Timet UK Limited

Annual report and financial statements

for the year ended 31 December 2012

Registered number 530589

Timet UK Limited

Annual report and financial statements for the year ended 31 December 2012

Contents **Page**

Timet UK Limited

Directors and advisors

Directors

D G Roberts
R P Becker (appointed 24 January 2013)
S C Blackmore (appointed 24 January 2013)
R A Cooke (appointed 24 January 2013, resigned 1 June 2013)
S R Hagel (appointed 24 January 2013)
R S Pattee (appointed 24 January 2013)
S G Hackett (appointed 24 January 2013)
R A Beyer (appointed 1 June 2013)

Company secretary

M G Goodwin
P Edelstyn (appointed 24 January 2013)

Registered office

PO Box 704
Witton
Birmingham
B6 7UR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

Bank of Scotland
55 Temple Row
Birmingham
B2 5LS

Solicitors

Pinsent Masons LLP
3 Colmore Circus
Birmingham
B4 6BH

Directors' report
for the year ended 31 December 2012

The dırectors present theır annual report and the audıted financıal statements of the company for the year ended 31 December 2012

Prıncıpal actıvıtıes

Tımet UK Lımıted (regıstered number 530589) (the "Company") ıs a leadıng manufacturer of Tıtanıum products whıch are used predomınantly ın the commercıal aerospace ındustry

The global tıtanıum ındustry comprıses several manufacturers that produce a range of tıtanıum products, as well as a sıgnıficant number of producers worldwıde that manufacture a lımıted range of tıtanıum mıll products Productıon and sale of tıtanıum products represents the prıncıpal actıvıty of the Company

Revıew of the busıness and future developments

The Company's profit and loss account ıs shown on page 10 Turnover for the year was £208 3m (2011 £185 6m), generatıng an operatıng profit of £14 4m (2011 £23 4m profit) The Company made a profit on ordınary actıvıtıes before tax of £18 5m (2011 £31 6m) The Company had net assets of £105 5m as at 31 December 2012 (2011 £109 7m)

Sales growth ın 2012 was drıven by ıncreased demand ın the commercıal aerospace sector Sales prıce pressure arısıng from competıtıon, sales mıx effect and an ıncrease ın raw materıal prıces and productıon costs resulted ın lower operatıng margıns

The company contınues to ınvest ın plant and machınery to ıncrease our capacıty and ımprove efficıency to take advantage of the growıng aerospace and wıder tıtanıum market and ıt ıs consıdered that the Company ıs well posıtıoned to grow ıts revenue over the next year and to ımprove ıts tradıng performance

Key performance ındıcators

The board monıtors progress on the overall strategy, and ındıvıdual strategıc elements, by reference to the followıng KPI's

1 Operatıng margıns

Operatıng margıns are defined as operatıng profits expressed as a percentage of turnover The Company produced an operatıng margın of 7% ın the year ended 31 December 2012 (2011 13%) The reduced gross margın reflects sales prıce pressure from strong competıtıon, sales mıx beıng more weıghted to lower margın product ın 2012, the ımpact of foreıgn exchange losses and ıncreases ın raw materıal prıces and productıon costs

2 Return on capıtal employed (ROCE)

The equıpment used ın the productıon of tıtanıum means our busıness ıs extremely capıtal ıntensıve In response to the ındustry's long-term posıtıve demand outlook we aım to meet demand and retaın our qualıty levels vıa ıncreased ınvestment Therefore a key ındıcator of performance ıs the returns on these capıtal outlays

Capıtal employed ıs defined as fixed assets plus net current assets averaged for the year The return on thıs capıtal ıs measured by operatıng profit

The Company produced ROCE of 9% ın the year ended 31 December 2012 (2011 16%) The reduced ROCE ın 2012 compared to 2011 ıs a result of the reduced profits, for reasons detaıled ın operatıng margıns above

Directors' report
for the year ended 31 December 2012 (continued)

Review of the business and future developments (continued)

3 Turnover from sales to customers under long term agreements ("LTAs")

The Company enters into long term supply agreements with several major aerospace manufacturers During 2012 turnover from sales to customers under LTAs were 74% (2011 79%) of total turnover

As set out in note 22 on page 38 the ultimate parent of the Company changed during the year

Dividends

In 2012, the company paid a dividend of £10m (2011 a cash dividend of £12 5m was paid and a dividend in specie of £1 4m was paid, represented by the net book value transfer of land and buildings)

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were,

R D Graham (resigned 20 December 2012)
BD O'Brien (resigned 20 December 2012)
D G Roberts
R P Becker (appointed 24 January 2013)
S C Blackmore (appointed 24 January 2013)
R A Cooke (appointed 24 January 2013, resigned 1 June 2013)
S R Hagel (appointed 24 January 2013)
R S Pattee (appointed 24 January 2013)
S G Hackett (appointed 24 January 2013)
R A Beyer (appointed 1 June 2013)

Principal risks and uncertainties

Listed below are certain risk factors associated with our business In addition to the potential effect of these risk factors discussed below, any risk factor that could result in significantly reduced earnings, liquidity or operating losses, could in turn adversely affect our ability to meet our liabilities

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 The commercial aerospace sector has a significant influence on titanium companies, particularly mill product producers Our business is more dependent on commercial aerospace demand than in the overall titanium industry The cyclical nature of the commercial aerospace sector has been the principal driver of the historical fluctuations in the performance of most titanium product producers Events that could adversely affect the commercial aerospace sector, such as future terrorist attacks, world health crises or unforeseen reductions in orders from commercial airlines, could significantly decrease our results of operations and financial condition

Sales under Long Term Agreements (LTAs) with certain customers in the commercial aerospace sector account for a significant percentage of our annual turnover If we are unable to maintain our relationships with our major commercial aerospace customers, including Boeing, Rolls-Royce, Snecma and UTC, under the LTAs we have with these customers, our sales could decrease substantially

The titanium metals industry is highly competitive, and we may not be able to compete successfully Competition is based on a number of factors, such as price, product quality and service Some of our competitors may be able to drive down prices for our products because their costs are lower than our costs Some of our competitors' financial, technological and other resources may be greater than our resources, and such competitors may be better able to withstand changes in market conditions Our competitors may be able

Directors' report
for the year ended 31 December 2012 (continued)

Principal risks and uncertainties (continued)

to respond more quickly than we can to new or emerging technologies and changes in customer requirements Furthermore, consolidation of our competitors or customers in any of the industries in which we compete may result in reduced demand for our products In addition, producers of metal products, such as steel and aluminium, maintain forging, rolling and finishing facilities Such facilities could be used or modified to process titanium mill products, which could lead to increased competition and decreased pricing for our titanium products Many factors, including the historical presence of excess capacity in the titanium industry, work to intensify the price competition for available business at low points in the business cycle

Our dependence upon certain critical raw materials that are subject to price and availability fluctuations could lead to increased costs or delays in the manufacture and sale of our products We rely on a limited number of suppliers around the world All of our major competitors utilize sponge and scrap as raw materials in their melt operations Titanium scrap is also used in certain steel-making operations, and demand for these steel products, especially from China, has produced a significant increase in demand for titanium scrap at a time when titanium scrap generation rates are still at lower levels because of the lower commercial aircraft build rates in recent years Purchase prices and availability of these critical materials are subject to volatility At any given time, we may be unable to obtain an adequate supply of these critical materials on a timely basis, on price and other terms acceptable to us, or at all

An increase in titanium prices may cause our customers to look for alternatives to titanium in their products If prices for titanium are sustained at the current level, new markets and application opportunities for titanium may diminish as the use of titanium becomes too costly for many manufacturers In addition, manufacturers that currently use titanium for their products may look for less expensive alternatives for titanium in existing products and applications If these events were to occur, our sales and operating results could decrease substantially, resulting in decreased profitability and our continued dependence on the military and commercial aerospace industries

Our failure to develop new markets would result in our continued dependence on the cyclical commercial aerospace sector, and our operating results would, accordingly, remain cyclical In an effort to reduce dependence on the commercial aerospace market and to increase participation in other markets, we have been devoting resources to developing new markets and applications for our products, principally in automotive, oil and gas and other emerging markets for titanium Developing these emerging market applications involves substantial risk and uncertainties due to the fact that titanium must compete with less expensive alternative materials in these potential markets or applications We may not be successful in developing new markets or applications for our products, significant time may be required for such development and uncertainty exists as to the extent to which we will face competition in this regard

Because we are subject to environmental and worker safety laws and regulations, we may be required to remediate the environmental effects of our operations or take steps to modify our operations to comply with these laws and regulations, which could reduce our profitability Although we have substantial controls and procedures designed to reduce continuing risk of environmental, health and safety issues, we could incur substantial clean up costs, fines and civil or criminal sanctions, third party property damage or personal injury claims as a result of violations or liabilities under these laws or non-compliance with environmental permits required at our facilities In addition, government environmental requirements or the enforcement thereof may become more stringent in the future Some or all of these risks may result in liabilities that could reduce our profitability

Timet UK Limited

Directors' report
for the year ended 31 December 2012 (continued)

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, interest rate cash flow risk and foreign currency risk The Company has in place a risk management programme that seeks to manage the adverse effects on the financial performance of the Company

Price risk

The Company is exposed to commodity price risk as a result of its operations To manage this risk the company enters into long-term agreements with customers and suppliers These agreements include fixed prices, or prices flexed by commercially agreed indices The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual counterparty is subject to a credit limit

Liquidity risk

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities The Company has a policy of entering into agreements with interest at floating rates only, as the directors consider the interest rate risk low The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature

Foreign currency risk

The Company is exposed to foreign currency risk as a result of its operations As far as possible the Company seeks to manage this risk through the use of natural hedges

Directors' report
for the year ended 31 December 2012 (continued)

Research and Development

The company performs a research and development programme covering all aspects of the business This includes continuing alloy development for the aerospace industry and providing technical expertise to customers in all applications The company directly performs some of this activity and through membership of the wider PCC group is able to benefit from programmes performed by fellow PCC companies

Employees

Employee involvement

Formal joint consultative procedures are in place whereby exchanges of information between management and employees regularly take place The Company operates a bonus scheme based on performance of the Company Some company staff are members of a bonus scheme whereby bonuses are payable based on performance related to the group and other subsidiaries of PCC

Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered, bearing in mind the aptitudes and abilities of the person concerned In the event of employees becoming disabled every reasonable effort is made to ensure their employment with the Company continues and the appropriate training is arranged It is the policy of the Company that disabled persons should, as far as possible, have identical training, career development and promotion to those who do not suffer from disabilities

Creditor payment policy

It is Company policy to pay suppliers in accordance with agreed terms and conditions of purchase, provided that the supplier complies with all relevant terms and conditions The number of day's purchases outstanding at 31 December 2012 in respect of the Company's creditors was approximately 55 days (2011 54 days)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The company also purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors

Insurance claim

In March 2011 a fire occurred at the plant at Waunarlwydd, Wales The losses were insured subject to an insurance excess of $1million (£601,000) As at the date of approval of the financial statements of both 2012 and 2011, the insurance claim has not been settled At approval of 2011 statements it was expected to generate exceptional income of £3,250,000 arising from the replacement of damaged buildings and plant and machinery with new buildings and plant and machinery This estimate was reduced by £363,000 at the date of approval of 2012 statements producing the exceptional loss set out in the profit and loss account

Timet UK Limited

Directors' report
for the year ended 31 December 2012 (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved,

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board

D G Roberts
Director
31 July 2013

Independent auditors' report to the members of Timet UK Limited

We have audited the financial statements of Timet UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Timet UK Limited (continued)

Matters on which we are required to report by exception

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

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

Fiona Kelsey

Fiona Kelsey (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
1 August 2013

Timet UK Limited

Profit and loss account
for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	1	**208,261**	185,554
Cost of sales		**(183,725)**	(154,297)
Gross profit		**24,536**	31,257
Distribution costs		**(3,475)**	(3,012)
Administrative expenses		**(5,088)**	(5,277)
Other operating (expense) / income		**(1,526)**	400
Operating profit		**14,447**	23,368
Exceptional item (losses)/gains arising from insurance settlement	2	**(363)**	3,250
Income from shares in group undertakings		**4,204**	5,561
Interest receivable and similar income	3	**10**	101
Interest payable and similar charges	4	**(109)**	(136)
Other finance income / (cost)	5	**264**	(577)
Profit on ordinary activities before taxation		**18,453**	31,567
Tax on profit on ordinary activities	8	**(3,725)**	(5,456)
Profit for the financial year	19	**14,728**	26,111

There is no material difference between the profit on ordinary activities before taxation and the result for the financial years stated above and their historical cost equivalents

The results for the current and preceding year reflect trading solely from continuing operations

Timet UK Limited

Balance sheet
as at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	10	**52,700**	44,135
Investments	11	**2,020**	2,020
		54,720	46,155
Current assets			
Stocks	12	**95,395**	79,087
Debtors (including £4 7m (2011 £5 3m) due after one year)	13	**43,773**	48,555
Cash at bank and in hand		**8,501**	15,922
		147,669	143,564
Creditors: amounts falling due within one year	14	**(34,685)**	(35,672)
Net current assets		**112,984**	107,892
Total assets less current liabilities		**167,704**	154,047
Creditors amounts falling due after more than one year	15	**(12,416)**	-
Provisions for liabilities	16	**(4,427)**	(3,485)
Net assets excluding pension liability		**150,861**	150,562
Pension liability	17	**(45,396)**	(40,881)
Net assets including pension liability		**105,465**	109,681
Capital and reserves			
Called up share capital	18	**29,000**	29,000
Share premium account	19	**1,487**	1,487
Profit and loss account	19	**74,978**	79,194
Total shareholders' funds	20	**105,465**	109,681

The financial statements on pages 10 to 38 were approved by the board of directors and were signed on its behalf on 31 July 2013 by

D G Roberts
Director

Timet UK Limited

Statement of total recognised gains and losses for the year ended 31 December 2012

	2012	2011
	£000	£000
Profit for the financial year	**14,728**	26,111
Actuarial (loss) on defined benefit pension scheme (note 17)	**(10,313)**	(19,224)
Deferred tax gain on actuarial loss on defined benefit pension scheme	**2,478**	4,806
Current tax relief on pension contributions in excess of profit and loss tax charge	**1,437**	1,173
Deferred tax on defined benefit pension scheme	**(1,456)**	(1,107)
Change in deferred tax asset on pension scheme deficit relating to change in UK corporation tax rate	**(1,090)**	(794)
Total recognised gains relating to the year	**5,784**	10,965

Timet UK Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and with applicable accounting standards in the United Kingdom Where a choice of treatment is available the directors apply the most appropriate policy and estimation technique in accordance with FRS 18 "Accounting Policies" Unless otherwise stated accounting policies have been consistently applied

Tangible fixed assets

Fixed assets are shown at historic cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows

Freehold buildings	30 – 40 years
Leasehold improvements	10 years – term of lease
Plant and machinery	3 – 25 years

Freehold land and assets in course of construction are not depreciated

Fixed asset investments

Investments are shown at cost less any provision for impairment Investments are reviewed for impairment at each balance sheet date to determine if there is any indication of impairment If any such indication exists, the investment's recoverable amount is estimated An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount Impairment losses are recognised in the profit and loss account

Stocks

Stocks are stated at the lower of cost or net realisable value and, in general, cost is determined on a first in, first out basis In the case of manufactured products, cost includes all appropriate direct and indirect expenditure and production overheads based on the normal level of activity Provision is made for obsolete, slow-moving or defective items where appropriate Consignment stocks remain the property of the supplier until they are consumed subject to a maximum holding period beyond which there is an obligation to purchase

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Pension costs

Defined benefit scheme

The Company adopts the principles of FRS17 "Retirement Benefits" Pension scheme assets are measured at their fair value with quoted securities being valued at their current bid price, at the balance sheet date Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other financial income Actuarial gains and losses are recognised in the statement of total recognised gains and losses

Defined contribution scheme

The amount recognised in the profit and loss account is equal to the contributions payable to the scheme during the year

Foreign currency

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date EUR 1 2231 and USD 1 6132 (2011 EUR 1 1918 and USD 1 5391) and the gains and losses on translation are included in the profit and loss account

Dividends in specie

The payment of a dividend in specie (distribution of non cash assets) is valued at book value as determined by the accounting policy for that asset The receipt of a dividend in specie is valued at the fair value of the asset at the date of receipt Any difference between fair value of receipt and the book value, as set out in the accounting records of the subsidiary paying the dividend, is considered to be unrealised profit

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Turnover

Turnover, which excludes Value Added Tax and trade discounts, represents the invoiced value of goods and services supplied in the normal course of business and wholly relates to the sale of titanium products which is considered as one class of business Recognition of income is at the point of title passing

In 2012 and 2011 all sales originated from the UK

The geographical analysis of turnover by destination is

	2012	2011
	£'000	£'000
UK	119,621	110,016
Europe (excluding UK)	48,400	36,744
North America	30,486	26,530
Rest of the World	9,754	12,264
	208,261	185,554

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term

Assets acquired under an arrangement whereby substantially all the benefits and risks of ownership remain with the lessee (finance leases) are treated as fixed assets Assets held under finance leases are initially reported at the fair value of the assets with an equivalent liability categorised as appropriate under creditors due within or after one year The assets are depreciated over the shorter of the asset life or the lease term and finance charges are allocated to accounting years over the period of the lease to produce a constant rate of charge on the outstanding balance

Cash flow statement

Under FRS 1 (Revised 1996) "Cash Flow Statement", a cash flow statement is not required where a company is at least 90% owned by a company whose financial statements are publicly available and which include a cash flow statement As disclosed in note 22, the directors regard Precision Castparts Corp (PCC), a public company incorporated and registered in the United States of America, as the ultimate holding company As the consolidated financial statements of PCC are publicly available, no cash flow statement has been prepared

Consolidated financial statements

The financial statements contain information about Timet UK Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt, under section 400 of the Companies Act 2006, from the obligation to prepare and deliver group financial statements, as it is included in the consolidated financial statements of Timet UK Holding Company Limited, a company registered in England and Wales.

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Profit on ordinary activities before taxation

	2012	2011
	£000	£000
Profit on ordinary activities before taxation is stated after charging / (crediting)·		
Loss / (gain) on disposal of tangible fixed assets	27	(20)
Depreciation charge for the year		
Tangible owned fixed assets	6,647	6,567
Tangible fixed assets held under finance leases	11	12
Auditors' remuneration for		
Audit fee (see comment below)	240	233
Tax advisory services	-	6
Operating leases		
Land and buildings	1,331	806
Plant and machinery	679	595
Research and development expenditure	950	868
Sales commissions (see comment below)	1,012	585
Loss / (gain) on retranslation of balances denominated in currencies other than pounds sterling (see comment below)	703	(802)
Insurance excess arising following a fire at the plant at Waunarlwydd, Wales (see comment below)	-	601
Exceptional item loss / (gains) arising on insurance settlement (see comment below)	363	(3,250)

The audit fee includes £20,000 (2011 £20,000) for the audit of the Company's UK group companies that are borne by the Company and not recharged

Sales commissions and loss / (gain) gain on retranslation of balances denominated in currencies other than pounds sterling are reported in the profit and loss account as component of other operating (expense) / income

In March 2011 a fire occurred at the plant at Waunarlwydd, Wales The losses were insured subject to an insurance excess of $1million (£601,000) As at the date of approval of the financial statements of both 2012 and 2011, the insurance claim has not been settled At approval of 2011 statements it was expected to generate exceptional income of £3,250,000 arising from the replacement of damaged buildings and plant and machinery with new buildings and plant and machinery This estimate was reduced by £363,000 at the date of approval of 2012 statements producing the exceptional loss set out above

3 Interest receivable and similar income

	2012 £000	2011 £000
Bank interest	3	72
On loans to immediate parent company	6	18
On loans to fellow subsidiary companies	1	11
	10	101

4 Interest payable and similar charges

	2012 £000	2011 £000
Bank fees	73	64
Finance leases	-	2
On loans from immediate parent company	36	-
On loans from subsidiaries	-	70
	109	136

5 Other finance income / (cost)

	2012 £000	2011 £000
Expected return on defined benefit pension scheme assets	7,669	7,686
Interest on defined benefit pension scheme liabilities	(7,416)	(7,861)
Gain / (loss) on translation of loans denominated in foreign currency	11	(402)
	264	(577)

6 Directors' emoluments

The directors received no emoluments from the company during 2012 and 2011

Two of the directors who served during the year are employed by and received emoluments from Titanium Metals Corporation None of these emoluments relate to services as a director of Timet UK Limited and no costs were recharged to the Company in respect of their services

Mr DG Roberts was employed by Timet UK Holding Company Limited throughout 2012 and 2011 Mr Roberts is also a director of Timet UK Holding Company Limited No costs were recharged from Timet UK Holding Company Limited to Timet UK Limited in respect of Mr Roberts' service to the company

Mr Roberts' emoluments are disclosed in the financial statements of Timet UK Holding Company Limited

7 Employee information

The average monthly number of persons (including directors) employed by the company during the year was

	2012	2011
	Number	Number
By activity		
Sales and general administration	**65**	63
Manufacturing, quality and technical	**683**	607
	748	670

	2012	2011
	£000	£000
Staff costs		
Wages and salaries	**30,568**	26,395
Social security costs	**3,454**	2,690
Other pension costs (note 17)	**1,631**	1,953
	35,653	31,038

Timet UK Limited

Notes to the financial statements
for the year ended 31 December 2012 (continued)

8 Tax on profit on ordinary activities

	2012	2011
	£000	£000
Analysis of tax in the year		
Current tax		
UK corporation tax on profits for the year	1,999	3,883
Adjustments to tax in respect of prior year	186	(660)
Items credited to statement of total recognised gains and losses	1,437	1,173
Total current tax	3,622	4,396
Deferred tax		
Charge arising from origination and reversal of timing differences	57	537
Adjustments in respect of prior periods	314	746
Changes in deferred tax arising from reduction in enacted corporation tax rate (see narrative below)	(268)	(223)
Total deferred tax	103	1,060
Tax on profit on ordinary activities	3,725	5,456

The Finance Act 2012 in July 2012 changed the standard rate of corporation tax from 26% to 24% from 1 April 2012 with a further reduction to 23% from 1 April 2013 Accordingly the profits for the year ended December 2012 have been charged at a rate of 24 5% (2011 26 5%) (see page 20), and deferred tax assets and liabilities have been valued at 23% (2011 25%)

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013 These include reductions to the main rate to reduce the rate from 21% from 1 April 2014 and to 20% from 1 April 2015

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements The overall effect of these changes, if they had been applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £1,360,000 and reduce the tax expense for the year by £408,000

8 Tax charge on profit on ordinary activities (continued)

The tax assessed for the year is lower (2011 lower) than the standard effective rate of corporation tax in the UK of 24 5% (2011 26 5%) The differences are explained below

	2012	2011
	£000	£000
Profit on ordinary activities before taxation	**18,453**	31,567
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	**4,521**	8,365
UK dividend income not chargeable for tax purposes	**(1,030)**	(1,473)
Expenses not deductible for tax purposes	**53**	(268)
Capital allowances (less than) / in excess of depreciation	**(51)**	371
Short term timing differences	**6**	(16)
Capital gain on insurance to be elected to parent undertaking	**-**	(929)
Pension cost charge in excess of pension cost relief	**(1,437)**	(1,173)
Research & Development relief	**(63)**	(68)
Items credited to statement of total recognised gains and losses	**1,437**	1,173
Adjustments to tax in respect of prior year	**186**	(660)
Utilisation of tax losses	**-**	(926)
Current tax charge for the year	**3,622**	4,396

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Dividends

	2012	2011
	£000	£000
Ordinary dividends on equity shares paid during the year		
Dividend in specie nil (2011 4 66p per share)	-	1,352
Cash dividend 34 5p per share (2011 43 10p per share)	10,000	12,500
	10,000	13,852

The dividend in specie in 2011, represents the net book value of land and buildings at Waunarlwydd

10 Tangible fixed assets

	Land and buildings	Leasehold improvements	Plant and machinery	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2012	555	-	120,456	6,559	127,570
Additions	-	103	646	14,506	15,255
Transfers	(555)	4,286	7,654	(11,385)	-
Disposals	-	-	(242)	-	(242)
At 31 December 2012	-	**4,389**	**128,514**	**9,680**	**142,583**
Accumulated depreciation					
At 1 January 2012	157	-	83,278	-	83,435
Charge for the year	21	125	6,512	-	6,658
Transfers	(178)	178	-	-	-
Disposals	-	-	(210)	-	(210)
At 31 December 2012	-	**303**	**89,580**	-	**89,883**
Net book value					
At 31 December 2012	-	**4,086**	**38,934**	**9,680**	**52,700**
At 31 December 2011	398	-	37,178	6,559	44,135

10 Tangible fixed assets (continued)

The net book value of land and buildings in both 2011 and 2012 contains no freehold assets

The net book value of plant and machinery includes £Nil (2011 £11,000) related to assets held under finance leases

11 Fixed asset investments

	2012	2011
Cost	**£000**	**£000**
At 1 January	3,106	3,106
Disposals	(1,086)	-
At 31 December	**2,020**	**3,106**
Provision for impairment of investment in Timet UK Finance Company Limited (see below)		
At 1 January	(1,086)	(1,086)
Release of provision at disposal	1,086	-
At 31 December	-	**(1,086)**
Net book value:		
At 1 January and 31 December	**2,020**	**2,020**

In accordance with FRS 11 (Impairment of fixed assets and goodwill), the carrying value of the company's subsidiary undertakings has been compared to their recoverable amounts The directors believe that the carrying value of investments are supported by their recoverable amounts and value in use

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Fixed asset investments (continued)

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held %	
			Direct	Indirect
Timet UK (Export) Limited	England	Ordinary shares	100	
Titanium MC Limited	England	Ordinary shares	100	
Timet Europe Limited	England	Ordinary shares	100	
Timet Savoie SA	France	Ordinary shares		70
Timet Germany GmbH	Germany	Ordinary shares		100
Timet UK Finance Company Limited	England	Ordinary shares	2	

With the exception of Timet UK Finance Company Limited, the investments were held throughout the year Timet UK Finance Company Limited was dormant until it was wound up and struck off from the register of companies on 18 September 2012

The principal business activities of the company's subsidiary undertakings and other investee companies are

- Timet Europe Limited – Intermediate holding company
- Timet Savoie SA – Manufacture and distribution of titanium products and titanium alloys
- Timet Germany GmbH – Sale of titanium products and titanium alloys

All the above companies operated principally in their countries of incorporation

Timet UK (Export) Limited and Titanium MC Limited are dormant

12 Stocks

	2012	2011
	£000	£000
Raw materials and consumables	**20,102**	16,848
Work in progress	**57,093**	46,199
Finished goods and goods for sale	**18,200**	16,040
	95,395	79,087

In addition to the above, the Company held raw material and consumable stores stocks on consignment with a value of £26,692,000 (2011 £7,381,000) Consignment stocks remain the property of the supplier until they are consumed subject to a maximum holding period beyond which there is an obligation to purchase

Notes to the financial statements for the year ended 31 December 2012 (continued)

13 Debtors

	2012	2011
Amounts fallıng due wıthın one year	**£000**	£000
		* restated
Trade debtors	**25,416**	25,863*
Amounts owed by ımmedıate parent undertakıng (b)	**320**	1,248
Amounts owed by fellow subsıdıary undertakıngs of PCC (a)	**6,209**	8,091*
Amounts owed by subsıdıary undertakıngs (a)	**2,122**	2,909
Corporatıon tax	**250**	-
Other debtors (c)	**3,661**	4,184
Prepayments and accrued ıncome	**1,078**	959
	39,056	43,254

(a) The amount owed by subsıdıary undertakıngs and fellow subsıdıary undertakıngs of PCC (see note 22) relates to normal tradıng balances that are payable under agreed tradıng terms and condıtıons

(b) The amounts owed by the ımmedıate parent undertakıng relate to normal tradıng balances of £320,000 (2011 £299,000) that are payable under agreed tradıng terms and condıtıons In 2011 the addıtıonal balance of £949,000 represented a loan The loan was repaıd durıng 2012 and was denomınated ın GBP, bearıng ınterest at a rate of 1 0% above 3 month LIBOR

(c) Other debtors ıncludes due wıthın one year ıncludes £1,446,000 (2011 £3,250,000) ın respect of the antıcıpated settlement from the ınsurance claım ın respect of the fire at the plant at Waunarlwydd, Wales Also ıncluded wıthın other debtors are payments advanced to customers as part of Long Term Agreements The balance wıll be charged to profit and loss on a straıght lıne basıs over the lıfe of the agreements producıng balances set out below that wıll be charged ın more than one year, of whıch £1 9m (2011 £2 5m) wıll be charged after five years

* 2011 balances for trade debtors and amounts owed by fellow subsıdıary undertakıngs of PCC have been restated to reflect the change of ultımate parent undertakıng that occurred durıng 2012 (see note 22) There ıs no effect on total debtors as a result of thıs restatement

	2012	2011
Amounts fallıng due ın more than one year	**£000**	£000
Other debtors (c)	**4,717**	5,301

	2012	2011
	£000	£000
Total debtors	**43,773**	48,555

14 Creditors: amounts falling due within one year

	2012	2011
	£000	£000
		*restated
Obligations under finance leases	-	13
Trade creditors	14,519	11,233*
Amount owed to immediate parent undertaking (a)	515	227
Amounts owed to fellow subsidiaries of PCC (a)	9,892	8,274*
Amounts owed to subsidiary undertakings (b)	519	935
Corporation tax	-	3,883
Other taxation and social security	395	402
Accruals and deferred income	8,845	10,705
	34,685	35,672

(a) The amounts owed to immediate parent undertaking and to fellow subsidiaries of PCC (see note 22) relate to normal trading balances that are payable under agreed trading terms and conditions

(b) The amounts owed to subsidiary undertakings represents trading balances that are unsecured and subject to agreed intercompany terms

A summary of the company's borrowing facilities is given in note 21

* 2011 balances for amounts owed to fellow subsidiary undertakings of PCC have been restated to reflect the change of ultimate parent undertaking that occurred during 2012 (see note 22) There is no effect on total creditors as a result of this restatement

15 Creditors: amounts falling due after more than one year

	2012	2011
	£000	£000
Bank loan (a)	**2,000**	-
Loan from immediate parent undertaking (b)	**10,416**	-
	12,416	-

(a) The bank loan is denominated in GBP and drawn under the Company's revolving credit facility and bears interest at a rate of 1 6% above three month LIBOR, plus the mandatory costs At 31 December 2012 the effective interest rate was 2 12%

(b) The loan from Timet UK Holding Company Ltd is denominated in GBP and bears interest at a rate of 1 5% above 3 month LIBOR and is repayable 31 December 2014 At 31 December 2012 the effective rate was 2 02%

A summary of the company's borrowing facilities is given in note 21

16 Provisions for liabilities

	Asset retirement obligation	Dilapidation provision	Deferred tax excluding deferred tax on pension liability	Total
	£000	£000	£000	£000
At 1 January 2012	457	-	3,028	3,485
Additions	-	810	-	810
Charge / (credit) for the year	14	15	103	132
At 31 December 2012	**471**	**825**	**3,131**	**4,427**

Asset retirement obligation

The asset retirement obligation represents an estimate of the costs to remove plant and machinery at plants in Witton, England and appropriate remediation of settling ponds at Waunarlwydd, Wales The costs have been discounted at an appropriate rate The discount factor will be released to profit and loss during the time period prior to expected use of the provision which is anticipated to occur between 2014 and 2024

Dilapidation provision

During the year the company entered a 15 year operating lease on property at Witton, England The terms of the lease require the company to return the property to the landlord in a specified condition The specified condition will be an improvement to the condition at the inception of the lease In recognition of this, the landlord made a cash payment of £810,000 as a contribution to anticipated costs Any additional provision that is required will be frequently assessed during the lease period and will be charged to profit and loss

Deferred taxation

	2012	2011
	£000	£000
Provision for deferred tax comprises		
Capital allowances in excess of depreciation	**3,253**	3,153
Short-term timing differences	**(122)**	(125)
Deferred tax provision	**3,131**	3,028
Deferred tax asset on pension liability (note 17)	**(13,559)**	(13,627)
	(10,428)	(10,599)

17 Pension and similar obligations

Timet UK Limited operates a pension plan (The Timet UK Limited Pension Plan) in the United Kingdom for its employees which consists of two sections, a defined benefit section for employees who were members of the IMI plc Pension Scheme before the transfer of ownership of the Company to Titanium Metals Corporation, and a defined contribution plan for the other employees Both sections are contributory

The company closed the defined benefit section for future accruals on 30 November 2011 All members of the defined benefit section were invited to join the defined contribution section of the scheme from 1 December 2011

Defined contribution scheme

The defined contribution section is a money purchase plan Prior to the closure on 30 November 2011 the company contributed at a rate between 3% and 5% of the employee's salary, depending on the age of the employee From 1 December 2011 the company contributed at a rate between 5% and 8% of the employee's salary, depending on the rate at which the employee contributed to the scheme

The annual pension cost to Timet UK Limited in the year 2012 was £1,631,000 (2011 £585,000)

The outstanding contributions as at 31 December 2012 were £128,000 (2011 £118,000)

Defined benefit scheme

Throughout 2012 and 2011 the scheme was closed to new entrants and, therefore, the current service cost will increase as current members of the scheme approach retirement As stated above, from 1 December 2011 the company closed the defined benefit section for future accruals on 30 November 2011

The latest actuarial valuation of the defined benefit scheme was made at 30 September 2011 by a qualified independent actuary The actuary has reviewed the most recent actuarial valuation as at 31 December 2012 and updated it to reflect current conditions

The actuarial valuation at 31 December 2012 showed a deficit of £58,955,000 compared to a deficit of £54,508,000 at the start of the year No benefit improvements were made in the year From 1 January 2007, the funding of the defined benefit pension scheme was altered From this date, company contributions have been set at 13 4% of pensionable pay in addition to a fixed monthly contribution of £255,000 Company contributions at 13 4% of pensionable pay ceased at the closure of the scheme for future accruals on 30 November 2011 The fixed monthly contributions of £255,000 continued throughout 2012 and 2011 and will continue until 31 March 2014 Additional special contributions totalling £2,553,000 (2011 £2,400,000) were made during the year Additional special contributions of £2,400,000 will be paid in 2013

In the period to 31 March 2014 a new actuarial valuation will be performed and it is expected that a new schedule of contributions will be agreed with the trustees based on the new valuation

17 Pension and similar obligations (continued)

The major assumptions used by the independent actuary were

	At 31 December 2012	At 31 December 2011
Rate of increase of pensions in payment		
- LPI capped at 5%	**2 75%**	2 75%
- LPI capped at 3%	**1.80%**	1 75%
Discount rate	**4.10%**	4 75%
Inflation assumption	**2 80%**	2 80%

The mortality assumptions used were as follows

	2012 Years	2011 Years
Longevity at age 65 for current pensioners		
- Men	**22.0**	21 9
- Women	**24.7**	24 6
Longevity at age 65 for future pensioners		
- Men	**24.0**	23 9
- Women	**26.7**	26 6

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Pension and similar obligations (continued)

The assets in the scheme as at 31 December 2012, and the expected rates of return were

	Long term rate of return expected at 31/12/12	Value at 31/12/12	Long term rate of return expected at 31/12/11	Value at 31/12/11
	%	£000	%	£000
Equities	8.10	100,324	7 90	86,435
Bonds	4.10	18,595	4 75	16,722
Other	0.55	1,696	1 10	659
Total market value of assets		120,615		103,816
Present value of scheme liabilities		(179,570)		(158,324)
Deficit in the scheme		(58,955)		(54,508)
Related deferred tax asset		13,559		13,627
Net deficit in scheme		(45,396)		(40,881)

17 Pension and similar obligations (continued)

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price

Reconciliation of present value of scheme liabilities

	2012	2011
	£000	£000
Present value of liabilities as at 1 January	**(158,324)**	(144,265)
Current service cost	-	(1,368)
Interest cost	**(7,416)**	(7,861)
Plan participants' contributions	-	(549)
Losses on curtailment	-	(1,029)
Actuarial (loss) / gain	**(18,820)**	(8,480)
Benefits paid	**4,990**	5,228
Present value of scheme liabilities as at 31 December	**(179,570)**	(158,324)

Reconciliation of fair value of scheme assets

	2012	2011
	£000	£000
Fair value of assets as at 1 January	**103,816**	104,554
Expected return on scheme assets	**7,669**	7,686
Actuarial gain / (loss)	**8,507**	(10,744)
Employer contributions	**5,613**	6,999
Plan participants' contributions	-	549
Benefits paid	**(4,990)**	(5,228)
Fair value of assets as at 31 December	**120,615**	103,816

17 Pension and similar obligations (continued)

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

Actual return on scheme assets	**2012**	2011
	£000	£000
Actual return on scheme assets	**16,176**	(3,058)

Analysis of amount credited / (charged) to profit and loss	**2012**	2011
	£000	£000
Current service cost	-	(1,368)
Losses on curtailment	-	(1,029)
Interest cost	**(7,416)**	(7,861)
Expected return on scheme assets	**7,669**	7,686
	253	(2,572)

Of the total current service cost, £Nil (2011 £1,269,000) is included within cost of sales and £Nil (2011 £99,000) is included within administration expenses and distribution costs Of the 2011 losses on curtailment, £957,000 is included within cost of sales and £72,000 is included within administration expenses and distribution costs

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £85,724,000 (2011 £75,411,000)

Actuarial valuation

The actuarial valuation at 31 December 2012 showed an increase in the deficit from £54,508,000 to £58,955,000 As stated on page 29, it has been agreed that in the 15 months to 31 March 2014 monthly contributions of £255,000 will be a paid with an additional contribution of £2,400,000 to be paid during 2013

In the period to 31 March 2014 a new actuarial valuation will be performed and it is expected that a new schedule of contributions will be agreed with the trustees based on the new valuation

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Pension and similar obligations (continued)

Amounts for the current year and the previous four years

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Defined benefit obligation	**(179,570)**	(158,324)	(144,265)	(146,303)	(112,090)
Fair value of scheme assets	**120,615**	103,816	104,554	90,177	79,947
Deficit	**(58,955)**	(54,508)	(39,711)	(56,126)	(32,143)

Difference between actual and expected return on scheme assets					
amount (£000)	**8,507**	(10,744)	7,231	7,927	(31,255)
percentage of scheme assets	**7%**	(10%)	7%	9%	(39%)
Experience gains and (losses) on scheme liabilities					
amount (£000)	**-**	-	10,865	(6,245)	(8,816)
percentage of scheme liabilities	**-**	-	8%	(4%)	(8%)
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	**(10,313)**	(19,224)	14,609	(26,424)	(18,360)
Percentage of the present value of funded obligations	**(6%)**	(12%)	10%	(18%)	(16%)

17 Pension and similar obligations (continued)

Deferred tax asset on pension liability	**2012**	2011
	£000	£000
Deferred tax asset on pension liability as at 1 January	**13,627**	10,722
Charged to Statement of Total Recognised Gains and Losses	**(1,456)**	(1,107)
Deferred tax on actuarial loss on defined benefit pension scheme	**2,478**	4,806
Change in deferred tax asset on pension scheme deficit relating to change in UK corporation tax rate	**(1,090)**	(794)
Deferred tax asset on pension liability as at 31 December	**13,559**	13,627

Note 8 sets out additional information in regard of the change in tax rate and expected future changes

18 Called up share capital

	2012	2011
	£000	£000
Allotted and fully paid		
29,000,002 (2011 29,000,002) ordinary shares of £1 each	**29,000**	29,000

Notes to the financial statements
for the year ended 31 December 2012 (continued)

19 Reserves

	Share premium account	Profit and loss account	Total
	£000	£000	£000
As at 1 January 2012	1,487	79,194	80,681
Actuarial loss on defined benefit section of pension plan scheme net of related current and deferred tax	-	(8,944)	(8,944)
Profit for the financial year	-	14,728	14,728
Dividend paid (note 9)	-	(10,000)	(10,000)
As at 31 December 2012	**1,487**	**74,978**	**76,465**

20 Reconciliation of movements in shareholders' funds

	2012	2011
	£000	£000
Profit for the financial year	**14,728**	26,111
Dividend paid (note 9)	**(10,000)**	(13,852)
Actuarial loss on defined benefit scheme	**(10,313)**	(19,224)
Deferred tax gain actuarial loss on defined benefit pension scheme	**2,478**	4,806
Current tax relief on pension contributions in excess of profit and loss charge	**1,437**	1,173
Deferred tax on defined benefit pension scheme	**(1,456)**	(1,107)
Change in deferred tax asset on pension scheme deficit relating to change in UK corporation tax rate	**(1,090)**	(794)
Net movement in shareholders' funds	**(4,216)**	(2,887)
Opening shareholders' funds	**109,681**	112,568
Closing shareholders' funds	**105,465**	109,681

21 Financial commitments, guarantees and facilities

	2012	2011
	£000	£000
Future capital expenditure contracted but not provided for	**3,752**	2,003

At 31 December 2012, the company had annual commitments under non-cancellable operating leases as follows

	2012		2011	
	Land and buildings	**Plant and machinery**	**Land and buildings**	**Plant and machinery**
	£000	**£000**	**£000**	**£000**
Expiring within one year	**-**	**82**	-	152
Expiring between two and five years	**161**	**-**	161	17
Expiring in over five years	**1,468**	**-**	1,058	-
	1,629	**82**	1,219	169

Loan facilities

During the year the company maintained a £4 5 million working capital facility and a £18 million revolving credit facility

The £4 5 million working capital facility is unsecured and can be drawn as £3 5 million bank guarantees and £1 million as overdraft, letters of credit or forward foreign exchange contracts The group utilised £0 6 million of the guarantee facility (see below)

The £18 million revolving credit facility is secured by an unlimited debenture over all the assets of Timet UK Limited and can be drawn for periods of 3 months, or 6 months Interest is charged at a margin of 1 6%, plus the mandatory costs, over the relevant LIBOR rate for the period which the funds are drawn The Company had drawn £2m of the facility at the year-end (see note 15)

Guarantees

The company has utilised £0 6 million (2011 £0 6 million) of its banking facility as bank guarantees

- £0 6 million (2011 £0 6 million) in favour of HMRC to cover deferred duty and value added tax on imports

Notes to the financial statements for the year ended 31 December 2012 (continued)

22 Ultimate parent company and controlling party

Until the 20 December 2012, the ultimate parent company and controlling party was Titanium Metals Corporation, a public company incorporated and registered in the United States of America

From 20 December 2012, Precision Castparts Corp (PCC), a public company incorporated and registered in the United States of America, became the ultimate parent company and controlling party

The immediate parent company is Timet UK Holding Company Limited, which is incorporated in Great Britain and registered in England and Wales For year ended 31 December 2012, Timet UK Holding Company Limited has prepared a set of consolidated financial statements and is the smallest and largest group to consolidate these financial statements

Copies of the accounts of Precision Castparts Corp may be obtained by writing to Precision Castparts Corp, Corporate Office, 4650 SW Macadam Avenue, Suite 440, Portland, Oregon 97201-4254, United States of America

23 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 "Related Party Disclosures" from disclosing related party transactions with other entities that are 100% owned by Precision Castparts Corp or Titanium Metals Corporation

As shown in note 11, via Timet Europe Limited, the Company holds 70% of Timet Savoie SA The company's balances at 31 December 2012 and 2011 with Timet Savoie SA, and its income and expenses in the year from transactions with Timet Savoie SA are detailed below

	2012	2011
	£000	£000
Balances as at 31 December		
Trade debtors	**2,122**	2,905
Trade creditors	**(353)**	(868)
Income during the year ended 31 December		
Sale of titanium products	**20,370**	16,207
Commission income	**148**	97
Interest on loan (see below)	**1**	-
Expenses during the year ended 31 December		
Purchases of titanium products	**(2,038)**	(4,811)
Commission expense	**(231)**	(182)
Interest on loan (see below)	**-**	(70)

The loan to Timet Savoie SA during 2012 was denominated in Euros and was repayable on demand The loan was at an interest rate of 1% above EURIBOR

The loan from Timet Savoie SA during 2011 was denominated in Euros and was repayable on demand The loan was at an interest rate of 1% above EURIBOR