

SPECIAL METALS WIGGIN LIMITED

Annual Report and Financial Statements

For the 52 week period ended 3 April 2016

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R P Becker
R A Reyer
S C Blackmore
M R Bolton
S R Hagel
R S Pattee

SECRETARIES

P Edelstyn
J Freeman-Massey

AUDITOR

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

BANKERS

Bank of America, London Branch
PO Box 407
5 Canada Square
London
E14 5AQ

REGISTERED OFFICE

Wiggin Works
Holmer Road
Hereford
HR4 9SL

STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

There was no change during the period in the principal activities of Special Metals Wiggin Limited ("SMW" or "the Company"), which is the manufacture and sale of nickel alloys. The directors do not expect any significant change in the nature of the Company's activities in future years.

ACQUISITION BY BERKSHIRE HATHAWAY INC

On 29 January 2016, Berkshire Hathaway Inc, an American company listed on the New York Stock Exchange, completed its acquisition of Precision Castparts Corp ("PCC"), formerly the ultimate parent company of SMW. The Company continues to operate under the policies and processes of the PCC Group.

The Company has changed its year-end in order to be consistent with the Berkshire Hathaway Group and accordingly the Company's next financial statements will cover the nine months ending 31 December 2016.

BUSINESS REVIEW

This has been a year of mixed performance. Focus has been maintained on the extensive use of Continuous Improvement techniques across the business, most noticeably increasing product yields. In addition, regular management reviews – both monthly and quarterly – have helped drive these improvements. Training and selective recruitment of graduate level personnel has underpinned the strategy to develop and improve the business. Career development of high potential employees is a cornerstone of the business growth strategy.

During the period, turnover decreased from £142 million to £115 million, a decrease of 19% representing decreased sales volumes offset by increases in pricing reflecting the volatility in metal prices seen throughout the year. Profitability declined with profit before interest and tax decreasing from £22.9 million to £1.3 million. Net assets reduced from £136.0 million to £132.7 million. The reduction in net assets is mainly due to a £5.7 million charge, net of deferred tax, to other comprehensive income in respect of a change in actuarial assumptions on an asset value. Details are set out in note 19. This is partially offset by profit of £0.9 million during the year. The total number of employees at the period-end reduced from 552 to 548, a 0.7% decrease.

BUSINESS RISKS AND UNCERTAINTIES

The main operational risk to the business is a major outage of key processing equipment. This risk is mitigated by an ongoing focused capital expenditure programme to improve this equipment's reliability. A risk analysis has identified back-up equipment both within the PCC Group and at sub-contractors that could be used in the event of a catastrophic failure.

Risk of a sudden and unexpected market downturn is always present. In order to reduce the impact of such an event, the Company has adopted a strategy of supplying niche products in a diverse number of markets, both industry sectors and geographic markets.

Use of derivatives

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange risk by fixing the rate of any material transactions in a foreign currency. Hedge accounting is used where foreign exchange exposure arises in respect of committed or highly probable transactions.

Price risk

The Company is exposed to commodity price risk, particularly for nickel, its major raw material component. It is Company policy to hedge the nickel cost of all firm price sales contracts by entering into fixed price contracts with suppliers. Raw material prices throughout the period remained volatile but with an overall downward trend, with the nickel price ending on a low for the period.

Cash flow risk

Cash flow risk is the risk of exposure of variability in cash flows that is attributable to a particular risk associated with a particular asset or liability. The Company's management of foreign exchange risks in respect of trade debtors and trade creditors is described above.

SPECIAL METALS WIGGIN LIMITED

STRATEGIC REPORT (continued)

BUSINESS RISKS AND UNCERTAINTIES (continued)

Credit risk

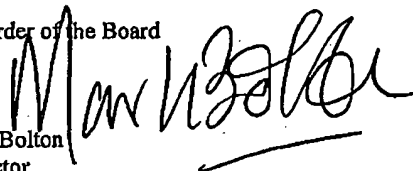
The Company's principal financial assets are bank balances and cash, trade and other debtors. The Company's credit risk is primarily attributable to trade debtors. The amount presented in the balance sheet is net of allowance for doubtful debtors. The Company's trade debtors contain no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk is further limited by the use of credit checks and by prudent reserving for bad debts in line with the PCC Group policy. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company manages its cash flow so as to maintain sufficient working capital to meet the needs of ongoing operations and has access to PCC funds to meet short-term fluctuations or longer-term funds for investment.

By order of the Board

M R Bolton
Director



DIRECTORS' REPORT

The directors present their annual report on the affairs of Special Metals Wiggin Limited, together with the audited financial statements for the 52 week period ended 3 April 2016.

The profit and loss account on page 8 shows that the profit for the period amounted to £867,000 (2015: £17,923,000). No dividends (2015: £nil) have been paid or recommended during the period and total comprehensive expenditure of £3,940,000 has been transferred from reserves (2015: income of £7,862,000 transferred to reserves). The depletion of reserves in the current period had been caused mainly by a £5.7 million charge, net of deferred tax, to other comprehensive income in respect of a change of actuarial assumptions on an asset value. Details are in note 19. This is partially offset by profit of £0.9 million during the year.

DIRECTORS

The current directors and secretaries of the Company are listed at page 1. Mr M R Bolton was appointed as a director on 13 December 2016.

The following have resigned as directors:

- Mr K D Buck on 20 May 2015;
- Mr K B Smith on 19 August 2016; and
- Mr P A Groves on 16 December 2016.

RESEARCH AND DEVELOPMENT

During the period, the Company continued work on developing process routes and yield improvement projects. Development of new alloys and products continued across Special Metals Corporation of which the Company is part. The total expenditure amounted to £153,000 during the period.

EMPLOYEE INVOLVEMENT

Monthly employee team briefs continue to be used for the dissemination of information to all employees. In addition, a newspaper is produced and sent to employees' homes.

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 Company 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

The accounts have been prepared on a going concern basis as the directors have obtained an undertaking from Precision Castparts Corp, the Company's intermediate parent undertaking, that sufficient finance will be available to meet any obligations as they fall due for at least 12 months from the date of signing these financial statements. Furthermore the directors have assessed the financial health of the Precision Castparts Corp and its ability to support the company in future, if need arises, and have concluded that Precision Castparts Corp has the ability to provide such support to the Company.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the Company made charitable contributions totalling £44,332 (2015: £1,000). There were no political contributions made in either the period ended 3 April 2016 or the period ended 29 March 2015.

SPECIAL METALS WIGGIN LIMITED

DIRECTORS' REPORT (continued)

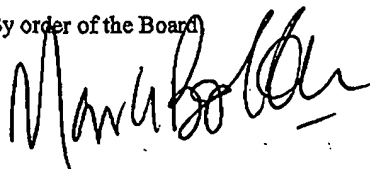
AUDITOR

By elective resolution, the Company has dispensed with the obligation to appoint its auditor annually. As such, Deloitte LLP are assumed to continue in office following approval of these financial statements. Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board



M R Bolton
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, 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), including Financial Reporting Standard 102 The Financial reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102").

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;
- state whether applicable UK Accounting Standards including FRS 102 have been followed subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, used in the preparation of the financial statements; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SPECIAL METALS WIGGIN LIMITED

We have audited the financial statements of Special Metals Wiggin Limited for the year ended 3 April 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 3 April 2016 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Delyth Jones

Delyth Jones (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

27 February 2017

SPECIAL METALS WIGGIN LIMITED

PROFIT AND LOSS ACCOUNT Year ended 3 April 2016

	Note	2016 £'000	2015 £'000
TURNOVER	2	115,397	141,635
Cost of sales		(96,806)	(103,046)
GROSS PROFIT		18,591	38,589
Distribution costs		(2,127)	(2,289)
Administrative expenses		(13,531)	(12,140)
Other operating income		84	83
PROFIT BEFORE INTEREST AND TAXATION	3	3,017	24,243
Interest payable and similar charges	6	(1,684)	(1,375)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,333	22,868
Tax on profit on ordinary activities	7	(466)	(4,945)
PROFIT FOR THE FINANCIAL PERIOD		867	17,923

STATEMENT OF COMPREHENSIVE INCOME

		2016 £'000	2015 £'000
PROFIT FOR THE FINANCIAL PERIOD		867	17,923
Re-measurement of the net defined benefit liability	19	(5,009)	(13,461)
Effective portion of changes in fair value of cash flow hedges		187	1,144
Net change in fair value of cash flow hedges recycled to profit or loss		(793)	(719)
Income tax on other comprehensive income		808	2,975
TOTAL OTHER COMPREHENSIVE EXPENDITURE		(4,807)	(10,061)
TOTAL COMPREHENSIVE (EXPENDITURE)/INCOME FOR THE PERIOD		(3,940)	7,862

SPECIAL METALS WIGGIN LIMITED

BALANCE SHEET As at 3 April 2016

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Intangible assets	9	3,195	3,799
Property, plant and equipment	10	30,522	27,895
Investments	11	-	-
		<u>33,717</u>	<u>31,694</u>
CURRENT ASSETS			
Inventory	12	41,151	50,182
Debtors – falling due within one year	13	88,413	106,606
Cash at bank and in hand		945	677
		<u>130,509</u>	<u>157,465</u>
CREDITORS: amounts falling due within one year	14	<u>(10,914)</u>	<u>(37,011)</u>
NET CURRENT ASSETS		<u>119,595</u>	<u>120,454</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>153,312</u>	<u>152,148</u>
CREDITORS: amounts falling due after more than one year	15	(61)	-
PROVISIONS FOR LIABILITIES	16	<u>(223)</u>	<u>(234)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>153,028</u>	<u>151,914</u>
Defined benefit pension liability	19	<u>(20,343)</u>	<u>(15,845)</u>
NET ASSETS		<u>132,685</u>	<u>136,069</u>
CAPITAL AND RESERVES			
Share capital	17	770	770
Share premium account		50,955	50,955
Profit and loss account		80,960	84,344
SHAREHOLDER'S FUNDS		<u>132,685</u>	<u>136,069</u>

Notes 1 to 23 form part of these financial statements.

The financial statements of Special Metals Wiggin Limited, registered number 36721, were approved by the Board of Directors and authorised for issue on 21 February 2017.

Signed on behalf of the Board of Directors



M R Bolton
Director

SPECIAL METALS WIGGIN LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 3 April 2016

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 31 March 2014	770	50,955	76,100	127,825
Total comprehensive income for the year	-	-	7,862	7,862
Credit to equity for equity-settled share-based payment	-	-	382	382
At 29 March 2015	770	50,955	84,344	136,069
At 30 March 2015	770	50,955	84,344	136,069
Total comprehensive expenditure for the year	-	-	(3,940)	(3,940)
Credit to equity for equity-settled share-based payment	-	-	556	556
At 3 April 2016	770	50,955	80,960	132,685

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2016

1. ACCOUNTING POLICIES

Statement of compliance

Special Metals Wiggin Limited is a limited liability company incorporated in England. The registered office address is noted on page 1.

The Company's financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102"). The Company transitioned from the previously extant UK GAAP on 31 March 2014. An explanation of the impact of the transition to FRS 102 is given in note 23.

Basis of preparation

The financial statements of Special Metals Wiggin Limited were approved for issue by the Board of Directors on 21 February 2017. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The accounting policies adopted have been applied consistently in both the current year and the prior year. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements are presented in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Exemptions for qualifying entities under FRS 102

The directors consider that the Company is a qualifying entity under FRS 102. It is a wholly-owned subsidiary of Berkshire Hathaway Inc, a company listed on the New York Stock Exchange which publishes consolidated financial statements containing the assets, liabilities and cash flows of SMW. In the prior year the Company was a wholly-owned subsidiary of PCC, which also published consolidated financial statements containing the assets, liabilities and cash flows of SMW.

Accordingly, the Company has taken advantage of the following exemptions under FRS 102:

- the requirement to prepare consolidated financial statements;
- the requirement to prepare a statement of cash flows;
- the disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments;
- the disclosure requirements of section 26 of FRS 102 in respect of share-based payments; and
- the requirement to disclose the compensation of key management personnel.

Going concern

The accounts have been prepared on a going concern basis as the directors have obtained an undertaking from Precision Castparts Corp, the Company's intermediate parent undertaking, that sufficient finance will be available to meet any obligations as they fall due for at least 12 months from the date of signing these financial statements. Furthermore directors have assessed the financial health of the Precision Castparts Corp and its ability to support the company in future, if need arises. The parent company is in net asset position have strong cash flows to support the Special Metals Wiggin Limited for foreseeable future

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The actual outcomes may differ from those estimates. The following judgements have had the most significant impact:

Defined benefit pension scheme

The Special Metals Wiggin Pension Plan is a defined benefit plan. Whilst the plan was closed to new entrants in 2002, it still imposes substantial costs and liabilities on the Company. These are based upon actuarial estimates of future inflation, rates of increase of salaries and pension payments, asset values, future returns on investments, life expectancy and mortality rates. These assumptions are subject to regular revision and actual outcomes may vary from the estimated figures.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

1. ACCOUNTING POLICIES (continued)

Judgements and key sources of estimation uncertainty (continued)

Useful economic lives of property, plant and equipment ("PPE")

The Company operates in a highly capital intensive industry and the annual depreciation charge for PPE is sensitive to changes in the economic useful lives and residual values of the assets. The economic useful lives and residual values are amended when necessary, to reflect current estimates based upon technological advancement, future investments, economic utilisation and the physical condition of the assets.

Inventory provisioning

The Company manufactures goods for resale and the estimated net resalable values are derived using management's commercial judgement and knowledge of the Company's markets.

Impairment of debtors

The Company makes estimates of the recoverable value of trade and other debtors. In assessing the impairment of debtors, management considers the ageing of debt, known information on the debtors' financial status, and the historical trading experience of each debtor.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based upon fair values less costs to sell, or a value in use calculation. This involves estimation of fair values, selling costs, discount rates and future cash flows.

Intangible fixed assets

Intangible fixed assets are stated at cost less depreciation, net of any provision for impairment. Depreciation is calculated using the straight-line method based on the estimated economic lives of the assets. The estimated useful lives are between three and five years.

Property, plant and equipment

PPE is stated at cost less depreciation, net of any provision for impairment. 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 20 years and are subject to periodic review by management. No depreciation has been provided on freehold land. Estimated useful lives are principally:

Freehold properties	-	up to 50 years
Plant and machinery	-	5 to 30 years

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Company compares the recoverable amount of the asset with its carrying value.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use.

If the recoverable amount is less than the carrying amount, then the carrying value of the asset is reduced to its recoverable amount through an impairment charge in the profit and loss account. Impairment losses are only reversed in subsequent periods if the reason for the impairment ceases to exist.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Inventory

Raw materials are stated at the lower of a specifically identifiable batch cost or net realisable value. Other inventory is 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 FINANCIAL STATEMENTS (continued)

Year ended 3 April 2016

1. ACCOUNTING POLICIES (continued)

Financial instruments

The Company has chosen to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets

Basic financial assets include trade and other debtors, cash and cash equivalents. They are initially recognised at transaction cost, unless the arrangement comprises a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

At the end of each reporting period, assets carried at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a subsequent decrease in the impairment loss, then the impairment is reversed. The reversal is such that the asset's carrying value cannot exceed its original pre-impairment value. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when:

- the contractual rights to the cash flows from the assets expire or are settled;
- substantially all the risks and rewards of ownership of the asset are transferred to another party; or
- control of the asset has transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities

Basic financial liabilities including trade and other payables are initially recognised at transaction price unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments which are not publicly traded and whose fair value cannot be otherwise established reliably are measured at cost less impairment; and
- hedging instruments in designated hedging relationships are recognised as set out below.

Derivative financial instruments and hedging

The Company uses derivative financial instruments to mitigate its exposure to foreign currency exchange rates.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, the accounting treatment of any subsequent gain or loss depends upon the nature of the hedging transaction.

The Company has chosen to apply hedge accounting to hedging relationships existing at the date of transition to FRS 102 and to hedging relationships coming into existence subsequent to transition.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in the fair value of a recognised asset or liability or an unrecognised firm commitment the gain or loss on re-measurement is recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses are recognised immediately in profit or loss.

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying value of the hedged item are amortised into profit or loss using the effective interest rate method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability of the cash flows of a recognised asset or liability, or highly probable forecast transaction, the effective part of the gain or loss on the hedging instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges where the forecast transaction results in the recognition of a non-financial asset or a non-financial liability (provision) the hedging gain or loss recognised in other comprehensive income is included in the initial costs or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedged instrument expires or is sold, terminated or exercised, or the Company discontinues the designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

Employee benefits

Short-term benefits

Short-term benefits including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined benefit pension scheme

The Company operates a defined benefit pension scheme. This scheme has been closed to new members since 31 July 2002, from which time membership of a defined contribution scheme has been available.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlements to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. As the scheme is closed to new members, adopting the projected unit credit method will result in the current service cost increasing as the members of the scheme approach retirement.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The net interest element of the defined benefit cost represents the change in present value of the scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the period. The net interest is recognised in profit or loss as other finance revenue or cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 3 April 2016

1. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to the profit and loss account in subsequent periods.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in future contributions.

Defined contribution pension scheme

Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable.

Share-based payment

Prior to its acquisition by Berkshire Hathaway Inc on 29 January 2016, the Company's former ultimate parent company, PCC, issued equity-settled share-based payments to certain employees of the Company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company also provided its employees with the ability to purchase ordinary shares in PCC at a discount of 15% of the lower of the market value at the beginning of the calendar year and the end of the calendar year. The Company records as an expense the difference between the cost to the employees of the shares purchased and the market value of the shares at the date of purchase.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits in order to settle the obligation. The effect of discounting is taken into consideration for determining the present value of provision for liabilities.

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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates directly to items recognised in equity or in other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment to tax payable in respect of prior years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenditure in tax assessments in different periods from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the reporting date apart from unrelieved tax losses and deferred tax assets, which are only recognised when it is probable that they will be recovered against the reversal of future deferred tax liabilities or other future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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 the shorter of the lease term, or their useful economic 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.

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.

Foreign exchange gains and losses arising on the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in other comprehensive income as qualifying cash flow hedges.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company provides testing and certification services to certain of its customers. Revenue is recognised in the period in which the services are completed.

2. TURNOVER

Turnover represents the invoice amounts of goods and services provided after deducting discounts and net of value added tax. The Company has only one class of business.

	2016 £'000	2015 £'000
Geographical market:		
Europe	77,274	96,483
Americas	29,766	31,460
Rest of the world	8,357	13,692
	<u>115,397</u>	<u>141,635</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

3. PROFIT BEFORE INTEREST AND TAXATION

This is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Operating lease rentals - plant and machinery	179	261
Research and development expenditure	153	185
Depreciation and amortisation of fixed assets	4,876	4,478
Auditor's remuneration	143	120
Loss/(profit) on disposal of tangible fixed assets	35	(100)
Gain on foreign exchange	(1,007)	(213)
	<u> </u>	<u> </u>

There were no non-audit services in either period.

4. DIRECTORS' EMOLUMENTS

This note only relates to those directors who received remuneration from the Company (remunerated directors), of which there were 2 (2015: 2). The other directors were remunerated by other group companies (Precision Castparts Corp. and Special Metals Corporation) and it is not practicable to allocate their remuneration between the various companies of which they act as directors.

	2016	2015
	£'000	£'000
Emoluments	216	431
Company contributions to defined contribution pension scheme	18	27
	<u> </u>	<u> </u>
	234	458
	<u> </u>	<u> </u>
Remuneration of the highest paid remunerated director:		
Emoluments	122	300
Company contributions to defined contribution pension scheme	10	19
	<u> </u>	<u> </u>
	132	319
	<u> </u>	<u> </u>
	2016	2015
	£'000	£'000
Remunerated directors accruing benefits under defined benefit pension schemes	-	-
	<u> </u>	<u> </u>
Remunerated directors accruing benefits under defined contribution pension schemes	2	2
	<u> </u>	<u> </u>

2 remunerated directors (2015: 2) exercised share options during the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

5. STAFF COSTS

	2016	2015
	£'000	£'000
Staff costs:		
Wages and salaries	20,432	19,304
Social security costs	2,055	2,070
Share-based payments	556	382
Other pension costs	2,294	2,475
	<u>25,337</u>	<u>24,231</u>

	No.	No.
The average number of employees during the period was:		
Production staff	377	385
Administrative staff	175	169
	<u>552</u>	<u>554</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£'000	£'000
Interest payable – inter-group	<u>1,684</u>	<u>1,375</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016	2015
	£'000	£'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 20% (2015: 21%)	733	5,283
Group relief	(1)	-
Adjustments relating to prior years	(4)	(560)
Total current tax charge	<u>728</u>	<u>4,723</u>
Deferred tax		
Origination and reversal of timing differences	(275)	222
Adjustments relating to prior years	13	-
Total tax charge for the year	<u>466</u>	<u>4,945</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Tax included in statement of other comprehensive income

	2016 £'000	2015 £'000
Current taxation	(102)	-
Deferred taxation		
Actuarial loss on pension scheme	(855)	(2,983)
Derivatives	(10)	8
Effect of changes in tax rates	159	-
Deferred tax credit to other comprehensive income	(706)	(2,975)

Factors affecting total tax charge

The tax assessed on the profit on ordinary activities for the period is higher (2015 – same) than the standard rate of corporation tax in the UK of 20% (2015: 20%). The differences are reconciled below:

	£'000	£'000
Profit on ordinary activities before tax	1,333	22,868
Profit on ordinary activities multiplied by standard rate of corporation tax of 20% (2015 – 21%)	267	4,802
Effect of:		
Expenses not deductible for tax purposes	261	267
Adjustment to tax charge in respect of previous periods	8	(555)
Rate difference – deferred tax	(66)	(11)
Rate difference – current year tax	1	1
Share scheme costs	(5)	207
FRS 102 transitional adjustment	-	234
Total tax charge for the year	466	4,945

Factors that may affect future tax charges

A reduction in the UK corporation tax from 21% to 20% took effect from 1 April 2015. Further reductions in the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted in November 2015.

The deferred tax liability at 3 April 2016 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Deferred taxation

The amounts of deferred taxation provided and not provided as at 3 April 2016 and 29 March 2015 calculated at 20% (2015: 20%) are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2016 £'000	2015 £'000
Provided		
Accelerated capital allowances	(1,687)	(1,939)
Share-based payments	-	15
Derivatives	2	(8)
Pension costs	3,865	3,169
Other timing differences	427	402
Net asset provided (note 13)	2,607	1,639
		2016 £'000
Asset at start of period		1,639
Deferred tax charge in profit and loss account for the current period		275
Deferred tax charge in profit and loss account for prior period		(13)
Included in other comprehensive income		865
Rate changes		(159)
Asset at end of period		2,607

8. SHARE-BASED PAYMENTS

Equity-settled share option scheme

Prior to its acquisition on 29 January 2016 by Berkshire Hathaway Inc, the Company's former ultimate parent company, PCC, issued share options over ordinary shares in PCC to certain employees of the Company. Options are exercisable at prices established by PCC at the date of grant. The vesting period is normally four years; however, all employees holding options were allowed to exercise them at the date of acquisition. Options which were not exercised at the date of acquisition lapsed and there is no current share option scheme.

The Company has taken advantage of the exemption available under FRS 102 relating to disclosures surrounding share-based payments on the basis that the arrangements concerned equity instruments of PCC and equivalent disclosures are included in the consolidated financial statements of PCC.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

9. INTANGIBLE FIXED ASSETS

	Software £'000
Cost	
At 30 March 2015 and 3 April 2016	4,036
Depreciation	
At 30 March 2015	237
Impairment charge	583
Depreciation charge for the year	21
At 3 April 2016	841
Net book value	
At 3 April 2016	3,195
At 29 March 2015	3,799

The net book value above includes £3,145,000 (2015: £3,727,000) in respect of a system development project. This is not depreciated.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold properties £'000	Plant and machinery £'000	Total £'000
Cost			
At 30 March 2015	18,790	86,191	104,981
Additions	2,645	4,884	7,529
Disposals	-	(465)	(465)
At 3 April 2016	21,435	90,610	112,045
Depreciation			
At 30 March 2015	11,977	65,109	77,086
Charge for the year	674	4,181	4,855
Disposals	-	(418)	(418)
At 3 April 2016	12,651	68,872	81,523
Net book value			
At 3 April 2016	8,784	21,738	30,522
At 29 March 2015	6,813	21,082	27,895

The net book value of assets included above which are held under finance leases is £93,000 (2015: £nil).

Plant and machinery includes £8,435,000 (2015: £5,771,000) in respect of assets under construction that are not currently being depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold properties included £1,318,000 (2015: £1,025,000) in respect of assets under construction that are not currently being depreciated.

Cost at 3 April 2016 includes £44,000 (2015: £44,000) in respect of freehold land on which no depreciation charge has been made.

11. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Subsidiary undertakings	Business	Country of incorporation and operation	Proportion of nominal value of shares held and voting rights
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.

12. INVENTORY

	2016 £'000	2015 £'000
Raw materials and consumables	17,334	22,784
Work in progress	17,333	21,101
Finished goods	6,484	6,297
	<u>41,151</u>	<u>50,182</u>

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

Inventory is stated net of provisions for impairment of £2,476,000 (2015: £2,332,000).

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade debtors	4,464	7,666
Amounts owed by group undertakings	77,531	94,228
Derivative financial instruments	345	675
Other debtors	1,382	1,460
Deferred tax asset	2,607	1,639
Corporation tax recoverable	1,242	-
Prepayments and accrued income	842	938
	<u>88,413</u>	<u>106,606</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade creditors	8,487	19,121
Amounts owed to group undertakings	444	14,469
Corporation tax payable	-	1,859
Other taxes and social security costs	508	548
Accruals and deferred income	1,066	952
Obligations under finance leases	20	-
Derivative financial instruments	389	62
	<u>10,914</u>	<u>37,011</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£'000	£'000
Obligations under finance leases	<u>61</u>	<u>-</u>

16. PROVISIONS FOR LIABILITIES

	Short-term employment benefits	
	2016	2015
	£'000	£'000
At beginning of financial year	234	1522
Utilisation for the year	(11)	(1,288)
At end of financial year	<u>223</u>	<u>234</u>

17. SHARE CAPITAL AND RESERVES

	2016	2015
	£'000	£'000
Share capital		
80,000 ordinary shares of £10 each	<u>800</u>	<u>800</u>
Allotted called up and fully paid		
77,009 ordinary shares of £10 each	<u>770</u>	<u>770</u>

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

The share premium reserve records the amount above the nominal value received for shares sold, less transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

18. CAPITAL COMMITMENTS

At 3 April 2016, amounts contracted for but not provided in the financial statements amounted to £1,529,000 (29 March 2015: £2,003,000).

19. POST-RETIREMENT BENEFITS

The Special Metals Wiggin Pension Plan ("the SMW 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 31 July 2002. It should therefore be noted that under the projected unit method that is required under FRS 17, the current service cost will increase as the members of the Plan approach retirement.

A defined contribution plan has been set up for employees joining the Company after that date. During the period, the Company made contributions to the defined contribution plan totalling £667,000 (2015: £603,000). There were no contributions outstanding or pre-paid at the balance sheet date.

Employees and former employees of Special Metals Deutschland Limited (SMD) are members of the SMW Plan, with all liabilities met by Special Metals Wiggin Limited (SMW) and no contributions made by that company. With effect from 29 March 2006, SMD withdrew from the SMW Plan, its active members became deferred and their benefits from that date continue to accrue on an unfunded basis, outside the SMW Plan, but guaranteed by SMW. At 3 April 2016, the estimated unfunded liability arising from this arrangement was £830,000 (2015: £630,000), and this amount is included within the Plan liabilities disclosed under FRS 102.

Calculations have been performed by an independent qualified actuary to provide the information required for FRS 102 as set out below. The valuation used for FRS 102 disclosures has been based on a full assessment of the liabilities of the Plan using the latest actuarial valuation, which was at 31 December 2012. Following this valuation, it was agreed in March 2015 by the Trustees and the Company that contributions from the Company under the recovery plan will be £112,500 per month from April 2012 to December 2018 plus a lump sum payment of £1.1 million payable no later than December 2018. In addition the Company agreed to pay 19.2% of monthly pensionable pay plus £30,000 per month by way of ordinary contributions to cover the estimated ongoing funding cost.

Regular employer contributions to the Plan in the year to 3 April 2016 were £3.049 million. Additional employer contributions will be required if there are any augmentations during the year. Contributions of £2.3 million are expected to be paid by the Company to the Plan during the period ending 31 December 2016

The principal assumptions used by the independent qualified actuaries in updating the latest valuation for FRS 102 were:

	3 April 2016 (% p.a.)	29 March 2015 (% p.a.)	30 March 2014 (% p.a.)
RPI inflation	2.85	2.90	3.20
CPI inflation	1.85	1.90	2.20
Rate of general long-term increase in salaries	2.75	2.75	3.00
Pension increases (on pensions accrued since April 1997)	2.80	2.90	3.10
Discount rate for Plan liabilities	3.45	3.40	4.50

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.7 years if they are male and for a further 24.0 years if they are female. For a member who retires in 2036 at age 65 the assumptions are that they will live on average for a further 22.5 years after retirement if they are male and for a further 26.0 years after retirement if they are female.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

19. POST-RETIREMENT BENEFITS (continued)

Plan asset allocation

	2016	2015
	£'000	£'000
Equities	41,575	53,272
Fixed income bonds	29,904	34,548
Absolute return strategies	11,649	8,627
Commodities	13,256	12,169
Pharma	5,981	4,481
Cash and other	3,727	2,476
	<u>106,092</u>	<u>115,573</u>

Reconciliation of funded status to balance sheet

	Value at 3 April 2016 £'000	Value at 29 March 2015 £000
Fair value of Plan assets	106,092	115,573
Present value of funded defined benefit obligations	(126,435)	(131,418)
Restriction in value of pension asset	<u>(20,343)</u>	<u>(15,845)</u>
Liability recognised on the balance sheet	<u>(20,343)</u>	<u>(15,845)</u>

Analysis of amount recognised in the profit and loss account

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Current service cost	1,627	1,461
Administration expenses	389	455
Interest cost	522	123
Expense recognised in the profit and loss account	<u>2,538</u>	<u>2,039</u>

The current service cost includes an allowance for the unfunded benefits in respect of some employees of Special Metals Deutschland Limited based in Germany.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

19. POST-RETIREMENT BENEFITS (continued)

Analysis of amount charged to other comprehensive income("OCI")

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Return on scheme assets below/(in excess of) that recognised in net interest	2,295	(5,052)
Actuarial (gains)/losses on liabilities	(4,286)	18,513
Change in actuarial assumptions on asset value	7,000	-
Expense recognised in OCI	<u>5,009</u>	<u>13,461</u>

The change in assumptions on asset value relates to an investment by the SMW Plan in Pro Bono Bio plc ("PBB"). The investment was valued at £22.4 million in the SMW Plan's statutory accounts at 31 December 2015. In common with many valuations in the biotechnology sector the independent valuation was based upon an assessment of the expected future cash flows arising from products under development. In August 2016, The trustees of the SMW Plan were informed that an ONIT study in respect of one of PBB's products had been unsuccessful, with consequent reductions in PBB's expected future cash flows. Having consulted the SMW Plan's Portfolio Manager, the trustees wrote down the SMW Plan's investment in PBB to £15.9 million in its management accounts at September 2016.

The directors have considered the audited statutory accounts at 31 December 2015 of both PBB and the SMW Plan, and in the light of the trustees' reduction in the value of the investment, the directors decided to write down the value of the SMW Plan's assets included in SMWL's balance sheet by £7 million. This represents the reduction in value of the SMW Plan's investment in PBB between 31 March 2016 and 30 September 2016.

Changes to the present value of the defined benefit obligation during the period

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Opening defined benefit obligation	131,418	113,051
Current service cost	1,627	1,461
Interest cost	4,391	4,973
Actuarial (gains)/losses on plan liabilities	(4,286)	18,513
Net benefits paid out	(6,715)	(6,580)
Closing defined benefit obligations	<u>126,435</u>	<u>131,418</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

19. POST-RETIREMENT BENEFITS (continued)

Changes to the fair value of plan assets during the period.

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Opening fair value of plan assets	115,573	109,400
Interest income on plan assets	3,869	4,850
Re-measurement (loss)/gain on plan assets	(9,295)	5,052
Contributions by the Company	3,049	3,306
Net benefits paid out	(6,715)	(6,580)
Administration costs incurred	(389)	(455)
Closing fair value of plan assets	<u>106,092</u>	<u>115,573</u>

Re-measurement (loss)/gain on plan assets includes the £7 million write-down described above,

Actual return on plan assets

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Interest income on plan assets	3,869	4,850
Re-measurement (loss)/gain on plan assets	(9,295)	5,052
Actual return on plan assets	<u>(5,426)</u>	<u>9,902</u>

20. OTHER FINANCIAL COMMITMENTS

Finance leases

The future minimum lease payments are as follows:

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Amounts payable:		
Within one year	24	-
In two to five years	67	-
Total gross payments	<u>91</u>	<u>-</u>
Less: finance charges allocated to future periods	(10)	-
	<u>81</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

20. OTHER FINANCIAL COMMITMENTS (continued)

Operating leases

The Company has annual commitments under non-cancellable operating leases as follows:

	For period ended 3 April 2016 £'000	For period ended 29 March 2015 £'000
Amounts payable:		
Within one year	271	80
In two to five years	829	81
	<u>1,100</u>	<u>161</u>

21. CONTINGENT LIABILITIES

At 3 April 2016 the Company had contingent liabilities of £263,289 (2015: £857,678) in respect of bank guarantees given in the normal course of business.

22. PARENT UNDERTAKING AND CONTROLLING PARTY

SMW Holdings Limited, which is incorporated in the UK, is the immediate parent company. Berkshire Hathaway Inc, incorporated in the USA, is the ultimate parent company and controlling party and prepares the only consolidated financial statements including the Company. Copies of these financial statements can be obtained from Berkshire Hathaway Inc., Executive Offices, 3555 – Farnam Street, Omaha, Nebraska 68131, USA. Corporate information may also be found at www.berkshirehathaway.com.

23. TRANSITION TO FRS 102

The Company transitioned to FRS 102 from the previously extant UK GAAP on 31 March 2014.

The impact of the transition is set out below:

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

23. TRANSITION TO FRS 102 (continued)

BALANCE SHEET

		29 March 2015			30 March 2014		
		Old UK GAAP	Adjustments	FRS 102	Old UK GAAP	Adjustments	FRS 102
	Note	£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS							
Intangible fixed assets	(a)	-	3,799	3,799	-	3,739	3,739
Tangible fixed assets	(a)	31,694	(3,799)	27,895	30,456	(3,739)	26,717
Investments		-	-	-	-	-	-
		<u>31,694</u>	<u>-</u>	<u>31,694</u>	<u>30,456</u>	<u>-</u>	<u>30,456</u>
CURRENT ASSETS							
Stocks		50,182		50,182	42,635	-	42,635
Debtors – falling due within one year	(b)	104,292	2,314	106,606	97,695	(23)	97,672
Cash at bank and in hand		677	-	677	1,144	-	1,144
		<u>155,151</u>	<u>2,314</u>	<u>157,465</u>	<u>141,474</u>	<u>(23)</u>	<u>141,451</u>
CREDITORS: amounts falling due within one year	(c)	<u>(37,183)</u>	<u>172</u>	<u>(37,011)</u>	<u>(39,909)</u>	<u>40</u>	<u>(39,869)</u>
NET CURRENT ASSETS		<u>117,968</u>	<u>2,486</u>	<u>120,454</u>	<u>101,565</u>	<u>17</u>	<u>101,582</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>149,662</u>	<u>2,486</u>	<u>152,148</u>	<u>132,021</u>	<u>17</u>	<u>132,038</u>
PROVISIONS	(d)	<u>(1,522)</u>	<u>1,288</u>	<u>(234)</u>	<u>(1,172)</u>	<u>610</u>	<u>(562)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>148,140</u>	<u>3,774</u>	<u>151,914</u>	<u>130,849</u>	<u>627</u>	<u>131,476</u>
Net pension liability	(e)	<u>(12,676)</u>	<u>(3,169)</u>	<u>(15,845)</u>	<u>(2,921)</u>	<u>(730)</u>	<u>(3,651)</u>
NET ASSETS		<u>135,464</u>	<u>605</u>	<u>136,069</u>	<u>127,928</u>	<u>(103)</u>	<u>127,825</u>
CAPITAL AND RESERVES							
Share capital		770	-	770	770	-	770
Share premium account		50,955	-	50,955	50,955	-	50,955
Profit and loss account	(f)	<u>83,739</u>	<u>605</u>	<u>84,344</u>	<u>76,203</u>	<u>(103)</u>	<u>76,100</u>
SHAREHOLDER'S FUNDS		<u>135,464</u>	<u>605</u>	<u>136,069</u>	<u>127,928</u>	<u>(103)</u>	<u>127,825</u>

Notes

(a) Under old UK GAAP, software was classified under tangible fixed assets. FRS 102 requires that it is reclassified under intangible fixed assets.

(b) The transition adjustment to debtors may be summarised as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

23. TRANSITION TO FRS 102 (continued)

	29 March 2015 £'000	30 March 2014 £'000
Debtors under old UK GAAP	104,292	97,695
Derivative financial instruments	675	(23)
Deferred tax asset reallocated from provisions	1,647	-
Deferred tax re hedging activities	(8)	-
Debtors under FRS 102	<u>106,606</u>	<u>97,672</u>

Under old UK GAAP, derivative financial instruments were off balance sheet. Under FRS 102 derivatives have been brought on balance sheet.

Under old UK GAAP, the pension liability was disclosed net of the related deferred tax asset. This is no longer permitted under FRS 102 and the above deferred tax asset results from the offsetting of the deferred tax asset related to the pension fund with the previous deferred tax liability.

(c) The adjustment to Creditors: Amounts falling due within one year may be explained as follows:

	2015 £'000	2014 £'000
Creditors: Amounts due within one year under old UK GAAP	37,183	39,909
Derivative financial instruments (b)	61	80
Short-term employee benefits reclassified as provisions	(233)	(120)
Creditors: Amounts due within one year under FRS 102	<u>37,011</u>	<u>39,869</u>

Short-term employee benefits represent holiday entitlements outstanding at the period-end. In accordance with FRS 102, this is reclassified as a provision.

(d) The adjustments to provisions may be analysed as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

23. TRANSITION TO FRS 102 (continued)

	Note	29 March 2015 £'000	30 March 2014 £'000
Provisions under old UK GAAP (deferred tax)		1,522	1,172
Reclassification of pension fund deferred tax asset	(e)	(3,169)	(730)
Reclassification as deferred tax asset	(b)	1,647	-
Short-term employee benefits	(c)	234	120
Provisions under FRS 102		234	562

Under FRS 102 gains or losses relating to the effective portion of hedged transactions are charged to Other Comprehensive Income and subsequently recycled to profit or loss when the hedged transactions crystallise. This creates timing differences in the taxation and accounting treatments of these gains or losses, hence a deferred tax liability has been created.

(e) The adjustment to the pension liability reflects the reclassification of deferred tax on the provision as described above.

(f) The impact of transition to FRS 102 on reserves may be analysed as follows:

	Note	2015 £'000	2014 £'000
Reserves under old UK GAAP		83,739	76,203
Derivative financial instruments	(b)	605	(103)
Reserves under FRS 102		84,344	76,100

Profit and loss account for the year ended 29 March 2015

The impact on the profit and loss account for the year ended 29 March 2015 is set out below:

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 3 April 2016

23. TRANSITION TO FRS 102 (continued)

	Note	29 March 2015 £'000
Profit for the financial period under old UK GAAP		19,038
Derivative financial instruments	(a)	291
Reclassification of pension costs from other comprehensive income		(1,406)
		<u>17,923</u>

The transition to FRS 102 has resulted in the reallocation of pension costs, together with the related deferred tax credit from Other Comprehensive Income to profit or loss. Principal differences between FRS 102 and old UK GAAP for pensions relate to the calculation of the financing cost and the recognition of expenses. The financing costs will normally be higher under FRS 102 because no credit is taken for expected out-performance of the assets.