

Registered Number 158672

Firth Rixson Forgings Limited
Annual Report
for the year ended 30 September 2004



Firth Rixson Forgings Limited
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for the year ended 30 September 2004
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Firth Rixson Forgings Limited

Directors and advisors for the year ended 30 September 2004

Directors

N A MacDonald

W J Cotton

P S Bland

J C M F Bergin

Secretary

G M Thraves

Registered Office

Firth Rixson Forgings Limited

Dale Road North

Darley Dale

Matlock

Derbyshire

DE4 2JB

Auditors

PricewaterhouseCoopers LLP

1 East Parade

Sheffield

S1 2ET

Bankers

HSBC plc

17 Church Street

Sheffield

S1 1HH

Firth Rixson Forgings Limited

Directors' report for the year ended 30 September 2004

The directors present their report and the audited financial statements of the company for the year ended 30 September 2004.

Principal activities

The company's principal activity during the year was the production of drop, press, extrusion and upset forgings in alloy and carbon steels, nickel based, titanium and other special alloys.

Review of business and future developments

Both the level of business and the year-end financial position were satisfactory given the present market conditions, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The profit and loss account for the year is set out on page 6. The directors do not recommend the payment of a final dividend (2003: £nil) and the retained profit of the company has been transferred to reserves.

Directors and their interests

The directors who held office during the year are given below:

N A MacDonald
W J Cotton
P S Bland
J C M F Bergin

In accordance with the Articles of Association, none of the directors are required to retire by rotation.

The directors at 30 September 2004 had no interests in the shares of the company.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

Firth Rixson Forgings Limited

Supplier payment policy

It is company policy that appropriate terms and conditions for transactions with its suppliers should be agreed which may range from standard terms and conditions to individually negotiated contracts. Payments in relation thereto should therefore be made in accordance with those terms and conditions subject to reciprocal compliance by the supplier and to our own major customers fulfilling the same criteria.

The number of creditor days in relation to trade creditors outstanding at the year end was 79 days (2003: 57 days).

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board



P S Bland

Director

17 December 2004

Firth Rixson Forgings Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 30 September 2004 and that applicable accounting policies have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

A handwritten signature in black ink, appearing to read 'P S Bland', written over a horizontal line.

P S Bland

Director

14 December 2004

Firth Rixson Forgings Limited

Independent auditors' report to the members of Firth Rixson Forgings Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

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

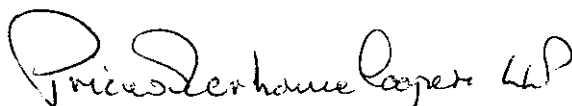
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Sheffield

20 December 2004

Firth Rixson Forgings Limited

Profit and loss account for the year ended 30 September 2004

	Note	2004 £'000	2003 £'000
Turnover	1	59,929	50,894
Cost of sales		(54,112)	(48,181)
Gross profit		5,817	2,713
Distribution costs		(815)	(1,029)
Administrative expenses		(994)	(969)
Other operating income		81	7
Operating profit before exceptional items		4,566	2,484
Exceptional items	4	(477)	(1,762)
Operating profit	5	4,089	722
Net interest payable and similar charges	6	(270)	(2)
Profit on ordinary activities before taxation		3,819	720
Tax on profit on ordinary activities	7	(1,091)	(157)
Retained profit for the financial year	17	2,728	563

All items dealt with in arriving at operating profit above relate to continuing operations.

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

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

Firth Rixson Forgings Limited

Balance sheet as at 30 September 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	8	12,927	12,490
Investments	9	180	180
		13,107	12,670
Current assets			
Stock	10	7,418	5,151
Debtors	11	10,829	8,456
Cash at bank and in hand		3,050	4,319
		21,297	17,926
Creditors: amounts falling due within one year	12	(16,212)	(11,592)
Net current assets		5,085	6,334
Total assets less current liabilities		18,192	19,004
Creditors: amounts falling due after more than one year	13	(7,684)	(11,224)
Provisions for liabilities and charges	14	(889)	(889)
Net assets		9,619	6,891
Capital and reserves			
Called up share capital	15	4,900	4,900
Revaluation reserve	16	1,428	1,428
Profit and loss account	16	3,291	563
Equity shareholders' funds	17	9,619	6,891

The financial statements on pages 6 to 20 were approved by the board of directors on 17 December 2004 and were signed on its behalf by:



N A MacDonald
Director

Firth Rixson Forgings Limited

Statement of accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention as modified by the revaluation of certain tangible fixed assets. A summary of the main accounting policies, which have been applied consistently, is stated below.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996).

Consolidated financial statements

As permitted by Section 229 of the Companies Act 1985 Firth Rixson Forgings Limited does not prepare consolidated accounts as its results are fully consolidated in the financial statements of Forgings International Holdings Limited.

Investments

Investments are shown in the balance sheet at cost less any amounts written off for permanent diminution in value.

Fixed assets

Interests in land and buildings are stated at cost or valuation on an open market, existing use basis. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation of fixed assets other than freehold land, which is not depreciated, is calculated so as to write off the cost or value of fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned.

The periods generally used are:

Freehold buildings	50 years
Plant and machinery	10 to 15 years
Motor vehicles	3 to 4 years
Tools and dies	3 years

Following the implementation of FRS 15 "Tangible fixed assets" the carrying value of previously revalued freehold land and buildings has been frozen as permitted by the transitional provisions of the standard.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and an appropriate proportion of production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Firth Rixson Forgings Limited

Finance and operating leases

Leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged on a straight line basis over the lease term.

Pensions

The company contributes to a group pension scheme operated by its intermediate parent undertaking, Firth Rixson Limited. Contributions and pension costs are based on pension costs across the group as a whole. Pension costs are accounted for on the basis of charging the expected cost of providing the pensions over the period during which the company benefits from the employees' services. The effects of variations from regular costs are spread over the expected remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals. The group has taken the transitional approach as prescribed by FRS 17 'Retirement benefits' for this year. As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the scheme will be accounted for by the company as a defined contribution scheme under FRS 17. The transitional disclosures in respect of FRS 17 are given in the accounts of Forgings International Holdings Limited.

Turnover

Turnover represents the invoiced value of goods and services supplied, net of value added tax. Under normal circumstances, revenue from product sales and hirework services is recognised upon delivery to the customer or, in the case of goods supplied ex-works, generally upon collection by the customer or their agent. Where consignment stock arrangements are in place, revenue is recognised upon notification by the customer that the product has been withdrawn from consignment or, where relevant, on expiry of a fixed contractual term.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Related party transactions

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Forgings International Holdings Limited group.

Firth Rixson Forgings Limited

Notes to the financial statements for the year ended 30 September 2004

1 Segmental reporting

The company's turnover and operating profit relate entirely to its principal activity and is derived solely from activities within the United Kingdom. The geographical analysis of turnover is:

	2004 £'000	2003 £'000
United Kingdom	19,220	17,845
Other Europe	20,974	18,593
North America	17,919	12,383
Rest of the World	1,816	2,073
	59,929	50,894

2 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

By activity	2004 Number	2003 Number
Full time employees	483	533

	2004 £'000	2003 £'000
Wages and salaries	12,061	11,314
Social security costs	955	843
Other pensions costs	715	715
	13,731	12,872

Firth Rixson Forgings Limited

3 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	156	149
Number of directors with retirement benefits accruing under a defined benefit scheme	1	1

N A MacDonald, P S Bland and J C M F Bergin receive no emoluments in respect of their services as directors of the company.

4 Exceptional items

	Rationalisation £'000	Other £'000	Total exceptional items 2004 £'000	2003 £'000
Cost of sales	246	25	271	1,409
Distribution costs	65	4	69	315
Administrative expenses	3	134	137	38
	314	163	477	1,762

Exceptional items relating to rationalisation arose from the reduction of headcount in the company in the year (2003: £391,000). The other exceptional items which would normally be classified under cost of sales (2003: £1,058,000) have arisen as a result of a more prudent approach being taken on the recoverability of other debtors and the net realisable value of stock. The exceptional items which would normally be classified under distribution costs and administrative expenses have arisen as a result of the provision of termination costs for a sales agent (2003: £313,000).

Firth Rixson Forgings Limited

5 Operating profit

	2004	2003
	£'000	£'000
<hr/>		
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
Owned assets	1,813	1,816
Leased assets	34	34
Auditors' remuneration:		
Audit	61	40
Other services	12	8
Operating lease rentals:		
Plant and machinery	217	241
Other	8	8
Profit on disposal of tangible fixed assets	(3)	-
<hr/>		

6 Net interest payable and similar charges

	2004	2003
	£'000	£'000
<hr/>		
Interest payable to fellow group undertakings	267	-
Finance leases	2	3
Other interest payable/(receivable)	1	(1)
	270	2
<hr/>		

Firth Rixson Forgings Limited

7 Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current tax		
United Kingdom corporation tax on profits in the year at 30% (2003: 30%)	1,147	371
Adjustments in respect of prior years	(56)	(110)
Total current tax	1,091	261
Deferred tax		
Origination and reversal of timing differences	-	(104)
Tax on profit on ordinary activities	1,091	157

The tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	3,819	720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	1,146	216
Expenses not deductible for tax purposes	3	5
Accelerated capital allowances and other timing differences	(2)	150
Adjustment to tax charge in respect of prior years	(56)	(110)
Current tax charge for the year	1,091	261

Firth Rixson Forgings Limited

8 Tangible assets

	Freehold land and buildings	Plant and machinery	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 October 2003	5,398	35,781	41,179
Additions	-	2,284	2,284
Disposals	-	(360)	(360)
At 30 September 2004	5,398	37,705	43,103
Accumulated depreciation			
At 1 October 2003	306	28,383	28,689
Charge for the year	74	1,773	1,847
Disposals	-	(360)	(360)
At 30 September 2004	380	29,796	30,176
Net book value			
At 30 September 2004	5,018	7,909	12,927
At 30 September 2003	5,092	7,398	12,490
Cost or valuation at 30 September 2004 is represented by:			
Cost	73	37,705	37,778
Valuation - 1999	5,325	-	5,325
	5,398	37,705	43,103

The category plant and machinery includes fixtures and fittings, motor vehicles, computer equipment and tools & dies, which are separately not material. Within this category are fixed assets held under finance lease, the net book value of which at 30 September 2004 was £96,000 (2003: £130,000).

The company's freehold land and buildings were revalued as at 30 September 1999 by Lane Walker, commercial property consultants, on the basis of open market value for their existing use.

The cost or valuation attributable to freehold land and buildings includes £1,660,000 (2003: £1,660,000) in respect of freehold land which is not depreciated.

Firth Rixson Forgings Limited

If the revaluation had not taken place the aggregate amounts attributable to land and buildings would have been:

	2004	2003
	£'000	£'000
Cost	5,374	5,374
Aggregate depreciation	(791)	(717)
Net book value based on cost	4,583	4,657

9 Fixed asset investments

Fixed asset investments comprise the cost of the entire issued share capital of Shildon Forge Limited, a dormant company incorporated and registered in England and Wales.

10 Stock

	2004	2003
	£'000	£'000
Raw materials	1,327	1,061
Work in progress	3,959	2,612
Finished goods	2,132	1,478
	7,418	5,151

11 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year		
Trade debtors	10,153	7,641
Amounts owed by parent company and fellow subsidiary undertakings	-	194
Other debtors	527	454
Prepayments and accrued income	149	167
	10,829	8,456

Firth Rixson Forgings Limited

12 Creditors – amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	11,560	7,341
Amounts owed to parent and fellow subsidiary undertakings	1,658	1,416
Finance leases (Note 19)	49	49
Corporation tax payable	1,149	427
Other taxation and social security	276	279
Other creditors	754	246
Accruals and deferred income	766	1,834
	16,212	11,592

13 Creditors – amounts falling due after more than one year

	2004	2003
	£'000	£'000
Amounts owed to fellow subsidiary undertakings	7,400	10,890
Finance leases (Note 19)	284	334
	7,684	11,224

14 Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	2004	2003
	£'000	£'000
Tax effect of timing differences because of:		
Accelerated capital allowances	927	998
Short term timing differences	(38)	(109)
	889	889

Firth Rixson Forgings Limited

There has been no movement in the provision for deferred taxation during the year.

In view of the availability of capital losses in other group companies, no tax liability would arise if revalued tangible fixed assets were sold at their revalued amount.

15 Called up share capital

	2004 £'000	2003 £'000
Authorised		
4,900,000 ordinary shares of £1 each	4,900	4,900
Allotted and fully paid		
4,900,000 ordinary shares of £1 each	4,900	4,900

16 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 October 2003	1,428	563
Retained profit for the financial year	-	2,728
At 30 September 2004	1,428	3,291

Firth Rixson Forgings Limited

17 Reconciliation of movements in shareholders' funds

	2004	2003
	£'000	£'000
Profit for the financial year	2,728	563
Opening shareholders' funds	6,891	6,328
Closing shareholders' funds	9,619	6,891

18 Capital commitments

	2004	2003
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	510	230

19 Financial commitments

At 30 September 2004 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Plant, machinery and motor vehicles	
	2004	2003
	£'000	£'000
Within one year	8	10
Within one to two years	119	-
Within two to five years	55	216
Over five years	38	-
	220	226

Firth Rixson Forgings Limited

The finance lease obligations to which the company is committed are payable:

	2004 £'000	2003 £'000
Within one year	49	49
Within one and two years	50	199
Within two and five years	150	135
Over five years	84	-
	333	383

20 Pension commitments

The company participates in a group pension scheme operated by Firth Rixson Limited. The scheme consists of a defined benefit section, which was closed to new members from 6 April 2001, and a defined contribution section for new members. It is set up under trust and is separately funded. The scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. The latest actuarial assessment of the scheme was at 5 April 2002. Further details of the pension scheme are disclosed in the consolidated financial statements of Forgings International Holdings Limited.

As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the scheme will be accounted for by the company as a defined contribution scheme under FRS 17. The transitional disclosures in respect of FRS 17 are given in the accounts of Forgings International Holdings Limited.

The total pension cost for the company was £715,000 (2003: £715,000) and the balance sheet provision at year end was £86,000 (2003: £82,000).

21 Contingent liabilities

The company has given a guarantee to HM Customs & Excise in respect of VAT deferment duty. At 30 September 2004, the guarantee given amounted to £nil (2003: £60,000).

The company has given guarantees in respect of the bank borrowings of certain other subsidiaries of the group. At 30 September 2004 borrowings covered by these guarantees amounted to £102,000,000 (2003: £77,682,000). In the opinion of the directors, no loss will arise in connection with these matters.

Other bank guarantees at the year end amount to £31,000 (2003: £22,000) which have arisen out of the normal course of trading.

Firth Rixson Forgings Limited

22 Immediate parent company and ultimate controlling party

The immediate parent undertaking of the company is Firth Rixson Limited, a company incorporated in England & Wales.

The directors regard The Carlyle Group to be the ultimate controlling party of the company.

The largest and smallest group in which the results of the company are consolidated is *Forgings International Holdings Limited's* consolidated financial statements, copies of which may be obtained from Firth House, PO Box 644, Meadowhall Road, Sheffield, S9 1JD.