

Registered number: 230737

Firth Rixson Limited
Annual report
for the year ended 30 September 2011

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Firth Rixson Limited
Annual report
for the year ended 30 September 2011
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Firth Rixson Limited

Directors and advisers for the year ended 30 September 2011

Directors

P S Bland
D C Mortimer
M J Warren
B W McKenzie
A Smith
C D Seymour
D M Kaden

Company secretary

C D Seymour

Registered office

Firth House
PO Box 644
Meadowhall Road
Sheffield
England
S9 1JD

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 East Parade
Sheffield
S1 2ET

Bankers

HSBC
Carmel House
49-63 Fargate
Sheffield
S1 2HD

Firth Rixson Limited

Directors' report for the year ended 30 September 2011

The directors present their report and the audited financial statements of Firth Rixson Limited ("the Company") for the year ended 30 September 2011

Principal activities

The principal activity of the Company is that of an intermediate holding company. Turnover represents amounts recharged to fellow subsidiary companies for services performed.

Review of business and future developments

The profit and loss account for the year is set out on page 6. Both the level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

The directors of Firth Rixson (Cyprus) Limited (together with its subsidiaries 'the Group') manage the Group's risks at a Group level. For this reason, the Company's directors believe that discussion of the Group's risks and analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, and the development, performance and position of the Company are discussed in the directors' report in the Group's financial statements which do not form part of this report.

Dividends

The directors do not recommend the payment of a final dividend (2010: £nil).

Directors

The directors who held office during the year were as follows:

P S Bland
J T Hart (resigned 24 February 2011)
D C Mortimer
R G P Taylor (resigned 30 June 2011)
M J Warren
B W McKenzie
A Smith
C D Seymour (appointed 23 February 2011)
D M Kaden (appointed 30 June 2011)

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

Independent 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.

On behalf of the Board



C D Seymour
Director
9 December 2011

Firth Rixson Limited

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



C D Seymour
Director
9 December 2011

Firth Rixson Limited

Independent auditors' report to the members of Firth Rixson Limited

We have audited the financial statements of Firth Rixson Limited for the year ended 30 September 2011 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Firth Rixson Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Ward (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Sheffield

9 December 2011

Firth Rixson Limited

Profit and loss account for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Turnover	1	3,992	3,847
Cost of sales		(195)	(2,228)
Gross profit		3,797	1,619
Administrative expenses		(3,884)	(7,752)
Operating loss	4	(87)	(6,133)
Other income	5	8,951	-
Loss on liquidation of subsidiaries	10	(8,991)	(239)
Loss on ordinary activities before interest and tax		(127)	(6,372)
Income from investments	6	588,875	15,000
Net interest receivable / (payable)	7	145	(2,188)
Profit on ordinary activities before tax		588,893	6,440
Tax on profit on ordinary activities	8	5,017	1,609
Profit for the financial year	18	593,910	8,049

All items dealt with in arriving at the operating loss above relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the 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 Limited

Balance sheet as at 30 September 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	9	470	436
Investments	10	152,503	181,121
Loans to Group undertakings	11	18,925	18,925
		171,898	200,482
Current assets			
Debtors	12	781,538	173,692
Cash at bank and in hand		30	56
		781,568	173,748
Creditors amounts falling due within one year	13	(292,259)	(307,113)
Net current assets/(liabilities)		489,309	(133,365)
Total assets less current liabilities		661,207	67,117
Provisions for liabilities and charges	15	(5,759)	(5,657)
Net assets		655,448	61,460
Capital and reserves			
Called up share capital	16	19,287	19,287
Share premium account	18	32,840	32,840
Profit and loss account	18	603,321	9,333
Total shareholders' funds	19	655,448	61,460

The financial statements on pages 6 to 22 were approved by the Board of Directors on 9 December 2011 and were signed on its behalf by



P S Bland
Director

Registered number: 230737

Firth Rixson Limited

Statement of accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the main accounting policies, which have been applied consistently, is stated below.

Cash flow statement

The Company is ultimately owned by Firth Rixson (Cyprus) Limited, which prepares a consolidated cash flow statement. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements' (revised 1996).

Consolidated financial statements

The Company is a wholly-owned subsidiary and is included in the consolidated financial statements of Firth Rixson (Cyprus) Limited which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Turnover

Turnover represents amounts recharged to fellow subsidiary companies for services performed. Turnover is recognised when it is probable that the economic benefit associated with the transaction will accrue to the Company, and the amount of revenue can reliably be determined. Turnover is stated net of value added tax and is recognised upon invoice in accordance with the substance of the underlying agreements.

Investments

Investments in subsidiary undertakings are stated at cost less any necessary provision for impairment, to reduce book value to recoverable amount.

Foreign currencies

Monetary 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 transaction. All differences on exchange are recorded in the profit and loss account. Foreign exchange contracts are held at the year end to hedge against future foreign currency cashflows.

Tangible assets

Tangible assets are stated at cost or valuation, less accumulated depreciation. 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 of fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The periods generally used are:

Plant and machinery	10-15 years
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Operating leases

Annual rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Firth Rixson Limited

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Pensions

The Company contributes to a Group pension scheme which consists of a defined benefit section, which is now closed to new members with effect from 6 April 2001 and a defined contribution section for new members. Contributions and pension costs are based on pension costs across the Group as a whole.

The Company is unable to identify its share of the underlying assets and liabilities of the Group scheme, and the Group has applied the multi-employer exemption provisions of the standard, FRS17 'Retirement benefits' and therefore the scheme will be accounted for by the Company as a defined contribution scheme under the standard. The Company charges contributions to the scheme when they become payable.

The disclosures on a Group basis are detailed in the financial statements of Firth Rixson (Cyprus) Limited under IAS 19 'Employee benefits' which in this case has no differences from the equivalent UK GAAP standard, FRS 17 'Retirement benefits'.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the expected vesting period is determined by reference to the fair value of options granted, excluding the input of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. The Company recognises an expense in the profit and loss account in a similar way based on those options granted to subsidiary employees, with a corresponding adjustment to equity.

Related party transactions

The Company is exempt under the terms of FRS 8 'Related party transactions' from disclosing related party transactions with entities that are part of the Firth Rixson (Cyprus) Limited group.

Firth Rixson Limited

Notes to the financial statements for the year ended 30 September 2011

1 Turnover

The Company's turnover and operating profit relate entirely to its principal activity. All of the Company's turnover is derived from activities within the United Kingdom, the United States, Hungary and China. The Company has taken advantage of the exemption from the presentation of segmental information under the terms of SSAP 25 'Segmental Reporting'.

2 Employee information

	2011 £'000	2010 £'000
Wages and salaries	1,639	2,825
Social security costs	133	129
Other pensions costs	821	3,415
Share-based payments (note 17)	78	481
	2,671	6,850

	2011 Number	2010 Number
Average number of employees (including executive directors)	25	30
Number employed at 30 September	26	29

Number employed split by activity	2011 Number	2010 Number
Works staff	5	5
Sales, general and administration	21	24
	26	29

Other pension costs represent contributions into the defined benefit and defined contribution pension schemes (note 21).

Firth Rixson Limited

3 Directors' emoluments

	2011	2010
	£'000	£'000
Aggregate emoluments in respect of qualifying services	522	477
Company pension contributions to defined contribution scheme	5	4

Retirement benefits are not accruing to any directors (2010: one) under a defined benefit scheme and two directors (2010: one) under a defined contribution scheme

Highest paid director

	2011	2010
	£'000	£'000
Total amount of emoluments	389	352
Accrued pension at the end of the year	-	40
Accrued lump sum at the end of the year	-	17

4 Operating loss

	2011	2010
	£'000	£'000
Operating loss is stated after charging/(crediting)		
Depreciation of tangible fixed assets (note 9)	164	204
Operating lease charges - plant and machinery	17	120
Foreign exchange (gains) / losses	(743)	1,593

Firth Rixson Limited

During the year the Company obtained the following services from the group's auditors as detailed below

	2011 £'000	2010 £'000
Audit services		
Fees payable to the Company auditors	148	126
Non-audit services		
Tax services	61	84
Others	69	49
	278	259

5 Other income

During the year, as a result of the liquidation of a number of subsidiary companies (see note 10) the Company was allocated intercompany debtors of £8,951,000

6 Income from investments

During the year the Company received dividends of £588,875,000 from JFB Overseas Holdings Limited as part of a capital restructuring of the Group (see note 10) In the prior year the company received dividends of £10,000,000 from Firth Rixson Forgings Limited and £5,000,000 from Firth Rixson Metals Limited

7 Net interest receivable / (payable)

	2011 £'000	2010 £'000
Group interest receivable / (payable)	560	(1,812)
Bank interest payable	(65)	(22)
Other interest payable	(350)	(354)
	145	(2,188)

Firth Rixson Limited

8 Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax		
United Kingdom corporation tax on ordinary activities	(1,537)	(1,750)
Adjustments in respect of prior years	(259)	512
Total current tax	(1,796)	(1,238)
Deferred tax		
Origination and reversal of timing differences	1,486	(409)
Adjustments in respect of prior years	(4,707)	38
Total deferred tax (note 14)	(3,221)	(371)
Tax credit on profit on ordinary activities	(5,017)	(1,609)

Adjustments in respect of prior years in relation to deferred taxation represent the recognition of previously unrecognised losses which are now expected to be offset against future taxable profits

During the year, as a result of the change in UK corporation tax rates effective from 1 April 2011, deferred tax balances have been re-measured. Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2012 is measured at a tax rate of 26% (2010: 28%) and deferred tax relating to temporary differences expected to reverse after 1 April 2012 is measured at a tax rate of 25% (2010: 27%), as these are the tax rates which will apply on reversal.

The tax assessed for the year is different from the effective rate of corporation tax in the United Kingdom of 27% (2010: 28%). The differences are explained below.

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	588,893	6,440
Profit on ordinary activities multiplied by effective rate of corporation tax in the United Kingdom of 27% (2010: 28%)	159,001	1,804
Change in future rate at which deferred tax expected to reverse	(119)	15
Dividend income not taxable	(161,413)	(4,200)
Expenses not deductible for tax purposes	31	20
Loss on liquidation of investment not deductible	2,428	67
Deferred tax not recognised on share-based payments	21	135
Accelerated capital allowances and other timing differences	(1,486)	409
Adjustment to tax charge in respect of prior years	(259)	512
Current tax credit for the year	(1,796)	(1,238)

Firth Rixson Limited

9 Tangible assets

	Total £'000
Cost	
At 1 October 2009	7,446
Additions	223
Disposals	(28)
Intra-group disposals	(6,372)
At 30 September 2010	1,269
Accumulated depreciation	
At 1 October 2009	635
Charge for the year	204
Disposals	(6)
At 30 September 2010	833
Net book value	
At 30 September 2010	436
At 30 September 2009	6,811
Cost	
At 1 October 2010	1,269
Additions	198
At 30 September 2011	1,467
Accumulated depreciation	
At 1 October 2010	833
Charge for the year	164
At 30 September 2011	997
Net book value	
At 30 September 2011	470
At 30 September 2010	436

All tangible fixed assets above represent plant and equipment

Firth Rixson Limited

10 Investments

	£'000
Cost	
At 1 October 2010	210,488
Additions	612,902
Disposals	(612,900)
Liquidation of subsidiaries	(33,474)
At 30 September 2011	177,016
Accumulated impairment	
At 1 October 2010	(29,367)
Liquidation of subsidiaries	4,854
At 30 September 2011	(24,513)
Net book value	
At 30 September 2011	152,503
At 30 September 2010	181,121

Listed below are the principal subsidiaries, all of which are incorporated and operate in Great Britain and are registered in England. All subsidiaries are wholly owned.

Subsidiary	Nature of business
Firth Rixson Forgings Limited	Trading company
Firth Rixson Rings Limited	Non-trading company
Firth Rixson Metals Limited	Trading company
JFB Overseas Holdings Limited	Intermediate trading company

The directors have taken advantage of the Companies Act 2006 exemption to disclose only the principal operating investments.

Issue of bonus shares and capital reduction by subsidiary undertaking

On 2 August 2011, JFB Overseas Holdings Limited, a subsidiary undertaking of the Company undertook a capital restructuring whereby it issued 612,900,000 ordinary shares with a nominal value of £1 each to the Company for nil consideration, as a bonus issue to capitalise non-distributable profit and loss reserves.

On the same date, JFB Overseas Holdings Limited carried out a capital reduction supported by solvency statement using the provisions of s 642 of the Companies Act. All of the shares created by the bonus issue were cancelled, creating distributable profit and loss reserves of £612,900,000. These reserves were utilised to pay a dividend in specie of £588,875,000 to the Company.

Firth Rixson Limited

Liquidation of subsidiaries

During the year Barworth Flockton Limited, The Bogawantalawa District Tea Company Limited, Johnson & Firth Brown (Holdings) Limited, Johnson & Firth Brown PLC, Ring Rolled Products Limited, Smithfield House (BRC) Limited, Spartan Sheffield Limited, TW Riley Limited, Weston Evans Group Limited and Weston House (RMC) Limited, all subsidiary undertakings of the Company, were liquidated. As a result of this the Company wrote off the carrying value of its investments in the subsidiary undertakings of £28,620,000 and received first and final distributions of £19,629,000 resulting in a net loss on liquidation of £8,991,000 (2010 £239,000), before allocating intercompany debtors of £8,951,000 resulting in an overall loss of £40,000 (2010 £239,000)

11 Loans to Group undertakings

	2011 £'000	2010 £'000
Loans to Group undertakings	18,925	18,925

The loan made to a fellow subsidiary undertaking bears interest of 4.0% and has no fixed repayment date

12 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year.		
Amounts owed by Group undertakings	774,369	170,949
Other debtors	1,072	909
Corporation tax	1,537	495
Deferred tax (note 14)	4,560	1,339
	781,538	173,692

Of the amounts owed by Group undertakings £11,076,000 is owed by Group undertakings based in the United States and bears interest of 4.3% £13,378,000 is owed by Group undertakings based in Hungary and bears interest of 4.0%. Remaining amounts of £749,915,000 are owed by UK-based Group undertakings and are interest free

All amounts owed by Group undertakings are unsecured and repayable on demand

Firth Rixson Limited

13 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank overdraft	68,392	50,359
Trade creditors	450	866
Amounts owed to Group undertakings	221,354	254,107
Social security and other taxes	973	580
Other creditors	175	217
Accruals and deferred income	915	984
	292,259	307,113

Of the amounts owed to Group undertakings £49,706,000 is owed to Group undertakings based in the United States and bears interest of 4.0%. Remaining amounts of £171,648,000 are owed to UK based Group undertakings and are interest free

All amounts owed by Group undertakings are unsecured and repayable on demand

14 Deferred taxation

The movement on the deferred taxation balance comprises

	£'000
At 1 October 2010	1,339
Credited to the profit and loss account	3,221
At 30 September 2011	4,560

The deferred tax asset recognised in the financial statements is as follows

	2011 £'000	2010 £'000
Tax effect of timing differences because of		
Losses	3,542	-
Short term timing differences	610	931
Accelerated capital allowances	408	408
Deferred tax asset	4,560	1,339

If the rate of tax enacted at the balance sheet date in the United Kingdom had been 24%, the deferred taxation asset at 30 September 2011 would have been £4,378,000

Firth Rixson Limited

15 Provisions for liabilities and charges

	Environmental liability	Employer's liability	Total
	£'000	£'000	£'000
At 1 October 2010	1,096	4,561	5,657
Utilised in the year	-	(88)	(88)
Unused amounts reversed	-	(112)	(112)
Unwinding of discount	107	195	302
At 30 September 2011	1,203	4,556	5,759

The environmental liability provision is in respect of future costs for environmental and key health and safety issues of the Group based on an independent assessment

The employer's liability provision is in respect of the directors' estimate of past insurance excesses and other amounts payable for employer's liability issues as they crystallise

16 Called up share capital

	2011	2010
	£'000	£'000
Authorised		
255,000,000 (2010 255,000,000) ordinary shares of 10p each	25,500	25,500
	2011	2010
	£'000	£'000
Allotted and fully paid		
192,865,029 (2010 192,865,029) ordinary shares of 10p each	19,287	19,287

17 Share-based payments

Management award plan

The plan involves the grant of options to purchase shares in Firth Rixson (Cyprus) Limited, the parent undertaking of the Group, to senior management at an exercise price set by the remuneration committee at the time of grant. There are three types of options granted, each with separate vesting conditions, service of employment, EBITDA performance of the Group and market value of the Group on change of control. A failure to meet a target causes the option to lapse.

The contractual life of each option is ten years and there are no cash settlement alternatives.

Firth Rixson Limited

The expense recognised for share-based payments in respect of employee service during the year to 30 September 2011 is £78,000 (2010 £481,000) all arising from equity settled share based payment transactions from options issued in 2008 and 2011. Options granted in the year ended 30 September 2009 with the same vesting and exercise conditions as those granted in 2008 were calculated as having a £nil fair value at date of grant, and hence a £nil charge to the income statement. There were no options granted in the year ended 30 September 2010.

The following table illustrates the number and movements in share options during the year

	2011	2010
	Number	Number
	'000	'000
Outstanding at 1 October	7,363	7,091
Granted during the year	409	-
Expired during the year	(817)	-
Transferred during the year	-	272
Outstanding as at 30 September	6,955	7,363
Exercisable as at 30 September	3,362	2,945

The weighted average exercise price for all the options is £1 and for the share options outstanding as at 30 September 2011, the weighted average remaining contractual life is 7.0 years (2010 7.2 years).

The fair value of equity settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for options granted.

	2011	2010
Dividend yield	-	-
Expected share price volatility	30.0%	-
Risk free interest rate	0.7%	-
Expected life of options	3.0 years	-

The expected share price volatility has been calculated with reference to the market volatility of similar listed companies in the Group's market sector.

Firth Rixson Limited

18 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 October 2010	32,840	9,333
Profit for the financial year	-	593,910
Share-based payments	-	78
At 30 September 2011	32,840	603,321

19 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	593,910	8,049
Share-based payments	78	481
Opening shareholders' funds	61,460	52,930
Closing shareholders' funds	655,448	61,460

Firth Rixson Limited

20 Commitments

(a) Capital commitments

At 30 September 2011 the Company had capital commitments of £nil (2010 £nil) in respect of property, plant and equipment

(b) Operating lease commitments

At 30 September 2011 the Company had annual commitments under non-cancellable operating leases expiring as follows

	Plant and equipment	
	2011	2010
	£'000	£'000
Within one year	9	5
Within one to two years	2	15
Within two to five years	-	2
	11	22

21 Pension commitments

The Company participates in a Group pension scheme. The scheme consists of a defined benefit section, which closed to new members with effect 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. A full actuarial valuation was carried out at 5 April 2008 and updated to 30 September 2011 by a qualified independent actuary. The results of the full actuarial valuation carried out at 5 April 2011 had not been finalised at 30 September 2011 and consequently have not been included in these financial statements. Further details of the pension scheme are disclosed in the consolidated financial statements of Firth Rixson (Cyprus) Limited. These financial statements show a net pension deficit at 30 September 2011 of £29.9m (2010 £21.7m).

The Company is unable to identify its share of the underlying assets and liabilities of the Group scheme, and the Group has applied the multi-employer exemption provisions of the standard, and therefore the scheme will be accounted for by the Company as a defined contribution scheme under FRS 17. The adoption and related disclosure on a Group basis are detailed in the accounts of Firth Rixson (Cyprus) Limited under IAS 19 which in this case has no differences from the equivalent UK GAAP standard, FRS 17.

The total pension cost for the Company was £821,000 (2010 £3,415,000) including £725,000 (2010 £3,225,000) in respect of the Company's proportion of additional contributions made during the year by the Firth Rixson group into the defined benefit section of the Group pension scheme. The balance sheet provision at year end was £nil (2010 £nil).

Firth Rixson Limited

22 Contingent liabilities

The Company has given guarantees in respect of the bank borrowings of FR Acquisition Holding Corporation (Luxembourg) S A R L , and other Group subsidiaries. At 30 September 2011 borrowings covered by these guarantees amounted to £694,700,000 (2010 £646,300,000)

Other bank guarantees under the Group credit facility at the year-end amounted to £3,983,000 (2010 £4,021,000) and had arisen in the normal course of trading

In the opinion of the directors, no loss is expected to arise in connection with these matters

23 Immediate parent company and ultimate controlling party

The immediate parent undertaking of the Company is Forgings International Limited, a company incorporated in England and Wales

The ultimate parent undertaking of the Group is Firth Rixson (Cyprus) Limited, a company incorporated in Cyprus. The directors regard Oak Hill Capital Partners to be the ultimate controlling party of the Group

Firth Rixson (Cyprus) Limited is the parent undertaking of the largest and smallest group in which the results of the Company are consolidated. Copies of the consolidated financial statements of Firth Rixson (Cyprus) Limited can be obtained from Firth House, PO Box 644, Meadowhall Road, Sheffield, S9 1JD