

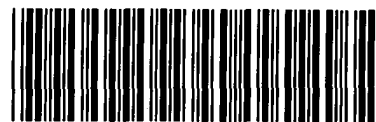
Company Registration No. 02889486

Wyman-Gordon Limited

Report and Financial Statements

For the year ended 31 December 2019

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Wyman-Gordon Limited

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Wyman-Gordon Limited

Directors and professional advisers

Directors

S Hagel
R Becker
R Beyer
A Dimmer
A Armagno

Company Secretary

S Sinclair
J Freeman

Registered Office

c/o Special Metals Wiggin Limited
Wiggin Works
Holmer Road
Hereford, HR4 9SL

Bankers

Bank of America
6-8 George Street
Edinburgh, EH2 2SA

Solicitors

CMS
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EN

Independent Auditor

Deloitte LLP
Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2DB

Wyman-Gordon Limited

Strategic Report

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

Principal Activities

The group's principal activities during the year to 31 December 2019 were to supply forged products globally to the aerospace and energy markets. References to the 'group' represent this company, and its subsidiary undertaking, Wyman-Gordon (Lincoln) Limited. Any references to the 'PCC group' means the wider group of subsidiary undertakings owned by the immediate parent company, Precision Castparts Corp.

Review of business and future developments

The results of the group show a profit before tax of £5,940,000 for the year ending 31 December 2019 (31 December 2018: restated profit of £11,381,000) on sales of £103,580,000 (31 December 2018: £104,101,000). The group had net assets of £102,702,000 as at 31 December 2019 (31 December 2018: restated net assets of £129,149,000). Details of the restatement can be found in note 23.

Turnover has slightly reduced in the year. There has been significant upward pressure on our cost base which has impacted our margins in 2019.

The company is implementing cost reductions measures during 2020 to improve margins and also in response to the Covid pandemic. The impact of Covid is outlined below.

Other key performance indicators

Revenue, operating profit and gross profit margin are considered key performance indicators and are discussed above. In addition, the group monitors other key performance indicators. At the period-end operating working capital was 39.8% of turnover (31 December 2018: restated 35.8%). The operating working capital ratio is calculated by taking the quarter end working capital balance (trade receivables plus stock less trade payables) and comparing this against annualised turnover for the quarter, after adjusting for the effect of foreign exchange. The year on year increase reflects an increase in inventory and an improvement in on time supplier payments.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks affecting the group are considered to relate to competition and to foreign currency, in addition to wider market conditions impacting demand.

Brexit

The management of the business have introduced several initiatives in an attempt to reduce the risk of business interruption coined by delays of critical supplies and delays in the movement of product to and from subcontractors. In addition a review of the implication of changes in duty rates and procedures has been performed.

Competition

The group operates in a highly competitive market around price and product quality. This can have an impact in downward pressure on the group's margins but also in the risk that we do not meet the group's customers' expectations. In order to mitigate this risk our sales team monitors market prices on an ongoing basis. Furthermore, the quality team continually monitors the quality of product being produced and ensures the group maintains a rigorous quality system.

Foreign currency

The group sells into a number of markets worldwide. Some of this turnover is in foreign currency, and therefore the group has an exposure to foreign currency movements. In order to mitigate this risk, the group will hedge against currency exposures using foreign exchange contracts. The fair value of derivative contracts is included in note 20.

Covid 19

The global lock down has had an unprecedented reduction in air travel leading to significant reduction in our order book. The company has utilised the Government job retention scheme along with temporary site closures to afford a period of stabilisation. The forecasted future business activity is insufficient to sustain current unemployment levels and the company in consultation with its workforce as to possible headcount reductions.

Wyman-Gordon Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

Covid-19 (continued)

Those reductions along with another restructuring of our cost base will enable the company to continue to service our customer base despite lower volumes.

Section 172 Statement

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

The company is a subsidiary and business unit of Precision Castparts Corp. ('the Parent') which is a member of Berkshire Hathaway Inc., a public company incorporated and registered in the United States of America, as the ultimate holding company. The governance framework delegates authority for local decision-making at business unit level up to defined levels of cost and impact which allow the individual businesses to take account of the needs of their own stakeholders in the decision-making. The culture, value and standards that underpin this delegation ensure that when decisions are made the wider impact has been considered.

Details of the business unit key stakeholders and how we engage with them are set out below.

Shareholders

From the perspective of the Board of Directors, as a result of PCC group governance the Parent has taken the lead in regards to assuring the strategy, performance and key decisions take into account stakeholder interests in decision-making. The Parent is well informed about the views of stakeholders through the regular communication on stakeholder views and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process.

Customers and suppliers

The Board of Directors and Parent work together with local leadership in carrying out the duties in respect of the company's other stakeholders. Since we manufacture products for critical aerospace and other industrial applications, we operate with a high degree of competence and personal integrity while having a constant focus on quality, cost, and delivery. Our reputation depends on our ability to meet our customers' specifications and instructions. Under no circumstance should a departure from customer specification occur without being reported and authorised through the appropriate channels. Our suppliers play a critical role in our ability to operate and provide products and services to our customers. To protect our reputation and perform with integrity, we must choose our suppliers carefully, based on merit and with the expectation and requirement that our suppliers will act in a manner consistent with our compliance and ethics standards. We follow these guidelines when selecting suppliers:

- 1) Do business only with suppliers who comply with all applicable laws, rules and regulations and Precision Castparts Corp's compliance and ethical standards;
- 2) Do not do business with a supplier who has known or suspected unsafe working conditions or exhibits a disregard for environmental standards;
- 3) Choose suppliers based on open, competitive bidding, without favouritism or unlawful discrimination; and
- 4) Do not participate in any decision to direct business to a supplier owned or managed by a relative or close friend. Disclose the relationship in advance to those involved in making the decision.

When working with suppliers, we follow these guidelines:

- 1) Safeguard our confidential and proprietary information with a confidentiality or non-disclosure agreement and safeguard any supplier-provided information protected by any similar agreement;
- 2) Require the highest standards of product quality, testing and inspections according to customer specifications, and communicate these expectations clearly; and
- 3) Never accept loans, improper gifts or other items of excessive value from suppliers.

Wyman-Gordon Limited

Strategic Report (continued)

Section 172 Statement (continued)

Customers and suppliers (continued)

Many of our key customers and suppliers have multi-year contracts to foster strong relationships. Local leadership meets regularly with key customers and suppliers to discuss the business relationship.

Government and regulators

Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Board of Directors is updated on legal and regulatory developments and takes these into account when considering future actions.

Employees

Our employees are fundamental to the delivery of our long-term plan. All new employees are required to acknowledge reading the Parent company's business code of conduct which establishes how all employees of the company should engage with stakeholders. The health, safety, and well-being of our employees is one of our primary considerations in the way we do business. We aim to recruit and develop local people and be a responsible employer in our approach to the pay and benefits our employees receive. We also work with our employees to support local causes and issues.

The Board of Directors, Parent and local leadership together take responsibility for safeguarding the interest of employees and the company's obligations to the pension scheme.

Environment

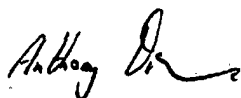
We conduct business in an environmentally responsible way by:

- 1) Operating our facilities in compliance with all environmental laws, rules and regulations;
- 2) Providing management oversight of environmental practices at each plant;
- 3) Training our employees in proper waste management procedures;
- 4) Minimizing the creation of waste, especially hazardous waste, and disposing of all waste in a safe and responsible manner; and
- 5) Acting as good neighbours to our surrounding communities by communicating with the public regarding our environmental management practices and participating in community environmental improvement efforts

Events after the balance sheet date

Refer to note 24 in the notes to the accounts for further details on events after the balance sheet date.

Approved by the board of directors



A Dimmer
Director
30 September 2020

Wyman-Gordon Limited

Directors' report

The directors present their report and the audited financial statements of the company and the group for the year ended 31 December 2019.

Directors

The directors who served throughout the year except as noted, were as follows:

S Hagel
R Becker
R Beyer
A Dimmer (appointed 3 January 2019)
A Armagno
J Coleman (resigned 6 May 2019)
C Thomas (resigned 6 May 2019)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic report on page 2 and form part of this report by cross-reference.

Going concern

The group's business activities are spread over a number of industries and geographical locations. Its major customers and suppliers have significant experience in operating within those industries. The group has considered the principal risks and uncertainties of the business and has set out its policy (as detailed in the Strategic report on page 2) for limiting those risks, however, as highlighted on page 2, the Covid-19 pandemic has impacted a number of the group's significant customers and future turnover levels are expected to decline.

The group pools all cash generated into, and also has access to a central cash pooling arrangement with its intermediate parent company, Precision Castparts Corp ('PCC'). In addition, the directors have been supplied with a letter of support from PCC which will ensure any necessary financial support is provided within twelve months from the date of these financial statements. The directors have satisfied themselves that PCC has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the group and the company have adequate resources internally and through its association with PCC, to continue in operational existence for the foreseeable future and as such, the going concern basis has been adopted in preparing the annual report and financial statements.

Financial risk management objectives and policies

Credit risk

The group's principal financial assets are bank balances, cash and trade and other receivables. The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

Wyman-Gordon Limited is exposed to a concentration of credit risk for trade receivables. The company has long-standing relationships with its customers and management considers the credit risk to be low.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Wyman-Gordon Limited

Directors' report (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group has available a mixture of long-term and short-term debt finance, solely from other PCC group undertakings. All amounts are repayable on demand within one year.

Dividends

During the year, an interim dividend was paid of £25,000,000 (31 December 2018: £nil). The directors recommended that no final dividend be paid (31 December 2018: £nil).

Research and development

Within the aerospace sector, research and development is focused on manufacturing improvements to increase capacity and capability and to maintain leadership in offering world-class forgings to the aerospace industry.

Charitable donations

There were no contributions for charitable purposes (31 December 2018: £nil). There were no contributions for political purposes (31 December 2018: £nil).

Safety policy

Throughout the year, the group demonstrated its continuing commitment to safety. The directors believe that the emphasis placed on safety within the workplace benefits both employees, through improved motivation and morale, and the group, through increased productivity and reduced absenteeism.

Employees

The group gives full and fair consideration to applications for employment made by disabled persons and, where appropriate, would arrange for the retraining of those who became disabled whilst in employment. The group also endeavours to give equal opportunities of training, career development and promotion to all employees.

During the year, the group remained committed to its policy of providing employees with information about the group. This encourages participation in the group's development and addresses employee concerns. Employee involvement is encouraged by the use of the following:

- Communication meetings with local management;
- Employee suggestion schemes;
- Local notices and bulletins;
- Employee newsletter; and
- Awards to employees as recognition of performance.

Disclosure of information to auditor

Each of the persons who is a director of the company at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director 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 s418 of the Companies Act 2006.

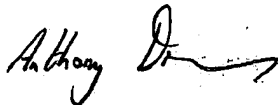
Wyman-Gordon Limited

Directors' report (continued)

Auditor

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board of directors



A Dimmer
Director

30 September 2020

Wyman-Gordon Limited

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 year. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in 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.

Wyman-Gordon Limited

Independent auditor's report to the members of Wyman-Gordon Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Wyman-Gordon Limited (the 'parent company') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year 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 consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity; and
- the related notes 1 to 25.

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 opinion

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 group and the parent 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 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 group's or the parent 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.

We have nothing to report in respect of these matters.

Wyman-Gordon Limited

Independent auditor's report to the members of Wyman-Gordon Limited (continued)

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 group's and the parent 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 group or the parent 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, 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 year 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.

In the light of the knowledge and understanding of the group and of the company and their 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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

Wyman-Gordon Limited

Independent auditor's report to the members of Wyman-Gordon Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Pratt CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
30 September 2020

Wyman-Gordon Limited

Consolidated profit and loss account For the year ended 31 December 2019

		Year ended 31 December 2019 £'000	Restated* Year ended 31 December 2018 £'000
	Note		
Turnover	3	103,580	104,101
Cost of sales		(95,738)	(89,874)
Gross profit		7,842	14,227
Administration expenses		(4,217)	(3,933)
Other operating income		2,042	2,673
Operating profit	4	5,667	12,967
Interest payable and similar expenses	8	(162)	(929)
Fair value movement on derivatives	20	435	(657)
Profit before taxation		5,940	11,381
Tax on profit	9	(935)	(2,473)
Profit for the financial year		5,005	8,908

The accompanying notes on pages 17 to 36 form an integral part of these financial statements.

The above results for the current year relate entirely to continuing operations.

**See note 23 for further details.*

Wyman-Gordon Limited

Consolidated statement of comprehensive income For the year ended 31 December 2019

		Year ended 31 December 2019 £'000	Restated* Year ended 31 December 2018 £'000
Profit for the financial year		5,005	8,908
Actuarial (loss)/gain relating to the pension scheme	22	(7,177)	853
Deferred tax relating to the actuarial gain/(loss)		725	(151)
Total comprehensive income		(1,447)	9,610

The accompanying notes on pages 17 to 36 form an integral part of these financial statements.

**See note 23 for further details.*

Wyman-Gordon Limited


Consolidated and company balance sheets As at 31 December 2019

	Note	Group 2019 £'000	Company 2019 £'000	Restated* Group 2018 £'000	Restated* Company 2018 £'000
Fixed assets					
Intangible assets	10	182	182	902	902
Tangible assets	11	38,860	38,860	39,200	39,200
		<u>39,042</u>	<u>39,042</u>	<u>40,102</u>	<u>40,102</u>
Current assets					
Stocks	13	31,640	31,640	30,826	30,826
Debtors	14	116,577	116,577	140,156	140,156
		<u>148,217</u>	<u>148,217</u>	<u>170,982</u>	<u>170,982</u>
Creditors: amounts falling due within one year	16	(56,720)	(59,735)	(59,523)	(62,538)
Net current assets		<u>91,497</u>	<u>88,482</u>	<u>111,459</u>	<u>108,444</u>
Total assets less current liabilities		<u>130,539</u>	<u>127,524</u>	<u>151,561</u>	<u>148,546</u>
Provisions for liabilities	17	(207)	(207)	(207)	(207)
Pension deficit	22	(27,630)	(27,630)	(22,205)	(22,205)
Net assets		<u>102,702</u>	<u>99,687</u>	<u>129,149</u>	<u>126,134</u>
Capital and reserves					
Called up share capital	18	12,904	12,904	12,904	12,904
Revaluation reserve	18	11,234	11,234	12,248	12,248
Profit and loss account	18	78,564	75,549	103,997	100,982
Shareholders' funds		<u>102,702</u>	<u>99,687</u>	<u>129,149</u>	<u>126,134</u>

The accompanying notes on pages 17 to 36 form an integral part of these financial statements.

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone. The profit after taxation for the year was £5,005,000 (31 December 2018: restated profit of £8,908,000).

The financial statements of Wyman-Gordon Limited, registered company number 02889486, were approved by the board of directors on 30 September 2020 and were signed on its behalf by:


A Dimmer
Director

*See note 23 for further details.

Wyman-Gordon Limited

Consolidated statement of changes in equity For the year ended 31 December 2019

		Called-up capital	Revaluation reserve	Profit and loss account	Total
	Note	£'000	£'000	£'000	£'000
At 1 January 2018 as previously reported		12,904	8,027	105,527	126,458
Prior year adjustment – understatement of revaluation reserves	23	-	5,584	(5,584)	-
Prior year adjustment - understatement of pension charge	23	-	-	(6,919)	(6,919)
At 1 January 2018 as restated		12,904	13,611	93,024	119,539
Profit for the financial year restated		-	-	8,908	8,908
Other comprehensive income		-	-	702	702
Total comprehensive income restated		-	-	9,610	9,610
Depreciation transfer		-	(1,363)	1,363	-
At 31 December 2018 restated		12,904	12,248	103,997	129,149
Profit for the financial year		-	-	5,005	5,005
Other comprehensive loss	22	-	-	(6,452)	(6,452)
Total comprehensive loss		-	-	(1,447)	(1,447)
Dividend	25	-	-	(25,000)	(25,000)
Depreciation transfer		-	(1,014)	1,014	-
At 31 December 2019		12,904	11,234	78,564	102,702

The accompanying notes on pages 17 to 36 form an integral part of these financial statements.

**See note 23 for further details.*

Wyman-Gordon Limited

Company statement of changes in equity For the year ended 31 December 2019

	Note	Called-up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2018 as previously reported		12,904	8,027	102,512	123,443
Prior year adjustment – understatement of revaluation reserves	23	-	5,584	(5,584)	-
Prior year adjustments understatement of pension charge	23	-	-	(6,919)	(6,919)
At 1 January 2018 restated		12,904	13,611	90,009	116,524
Profit for the financial year restated		-	-	8,908	8,908
Other comprehensive income		-	-	702	702
Total comprehensive income restated		-	-	9,610	9,610
Depreciation transfer (restated)		-	(1,363)	1,363	-
At 31 December 2018 restated		12,904	12,248	100,982	126,134
Profit for the financial year		-	-	5,005	5,005
Other comprehensive loss	22	-	-	(6,452)	(6,452)
Total comprehensive loss		-	-	(1,447)	(1,447)
Dividend	25	-	-	(25,000)	(25,000)
Depreciation transfer		-	(1,014)	1,014	-
At 31 December 2019		12,904	11,234	75,549	99,687

The accompanying notes on pages 17 to 36 form an integral part of these financial statements.

**See note 23 for further details.*

Wyman-Gordon Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

The principal accounting policies adopted by the directors are described below and have been applied consistently in the current and prior year.

a. General information and basis of accounting

Wyman-Gordon Limited is a private company limited by shares registered in England and Wales, incorporated in the United Kingdom under the Companies Act 2006 (Company Registration No. 02889486). The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic report on page 2.

The financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Wyman-Gordon Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Wyman-Gordon Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it, both in relation to those disclosures made in the financial statements of the ultimate parent company (note 21), into which the results of this group are consolidated, and in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in these separate company financial statements in relation to the presentation of a cash flow statement, financial instruments, remuneration of key management personnel and related parties.

b. Basis of consolidation

The group financial statements consolidate the financial statements of Wyman-Gordon Limited and its subsidiary undertakings drawn up for the year to 31 December 2019. No separate profit and loss account is presented for Wyman-Gordon Limited as permitted by section 408 of the Companies Act 2006.

c. Going concern

The group's business activities are spread over a number of industries and geographical locations. Its major customers and suppliers have significant experience in operating within those industries. The group has considered the principal risks and uncertainties of the business and has set out its policy (as detailed in the Strategic report on page 2) for limiting those risks, however, as highlighted on page 2, the Covid-19 pandemic has impacted a number of the group's significant customers and future turnover levels are expected to decline.

The group pools all cash generated into, and also has access to a central cash pooling arrangement with its intermediate parent company, Precision Castparts Corp ('PCC'). In addition, the directors have been supplied with a letter of support from PCC which will ensure any necessary financial support is provided within twelve months from the date of these financial statements. The directors have satisfied themselves that PCC has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the group and the company have adequate resources internally and through its association with PCC, to continue in operational existence for the foreseeable future and as such, the going concern basis has been adopted in preparing the annual report and financial statements.

d. Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, including know-how, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

e. *Tangible fixed assets*

Tangible fixed assets are stated at deemed cost on transition to FRS 102 (including all costs of acquisition required to bring the asset into use) less depreciation and any provision for impairment. Depreciation is provided by the group on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset in equal instalments over their estimated useful lives, as follows:

Land and buildings	- Over 25 years
Plant and machinery	- 4 to 12 years

Depreciation on assets in course of construction commences when the assets are placed into operational use.

f. *Government grants*

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets once the directors are satisfied that the conditions of the grant have been met. Grants of a revenue nature are credited to the profit and loss account over the period to which they relate.

g. *Stocks*

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, purchase cost on a first in, first out basis, is used. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes direct materials, labour and an appropriate proportion of overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

h. *Financial instruments*

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

h. Financial instruments (continued)

Financial assets and liabilities (continued)

(c) There are no conditional returns or repayment provisions except for the variable rate return described in (a).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

i. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j. Pensions

The group operates a defined benefit pension scheme. The funds are valued on a regular basis by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. The service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the group's long-term expected return on assets (based on the market value of the scheme assets at the start of the period) are included in the profit and loss account under "other finance charges".

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, net of the related deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience of assumption changes. Further information on pension arrangements is set out in note 22 to the financial statements.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

k. Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet. Non-monetary items that are measured in terms of historical cost are not retranslated. All exchange differences are included in the profit and loss account.

l. Research and development

Research and development expenditure is written off in the profit and loss account as incurred.

m. Related party transactions

Related party transactions with other group companies 100% owned by the ultimate parent company (refer note 21) have not been disclosed in accordance with the exemption for wholly-owned subsidiary undertakings contained in Financial Reporting Standard Section 33 "Related Party Disclosures".

n. Leases

Rentals under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

o. Environmental costs

The estimated costs for known environmental remediation requirements are accrued on an undiscounted basis when it is probable that a liability has been incurred and the amount of remediation costs can be reasonably estimated. The Directors are satisfied that the effect of discounting the provision would not be material.

p. Onerous contracts

A provision is made for contracts in which the cost incurred to fulfil the contract is greater than that of the expected returns on the contract. A provision is recognised for the expected loss on these contracts.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and key source of estimation uncertainty in applying the group's accounting policies

The following is the critical estimate that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty – discount rate used to determine the carrying amount of the group's defined benefit obligation

The group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived.

Critical judgements

In the opinion of the directors there were no critical judgements made by the directors in applying the Company's accounting policies.

3. Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, net of value added tax.

The turnover of continuing operations is attributable to the manufacture and supply of components for the aerospace, energy and defence industries. Revenue is recognised at the point risks and rewards are transferred to the customer, which is dependent upon contractual terms and methods of shipment and collection.

Turnover and group profit before taxation are not analysed by each class of business or geographical area, as the directors believe it would be detrimental to the commercial interests of the group.

In addition to the turnover discussed above the group earns income from a number of other sources such as the sale of scrap metal. These amounts are included in other operating income.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

4. Operating profit

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Operating profit is stated after charging/(crediting):		
Foreign exchange gain	(3,387)	(3,711)
Rental income	(189)	(162)
Depreciation of tangible fixed assets		
- owned assets (note 11)	4,151	4,152
Amortisation of intangible assets (note 10)	720	721
Fees payable to the company's auditor for the audit of the company's annual financial statements	73	70
Fees payable to the company's auditor for non-audit services	-	-
Operating lease rentals:		
- hire of plant and machinery	483	339

5. Directors' emoluments

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Aggregate emoluments	215	806
Company contributions to money purchase schemes	-	-
	215	806

One (31 December 2018: two) director received remuneration in respect of their services to the company. All other directors are paid directly through Berkshire Hathaway Inc. It is considered that the time spent in relation to Wyman-Gordon Limited is insignificant.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

5. Directors' emoluments (continued)

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Highest paid director		
The amounts in respect of the highest paid director are as follows:		
Emoluments	215	532
Total emoluments	215	532

6. Employees costs

	Year ended 31 December 2019 £'000	Restated* Year ended 31 December 2018 £'000
Group		
Wages and salaries	11,536	10,869
Social security costs	1,266	1,188
Pension service costs (note 22)	820	1,927
Other pension contributions	332	272
	13,954	14,256

7. Employee information

The monthly average no. of employees (including executive directors) for the year was:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
By activity		
Production	271	276
Administration	23	22
	294	298

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

8. Finance charges

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Net charge on pension scheme (note 22)	594	548
Other finance (income)/charges – group undertakings	(432)	381
	<u>162</u>	<u>929</u>

9. Tax on profit

	Year ended 31 December 2019 £'000	Restated* Year ended 31 December 2018 £'000
Current tax:		
UK corporation tax based on the results for the year at 19% (31 December 2018: 19%)	809	2,916
Prior year adjustment	-	(773)
Total current tax	<u>809</u>	<u>2,143</u>
Deferred tax:		
Origination and reversal of timing differences	130	33
Prior year adjustment	(4)	297
Total deferred tax	<u>126</u>	<u>330</u>
Tax on profit	<u>935</u>	<u>2,473</u>

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The rate of change will affect the size of the Company's deferred tax assets and liabilities in the future.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Tax on profit (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 December 2019 £'000	Restated* Year ended 31 December 2018 £'000
Profit before tax	5,940	11,381
Tax thereon at 19% (31 December 2018: 19%)	1,129	2,163
Disallowed expenses and non-taxable income	57	264
Fixed asset differences	33	113
Other timing differences	(394)	(172)
Adjustments to tax charge in respect of previous periods – corporation tax	-	(170)
Adjustments to tax charge in respect of previous periods – deferred tax	(4)	297
Rate change	114	(22)
Total tax charge for the year	935	2,473

10. Intangible assets

	Goodwill £'000
Group and company	
Cost	
At 31 December 2018	14,421
At 31 December 2019	14,421
Amortisation	
At 31 December 2018	13,519
Charge for the year	720
At 31 December 2019	14,239
Net book value	
At 31 December 2019	182
At 31 December 2018	902

No indicators of impairment have been noted in the year.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Tangible assets

Group and Company	Assets in the course of construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 31 December 2018	1,162	12,662	65,549	79,373
Additions	4,032	-	-	4,032
Transfers	(3,816)	-	3,816	-
Disposals	-	-	(723)	(723)
At 31 December 2019	1,378	12,662	68,642	82,682
Accumulated depreciation				
At 31 December 2018	-	1,997	38,176	40,173
Charge for the year	-	533	3,618	4,151
Transfers	-	-	-	-
Disposals	-	-	(502)	(502)
At 31 December 2019	-	2,530	41,292	43,822
Net book value				
At 31 December 2019	1,378	10,132	27,350	38,860
At 31 December 2018	1,162	10,665	27,373	39,200

Land and buildings and plant and machinery were independently valued by Stout Risius Ross as part of the FRS 102 transition in 2015 on the basis of highest and best use, which has been determined on a depreciated replacement cost basis and reflects the existing use value of both the premises, and plant and machinery, based on its continued use by Wyman-Gordon Limited. This valuation would not necessarily be reflective of the market value of the property should it be sold to a third party. This valuation was arrived at on the basis of an inspection and survey of Wyman-Gordon Limited's land and buildings and plant and machinery. The company does not adopt a revaluation policy for its land and buildings or plant and machinery, and opted to use fair value at the date of transition to FRS 102 as the deemed cost going forward.

12. Investments

The company also holds 100% of the issued ordinary share capital of Wyman-Gordon (Lincoln) Limited, a company incorporated in England whose trade is the provision of management services to the company. This investment is carried at cost of £1.

Name of company	Country of incorporation	Proportion of nominal value of issued share capital held	Principal activity	Registered address
Wyman-Gordon (Lincoln) Limited	England	100%	Provision of management services	Special Metals Wiggin Limited Wiggin Works Holmer Road Hereford HR4 9SL

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

13. Stocks

	2019 £'000	2018 £'000
Group and Company		
Raw materials and consumables	7,497	10,083
Work in progress	20,414	15,601
Finished goods	3,729	5,142
	<u>31,640</u>	<u>30,826</u>

14. Debtors

	2019 £'000	Restated* 2018 £'000
Group and Company		
Trade debtors	13,625	13,606
Amounts owed by group undertakings	98,434	122,681
Prepayments and accrued income	491	1,207
VAT	564	567
Corporation tax	1,949	1,190
Deferred tax (note 15)	1,504	905
Other debtors	10	-
	<u>116,577</u>	<u>140,156</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest free.

15. Deferred tax

Deferred tax is provided for timing differences that are expected to reverse in the future without being replaced.

	2019 £'000	2018 £'000
Group and Company		
Accelerated capital allowances	(1,649)	(1,618)
Other timing differences	(1,348)	(1,246)
Pension	4,501	3,769
	<u>1,504</u>	<u>905</u>
Recognised in debtors		

Wyman-Gordon Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Creditors: amounts falling due within one year

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade creditors	4,054	4,054	7,140	7,140
Amounts owed to group undertakings	50,686	53,701	49,292	52,307
Other taxation and social security	346	346	370	370
Accruals and other creditors	1,507	1,507	1,440	1,440
Derivatives (note 20)	127	127	553	553
Corporation tax	-	-	728	728
	<u>56,720</u>	<u>59,735</u>	<u>59,523</u>	<u>62,538</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest free.

17. Provisions for liabilities

Group and Company	Environmental £'000	Total £'000
At 31 December 2019 and 31 December 2018	<u>207</u>	<u>207</u>

Environmental provision

This provision comprises the anticipated cost in respect of environmental remediation work on two of the company's sites. The provision represents the company's best estimate of its probable future obligations for the investigation and remediation of the sites. The estimate is based on currently available facts, prior experience and present laws and regulations. Due to the nature of costs arising from environmental issues the timing of payments cannot be conclusively determined.

18. Called up share capital

Group and Company	2019 £'000	2018 £'000
Allotted, called up and fully paid		
12,904 ordinary shares of £1 each	<u>12,904</u>	<u>12,904</u>

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments. The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings and plant and equipment which were revalued as part of the FRS 102 transition in 2015.

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

19. Financial commitments

At 31 December 2019, the group and company had total future minimum lease payments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

Group and Company	2019 £'000	2018 £'000
Expiring within one year	127	339
Expiring within two to five years	197	531
After five years	-	-
	<u>324</u>	<u>870</u>

20. Financial instruments

The group uses foreign exchange contracts to manage its exposure to fluctuations in exchange rates and has contracts with nominal values of US\$14,450,000 (31 December 2018: US\$21,300,000) for periods up until 2019.

The fair values of foreign exchange contracts are valued using quoted forward exchange rates at the balance sheet date.

The following table details the notional principal amounts, fair value amounts and remaining terms of foreign exchange rate swap contracts outstanding as at the reporting date:

	2019		2018	
Maturity date	Notional value £'000	Fair value liability £'000	Notional value £'000	Fair value liability £'000
Two to five years	-	-	2,974	(80)
1 year	10,937	(118)	13,181	(473)
	<u>10,937</u>	<u>(118)</u>	<u>16,155</u>	<u>(553)</u>

21. Ultimate parent undertakings

The company is a subsidiary of Wyman-Gordon Forgings Inc. Its immediate parent undertaking and controlling party at the balance sheet date was Precision Castparts Corp. ("PCC") (registered office address 4650 South West Macadam Avenue, 97239 Portland, United States of America), a company incorporated in the United States of America. The largest and smallest group in which the results of the company are consolidated is that headed by the ultimate parent undertaking Berkshire Hathaway Inc, a company incorporated in the United States of America (registered office address 1440 Kiewit Plaza, 68131 Omaha, United States of America) from which the group financial statements are publicly available.

Wyman-Gordon Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

22. Pension commitments

The group operates a defined benefit pension scheme which is funded by the payment of contributions to a separately administered fund. The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit scheme is as follows:

	2019 £'000	2018 £'000
Defined benefit obligation at beginning of year	91,180	94,905
Current service costs	820	1,927
Interest expense	2,599	2,382
Benefit payments from plan assets	(3,109)	(3,018)
Participant contributions	280	213
Insurance premiums	(21)	(22)
Remeasurements		
a. Effect of changes in assumptions	10,262	(5,207)
b. Effect of experience adjustments	-	-
Defined benefit obligation at end of year	102,011	91,180
	2019 £'000	2018 £'000
<u>Analysis of defined benefit obligation</u>		
Plans that are wholly or partly funded	(102,011)	(91,180)
	2019 £'000	2018 £'000
<u>Movement in plan assets</u>		
Fair value of plan assets at beginning of year	68,975	72,130
Interest income	2,005	1,834
Employer contribution	3,398	2,521
Insurance premiums	(21)	(22)
Participant contributions	280	213
Benefits paid	(3,109)	(3,018)
Administration expenses	(232)	(329)
Remeasurements – return on plan assets	3,085	(4,354)
Fair value of plan assets at end of year	74,381	68,975
	2019 £'000	2018 £'000
<u>Pension deficit</u>		
Net pension liability	(27,630)	(22,205)

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

22. Pension commitments (continued)

	2019 £'000	2018 £'000
<u>Amount recognised in the Statement of comprehensive income</u>		
Current service cost	820	1,927
Net interest cost	594	548
Administrative expenses	232	329
Total pension cost recognised in the P&L account	1,646	2,804
Remeasurement - Effect of changes in assumptions	10,262	(5,207)
- Effect of experience adjustments	-	-
Actuarial gains immediately recognised	(3,085)	4,354
Total actuarial losses/(gains)	7,177	(853)
Total cost related to defined benefit plan	8,823	1,951

The analysis of the scheme assets and the expected rate of return at the balance sheet date is as follows:

Plan assets

The weighted-average asset allocation at the year-end was as follows:

	Plan assets			
	2019 £'000	2019 %	2018 £'000	2018 %
<u>Asset category</u>				
Equities	42,011	56.5	41,484	60.2
Bonds & Other	32,370	43.5	27,491	39.8
	<u>74,381</u>	<u>100.0</u>	<u>68,975</u>	<u>100.0</u>
			2019 £'000	2018 £'000
Actual return/(loss) on plan assets			5,090	(2,520)

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

22. Pension commitments (continued)

Weighted average assumptions used to determine defined benefit obligation

	2019	2018
Discount rate	2.10%	2.90%
Rate of compensation increase	2.00%	2.00%
Rate of increase of pensions in payment	2.80%	3.00%
Inflation (RPI)	2.90%	3.15%

To develop the expected long-term rate of return on assets assumption, the group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2019	2018
Retiring today (male member age 65 today)	20.7	20.8
Retiring in 25 years (male member age 40 today)	23.2	23.4

The five year history of experience adjustments is as follows:

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	3 April 2016
£'000s					
Benefit obligation at end of year	(102,011)	(91,180)	(94,905)	(101,982)	(84,367)
Fair value of plan assets at end of year	74,381	68,975	72,130	70,106	66,250
Deficit	<u>(27,630)</u>	<u>(22,205)</u>	<u>(22,775)</u>	<u>(31,876)</u>	<u>(18,117)</u>

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

22. Pension commitments (continued)

Contributions

The company expects to contribute £2,824,000 to the pension scheme in 2020 and £1,800,000 thereafter per annum to 30 June 2025 (2018/19: £1,800,000). The company will make additional payments to the plan contingent on the performance of Wyman Gordon Limited on the following basis:

- 20% of the incremental operating profit over £10m capped at £1m for the financial years 2019, 2020 and 2021.

In addition, it will meet any levies imposed by the Pension Protection Fund.

The balance sheet position for the company in respect of the pension liability is:

	2019 £'000	2018 £'000
Total fair value of plan assets	74,381	68,975
Present value of scheme liabilities	(102,011)	(91,180)
Deficit in the scheme	(27,630)	(22,205)

At the year end there were unpaid pension contributions of £nil (31 December 2018: £nil) relating to the above scheme. The last triennial valuation was 30 June 2019.

23. Prior year adjustments

Adjustment 1

The company's parent company reports under US GAAP. For the UK GAAP statutory accounts, certain adjustments are required to be posted to derive the FRS 102 financial statements. In November 2019 it was identified that certain journals to account for differences between US GAAP and UK GAAP pension accounting had been incorrectly posted.

As a result, the profit before tax for the year to 31 December 2018 was overstated by £3,175,000. For the periods 31 March 2008 to 31 December 2017 cumulative profits before tax were overstated by £7,506,000.

The tax impact on 2018 profit was £603,000 and on the period from 31 March 2008 to 31 December 2017 was £587,000. The tax note in note 9 has been restated to reflect the prior year tax impact. The tax impact prior to 2018 has been adjusted in opening retained earnings, to match the profit before tax impact, leading to a net opening reserve adjustment of £6,919,000 as at 1 January 2018, as shown within the consolidated and company statements of changes in equity.

The comparatives for the year ended 2018 have been adjusted along with the consolidated statement of changes in equity.

Adjustment 2

Upon transition to FRS 102, the fair value of land and buildings and plant and equipment was used as the deemed cost of the assets on the date of transition. However, only the revaluation impact of land and buildings was shown in a separate revaluation reserve. A prior period adjustment has been made to correctly present the fair value uplift on plant and equipment recognised on transition within the revaluation reserve.

In both the company and group balance sheet and statement of changes in equity, the following restatements have been made:

1. Retained earnings as at 1 January 2018 have been reduced by £5,584,000 and the revaluation reserve has been increased by £5,584,000. This represents the cumulative effect of the fair value uplift recognised as at 1 April 2014 on transition to FRS 102, offset by the effect of amounts that would have otherwise been transferred to retained earnings to offset the increased levels of depreciation between 1 April 2014 and 31 December 2017.

Wyman-Gordon Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

23. Prior year adjustments (continued)

2. In the prior period, a transfer of £385,000 was made between the revaluation reserve and retained earnings to offset the increased depreciation on the revalued land and buildings. This transfer has been restated, and increased, to £1,363,000, as a result of correctly restating the revaluation reserve to include the revalued plant and equipment.

No tax effect has been identified, as deferred tax has always been calculated based on the carrying amount of the plant and equipment. The effects of the prior period errors are summarised below:

Consolidated statement of changes in equity – extract

	Note	Called-up capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2018 as previously reported		12,904	8,027	105,527	126,458
Prior year adjustment – understatement of revaluation reserves	23	-	5,584	(5,584)	-
Prior year adjustment - understatement of pension charge	23	-	-	(6,919)	(6,919)
At 1 January 2018 as restated		12,904	13,611	93,024	119,539
Profit for the financial year restated		-	-	8,908	8,908
Other comprehensive income		-	-	702	702
Total comprehensive income restated		-	-	9,610	9,610
Depreciation transfer		-	(1,363)	1,363	-
At 31 December 2018 restated		12,904	12,248	103,997	129,149

Company statement of changes in equity – extract

	Note	Called-up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2018 as previously reported		12,904	8,027	102,512	123,443
Prior year adjustment – understatement of revaluation reserves	23	-	5,584	(5,584)	-
Prior year adjustments understatement of pension charge	23	-	-	(6,919)	(6,919)
At 1 January 2018 restated		12,904	13,611	90,009	116,524
Profit for the financial year restated		-	-	8,908	8,908
Other comprehensive income		-	-	702	702
Total comprehensive income restated		-	-	9,610	9,610
Depreciation transfer (restated)		-	(1,363)	1,363	-
At 31 December 2018 restated		12,904	12,248	100,982	126,134

Wyman-Gordon Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

23. Prior year adjustments (continued)

Impact on consolidated profit and loss accounts and balance sheets

	2018 £'000
Adjustment 1	
Consolidated profit and loss account	
Increase in cost of sales	3,175
Decrease in tax	(603)
Decrease in profit for the financial year	<u>(2,572)</u>
Consolidated and company balance sheet	
Decrease in debtors – amounts owed by group undertakings	(10,681)
- Corporation tax debtor	1,191
Decrease in net assets and retained earnings	<u>(9,490)</u>
Adjustment 2	
Consolidated balance sheet	
Increase in revaluation reserve	4,606
Decrease in retained earnings	(4,606)
Company balance sheet	
Increase in revaluation reserve	4,606
Decrease in retained earnings	(4,606)

24. Post balance sheet events

The challenges of the Covid 19 pandemic continue to impact the business. Forecasted sales volumes are significantly down in line with the general trend in the aerospace industry. The company cannot in the long term sustain its current cost structure, and has therefore entered into consultation with its employees with a view to reducing headcount in the second half of 2020. The headcount reduction may be significant and accordingly the business has recorded a provision in 2020 for potential severance costs.

25. Dividend

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of 194p (2018:nil) per ordinary share	<u>25,000</u>	<u>-</u>