

Registered number: SC162625

**Caledonian
Alloys Limited**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 1 JANUARY 2023

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COMPANY INFORMATION

Directors	A Armagno R Buyer K West S Hagel J Puetz
Company secretary	J Freeman P Edelstyn
Registered number	SC162625
Registered office	Wyman Gordon Complex Houstoun Road Livingston EH54 5BZ
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 17 th Floor 103 Colmore Row Birmingham West Midlands B3 3AG
Bankers	JP Morgan Bank Luxembourg S.A Branch European Bank & Business Centre 6 route de Treves L-26333 Senningerberg Luxembourg

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Strategic report
Caledonian Alloys Limited
For the period ended 1 January 2023

Principal activity

The company provides revert management services including the recycling of complex alloys to critical aerospace, power, automotive and other industrial businesses.

Review of the business and key performance indicators

	1 January 2023	2 January 2022		
	\$'000	\$'000	Change	% change
Turnover	79,080	32,619	46,461	142%
Operating Profit	7,226	1,327	5,899	445%

Analysis on metrics

Revenues and Operating Profit have increased significantly year over year due to increased demand, primarily from inter-company customers. Many of these products are utilised in the aerospace industry and are a result of ongoing recovery from the Covid-19 pandemic.

Future outlook

Continued growth is anticipated, but it is expected to level off to pre-pandemic activity levels. Operating profit is expected to include modest growth year over year. Employee headcounts are anticipated to increase slightly.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are speed of recovery in the aerospace sector, competition, volatility in energy markets and fluctuations in the foreign exchange.

The cyclical nature of the commercial aerospace industry, which represents a significant portion of our business, creates uncertainty regarding our future profitability. In addition, adverse changes to, or interruptions in our relationships with our major commercial aerospace customers could reduce our turnover. Commercial air travel remains below pre-COVID-19 pandemic levels, especially for international routes. Further recovery likely will be uneven, attributable in part to travel restrictions imposed from time-to-time to control the spread of variants of COVID-19, as well as from the changes in supply chain conditions, including the availability of workers. Commercial aircraft delivery rates by original equipment manufacturers ("OEMs") of narrow-body aircraft have rebounded since the onset of the pandemic. However, deliveries of wide-body aircraft remain relatively low, in part attributable to the pause in the Boeing 787 program, which resumed deliveries in the third quarter of 2022. Long-term industry forecasts continue to show growth and strong demand for air travel and aerospace products.

The war in Ukraine has also impacted the business as it has led to significant raw material and energy cost increases. The company operates in a highly competitive market around price and product quality. This can have an impact in downward pressure on our margins but also in the risk that we do not meet our customers' expectations. In order to mitigate this risk our sales team monitor market prices on an ongoing basis. Furthermore, our quality team continually monitor the quality of product being produced and ensure we maintain a rigorous quality system.

The group treasury function provides natural hedges against currency exposures and the company also uses foreign exchange derivatives.

Strategic report
Caledonian Alloys Limited
For the period ended 1 January 2023

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. (Parent) which is a member of Berkshire Hathaway Inc., a public company incorporated and registered in the state of Delaware 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 the 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. 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 authorized 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 favoritism or unlawful discrimination.
- 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.
- 3) Never accept loans, improper gifts other items of excessive value from suppliers. 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.

Strategic report
Caledonian Alloys Limited
For the period ended 1 January 2023

Government 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. The company's leadership team hold quarterly sessions to update the employees on the operations, strategy of the business and to answer questions about the business.

Community and 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
- 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

This report was approved by the board on 30/10/2023 and signed on its behalf.

Keith West

Mr. Keith West
Director

Directors report
Caledonian Alloys Limited
For the period ended 1 January 2023

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the period ended 1 January 2023.

Future developments

Details of future developments can be found in the strategic report on page 1 and form part of this report by cross reference.

Dividends

Dividends paid during the period are as follows:

	1 January 2023	2 January 2022
	\$'000	\$'000
Dividends	Nil	Nil

Directors

The directors who served during the period and subsequently are shown below:

A Armagno
R Beyer
K West
S Hagel
J Puetz

Directors' indemnities

As permitted by the Companies Act 2006, the Company has indemnified the directors in respect of proceedings brought by third parties and qualifying third party indemnity insurance was in place throughout the year and up to the date of approval of the financial statements.

Financial risk management objectives

The financial risk management objectives and policies of the Company, including exposure to currency risk, credit risk, interest rate risk and liquidity risk are set out below.

Foreign exchange transactional currency exposure

The Company is exposed to currency exchange rate risk due to significant proportion of its trade receivables, and trade payables for purchase of inventories, being denominated in non-functional currencies. In order to mitigate this risk, the group treasury function provided natural hedges against currency exposures.

Customer credit exposure

The Company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and thorough credit review.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses cash pooling facility provided by fellow group companies.

Directors report
Caledonian Alloys Limited
For the period ended 1 January 2023

Employees

Applications of employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. There is also an equal opportunities policy to ensure that all employees are treated equally in terms of employment, training, career development and promotion. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

Employee engagement

Details on employee engagement can be found within the Company's Section 172 statement in the strategic report on page 3 and form part of this report by cross reference.

Streamlined energy and carbon reporting (SECR)

This section has been prepared in compliance with the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Methodologies

The information reported below shall include the impact from all relevant activities where the Company exhibits financial and/or operational control. The Company shall use verifiable data where practicable, or through reasonable estimates derived through calculation based on verifiable data. The below data includes UK consumption of electricity, gas and transport fuels where the Company is directly responsible for such fuel usage.

GHG Emissions

	Units	01-Jan-23	02-Jan-22
Emissions from combustion of gas (Scope 1)	tCO2e	238	872
Emissions from consumption of fuel for transport purposes (Scope 1)	tCO2e	50	34
Emissions from purchased electricity (Scope 2)	tCO2e	139	133
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing fuel (Scope 3)	tCO2e	14	33
Total gross emissions	tCO2e	440	1,073
Energy consumption used to calculate above emissions	KWh	2,098,490	5,526,316
Intensity Ratio	tCO2e	0.1	0.6

Intensity ratios have been calculated by dividing tonnes CO2e by the total standard hours produced. The 'earned standard hours' is the metric that is most closely tied to the volume of production.

Energy efficiency

The Company continues to focus on reducing energy consumption and carbon emissions. Various initiatives have been taken to replace equipment with more energy efficiency units, such as LED lighting and electric powered forklift trucks. In addition, installation of sub meters on equipment, which will enable a more detailed usage profile to ensure targeted program of upgrading to more energy efficiency equipment.

**Directors report
Caledonian Alloys Limited
For the period ended 1 January 2023**

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including 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 and profit or loss of the Company and Group 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 and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Company has considered the principal risks and uncertainties of the business and has set out its policy (as detailed in the Strategic report on page 1) for limiting those risks.

The Company 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 company has 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.

Disclosure of information to the auditor

The directors confirm that:

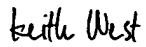
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors report
Caledonian Alloys Limited
For the period ended 1 January 2023

Auditor

Grant Thornton UK 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.

This report was approved by the board on 30/10/2023 and signed on its behalf.

A handwritten signature in black ink that reads "Keith West". The signature is written in a cursive, slightly slanted style.

Mr. Keith West
Director

Independent auditor's report to the members of Caledonian Alloys Limited

Opinion

We have audited the financial statements of Caledonian Alloys Limited (the 'company') for the year ended 1 January 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 January 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the Annual Report and Financial Statements. 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.

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 themselves. 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 this regard.

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.

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which it operates through our general commercial and sector experience, discussions with management and review of board minutes. We determined that the following laws and regulations were most significant: FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Companies Act 2006 and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements such as those relating to health and safety and employee matters.
- We enquired of management concerning the company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and those charged with governance, whether they were aware of any instances of noncompliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by making enquiries of management and those charged with governance, and updating our understanding of the company's operations, financial reporting obligations and control environment, including around compliance with laws and regulations. We considered the risk of fraud to be higher through the potential for management override of controls;

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the industry in which the client operates;
- understanding of the legal and regulatory requirements specific to the company
- understanding of the provisions of the applicable legislation
- understanding of the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
- understanding of the applicable statutory provisions
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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 White BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

Date: 30/10/2023

Caledonian Alloys Limited
Consolidated statement of comprehensive income
For the period ended

		Period ended 1 January 2023 \$'000	Period ended 2 January 2022 \$'000
Turnover	4	79,080	32,619
Cost of sales		(72,100)	(29,490)
Gross profit		6,980	3,129
Administrative expenses		302	(1,802)
Other operating expenses		(56)	-
Operating profit	5	7,226	1,327
Interest receivable and similar income	9	138	-
Interest payable and similar charges	10	(92)	(41)
Profit before tax		7,272	1,286
Tax on profit	11	(1,298)	(163)
Profit for the financial year		5,974	1,123

There are no recognised movements in comprehensive income other than those presented in the Profit and Loss Account. All activities derive from continuing operations.

The notes on pages 15 to 24 form part of these financial statements.

Caledonian Alloys Limited
Statement of financial position

	Note	1 January 2023 \$'000	2 January 2022 \$'000
Fixed assets			
Tangible assets	12	1,762	1,694
		1,762	1,694
Current assets			
Stocks	13	5,811	3,694
Debtors: amounts falling due within one year	14	32,677	27,460
		38,488	31,154
Creditors: amounts falling due within one year	15	(11,547)	(10,193)
Net current assets		26,941	20,961
Total assets less current liabilities		28,703	22,655
Provisions for deferred tax	11	(111)	(37)
Provisions for liabilities	18	(651)	(651)
Net assets		27,941	21,967
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	19	27,941	21,967
Total shareholders' funds		27,941	21,967

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/10/2023.

Keith West

Mr Keith West
 Director

The notes on pages 15 to 24 form part of these financial statements.

Registered number: SC162625

Caledonian Alloys Limited
Statement of changes in equity

	Called up share capital \$'000	Profit and loss account \$'000	Total equity \$'000
At 27 December 2020	-	20,844	20,844
Comprehensive income for the year			
Profit for the year	-	1,123	1,123
Total comprehensive income for the year	-	1,123	1,123
At 2 January 2022	-	21,967	21,967
Comprehensive income for the year			
Profit for the year	-	5,974	5,974
Total comprehensive income for the year	-	5,974	5,974
At 1 January 2023	-	27,941	27,941

Caledonian Alloys Limited
Notes to the financial statements
For the period ended 1 January 2023

1. General information

Caledonian Alloys Limited (the Company) is a private company limited by shares and incorporated in Scotland under the companies Act of 2006 and registered in Scotland. The address of the registered office is given on the Company Information page. The nature of the company's operations and its principal activity are set out in the Strategic report.

2. Accounting policies

2.1. Statement of compliance and basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the Companies Act 2006.

The entity meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

The financial statements are made up to the nearest Sunday to the accounting reference date annually, resulting in a 52 week period. This in line with the requirements of the Companies Act as it falls within 7 days of the accounting reference date. The current period is for the 52 weeks ended 1 January 2023 ("2022") and that for the prior period is for the 52 weeks ended 2 January 2022 ("2021").

2.2. Going concern

The Company has considered the principal risks and uncertainties of the business and has set out its policy (as detailed in the Strategic report on page 1) for limiting those risks.

The Company 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 company has 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.

2.3. Foreign currency

The functional currency is considered to be the United States dollar (USD) because that is the currency of the primary economic environment in which the Company operates. The presentational currency of these financial statements is USD. Values are rounded to the nearest thousand.

Transactions in currencies other than the functional currency are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Caledonian Alloys Limited
Notes to the financial statements
For the period ended 1 January 2023

2.3 Foreign currency (continued)

Exchange differences are recognised in profit or loss in the period in which they arise.

2.4. Turnover

Turnover is stated net of VAT and trade discounts. Our product sales are generally recognised at the point in time when control of the product transfers to the customer, which coincides with customer pickup or product delivery or acceptance, depending on the terms of the arrangement.

Indicators of control: the company has transferred the significant risks and rewards of ownership to the buyer and the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

2.5. Operating Leases

Rentals under operating leases are charged 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.

2.6. Financial instruments

Basic

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and account receivables and payables, are initially measured at the transaction price (adjusted for transaction cost) and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangement constitutes a financing transaction, such as a trade debtor or creditor on extended credit terms, initial measurement is at the present value of future cash flows discounted at a market rate of interest. Subsequent measurement is at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If such evidence is identified, an impairment loss is recognised in the statement of comprehensive income. For financial assets measured at amortised cost, the impairment loss is measured as the difference between carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. If the financial instrument has a variable interest rate the currently effective rate under the contract is used.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. At present, the Group has not offset any items.

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 Company transfers to another

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2.6. Financial instruments (continued)

party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained

some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

Non-basic

Equity instruments

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

2.7. Other interest receivable and other income

Interest income is recognised in profit or loss using the effective interest method.

2.8. Pensions

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and has no further payment obligations. The contributions are recognised as an expense in profit or loss in the period as employees provide service. Amounts due but unpaid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9. Taxation

Current tax is recognised for the amount of income tax the Company expects to pay on taxable profit for the current or past reporting periods. This is determined based on the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Where applicable deferred tax balances are reversed if and when all conditions for retaining associated tax allowances for the cost of a fixed asset have been met; and

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

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2.10. Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method as follows:

Buildings and leasehold improvements	5-20 Years
Machinery & other equipment	3-12 Years

2.11. Impairment of assets

At each reporting date tangible and intangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.12. 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. Cost is calculated using the FIFO (first-in, first-out) method.

2.13. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15. Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

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Notes to the financial statements
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3. Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement had a significant effect on the amounts recognised in the financial statements:

Environmental provisions

The value of the environmental provision is the potential environmental remediation liability which is based on the assumption of cost estimated to resolve such liability. These estimates and assumptions were applied by the external environmental specialists in line with the local laws and regulations. These are subject to regular internal monitoring and review by the PCC Environmental reserves department. Any changes in these estimates and assumptions will impact the carrying amount of the provision.

4. Turnover

The company has only one principal class of business, that of the sale of goods. An analysis of turnover by geographical market is set out below.

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
United Kingdom	36,270	11,470
Europe	-	107
North America	40,265	18,553
Rest of the world	2,545	2,489
	79,080	32,619

5. Operating profit

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Depreciation on tangible assets	367	388
Foreign exchange gain	(2,069)	(261)
Operating lease rental	57	37
	(1,645)	164

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6. Auditor Remuneration

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Fees payable for audit of annual financial statements	53	52
Fees payable for taxation compliance/advisory services	48	50
Accounts preparation fee	-	4
	101	106

7. Employees

The aggregate remuneration (including executive directors) was:

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Wages and salaries	3,557	3,106
Social security costs	272	274
Pension costs	381	243
	4,210	3,623

The average monthly number of employees, including the executive directors, during the year was as follows:

	Period ended 1 January 2023	Period ended 2 January 2022
Manufacturing	43	30
Administration	18	19
	61	49

8. Directors' remuneration

	Period ended 1 January 2023	Period ended 2 January 2022
	£'000	£'000
Aggregate remuneration	112	102
Amounts paid into defined contribution pension schemes	8	5
Highest paid directors remuneration		
Aggregate remuneration	112	102
Amounts paid into defined contribution pension schemes	8	5
	No.	No.
Number of directors accruing benefits defined contribution scheme	1	1
Number of directors accruing benefits defined pension schemes	-	-

Certain directors of the company are also directors of the Precision Castparts Corp companies and the remuneration of those directors was paid by those companies. The company has paid no emoluments to those directors in the current or prior year. It is not practicable to ascertain the proportion of those director's emoluments that specifically relate to this company.

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For the period ended 1 January 2023

9. Interest receivable and similar income

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Interest receivable on amounts owed by group undertakings	(138)	-

10. Interest payable and similar charges

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Interest payable on amounts owed to group undertakings	92	41

11. Taxation

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Current tax on profits		
UK Corporation tax	1,255	252
Adjustments for prior year	(30)	(86)
Total current tax	1,225	166
Deferred Tax		
Origination and reversal of timing differences	69	(8)
Adjustments for prior years	4	(6)
Changes to tax rates	-	11
Total deferred tax	73	(3)
Total tax on profits	1,298	163

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 19% (2 January 2022: 19%) the differences are explained below.

	Period ended 1 January 2023	Period ended 2 January 2022
	\$'000	\$'000
Profit on ordinary activities before tax	7,272	1,286
Profit multiplied by the standard rate of tax in the UK	1,382	244
Effects of:		
Unrecognised deferred tax	-	269
Adjustments for prior years	(25)	(92)
Changes to tax rates	17	(260)
Exchange rate differences	(46)	(5)
Other	(30)	7
Total tax charge for the period	1,298	163

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% has been substantively enacted at the balance sheet date, its effects are included in the deferred tax provision as appropriate.

Director's responsibility statement: The financial statements have been prepared in accordance with the Companies Act 2006 and the Financial Reporting Standard for the Periodic Financial Statements (FRS 102) issued by the Financial Reporting Council (FRC).

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For the period ended 1 January 2023

11. Taxation (continued)

The deferred tax asset and (provision) consists of the following deferred tax assets and liabilities:

	1 January 2023	2 January 2022
	\$'000	\$'000
Accelerated capital allowances	(116)	(40)
Short-term timing differences	5	3
	<u>(111)</u>	<u>(37)</u>

12. Tangible fixed assets

	Construction in Progress	Land & Building/Leasehold	Machinery/Fixtures and Fittings	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 2 January 2022	68	-	3,297	3,365
Additions	444	83	171	698
Disposals	-	(11)	(504)	(515)
Transfers	(266)	57	(57)	(266)
At 1 January 2023	<u>246</u>	<u>129</u>	<u>2,907</u>	<u>3,282</u>
Depreciation				
At 2 January 2022	-	-	1,671	1,671
Charge for year	-	9	358	367
Disposals	-	-	(518)	(518)
Transfers	-	41	(41)	-
At 1 January 2023	<u>-</u>	<u>50</u>	<u>1,470</u>	<u>1,520</u>
Net Book Value				
At 1 January 2023	<u>246</u>	<u>79</u>	<u>1,437</u>	<u>1,762</u>
At 2 January 2022	<u>68</u>	<u>-</u>	<u>1,626</u>	<u>1,694</u>

13. Stocks

	1 January 2023	2 January 2022
	\$'000	\$'000
Raw material and consumables	<u>5,811</u>	<u>3,694</u>

As at period end there was no provision held against stocks (2021: \$ Nil)

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14. Debtors

	1 January 2023	2 January 2022
	\$'000	\$'000
Trade debtors	256	340
Amount due from other group undertakings	11,919	9,089
Amounts due from parent company	20,407	16,420
VAT receivable	-	642
Prepayments and accrued income	95	969
	32,677	27,460

As at period end there was no provision held against debtors (2021: \$ Nil)

Amounts owed by group undertakings are all repayable on demand and unsecured and interest free unless related to the cash pooling arrangement. Amount of interest earned/charged on cash pooling balances is dependent on which currency the cash pool balances relates to and overall cash pool position (debtor or creditor position for the cash pool balance of that currency). The range of interest rates for the period were earnings of 3.26% to charges of 3.54%.

15. Creditors

	1 January 2023	2 January 2022
	\$'000	\$'000
Trade creditors	3,268	329
Amounts owed by group undertaking	5,753	7,061
Corporation tax	1,255	252
Accruals and deferred income	514	2,551
VAT Liability	757	-
	11,547	10,193

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

16. Leases

The Company's future minimum lease payments under non-cancellable operating leases are as follows:

	1 January 2023	2 January 2023
	\$'000	\$'000
Not later than one year	26	33

17. Pension commitments

The Company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to \$381,000 (2021: \$243,000). Pension amount payable at the end of the year is \$33,000 (2021: \$19,000).

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18. Provisions

	Environmental provisions
	\$'000
At beginning of period	651
At end of period	<u>651</u>

The provision represents the company's best estimate of its probable future obligations for the contaminated land at Hereford, United Kingdom and Livingston, United Kingdom. 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.

19. Capital and reserves

Share Capital

Two ordinary shares allotted, called up and fully paid of £1 each were outstanding at the end of current and prior periods.

Profit and Loss Account

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

20. Post balance sheet events

There have been no post balance sheets events identified by management and those charged with governance.

21. Immediate and ultimate controlling party

The company is a subsidiary of PCC Finance Luxembourg S.a.r.l., a company incorporated in Luxembourg. The largest 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 Delaware in the United States of America (registered office address 3555 Farnam Street, 68131 Omaha, Nebraska, United States of America) from which the group financial statements are publicly available. The smallest group in which the results of the company are consolidated is that headed by Precision Castparts Corp. These financial statements are not publicly available.