August 2003 £'000	Year ending on 31 st August 2002 £'000
(Deficit)/Surplus in scheme at beginning of year	(1,044)	73
<u>Movement in year:</u>		
Current service cost	(97)	(111)
Cash Contributions	86	68
Other finance (charge)/income	(13)	34
Actuarial (loss)	(137)	(1,108)
(Deficit) in scheme at end of year	<u>(1,205)</u>	<u>(1,044)</u>

The history of experience gains and losses is detailed as follows: -

	Year ending on 31 st August 2003 £'000	Year ending on 31 st August 2002 £'000
Difference between the expected and actual		
Return on scheme assets: -		
Amount	(179)	(753)
% of scheme assets	5.9%	20.8%
Experience gains and losses on scheme liabilities:		
Amount	129	(241)
% of the present value of the scheme liabilities	3.0%	5.2%
Total amount recognised in the statement of total		
Recognised gains and losses:		
Amount	(137)	(1,108)
% of the present value of the scheme liabilities	3.2%	23.8%

Following a contributions review carried out by the scheme actuary in February 2002, the Company agreed with the Trustees that, with effect from February 2002, its contributions would equal a combination of 13.8% of Pensionable Salaries, Death in Service insurance premiums and administration expenses, less employee contributions.

9. TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings £'000</u>	<u>Plant and Equipment £'000</u>	<u>Total £'000</u>
<u>Cost or Valuation</u>			
Cost or valuation 1st September 2002	665	2,168	2,833
Additions	-	6	6
	<u>665</u>	<u>2,174</u>	<u>2,839</u>
<u>Depreciation</u>			
At 1st September 2002	42	1,993	2,035
Charge for year	11	42	53
	<u>53</u>	<u>2,035</u>	<u>2,088</u>
<u>Net Book Values</u>			
At 31st August 2003	<u>612</u>	<u>139</u>	<u>751</u>
At 31st August 2002	<u>623</u>	<u>175</u>	<u>798</u>

During 1998 the Freehold Land & Buildings at Hamilton were valued by Lambert Smith Hampton, Chartered Surveyors. The valuation was carried out on an "existing use" basis and conducted in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

The Freehold Land & Buildings were valued again in 2003. Although the Chartered Surveyors, as a result of this later exercise, put a market valuation of £1,250,000 on the Land and Buildings, which is approximately £600,000 above current book value, the assets will not be revalued for accounting purposes in line with the Group having adopted FRS15 "Tangible Fixed Assets" as outlined under Note 1(b).

The figures stated above include Plant and Equipment under finance leases and similar hire purchase contracts with a net value of £0 (2002, £12,000).

Particulars relating to revalued assets are given below:-

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<u>Freehold Land and Buildings</u>		
At open market valuation	665	665
Aggregate depreciation thereon	(53)	(42)
Net Book Value	<u>612</u>	<u>623</u>
Historical cost of revalued assets	846	846
Aggregate depreciation thereon	(68)	(56)
Historical cost net book value	<u>778</u>	<u>790</u>

10. STOCKS

The amounts attributable to the various categories are as follows:-

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Raw materials	794	847
Consumables	<u>18</u>	<u>18</u>
	<u>812</u>	<u>865</u>

11. DEBTORS

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
All amounts falling within one year:-		
Trade debtors	1,606	2,656
Other debtors	120	3
Group companies	1,242	1,265
Prepayments	<u>104</u>	<u>123</u>
	<u>3,072</u>	<u>4,047</u>

12. CREDITORS - Falling due within one year

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Current instalments due on loans (Note 14)	-	-
Bank overdrafts (Note 13)	2,797	2,770
Trade creditors	1,049	1,531
Group companies	2,061	2,061
Accruals	54	70
Other Creditors	1	5
Hire Purchase creditors	-	4
	<u>5,962</u>	<u>6,441</u>

13. BANK OVERDRAFTS AND HIRE PURCHASE AGREEMENTS

The bank overdrafts and loans are secured by general floating charges, specific charges over the Company's Freehold Land and Buildings and certain trade assets. Various cross guarantees also exist between parent and subsidiaries and among individual subsidiaries. Liabilities under hire purchase are secured on the appropriate assets.

14. <u>CREDITORS - Falling due after more than one year</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Equipment Loans (secured)	—	5
Total Loans	—	5
Less Current Portion of Loans		
Equipment Loans	—	(4)
	—	1
Due within two years	—	1

15. <u>CALLED UP SHARE CAPITAL</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Authorised:-		
100,000 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:-		
61,000 Ordinary Shares of £1 each	<u>61</u>	<u>61</u>

16. RESERVES

	<u>Profit & Loss Account</u> <u>£000</u>
Balance at 1st September 2002	580
(Loss) for year	<u>(612)</u>
Balance at 31st August 2003	<u>(32)</u>

17. MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<u>Year Ended 31st August 2003</u>		
(Loss) for Financial Year	(612)	(176)
Shareholders' Funds as at 31 st August 2002	<u>641</u>	<u>817</u>
Shareholders' Funds as at 31 st August 2003	<u>29</u>	<u>641</u>

18. COMMITMENTS

a) Forward Foreign Currency Contracts

At 31st August 2003 the Company had forward currency contracts in respect of \$1,250,000 (2002: \$750,000) due from overseas debtors.

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
b) Capital		
Contracted for	—	—
c) Operating Leases		
Expiring within one year	13	19
Expiring within two to five years	<u>8</u>	<u>21</u>

19. SALE OF FORMER US OPERATIONS

With effect from 30th June, 1998 the Company sold its former US operations. During the pre-purchase investigations significant environmental problems came to light, for which Ireland Alloys Limited provided the purchaser (ELG) with relevant environmental warranties in addition to certain general warranties.

In May 2000, a Settlement Agreement was entered into with ELG under which the original sale and purchase agreement was terminated. Simultaneously, a payment was made from escrow to ELG in settlement of all warranty and other claims under this original agreement, with the exception of two environmentally related issues at Houston. During November 2000, one of the environmental issues was resolved and, as a consequence, a sum was immediately released to the Company from Escrow leaving \$2.0 million, the Company's maximum liability, in Escrow at 31st August 2003.

The remaining issue, remediation at the Houston site, is the subject of continuing discussion between ELG and the Texas Commission on Environmental Quality who will determine how and when this matter will be finally settled. As a result a contingent liability of \$2.0 million (£1.26 million) exists at 31st August 2003 (2002: £1.29 million).

20. POST BALANCE SHEET EVENT

As explained in note 1, on 3 June 2004 the ultimate parent undertaking confirmed its intention to dispose of the entire share capital of the company, with completion expected to take place on or about 30 June 2004. It is expected by the directors that the disposal arrangements will result in balances due to/by the company from/to other members of the Ireland Alloys (Holdings) Limited group being waived.

In addition, contemporaneously with the proposed sale of the company's entire issued share capital, the company expects to enter into a compromise agreement with the

Trustees of The Ireland Alloys Limited Group Retirement Benefits Plan ("the Trustees") which, inter alia, will result in the company's rights and interest in the Settlement Agreement entered into with ELG in May 2000 (note 19) being assigned to the Trustees. Furthermore, under the compromise agreement which the company expects to enter into, the balance of cash remaining in the Escrow account at that time is expected also to be transferred to the Trustees.

In return for the company assigning to the Trustees its rights and interest in the settlement agreement and the balance of cash remaining in the Escrow account, it is expected that the Trustees will release the company from any and all liability under, arising out of, or pursuant to The Ireland Alloys Limited Group Retirement Benefits Plan ("the Pension Plan") including, but not limited to, all liability under section 75 of the Pensions Act 1995 and subordinate legislation.

Based on the balance sheet position at 31 August 2003, and excluding the effects of trading activity in the period since 31 August 2003, the financial impact on the company on completion of the disposal in the manner envisaged would be to reduce the net assets of the company by £660,000, to eliminate the contingent liability referred to in note 19 and to eliminate the company's ongoing financial exposure to the Pension Plan.

21. ULTIMATE HOLDING COMPANY

The Ultimate Holding Company of Ireland Alloys Limited at 31 August 2003 was Ireland Alloys (Holdings) Limited, a company registered in the United Kingdom.