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Caledonian Alloys Limited

Annual Report and Financial Statements

For the 52 week period ended

30 December 2018

Company Number SC162625

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COMPANIES HOUSE

Caledonian Alloys Limited

Annual report and financial statements
for the 52 week period ended 30 December 2018

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Caledonian Alloys Limited

Directors and Advisors
for the 52 week period ended 30 December 2018

Directors

Mrs R A Beyer
Mr R P Becker
Mrs S R Hagel
Mr J Johnston
Mrs A M Armagno

Company Secretaries

Mr P Edelstyn
Ms J Freeman-Massey

Registered Office

Wyman Gordon Complex
Houstoun Road
Livingston
EH54 5BZ

Company number

SC162625

Independent auditor

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

Solicitors

Janet Freeman
PCC Senior Legal Counsel Europe
191 Barkby Road
Troon Industrial Area
Leicester
LE4 9HX

Bankers

Bank of America
26 Elmfield Road
Bromley
BR1 1WA

Caledonian Alloys Limited

Strategic report for the 52 week period ended 30 December 2018

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

Review of the business

The company provides revert management services including the recycling of complex alloys.

Revenues have increased from \$24,641,000 in 2017 to \$39,357,000 for the 52 week period ended 30 December 2018, as a result of increased intercompany demand. Gross margins have also increased from \$1,613,000 in 2017, to \$3,726,000 for the 52 week period ended 30 December 2018.

Key performance indicators

Loss before taxation has decreased significantly to a loss of \$1,484,000 (-4% revenue) from a loss of \$3,930,000 (-16% revenue) in the prior period, as a result of increases in intercompany demand.

Net operating expenses were \$5,339,000, or 14% of revenue in the 52 week period ended 30 December 2018 compared to \$4,980,000, or 20% of revenue, in the prior period.

Principle risks and uncertainties

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

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

Use of derivatives

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

Commodity Price risk

The company is exposed to commodity price risk, particularly for nickel, its major raw material component. It is company policy to assess the need 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. As a result there were no hedges in place at December 2018.

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.

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.

Future developments

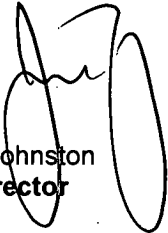
The directors expect the general level of activity to increase in the forthcoming year as the restructured Revert business maintains its focus on higher value super-alloy products for its internal customer base. The level of turnover is expected to continue to increase.

Caledonian Alloys Limited

Strategic report (continued)
for the 52 week period ended 30 December 2018

Approval

This Strategic Report was approved by order of the Board on 23 September 2019.


J Johnston
Director

Caledonian Alloys Limited

Directors' report for the 52 week period ended 30 December 2018

The directors present their annual report on the affairs of the company, together with the financial statements and audit report, for the year ended 30 December 2018. The following sections have been included in the strategic report on page – review of the business, key performance indicators, principle risks and uncertainties and future developments and for part of this report by cross reference.

Directors

The directors of the company throughout the year were:

Mrs R A Beyer
Mr R P Becker
Mrs S R Hagel
Mr J Johnston
Mrs A M Armagno (appointed 20 August 2018)
Mr S C Blackmore (resigned 20 July 2018)

Directors' indemnities

The company has put in place qualifying third party indemnity provisions for all of the directors of Caledonian Alloys Limited.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The company's human resource procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the company, the human resource procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the company. Retraining of employees who become disabled whilst employed by the company is offered where appropriate.

Employee involvement

The group maintains a human resource intranet site that provides employees with information on matters of concern to them as employees. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously.

Dividends

No dividends were declared or paid in the year (2017: nil).

Going Concern

The directors have assessed the company's ability to continue operating into the foreseeable future. As a result of this assessment which includes the financial resources of the company, appropriate management of business risks and financial support from its immediate parent company Precision Castparts Corp. The directors are of the opinion that the company will continue to operate for the foreseeable future, as such they have continued to adopt the going concern basis in preparing the annual report and accounts.

Caledonian Alloys Limited

Directors' report (continued) for the 52 week period ended 30 December 2018

Financial risk management objectives and policies

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales. It is company policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval.

The board assesses concentrations of credit risk by quarterly monitoring the creditworthiness rating of customers. At a local level, a monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reassessed periodically. Existing customers that become "high risk" as a result of the periodic reassessment are placed on a restricted customer list and future credit sales are made only with approval of the local management, otherwise payment in advance is required.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Liquidity risk

Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and (as noted above) the value of the company's investments in corporate bonds. At the end of the financial year, these projections indicated that the company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section below.

Market risk

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Cash flow interest rate risk

The company is exposed to cash flow interest rate risk from long-term borrowings at variable rate. It is currently company policy that external company borrowings (excluding short-term overdraft facilities and finance lease payables) are fixed rate borrowings. This policy is managed centrally. Local operations are not permitted to borrow long-term from external sources. Where the company wishes to vary the amount of external fixed rate debt it holds, the company makes use of interest rate swaps to achieve the desired interest rate profile. Although the board accepts that this policy neither protects the company entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During the financial periods under review, the company's borrowings at variable rate were denominated in Euro and Sterling.

Caledonian Alloys Limited

Directors' report (continued) for the 52 week period ended 30 December 2018

Foreign exchange risk

Foreign exchange risk arises when individual company entities enter into transactions denominated in a currency other than their functional currency. The company's policy is, where possible, to allow company entities to settle liabilities denominated in their functional currency (primarily Euro or Pound Sterling) with the cash generated from their own operations in that currency. Where company entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the company.

In order to monitor the continuing effectiveness of this policy, the board receives a monthly forecast, analysed by the major currencies held by the company, of liabilities due for settlement and expected cash reserves.

The company is predominantly exposed to currency risk on purchases made from a major supplier based in the Euro-zone. Purchases from this supplier are made on a central basis and the risk is hedged using forward exchange contracts. Apart from these particular cash-flows the company aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Likely future developments in the business of the company

Information on likely future developments in the business of the company has been included in the Strategic Report on page 2.

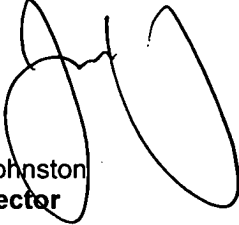
Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The directors are not aware of any relevant audit information of which the company's auditor is unaware. Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approval

This Directors' Report was approved by order of the Board on 23 September 2019.


J Johnston
Director

Caledonian Alloys Limited

Directors' responsibility statement

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the company and company 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 judgements 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;
- 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.

Caledonian Alloys Limited

Independent auditor's report to the members

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Caledonian Alloys Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 December 2018 and of its loss 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 19.

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 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 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.

We have nothing to report in respect of these matters.

Caledonian Alloys Limited

Independent auditor's report to the members (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 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, 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 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

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

We have nothing to report in respect of these matters.

Caledonian Alloys Limited

Independent auditor's report to the members (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.



David Crawford CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

26 September 2019

Caledonian Alloys Limited

Profit and loss account for the 52 week period ended 30 December 2018

	Note	2018 Continuing \$'000	2017 Continuing \$'000	Discontinued \$'000	Total \$'000
Turnover	3	39,357	23,951	690	24,641
Cost of sales		(35,631)	(22,399)	(629)	(23,028)
Gross profit		3,726	1,552	61	1,613
Administrative expenses:					
Exceptional payroll costs	8	-	-	(140)	(140)
Net operating expenses		(5,339)	(5,136)	156	(4,980)
		(5,339)	(5,136)	16	(5,120)
Other operating income/(expenses)	5	33	(431)	-	(431)
Operating loss		(1,580)	(4,015)	77	(3,938)
Other interest receivable and similar income	6	146	116	-	116
Interest payable and similar charges	7	(50)	(108)	-	(108)
Loss before taxation		(1,484)	(4,007)	77	(3,930)
Taxation on loss	9	558	681	-	681
Loss for the financial period		<u>(926)</u>	<u>(3,326)</u>	<u>77</u>	<u>(3,249)</u>

There were no recognised comprehensive income/expenses, hence, no separate Statement of Comprehensive Income is presented.

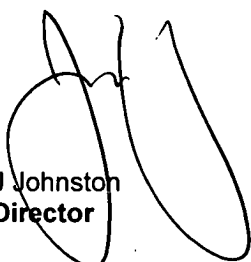
The notes on pages 13 to 25 form part of these financial statements.

Caledonian Alloys Limited

Balance sheet At 30 December 2018

	Note	30 Dec 2018 \$'000	30 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2017 \$'000
Fixed assets					
Tangible assets	10		585		608
Current assets					
Stocks	11	3,568		2,512	
Debtors: due within one year	12	17,377		19,713	
		<u>20,945</u>		<u>22,225</u>	
Creditors: amounts falling due within one year	14	<u>(4,195)</u>		<u>(4,572)</u>	
Net current assets			<u>16,750</u>		<u>17,653</u>
Creditors: amounts falling due after one year			-		-
Net assets			<u>17,335</u>		<u>18,261</u>
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account			<u>17,335</u>		<u>18,261</u>
			<u>17,335</u>		<u>18,261</u>

The financial statements of Caledonian Alloys Limited, registered number SC162625 were approved and authorised for issue by the Board of Directors on 23 September 2019.


 J Johnston
 Director

The notes on pages 13 to 25 form part of these financial statements.

Caledonian Alloys Limited

Statement of changes in equity For the 52 week period ended 30 December 2018

	Share capital \$'000	Profit and loss account \$'000	Total equity \$'000
At 1 January 2017	-	21,510	21,510
Loss for the financial period	-	(3,249)	(3,249)
Total comprehensive loss for the period	-	(3,249)	(3,249)
At 31 December 2017	-	18,261	18,261
At 1 January 2018	-	18,261	18,261
Loss for the financial period	-	(926)	(926)
Total comprehensive loss for the period	-	(926)	(926)
At 30 December 2018	-	17,335	17,335

The notes on pages 13 to 25 form part of these financial statements.

Caledonian Alloys Limited

Notes forming part of the financial statements for the 52 week period ended 30 December 2018

1 Accounting policies

Caledonian Alloys Limited is a private company limited by shares incorporated in Scotland under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the company's accounting policies.

The directors have assessed the company's ability to continue operating into the foreseeable future. As a result of this assessment which includes the financial resources of the company, appropriate management of business risks and financial support from its immediate parent company Precision Castparts Corp. the directors are of the opinion that the company will continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The company reports its results in the United States Dollar (USD) functional currency to more accurately reflect the primary economic environment the company operates in with trading determined by the London Economic Market in USD and intercompany transactions with group companies also largely denominated in USD.

The following principal accounting policies have been applied:

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Berkshire Hathaway Inc. and is included in the consolidated financial statements of Berkshire Hathaway Inc. which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS102. The company is also exempt under the terms of FRS102 from disclosing related party transactions with entities that are 100% subsidiaries of the Berkshire Hathaway Inc. group.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied, and is recognised when the goods are shipped or the services are supplied to the customer.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition, less any provision for impairment.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their residual values, over the expected useful economic lives of the assets concerned, as follows:

Plant and equipment	- 15-25% straight line
Office equipment	- 20-33% straight line

Depreciation is charged from the date the asset is brought into use.

Caledonian Alloys Limited

Notes forming part of the financial statements for the 52 week period ended 30 December 2018 (*continued*)

1 Accounting policies (*continued*)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for slow moving or obsolete stock items where necessary.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge, including UK corporation tax and foreign tax, is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met;

Deferred tax balances are not recognised in respect of permanent differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax balances are not discounted.

Operating leases

Costs in respect of operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (*continued*)

1 Accounting policies (*continued*)

Pension costs

The company operates a money purchase pension scheme for certain of its employees. Contributions to this scheme are charged to the income statement in the period in which they were incurred.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Foreign currency translation

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income or expense'.

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign currency movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Share-based payments

The company's ultimate parent company, Berkshire Hathaway Inc., at present does not issue share options over ordinary shares in Berkshire Hathaway Inc. to employees of the company.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Reserves

The company and company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

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 in applying the Group's accounting policies

In preparing these financial statements, the directors have not had to make any critical judgements in applying the accounting policies.

Other key sources of estimation uncertainty

- *Inventory carrying value*

Determine whether inventory is being recognised at the lower of cost or net realisable value. Factors taken into consideration when making this assessment include comparing the prevailing metals prices per the London Metal Exchange, to the values recognised per category of reverted metal on hand at year end. Market trends are also reviewed and considered for possible indicators of impairment. After reviewing the relevant data there has been no impairment to carrying values in the year.

3 Turnover

Turnover consists of services provided in the UK and overseas.

	52 weeks ended 30 December 2018 \$'000	52 weeks ended 31 December 2017 \$'000
Geographical market:		
Europe	26,213	19,985
Americas	11,502	3,188
Rest of World	<u>1,642</u>	<u>1,468</u>
	<u>39,357</u>	<u>24,641</u>

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (continued)

4 Employee information

	52 weeks ended 30 December 2018 \$'000	52 weeks ended 31 December 2017 \$'000
Staff costs consist of:		
Wages and salaries	3,018	2,534
Social security costs	251	249
Pension costs paid to money purchase scheme	149	113
	<u>3,418</u>	<u>2,896</u>

The average monthly number of employees (including directors) during the year was as follows:

	52 weeks ended 30 December 2018 Number	52 weeks ended 31 December 2017 Number
Production	34	38
Administration	19	17
	<u>53</u>	<u>55</u>

Each of the directors who served during the current and prior year were remunerated by other group undertakings. None of the directors (2017: none) received any remuneration in respect of their services to Caledonian Alloys Limited.

None of the directors (2017: none) were members of the company pension scheme.

None of the directors (2017: none) received awards under the group share option plan; none of the directors (2017: none) exercised share options received from the plan.

5 Other operating losses

	52 weeks ended 30 December 2018 \$'000	52 weeks ended 31 December 2017 \$'000
Gain/(Loss) on financial instruments – foreign currency derivatives	<u>33</u>	<u>(431)</u>

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (*continued*)

6 Interest receivable and similar income

	52 weeks ended 30 December 2018 \$'000	52 weeks ended 31 December 2017 \$'000
On inter-company balances	146	116

7 Interest payable and similar charges

	52 weeks ended 30 December 2018 \$'000	52 weeks ended 31 December 2017 \$'000
On inter-company balances	50	108

8 Loss before taxation

	52 weeks ended 30 December 2018 \$'000	52 weeks ended 31 December 2017 \$'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	153	45
Operating lease expense – other	-	124
Operating lease expense – plant & equipment	89	92
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	47	98
Exceptional payroll costs*	-	140

*Exceptional payroll costs pertain to the redundancy payments made to employees who were made redundant during the period in relation to the closure of the Livingston reversion site.

There were no non-audit services provided by the company's auditor and its associates in the year.

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (*continued*)

9 Taxation on loss

	52 weeks ended 30 December 2018	52 weeks ended 31 December 2017
	\$'000	\$'000
<i>UK corporation tax</i>		
Current tax on losses of the year	-	-
Inter-company tax	(260)	
Adjustment in respect of previous periods	426	(770)
Total current tax	166	(770)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(722)	43
Adjustments in respect of prior periods	-	46
Tax rate change on opening balance	(2)	-
Total deferred tax	(724)	89
Total taxation on losses	(558)	(681)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	\$'000	\$'000
Loss before tax	(1,484)	(3,930)
Loss at the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	(282)	(757)
Effects of:		
Adjustment in respect of prior periods	426	(724)
Change in tax rates – Deferred Tax	-	1
Change in tax rates – Current Tax	-	(3)
Expenses not deductible	4	-
Trade losses carried forward	-	802
Prior year deferred tax asset surrendered	(706)	-
Total tax (credit) / charge for period	(558)	(681)

For further information on deferred tax balances see note 16.

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantially enacted in September 2016 following the enactment of the Finance Act 2015.

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (*continued*)

10 Tangible fixed assets

	Plant And Equipment \$'000	Office Equipment \$'000	Total \$'000
<i>Cost</i>			
At 31 December 2017	5,964	816	6,780
Additions	186	-	186
Disposals	(215)	-	(215)
	<u>5,935</u>	<u>816</u>	<u>6,751</u>
At 30 December 2018			
<i>Depreciation</i>			
At 31 December 2017	5,356	816	6,172
Charge for the year	162	-	162
Disposals	(168)	-	(168)
	<u>5,350</u>	<u>816</u>	<u>6,166</u>
At 30 December 2018			
<i>Net book value</i>			
At 30 December 2018	<u>585</u>	<u>-</u>	<u>585</u>
At 31 December 2017	<u>608</u>	<u>-</u>	<u>608</u>

11 Stocks

	30 December 2018	31 December 2017
	\$'000	\$'000
Raw materials and consumables	<u>3,568</u>	<u>2,512</u>

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (continued)

12 Debtors

	30 December 2018	31 December 2017
	\$'000	\$'000
Trade debtors	185	251
Amounts due from parent company	6,269	14,050
Amounts due from other group undertakings	8,140	2,336
Prepayments and accrued income	229	1,554
Corporation tax	1,849	1,522
Deferred tax (note 16)	705	-
	<u>17,377</u>	<u>19,713</u>

All amounts shown under debtors fall due for payment within one year.

Amounts due from group undertakings for trading activities are unsecured, interest free and repayable on demand.

13 Creditors: amounts falling due within one year

	30 December 2018	31 December 2017
	\$'000	\$'000
Trade creditors	1,920	1,983
Amounts owed to group undertakings	1,673	1,684
Other taxation and social security	296	573
VAT payable	9	9
Foreign currency derivative products (note 15)	-	32
Accruals and deferred income	297	272
Deferred tax (see note 16)	-	19
	<u>4,195</u>	<u>4,572</u>

Amounts due to group undertakings for trading activities are unsecured, interest free and repayable on demand.

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (*continued*)

14 Financial instruments

The company's financial instruments may be analysed as follows:

	30 December 2018 \$'000	31 December 2017 \$'000
Financial assets		
Measured at undiscounted amount receivable		
• Trade and other debtors (note 12)	2,968	3,327
• Amounts owed by group companies (note 12)	14,409	16,386
	<hr/>	<hr/>
Financial liabilities		
Financial liabilities measured at amortised cost		
• Trade and other creditors (note 13)	2,522	2,888
• Amounts owed to group companies (note 13)	1,673	1,684
Derivative financial instruments for management of foreign currency risk (note 13)	-	32
	<hr/>	<hr/>

Financial assets measured at undiscounted amount receivable comprise cash, trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

Derivative financial instruments are recognised per section 11 and 12 of FRS102.

Information regarding the company's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

	Current		Non-current	
	30 December 2018 \$'000	31 December 2017 \$'000	30 December 2018 \$'000	31 December 2017 \$'000
Derivatives instruments carried at fair value				
Liabilities				
Forward foreign currency contracts	-	32	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (continued)

14 Financial instruments (continued)

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	30	31	30	31	30	31
	December 2018	December 2017	December 2018 \$'000	December 2017 \$'000	December 2018 \$'000	December 2017 \$'000
Less than 12 months						
GBP / USD	-	1.3807	-	557	-	(35)
EUR / USD	-	1.1883	-	775	-	3
					<u>-</u>	<u>(32)</u>

15 Provisions for liabilities

Deferred taxation (asset) / liability	30 December 2018 \$'000	31 December 2017 \$'000
At beginning of period	19	(70)
Charged/(credited) to profit or loss	(724)	89
At end of period	<u>(705)</u>	<u>19</u>
	30 December 2018 \$'000	31 December 2017 \$'000
Accelerated capital allowances	2	14
Other timing differences	-	5
Trade losses	(707)	-
On derivative products	-	-
At 31 December (note 12)	<u>(705)</u>	<u>19</u>

Caledonian Alloys Limited

Notes forming part of the financial statements
for the 52 week period ended 30 December 2018 (*continued*)

16 Called up share capital

	30 December 2018 \$	31 December 2017 \$
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

17 Pension cost

The company operates a money purchase scheme for certain employees.

The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions paid by the company and amounted to \$149,000 (December 2017: \$113,000).

At 30 December 2018, there were no pension contributions prepaid or outstanding (December 2017: \$nil).

18 Related party disclosures

The company is exempt under the terms of FRS102 from disclosing related party transactions with entities that are 100% subsidiaries of the Berkshire Hathaway Inc. group.

19 Ultimate parent company

The smallest and largest group to consolidate the results of the company is that headed by Berkshire Hathaway Inc. The immediate parent company is Caledonian Alloys Group Limited, which is incorporated in Scotland.

The ultimate parent company of Caledonian Alloys Limited is Berkshire Hathaway Inc., a company registered in USA. Copies of Berkshire Hathaway Inc. consolidated financial statements can be obtained via the company's website at www.berkshirehathaway.com.