Company Registration No. 00036721

SPECIAL METALS WIGGIN LIMITED

Annual Report and Financial Statements

For the 52 weeks ended 31 December 2017

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ANNUAL REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A M Armagno
R P Becker
R A Beyer
J R Emmet
S R Hagel

SECRETARIES

P Edelstyn
J R Emmet
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.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

As part of the ongoing integration activities following the acquisition by the Berkshire Hathaway Group of the immediate parent company, Precision Castparts Corp (PCC) in 2016 the company has changed its functional and presentational currency during the current period (52 weeks ended 31 December 2017) to US Dollars and prior period comparatives are translated accordingly. This is the first full year of reporting under Berkshire Hathaway and, whilst the current period results are for 52 weeks, the prior period comparatives are for the 39 week period to 1 January 2017. Comments within the Business Review below pro rate the prior period performance to 52 weeks to provide better comparability.

KEY PERFORMANCE INDICATORS

The Company uses both financial and non-financial metrics to monitor and enhance business performance. As well as the financial data noted below the Company monitors:

1. Operating margin:

Operating margins are defined as operating profits expressed as a percentage of turnover after adjustment for exceptional items. The Company generated an operating margin of 2.3% in the 12 month period ended 31 December 2017 (9 month period ended 1 January 2017: 2.9%).

2. Return on capital employed (ROCE):

The equipment used in the production of nickel alloys means our business is capital intensive. To ensure we continue to support our customers' needs for improved quality, on-time delivery and increased business volumes we undertake a programme of capital investment. A key indicator is the returns generated by these capital outlays.

Capital employed is defined as fixed assets plus net current assets averaged for the year. The return on this capital employed is measured by operating profit after adjusting for exceptional items.

The Company produced ROCE of 1.9% in the 12 month period ended 31 December 2017 (9 month period ended 1 January: 2017 2.0%)

The Company also monitors raw material usage, process yield and labour productivity to develop and improve the business. However, management consider this commercially sensitive information and it is not disclosed in this report.

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, pro rated turnover increased from $142.9 million to $154.7 million, an increase of 8.3% representing increased sales volumes. Profitability decreased with pro rated profit before interest and tax decreasing from $4.1 million to $3.5 million. Net assets increased from $148.6 million to $153.0 million. The average number of employees for the period increased from 562 to 591, a 5.2% increase.

FUTURE DEVELOPMENTS

No significant change of activity is foreseen in 2018. Activity is expected to increase in future years.

BUSINESS RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

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 Precision Castparts Corp Group (PCC) and at sub-contractors that could be used in the event of a catastrophic failure.

STRATEGIC REPORT (continued)

BUSINESS RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT (continued)

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. In previous periods the Company had 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. However, hedge accounting has been voluntarily discontinued from the start of the current financial period. Derivatives were not designated as hedging instruments in cash flow hedges at the current period-end.

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.

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.

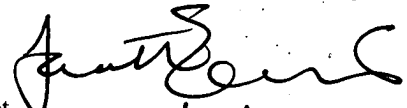
Liquidity risk

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.

Brexit

The potential impact of Brexit is uncertain and therefore may impact some of the Company's current trading relationships. However, a significant proportion of the Company's business is with fellow subsidiary companies of the PCC group in the USA and elsewhere and so the overall impact of Brexit has been assessed as not being significant to the Company's ability to trade effectively in the future.

Approved by the Board of Directors and signed on its behalf by



J R Emmet
Director

15/02/2019.

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 weeks ended 31 December 2017.

The profit and loss account on page 9 shows a profit for the period of $426,000 (39 weeks to 1 January 2017: $1,064,000). No dividends (39 weeks to 1 January 2017: $nil) have been paid or recommended during the period and total comprehensive income of $4,391,000 has been transferred to reserves (39 weeks to 1 January 2017: expenditure of $40,378,000 transferred from reserves).

DIRECTORS

The current directors and secretaries of the company are listed at page 1. The following were appointed as directors during the period:

- Mr J R Emmet (appointed 14 June 2017);
- Mr C Hales (appointed 14 June 2017); and
- Mrs A M Armagno (appointed 20 August 2018)

Also, the following have resigned as directors during the period:

- Mr S C Blackmore on 20 July 2018;
- Mr M R Bolton on 16 June 2017;
- Mr C Hales on 15 September 2017; and
- Mr R S Pattee on 20 August 2018

DIRECTORS' INDEMNITIES

The Company has put in place qualifying third party indemnity provisions for all of the directors of Special Metals Wiggin Limited.

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 $204,000 (39 weeks to 1 January 2017: $131,000) during the period. None of these costs have been capitalised in either the current or previous period.

EMPLOYEE INVOLVEMENT

Monthly employee team briefings 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.

FINANCIAL RISK MANAGEMENT

Disclosure of financial risk management is given in the Strategic Report on pages 2 and 3.

GOING CONCERN

The financial statements 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 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.

DIRECTORS' REPORT (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the company made charitable contributions totalling $270 (39 weeks to 1 January 2017: $266). There were no political contributions made in either the period ended 31 December 2017 or the period ended 1 January 2017.

FUTURE DEVELOPMENTS

No significant change of activity is foreseen in 2018, and steady growth is expected in future years.

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.

Approved by the Board of Directors and signed on its behalf by

J R Emmet
Director

15/2/2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments 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.

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

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements of Special Metals Wiggins Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 22

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for qualified opinion

As disclosed in note 18, included within the defined benefit pension liability as at 31 December 2017 of $43,247,000 (1 January 2017: $40,246,000) are plan assets of $22,012,000 (1 January 2017: $19,451,000) relating to securities in Pro Bono Bio Plc ("PBB") and its Malta subsidiary. The audit evidence available to us regarding the fair value of these securities was limited because we have not had access to the underlying third party valuation calculations supporting their fair value as at 1 January 2017 or 31 December 2017. Accordingly, we have not been able to conclude upon the determination of the fair value of these pension plan assets as at 1 January 2017 or 31 December 2017.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the pension plan assets as at 31 December 2017 and 1 January 2017. We have concluded that where the other information refers to the pension plan assets or net assets, it may be materially misstated for the same reason.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to pension plan assets, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and therefore were unable to determine whether adequate accounting records had been kept.

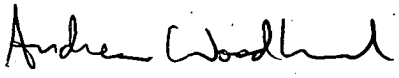
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.



Andrew Woodhead (Senior Statutory Auditor)
for and behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
15 February 2019

PROFIT AND LOSS ACCOUNT
52 weeks ended 31 December 2017

	Note	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
TURNOVER	2	154,661	107,154
Cost of sales		(132,116)	(88,458)
GROSS PROFIT		22,545	18,696
Distribution costs		(4,960)	(2,775)
Administrative expenses		(14,058)	(12,902)
Other operating income		-	80
OPERATING PROFIT	3	3,527	3,099
Interest payable and similar charges	6	(1,961)	(1,668)
PROFIT BEFORE TAXATION		1,566	1,431
Tax on profit	7	(1,140)	(367)
PROFIT FOR THE FINANCIAL PERIOD attributable to the equity shareholders of the Company		426	1,064

All activities derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
52 weeks ended 31 December 2017

		52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
PROFIT FOR THE FINANCIAL PERIOD		426	1,064
Re-measurement of the net defined benefit liability	18	(2,860)	(17,843)
Effective portion of changes in fair value of cash flow hedges		742	950
Net change in fair value of cash flow hedges recycled to profit or loss		(377)	(1,201)
Income tax on other comprehensive income		490	3,730
Cumulative translation adjustments		5,970	(27,078)
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENDITURE)		3,965	(41,442)
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) attributable to equity shareholders of the Company		4,391	(40,378)

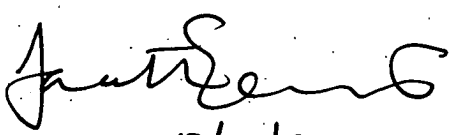
BALANCE SHEET
As at 31 December 2017

	Note	At 31 December 2017 $'000	At 1 January 2017 $'000
FIXED ASSETS			
Intangible assets	9	15,290	9,452
Property, plant and equipment	10	34,732	36,824
Investments	11	-	-
		50,022	46,276
CURRENT ASSETS			
Inventory	12	65,838	49,163
Debtors – falling due within one year	13	132,690	165,620
Cash at bank and in hand		196	451
		198,724	215,234
CREDITORS: amounts falling due within one year	14	(52,445)	(72,575)
NET CURRENT ASSETS		146,279	142,659
TOTAL ASSETS LESS CURRENT LIABILITIES		196,301	188,935
CREDITORS: amounts falling due after more than one year	15	(30)	(56)
NET ASSETS EXCLUDING PENSION LIABILITY		196,271	188,879
Defined benefit pension liability	18	(43,247)	(40,246)
NET ASSETS		153,024	148,633
CAPITAL AND RESERVES			
Share capital	16	1,281	1,281
Share premium account	16	84,840	84,840
FX reserve	16	(31,339)	(31,339)
Profit and loss account	16	98,242	93,851
SHAREHOLDER'S FUNDS		153,024	148,633

Notes 1 to 22 form part of these financial statements.

The financial statements of Special Metals Wiggin Limited, registered number 00036721, were approved by the Board of Directors and authorised for issue on 15 February 2019

Signed on behalf of the Board of Directors



J R Emmet
Director

15/2/2019

STATEMENT OF CHANGES IN EQUITY
52 weeks ended 31 December 2017

	Share capital $'000	Share premium account $'000	FX reserve $'000	Profit and loss account $'000	Total share-holder's funds $'000
At 4 April 2016	1,281	84,840	(31,339)	134,229	189,011
Profit for the period	-	-	-	1,064	1,064
Currency translation adjustments	-	-	-	(27,078)	(27,078)
Other comprehensive expenditure for the period	-	-	-	(14,364)	(14,364)
At 1 January 2017	1,281	84,840	(31,339)	93,851	148,633
At 2 January 2017	1,281	84,840	(31,339)	93,851	148,633
Profit for the period	-	-	-	426	426
Currency translation adjustments	-	-	-	5,970	5,970
Other comprehensive expenditure for the period	-	-	-	(2,005)	(2,005)
At 31 December 2017	1,281	84,840	(31,339)	98,242	153,024

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES

Statement of compliance
Special Metals Wiggin Limited ("the Company" or "SMW") is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office address is noted on page 1. The principal activities of the Company and the nature of its operations are disclosed within the Strategic Report.

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").

Basis of preparation
The financial statements of Special Metals Wiggin Limited were approved for issue by the Board of Directors on 15 February 2019. 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 period and the prior period.

As part of the continuing integration activities since the acquisition by Berkshire Hathaway Inc, the Company has changed its functional and presentational currency to US Dollars. This change was effective as of 2 January 2017 and the prior period data has been converted using the rates applicable as of that date. Prior period comparative data is for the 39 week period to 1 January 2017.

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. The address from which these can be obtained is given in note 22. 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 financial statements have been prepared on a going concern basis as the directors have obtained an undertaking from Precision Castparts Corp ("PCC"), 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 Precision Castparts Corp and its ability to support the Company in future, if the need arises. The parent company is in a net asset position and has strong cash flows to support Special Metals Wiggin Limited for the foreseeable future.

Critical accounting judgements and key sources of estimation uncertainty
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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)
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful economic lives of property, plant and equipment (PP&E)
The Company operates in a highly capital intensive industry and the annual depreciation charge for PP&E 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.

Key sources of estimation uncertainty

Brexit
The potential impact of Brexit is uncertain and therefore may impact some of the Company's current trading relationships. However, a significant proportion of the Company's business is with fellow subsidiary companies of the PCC group in the USA and elsewhere and so the overall impact of Brexit has been assessed as not being significant to the Company's ability to trade effectively in the future.

Intangible fixed assets

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

Property, plant and equipment

PP&E 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. For plant and machinery 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 materials and direct labour overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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, forward currency contracts, to mitigate its exposure to foreign currency exchange rates.

Derivative financial instruments are initially recognised at fair value. The gain or loss on re-measurements at each reporting date 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.

In previous periods the Company had 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. However, hedge accounting has been voluntarily discontinued from the start of the current financial period. Derivatives were not designated as hedging instruments in cash flow hedges at the current period-end. This represents a change in accounting policy.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

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.

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.

Other long-term benefits are measured at the present value of the benefit obligation at the reporting date.

Share-based payment
Prior to its acquisition by Berkshire Hathaway Inc on 29 January 2016, the Company's former ultimate parent company, now the intermediate parent, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

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 and intangible assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

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.

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Geographical market:		
Europe	82,378	57,563
Americas	41,950	26,042
Rest of the world	30,333	23,549
	154,661	107,154

3. OPERATING PROFIT

This is stated after charging/(crediting):

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Operating lease rentals - plant and machinery	1,082	239
Research and development expenditure	204	131
Depreciation of fixed assets	9,587	5,447
Amortisation of intangible assets	1,188	-
Provisions for inventory	4,596	3,097
Defined benefit pension scheme costs	8,264	4,936
Fees paid to the Company's auditor for the audit of the financial statements	184	184
Gain on disposal of tangible fixed assets	(97)	-
Loss on foreign exchange	12	576

There were no non-audit services in either period.
Amortisation of intangible assets is included in cost of sales

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

4. DIRECTORS' EMOLUMENTS

This note only relates to those directors who received remuneration from the Company (remunerated directors). In the current period, there were 3 remunerated directors (39 weeks to 1 January 2017: 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.

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Emoluments	171	217
Compensation for loss of office	142	427
Company contributions to defined contribution pension scheme	15	28
	328	672

	$'000	$'000
Remuneration of the highest paid remunerated director:		
Emoluments	74	116
Compensation for loss of office	142	402
Company contributions to defined contribution pension scheme	7	17
	223	535

	$'000	$'000
Remunerated directors accruing benefits under defined contribution pension schemes	2	2

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

5. STAFF NUMBERS AND COSTS

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Staff costs:		
Wages and salaries	26,361	17,783
Social security costs	2,804	2,056
Other pension costs defined benefit scheme (see note 18)	2,551	1,322
Other pension costs defined contribution scheme	901	800
	32,617	21,961

	No.	No.
The average monthly number of employees during the period was:		
Production staff	400	385
Administrative staff	191	177
	591	562

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Interest payable – on inter-group loans	1,961	1,668

7. TAX ON PROFIT

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the period at 19.25% (39 weeks to1 January 2017: 20%)	1,104	400
Group relief	-	-
Adjustments relating to prior periods	(8)	(12)
Total current tax charge	1,096	388
Deferred tax		
Origination and reversal of timing differences	22	(21)
Adjustments relating to prior periods	22	-
Total tax charge for the period	1,140	367

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

7. TAX ON PROFIT (continued)

Tax included in statement of comprehensive income

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Current taxation	1,140	(367)
Deferred taxation		
Actuarial loss on pension scheme	(578)	(3,711)
Derivatives	81	(19)
Effect of changes in tax rates	7	-
Deferred tax credit to statement of comprehensive income	(490)	(3,730)

Factors affecting total tax charge

The tax assessed on the profit for the period is higher (39 weeks to 1 January 2017: higher) than the standard rate of corporation tax in the UK of 19.25% (39 weeks to 1 January 2017: 20%). The differences are reconciled below:

	$'000	$'000
Profit before tax	1,566	1,431
Profit multiplied by standard rate of corporation tax of 19.25% (39 weeks to 1 January 2017: 20%)	301	286
Effect of		
Expenses not deductible for tax purposes	825	90
Adjustment to tax charge in respect of previous periods	14	(12)
Rate difference – deferred tax	-	3
Total tax charge for the period	1,140	367

Factors that may affect future tax charges

A reduction in the UK corporation tax from 21% to 20% took effect from 1 April 2015. A further reduction in the UK corporation tax rate to 19% from 1 April 2017 was substantively enacted in November 2015. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in September 2016.

The deferred tax asset at 31 December 2017 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

7. TAX ON PROFIT (continued)

Deferred taxation

The amounts of deferred taxation provided as at 31 December 2017 and 1 January 2017 calculated at 19% (1 January 2017: 19%) are as follows:

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Provided		
Accelerated capital allowances	(2,087)	(2,043)
Derivatives	(62)	18
Pension costs	8,216	7,646
Other timing differences	454	454
Net asset provided (note 13)	6,521	6,075

	$'000
Asset at start of period	6,075
Deferred tax charge in profit and loss account for the current period	(22)
Deferred tax charge in profit and loss account for the prior period	(22)
Included in other comprehensive income	490
Asset at end of period	6,521

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, and now intermediate 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.

No share based payments schemes have been in place for either the current or prior period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

9. INTANGIBLE FIXED ASSETS

	Software $'000
Cost	
At 2 January 2017	9,787
Additions	7,015
Disposals	(310)
Cumulative translation adjustments	11
At 31 December 2017	16,503
Depreciation	
At 2 January 2017	335
Amortisation charge for the period	1,188
Disposals	(310)
At 31 December 2017	1,213
Net book value	
At 31 December 2017	15,290
At 1 January 2017	9,452

At 1 January 2017 the net book value above included $9,452,000 in respect of a system development project which was not amortised as of that date. This project was completed and the system put into use during the period ended 31 December 2017. This is being amortised over its estimated useful life of seven years and this cost is included within cost of sales in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold properties and land $'000	Plant and machinery $'000	Total $'000
Cost			
At 2 January 2017	28,462	115,758	144,220
Additions	2,311	6,288	8,599
Disposals	-	(291)	(291)
Cumulative translation adjustments	(53)	5,755	5,702
At 31 December 2017	30,720	127,141	158,230
Depreciation			
At 2 January 2017	16,269	90,758	107,027
Charge for the period	1,687	7,900	9,587
Disposals	-	(268)	(268)
Cumulative translation adjustments	1,078	5,705	6,783
At 31 December 2017	19,034	104,095	123,129
Net book value			
At 31 December 2017	11,686	23,046	34,732
At 1 January 2017	12,193	24,631	36,824

The net book value of assets included above which are held under finance leases is $60,000 (1 January 2017: $84,000). These assets are included within plant and machinery.

Plant and machinery includes $5,766,000 (1 January 2017: $1,651,000) in respect of assets under construction that are not currently being depreciated.

Freehold properties includes $575,000 (1 January 2017: $611,000) in respect of assets under construction that are not currently being depreciated.

Cost at 31 December 2017 includes $111,000 (1 January 2017: $111,000) 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 operation	Ordinary shares in issue & owned	Value of ordinary shares $	2017 Cost $	2016 Cost $
Special Metals Services Limited	Sales liaison office	India	100	134	134	134
Special Metals Wiggin Trustees Limited	Pension fund trustee	England	100	134	134	134

Note: The registered address for both subsidiary companies is Wiggin Works, Holmer Road, Hereford HR4 9SL. The holdings are in respect of the ordinary share capital of the undertaking concerned and represent 100% of the issued share capital for each entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

12. INVENTORY

	31 December 2017 $'000	1 January 2017 $'000
Raw materials and consumables	18,635	20,995
Work in progress	33,877	23,095
Finished goods	13,326	5,073
	65,838	49,163

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 $4,596,000 (1 January 2017: $3,097,000). Movements in impairment provisions are recorded in cost of sales in the profit and loss account.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017 $'000	1 January 2017 $'000
Trade debtors	2,034	5,258
Amounts owed by group undertakings	116,016	150,408
Derivative financial instruments	631	620
Other debtors	1,292	-
Deferred tax asset (note 7)	6,521	6,075
Corporation tax recoverable	3,061	1,819
Prepayments and accrued income	3,135	1,440
	132,690	165,620

Amounts due from group undertakings represent current trading balances and cash on deposit with fellow subsidiary companies of the intermediate parent entity, PCC. The trading balances are non interest-bearing and repayable on demand. Interest is payable on any intercompany loans with a positive balance at rates within the range 41bps to 66bps.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017 $'000	1 January 2017 $'000
Trade creditors	23,406	14,066
Amounts owed to group undertakings	25,128	55,306
Other taxes and social security costs	-	703
Accruals and deferred income	3,642	1,491
Obligations under finance leases	-	24
Derivative financial instruments	269	985
	52,445	72,575

Amounts due to group undertakings represent current trading balances with fellow subsidiary companies of the intermediate parent entity, PCC. These trading balances are non interest-bearing and payable on demand. Interest is payable on any intercompany loans with a positive balance at rates within the range 41bps to 66bps.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 weeks ended 31 December 2017

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

	31 December 2017 $'000	1 January 2017 $'000
Obligations under finance leases	30	56

16. SHARE CAPITAL AND RESERVES

	31 December 2017 $'000	1 January 2017 $'000
Share capital		
80,000 ordinary shares of £10 each	1,328	1,328
Allotted, called up and fully paid		
77,009 ordinary shares of £10 each	1,281	1,281

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.

The FX reserve arises from the change of functional currency to USD from GBP as at 2 January 2017 and the change in presentational currency for the comparative period. The value of the FX reserve represents an accounting gain in the profit and loss reserve which arises from the cumulative FX gains/losses resulting from the conversion of profits and losses at the exchange rates in force during prior financial periods. In accordance with the Companies Act, an accounting gain arising upon the retranslation of the whole of the accounts from a company's functional currency to a presentation currency is not a realised profit as a matter of law. Accordingly, the distributable reserves of the company as at 2 January 2017 are not equal to the balance of the profit and loss account reserve stated in US Dollars as at that date ($93,851,000). Instead, the distributable reserves of the company as at 2 January 2017 are calculated as the balance of the profit and loss account in its functional currency prior to 2 January 2017 (£69,789,000), converted to US Dollars at the rate in force at that date, giving distributable reserves of $85,366,000 as at 2 January 2017. Subsequent to this date, distributable reserves will accrue in the company's new functional currency, being US Dollars.

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 31 December 2017

17. CAPITAL COMMITMENTS

At 31 December 2017, amounts contracted for but not provided in the financial statements amounted to $1,475,000 (1 January 2017: $2,922,000). These amounts all relate to tangible fixed asset purchases.

18. 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 102, 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 $901,000 (1 January 2017: $630,000). 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 31 December 2017, the estimated unfunded liability arising from this arrangement was $1,574,000 (1 January 2017: $1,260,000), 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 2015. Following this valuation, it was agreed in June 2017 by the Trustees and the Company that contributions from the Company under the recovery plan will be $295,000 per month from June 2017 to May 2024 plus a lump sum payment of $1,346,000 payable no later than December 2018. In addition the Company agreed to pay 23.3% of monthly pensionable pay plus $37,000 per month by way of ordinary contributions to cover the estimated ongoing funding cost.

Employer contributions to the Plan in the 52 weeks to 31 December 2017 were $8.3 million. Additional employer contributions will be required if there are any augmentations during the year. Contributions of $5.8 million are expected to be paid by the Company to the Plan during the year ending 31 December 2018.

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

	31 December 2017 (% p.a.)	1 January 2017 (% p.a.)	3 April 2016 (% p.a.)
RPI inflation	3.05	3.15	2.85
CPI inflation	2.05	2.15	1.85
Rate of general long-term increase in salaries	2.75	2.75	2.75
Pension increases (on pensions accrued since April 1997)	2.95	3.00	2.80
Discount rate for Plan liabilities	2.55	2.90	3.45

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 20.6 years if they are male and for a further 23.8 years if they are female. For a member who retires in 2037 at age 65 the assumptions are that they will live on average for a further 22.2 years after retirement if they are male and for a further 25.3 years after retirement if they are female.

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 31 December 2017

18. POST-RETIREMENT BENEFITS (continued)

Plan asset allocation

	31 December 2017 $'000	1 January 2017 $'000
Equities	56,408	47,817
Fixed income bonds	47,205	39,624
Absolute return strategies	21,426	20,042
Commodities	20,619	16,974
Pharma	8,295	8,285
Cash and other	2,430	3,339
	156,383	136,081

Reconciliation of funded status to balance sheet

	Value at 31 December 2017 $'000	Value at 1 January 2017 $'000
Fair value of Plan assets	156,383	136,081
Present value of funded defined benefit obligations	(198,055)	(175,067)
Funded status	(41,672)	(38,986)
Present value of unfunded defined benefit obligations	(1,575)	(1,260)
Liability recognised on the balance sheet	(43,247)	(40,246)

Analysis of amount recognised in the profit and loss account

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Current service cost	2,551	1,322
Administration expenses	712	525
Interest cost	1,179	608
Expense recognised in the profit and loss account	4,442	2,455

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
52 weeks ended 31 December 2017

18. POST-RETIREMENT BENEFITS (continued)

Analysis of amount charged to statement of comprehensive income ("SOCI")

	52 weeks ended 31 December 2017 $'000	39 weeks ended 1 January 2017 $'000
Return on scheme assets in excess of that recognised in net interest	(4,635)	(4,386)
Actuarial losses on liabilities	7,495	22,229
Expense recognised in SOCI	2,860	17,843

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 30 September 2016.

The directors 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 as at 31 March 2016 by $7 million. The carrying value of this investment has remained unchanged since this date and the directors do not consider there to be the need for further write downs in the value of the investment as at 31 December 2017.

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

	31 December 2017 $'000	1 January 2017 $'000
Opening defined benefit obligation	176,327	181,877
Current service cost	2,551	1,438
Interest cost	5,317	4,283
Actuarial losses on plan liabilities	7,821	22,229
Net benefits paid out	(9,844)	(6,327)
Loss on foreign exchange	17,458	(27,173)
Closing defined benefit obligations	199,630	176,327

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 31 December 2017

18. POST-RETIREMENT BENEFITS (continued)

Changes to the fair value of plan assets during the period

	31 December 2017 $'000	1 January 2017 $'000
Opening fair value of plan assets	136,081	152,613
Interest income on plan assets	4,139	3,622
Re-measurement gain on plan assets	4,836	4,386
Contributions by the Company	8,264	5,366
Net benefits paid out	(9,844)	(6,327)
Administration costs incurred	(713)	(570)
Gain/(loss) on foreign exchange	13,620	(23,009)
Closing fair value of plan assets	156,383	136,081

Actual return on plan assets

	31 December 2017 $'000	1 January 2017 $'000
Interest income on plan assets	4,139	3,332
Re-measurement gain on plan assets	4,836	4,386
Actual return on plan assets	8,975	7,718

19. OTHER FINANCIAL COMMITMENTS

Finance leases

The future minimum lease payments are as follows:

Amounts payable:	31 December 2017 $'000	1 January 2017 $'000
Within one year	31	29
In two to five years	31	59
Total gross payments	62	88
Less: finance charges allocated to future periods	(3)	(7)
	59	81

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 31 December 2017

19. OTHER FINANCIAL COMMITMENTS (continued)

Operating leases

The Company has future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 $'000	1 January 2017 $'000
Amounts payable		
Within one year	260	305
In two to five years	931	780
	1,191	1,085

20. CONTINGENT LIABILITIES

At 31 December 2017 the Company had contingent liabilities of $1,949,000 (1 January 2017: $399,000) in respect of bank guarantees given in the normal course of business.

21. FINANCIAL INSTRUMENTS

	31 December 2017 $'000	1 January 2017 $'000
Financial Assets		
Measured at undiscounted amount receivable	119,538	156,117
Financial assets that are equity instruments measured at cost less impairment	-	-
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	631	620
	154,277	156,737
Financial Liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(269)	(985)
Financial Liabilities measured at amortised cost	(82,672)	(69,372)
	(82,941)	(70,357)

Financial Assets measured at the undiscounted amount receivable comprise of trade and other debtors, amounts due from group undertakings (note 13) and cash and cash equivalents.

Financial Assets that are equity instruments measured at cost less impairment comprise of fixed asset investments in group undertakings.

Derivative financial assets and liabilities measured at fair value comprise of forward foreign currency contracts valued using quoted forward exchange rates and yield derived from quoted interest rates matching maturities of the contracts.

On 1 January 2017 the company made the decision to stop hedge accounting in respect of derivative financial instruments. This change has been accounted for prospectively in line with FRS102 and the foreign exchange reserve has been frozen as at 1 January 2017 with amounts subsequently being recycled into the profit and loss account on the maturity of contracts subsequent to this date.

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 31 December 2017

21. FINANCIAL INSTRUMENTS (continued)

Outstanding Contracts	Average contractual exchange rate		Notional Value		Fair Value	
	31 December 2017	1 January 2017	31 December 2017 '000	1 January 2017 '000	31 December 2017 $'000	1 January 2017 $'000
Buy USD / Sell GBP	1.4441	1.3432	(346)	(5,323)	33	620
Sell EUR / Buy GBP	1.2428	1.1995	241	13,547	(34)	(489)
Sell USD / Buy GBP	1.3087	1.3247	382	4,982	15	(495)
Buy EUR / Sell GBP	1.1295	-	(266)	-	2	-
Buy GBP / Sell USD	0.7505	-	(29,379)	-	570	-
Sell EUR / Buy USD	0.8358	-	22,673	-	(183)	-
Sell GBP / Buy USD	0.7520	-	3,324	-	(41)	-

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 the registered office address of Berkshire Hathaway Inc., Executive Offices, 3555 – Farnam Street, Omaha, Nebraska 68131, USA. Corporate information may also be found at www.berkshirehathaway.com.