

Registered number: 00530589

Timet UK Limited

Annual Report and Financial Statements

For the Period Ended 3 April 2016



Timet UK Limited

Company Information

Directors	R P Becker S C Blackmore S R Hagel R S Pattee S G Hackett R A Beyer K B Smith (appointed 14 October 2015, resigned 19 August 2016) M Marshall (appointed 14 November 2016)
Company secretary	J Freeman-Massey (appointed 14 October 2015) P Edelstyn K Munir
Registered number	00530589
Registered office	PO Box 704 Witton Birmingham B6 7UR
Independent auditor	Deloitte LLP Four Brindleyplace Birmingham B1 2HZ
Bankers	Bank of America Merrill Lynch 2 King Edward Street London EC1A 1HQ
Solicitors	Pinsent Masons LLP 3 Colmore Circus Birmingham B4 6BH

Timet UK Limited

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Timet UK Limited

Strategic Report For the Period Ended 3 April 2016

Introduction

Timet UK Limited (registered number 00530589) (the "company") is a leading manufacturer of Titanium products which are used predominantly in the commercial aerospace industry.

The global titanium industry comprises several manufacturers that produce a range of titanium products, as well as a significant number of producers worldwide that manufacture a limited range of titanium mill products. Production and sale of titanium products represents the principal activity of the company.

The directors do not expect any significant change in the nature of the company's activities in future years.

Business review

The company's profit and loss account is shown on page 10. Turnover for the 12 month period ended 3 April 2016 was £202.1m (Period ended 29 March 2015: £197.3m), generating an operating profit of £29.7m (2015: £30.2m). The company made a profit on ordinary activities before tax of £33.0m (2015: £30.0m). The company had net assets of £147.8m as at 3 April 2016 (2015: £124.8m). The pension liability has decreased in the year to £57.6m (2015 - £62.1m) primarily due to the actuarial gains.

The company continues to invest in plant and machinery to increase our capacity and improve efficiency to take advantage of the growing aerospace and wider titanium market and it is considered that the Company is well positioned to grow its revenue over the next year and to improve its trading performance.

Key performance indicators

The board monitors progress on the overall strategy, and individual strategic elements, by reference to the following KPI's:

1. Operating margins:

Operating margins are defined as operating profits expressed as a percentage of turnover after adjustment for exceptional items. The company produced an operating margin of 14.7% in the period ended 3 April 2016 (2015: 15.3%).

2. Return on capital employed (ROCE):

The equipment used in the production of titanium means our business is extremely capital intensive. In response to the industry's long-term positive demand outlook we aim to meet demand and retain our quality levels via increased investment. Therefore a key indicator of performance is the returns on these capital outlays.

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

The Company produced ROCE of 14.8% in the year ending 3 April 2016 (2015: 16.9%). The decreased ROCE for the period to 3 April 2016 compared to 2015 is a result of the decreased profits and increase in net current assets.

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 the year to 3 April 2016 turnover from sales to customers under LTAs were 69% (2015: 68%) of total turnover

Principal risks and uncertainties

Listed below are certain factors associated with our business. In addition to the potential effect of these risk factors as 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 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 to respond more quickly than we can to new or emerging technologies and changes to customer requirements.

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 steelmaking operations, and demand for these steel products, especially in China, has historically significantly impacted on the demand for titanium scrap. 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.

Principal risks and uncertainties (continued)

Because we are subject to environmental and worker safety laws and regulations, we may be required to remediate the environmental effects of our operations to 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.


Future developments

The global aerospace market is expected to return to growth through 2016 with total sector revenues estimated to grow at 3 percent.

Research and development activities

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.

This report was approved by the board on 22 December 2016 and signed on its behalf.



M Marshall
Director

Timet UK Limited

Directors' Report For the Period Ended 3 April 2016

The directors present their report and the financial statements for the period ended 3 April 2016.

Results and dividends

The profit and loss account on page 10 shows that the profit for the period amounted to £27.8m (2015: £24.0m). A surplus of £27.8m (2015: £24.0m) has been transferred to reserves and a dividend of £7.3m (2015: £2.1m) has then been paid.

Future developments and events after the balance sheet date

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

Going concern

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future being a period of at least 12 months from the approval of the financial statements. They therefore continue to adopt of the going concern basis of accounting in the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. It is company policy to hedge 100% of all balance sheet exposures, and firm commitments in foreign currencies and to hedge 100% of foreign currency exposures arising from highly probable forecast items in the quarter ahead and 75% of such items for subsequent 3 quarters. Probable forecast items may be hedged at a lower percentage.

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 manages its cash flow so as to maintain sufficient working capital as to meet the needs of ongoing operations and has access to PCC funds to meet short-term fluctuations or longer term funds for investment.

Timet UK Limited

Directors' Report For the Period Ended 3 April 2016

Directors

The directors who served during the period were:

R P Becker
S C Blackmore
S R Hagel
R S Pattee
S G Hackett
R A Beyer
K B Smith (appointed 14 October 2015, resigned 19 August 2016)

M Marshall was appointed to the Board of Directors on 14 November 2016.

Directors' indemnities

The ultimate parent undertaking has indemnity insurance which covers the directors of the company.

Political contributions

There were no political contributions made in the 12 month period ended 3 April 2016 or 29 March 2015.

Disabled employees

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.

Employee consultation

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 Berkshire Hathaway Inc.

Matters covered in the strategic report

Details of the principal risks and uncertainties, future developments and research and development are contained in the strategic report.

Timet UK Limited

**Directors' Report
For the Period Ended 3 April 2016**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte LLP were reappointed auditor during the year and have expressed their willingness to continue in office as auditor and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *22 December 2016* and signed on its behalf.

M Marshall

M Marshall
Director

**Directors' Responsibilities Statement
For the Period Ended 3 April 2016**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Independent Auditor's Report to the Members of Timet UK Limited

We have audited the financial statements of Timet UK Limited for the period ended 3 April 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of Directors and Auditor

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. 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 Financial Reporting Council's Ethical Standards for Auditors.

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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 3 April 2016 and of its profit for the period 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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

Timet UK Limited

Independent Auditor's Report to the Members of Timet UK Limited

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.

David Hall, FCA

David Hall FCA (Senior statutory auditor)

for and on behalf of
Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

Date: *22 December 2016*

Timet UK Limited

**Profit and Loss Account
For the Period Ended 3 April 2016**

		2016 £000	2015 £000
Turnover	3	202,114	197,308
Cost of sales		(158,584)	(154,458)
Gross profit		43,530	42,850
Distribution costs		(3,015)	(2,841)
Administrative expenses		(10,719)	(8,606)
Other operating charges		(87)	(1,166)
Operating profit	4	29,709	30,237
Income from shares in group undertakings		7,262	2,084
Interest receivable and similar income	6	212	197
Interest payable and similar charges	7	(2,185)	(863)
Other finance costs	8	(2,009)	(1,647)
Profit before tax		32,989	30,008
Tax on profit	11	(5,190)	(5,986)
Profit for the period		27,799	24,022

The notes 1 to 32 form part of these financial statements.

Timet UK Limited

**Statement of Comprehensive Income
For the Period Ended 3 April 2016**

	2016	2015
	£000	£000
Profit for the financial period	27,799	24,022
Other comprehensive income		
Actuarial gain/(loss) on defined benefit pension schemes	3,518	(23,904)
Movement on deferred tax relating to pension gains	(1,668)	4,845
Loss arising from the retranslation of forward contracts	(136)	(3,651)
Tax relating to components of other comprehensive income	27	731
Other comprehensive income for the period	1,741	(21,979)
Total comprehensive income for the period	29,540	2,043

The notes 1 to 32 form part of these financial statements.

Timet UK Limited
Registered number:00530589

Balance Sheet
As at 3 April 2016

	Note	3 April 2016 £000	29 March 2015 £000
Fixed assets			
Tangible assets	14	46,986	51,672
Investments	15	2,020	2,020
		<u>49,006</u>	<u>53,692</u>
Current assets			
Stocks	16	101,769	91,648
Debtors: amounts falling due after more than one year	17	2,821	3,190
Debtors: amounts falling due within one year	17	135,625	122,123
Cash at bank and in hand	18	551	1,118
		<u>240,766</u>	<u>218,079</u>
Creditors: amounts falling due within one year	19	(78,559)	(79,147)
Net current assets		<u>162,207</u>	<u>138,932</u>
Total assets less current liabilities		<u>211,213</u>	<u>192,624</u>
Creditors: amounts falling due after more than one year	20	(138)	(54)
Provisions for liabilities			
Other provisions	23	(5,720)	(5,578)
Net assets excluding pension scheme liability		<u>205,355</u>	<u>186,992</u>
Pension liability	27	(57,577)	(62,146)
Net assets including pension scheme liability		<u>147,778</u>	<u>124,846</u>
Capital and reserves			
Called up share capital	24	29,000	29,000
Share premium account		1,487	1,487
Cash flow hedge reserve		(1,912)	(1,803)
Profit and loss account		119,203	96,162
		<u>147,778</u>	<u>124,846</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 December 2015



M Marshall
Director

The notes 1 to 32 form part of these financial statements.

Timet UK Limited

**Statement of Changes in Equity
For the Period Ended 3 April 2016**

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 30 March 2015	29,000	1,487	(1,803)	96,162	124,846
Comprehensive income for the period					
Profit for the period	-	-	-	27,799	27,799
Actuarial gains on pension scheme	-	-	-	3,518	3,518
Deferred tax movements	-	-	-	(1,668)	(1,668)
Cash flow hedges					
Changes in fair value of cash flow hedges	-	-	(136)	-	(136)
Tax on changes in fair value of cash flow hedges	-	-	27	-	27
Other comprehensive income for the period	-	-	(109)	1,850	1,741
Dividends	-	-	-	(7,262)	(7,262)
Credit to equity for equity-settled share based payments	-	-	-	654	654
At 3 April 2016	29,000	1,487	(1,912)	119,203	147,778

The notes 1 to 32 form part of these financial statements.

Timet UK Limited

**Statement of Changes in Equity
For the Period Ended 29 March 2015**

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 31 March 2014	29,000	1,487	1,117	92,988	124,592
Comprehensive income for the period					
Profit for the period	-	-	-	24,022	24,022
Actuarial losses on pension scheme	-	-	-	(23,904)	(23,904)
Deferred tax movements	-	-	-	4,845	4,845
Cash flow hedges					
Changes in fair value of cash flow hedges	-	-	(3,651)	-	(3,651)
Tax on changes in fair value of cash flow hedges	-	-	731	-	731
Other comprehensive income for the period	-	-	(2,920)	(19,059)	(21,979)
Dividends	-	-	-	(2,084)	(2,084)
Credit to equity for equity-settled share based payments	-	-	-	295	295
At 29 March 2015	29,000	1,487	(1,803)	96,162	124,846

The notes 1 to 32 form part of these financial statements.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

1. Accounting policies

1.1 General information and basis of accounting

Timet UK Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

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

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 32.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Directors' Report further describes the financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future being a period of at least 12 months from the approval of the financial statements. They therefore continue to adopt the going concern basis of accounting in the financial statements.

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life.

The estimated useful lives range as follows:

Leasehold improvements	-	Lower of 10 years and lease term
Plant and machinery	-	3 - 25 years

Assets in course of construction are not depreciated.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

1. Accounting policies (continued)

1.4 Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against credit deterioration of the issuer; or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

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

1. Accounting policies (continued)

1.4 Financial instruments (continued)

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

(i) Financial assets and liabilities (continued)

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 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.

(ii) Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

(iii) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

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

(vii) Hedge accounting

The Company designates certain derivatives as hedging instruments in cash flow hedges and fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Company determines and documents causes for hedge ineffectiveness.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

1. Accounting policies (continued)

1.4 Financial instruments (continued)

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value and, in general, cost is determined on specific identification. In the case of manufactured products, cost includes all appropriate direct and indirect expenditure and production overheads based on the normal level of activity. Cost is calculated using specific identification method. 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.

1.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1. Accounting policies (continued)

1.7 Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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

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

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

1.8 Provisions for liabilities

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

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

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

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

1. Accounting policies (continued)

1.9 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10 Employee benefits

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension scheme

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

1. Accounting policies (continued)

1.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

1.12 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.13 Cash flow

Under Section 7 of Financial Reporting Standard 102, 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 31, the directors regard Berkshire Hathaway Inc, a company incorporated and registered in the United States of America, as the ultimate holding company. As the consolidated financial statements of Berkshire Hathaway Inc are publicly available, no cash flow statement has been prepared.

1.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1. Accounting policies (continued)

1.15 Dividends

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

1.16 Share based payments

The company has applied the requirements of Financial Reporting Standard 102 Section 26 "Share-based payment". In accordance with the transitional provisions, the standard has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The company's intermediate parent company, PCC, issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

The company also provides its employees with the ability to purchase ordinary shares in PCC at a discount of 15% of the lower of the market value at the beginning of the calendar year and the end of the calendar year.

The company records as an expense the difference between the cost to the employees of the shares purchased and the market value of the shares at the date of purchase.

1.17 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimating are necessarily applied are summarised below.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of plant and machinery, and have concluded that asset lives and residual values are appropriate.

Defined benefit pension scheme

The present value of the pension scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 30 September 2013 has been used by the actuary in valuing the pensions liability at 3 April 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes pricing model which requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the directors of the company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options.

Provisions

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

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

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

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

3. Analysis of turnover

In 2016 and 2015 all sales originated from the United Kingdom and were from the Company's principal activity.

A geographical analysis of turnover by country of destination is as follows:

	2016 £000	2015 £000
United Kingdom	105,886	102,996
Rest of Europe	68,706	65,025
North America	16,779	19,942
Rest of the World	10,743	9,345
	202,114	197,308

4. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	7,739	8,375
Operating lease rentals of plant and machinery	648	634
Operating lease rentals of land and buildings	1,317	1,474
(Profit) / loss on disposal of fixed assets	(16)	16
Cost of stock recognised as an expense	77,651	81,719
Impairment of tangible fixed assets	1,689	-
Research and development charged as an expense	628	738
Losses / (gains) on retranslation of balances denominated in currencies other than pounds sterling	198	(381)
Sales commission (see comment below)	1,376	1,430
Credits arising from review of environmental, health and safety and asset retirement obligations (see comment below and note 23)	(171)	(241)

Sales commissions and gains and losses on retranslation of balances denominated in currencies other than pounds sterling are reported in the profit and loss account as a component of administrative expenses.

Timet UK Limited**Notes to the Financial Statements
For the Period Ended 3 April 2016****5. Auditor's remuneration**

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	182	190

The audit fee includes £22,000 (2015: £20,000) for the audit of the company's parent and UK group companies that are borne by the company and not recharged. No other non audit fees were charged in either year.

6. Interest receivable and similar income

	2016 £000	2015 £000
On loans to fellow subsidiary undertakings	-	19
Bank interest	212	178
	212	197

7. Interest payable and similar charges

	2016 £000	2015 £000
Other interest payable	2,185	863
	2,185	863

8. Other finance costs

	2016 £000	2015 £000
Net interest on net defined pension liability (note 27)	2,009	1,647
	2,009	1,647

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

9. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	-	123
Share-based payments (Note 13)	-	66
Company contributions to defined contribution pension schemes	-	19
	<u>-</u>	<u>208</u>

The directors who served during the period are set out in the Directors' Report on page 5. None of the directors were employed by the company.

All of the directors who served during the 12 month period and the comparative period are employed by Precision Castparts Corp (PCC) and receive emoluments from that Corporation. In the year to 3 April 2016, PCC recharged the company £499,155 (2015: £741,102) for management services which included some costs relating to the services of the directors employed by PCC. It is not practicable to allocate their remuneration between the various companies for which they hold the position of director.

10. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	26,925	28,538
Social security costs	2,919	3,297
Other pension costs (Note 27)	1,830	1,787
Share-based payments (Note 13)	654	295
	<u>32,328</u>	<u>33,917</u>

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

	2016 No.	2015 No.
Sales and general administration	57	57
Manufacturing, quality and technical	575	593
	<u>632</u>	<u>650</u>

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

11. Taxation

	2016	2015
	£000	£000
Corporation tax		
Current tax on profits for the year	5,566	6,252
Adjustments in respect of previous periods	17	20
Total current tax	5,583	6,272
Deferred tax		
Changes arising from origination and reversal of timing differences	(393)	(250)
Adjustments in respect of prior periods	-	(36)
Total deferred tax	(393)	(286)
Taxation on profit on ordinary activities	5,190	5,986

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2015 -lower than) the effective rate of corporation tax in the UK of 20.01% (2015 -21.01%). The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	32,989	30,008
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.01% (2015 -21.01%)	6,608	6,321
Effects of:		
Expenses not deductible for tax purposes	11	67
Adjustments to tax charge in respect of prior periods	17	20
Permanent differences	45	96
Dividends from UK companies	(1,453)	(438)
Additional deduction for research and development expenditure	(38)	(44)
Adjustments to deferred tax in respect of prior periods	-	(36)
Total tax charge for the period	5,190	5,986

Factors that may affect future tax charges

Reductions in the corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. In addition a further reduction in the corporation tax rate to 17% has been announced in the Autumn Statement. A rate of 18% has been used within the deferred tax calculations within these financial statements.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

12. Dividends

	3 April 2016 £000	29 March 2015 £000
Ordinary dividends on equity shares paid during the year		
Cash dividend 25.04p per share (2015: 7.19p per share)	7,262	2,084
	7,262	2,084

13. Share based payments

The company's previous ultimate parent company, PCC, issued share options over ordinary shares in PCC to certain employees of the company. Options were exercisable at prices established by PCC at the date of grant. The vesting period was normally four years. If the options remained unexercised after a period of 10 years from the date of grant, the options expired.

Upon the company's acquisition by Berkshire Hathaway Inc (ultimate parent company) on 31 January 2016 all remaining share options were automatically exercised or released.

Details of the share options outstanding during the period are as follows:

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	134.64	30,021	118.13	32,373
Granted during the year		450	140.18	13,418
Released during the year		(2,987)	(138.62)	(12,020)
Exercised during the year	142.52	(27,484)	(133.22)	(3,750)
Outstanding at the end of the year		-	134.64	30,021

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

Share based payments (continued)

As set out above, 450 (2015: 13,418) options were awarded during the period. The options outstanding at 3 April 2016 had a weighted average exercise price of £nil (US\$nil) (2015: £134.64, US\$199.94) and a weighted average remaining contractual life of 0 years (2015: 9.36 years). The prices at which options outstanding at the end of the prior period can be exercised range from US\$101.41 per share to US\$248.20 per share. During the period to 3 April 2016 options were granted on 20 May 2015. The aggregate of the estimate fair values of the options granted on those dates were £14,215 (2015: £453,816).

	3 April 2016	29 March 2015
The inputs into the Black-Scholes Option Pricing Model are as follows:		
Weighted average share price (pence)	N/a	134.64
Exercise price (pence)	142.52	133.22
Expected volatility (%)	23.4	23.8 - 26.3
Expected dividend growth rate	0.1	0.05 - 0.1
Risk-free interest rate	1.3	1.1 - 1.5

Expected volatility was determined by calculating the historical volatility of the PCC share price over the previous 10 years. The expected life used in the model has been adjusted, based on PCC management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company recognised total expenses of £654,000 (2015: £295,000) related to equity-settled share-based payment transactions during the period. The charge includes £Nil (2015: £66,000) with respect to one of the directors, representing the gain made in the period. It is included within the aggregate emoluments disclosed in note 9.

In addition, the company recorded a cost of £Nil (2015: £Nil) in respect of PCC shares purchased at a discount by its employees under the provisions of the Employee Stock Purchase Program.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

14. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Assets in the course of construction £000	Total £000
Cost				
At 30 March 2015	6,092	145,947	2,468	154,507
Additions	12	-	4,742	4,754
Disposals	-	(3,313)	-	(3,313)
Transfers between classes	-	5,111	(5,111)	-
At 3 April 2016	6,104	147,745	2,099	155,948
Depreciation				
At 30 March 2015	1,397	101,438	-	102,835
Charge for the period	575	7,164	-	7,739
Disposals	-	(3,301)	-	(3,301)
Impairment charge	-	1,689	-	1,689
At 3 April 2016	1,972	106,990	-	108,962
Net book value				
At 3 April 2016	4,132	40,755	2,099	46,986
At 29 March 2015	4,695	44,509	2,468	51,672

The net book value of plant and machinery at 3 April 2016 and 29 March 2015 did not relate to any assets held under finance leases.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost and net book value	
At 3 April 2016	<u>2,020</u>
At 29 March 2015	<u>2,020</u>

In accordance with Financial Reporting Standard 102, the carrying value of the company's subsidiary undertakings has been compared to their recoverable amount. The directors believe that the carrying value of investments are supported by their recoverable amount and value in use.

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Timet UK (Export) Limited	England and Wales	Ordinary shares	100 %	Dormant company
Titanium MC Limited	England and Wales	Ordinary shares	100 %	Dormant company
Timet Europe Limited	England and Wales	Ordinary shares	100 %	Intermediate holding company

Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Timet Savoie SA	France	Ordinary shares	70 %	Manufacture and distribution of titanium products and titanium alloys.
Timet Germany GmbH	Germany	Ordinary shares	100 %	Sale of titanium products and titanium alloys

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

16. Stocks

	3 April 2016 £000	29 March 2015 £000
Raw materials and consumables	57,391	50,900
Work in progress (goods to be sold)	33,667	33,901
Finished goods and goods for resale	10,711	6,847
	101,769	91,648

There is no material difference between the balance sheet value of stocks and their replacement value.

Included in the raw materials and consumables, the company held raw material and consumable stores stock on consignment with a value of £9,629,000 (2015: £1,310,000). 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.

17. Debtors

	3 April 2016 £000	29 March 2015 £000
Due after more than one year		
Other debtors (c)	2,821	3,190
	2,821	3,190
Due within one year		
Trade debtors	30,000	33,331
Amounts owed by immediate parent undertaking (b)	-	729
Amounts owed by fellow subsidiary undertakings of Berkshire Hathaway Inc (a)	80,524	64,621
Amounts owed by subsidiary undertakings (a)	11,915	9,235
Corporation tax repayable	2,220	1,693
Other debtors (c)	824	1,000
Prepayments and accrued income	1,135	1,232
Deferred taxation	9,007	10,282
	135,625	122,123

Timet UK Limited

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

17. Debtors (continued)

(a) The amount owed by subsidiary undertakings and fellow subsidiary undertakings of Berkshire Hathaway Inc relates to normal trading balances that are payable under agreed trading terms and conditions.

(b) The amounts owed by the immediate parent undertaking relate to normal trading balances of that are payable under agreed trading terms and conditions.

(c) Included within other debtors are payments advanced to customers as part of Long Term Agreements. The balance will be charged to profit and loss on a straight line basis over the life of the agreements producing balances set out below that will be charged in more than one year, of which £Nil (2015: £nil) will be charged after five years.

18. Cash and cash equivalents

	3 April 2016 £000	29 March 2015 £000
Cash at bank and in hand	551	1,118
	551	1,118

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

19. Creditors: Amounts falling due within one year

	3 April 2016 £000	29 March 2015 £000
Trade creditors	17,554	32,220
Amounts owed to immediate parent undertaking (a)	8,802	1,811
Amounts owed to fellow subsidiaries of Berkshire Hathaway Inc (a)	32,892	29,935
Amounts owed to subsidiary undertakings (b)	245	561
Taxation and social security	3,295	395
Accruals and deferred income	13,628	12,071
Derivative financial instruments (see note 21)	2,143	2,154
	78,559	79,147

(a) The amounts owed to immediate parent undertaking and to fellow subsidiaries of Berkshire Hathaway Inc (see note 29) 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 25.

Accruals and deferred income includes £1,495,000 (2015: £1,666,000) with respect to environmental and health & safety obligations as set out in note 23.

20. Creditors: Amounts falling due after more than one year

	3 April 2016 £000	29 March 2015 £000
Derivative financial instruments (see note 21)	138	54
	138	54

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

21. Financial instruments

	3 April 2016 £000	29 March 2015 £000
Financial assets		
Measured at undiscounted amount receivable	125,210	110,727
Financial assets that are equity instruments measured at cost less impairment	2,020	2,020
	127,230	112,747
Financial liabilities		
Measured at undiscounted amount payable	(59,493)	(64,527)
Measured at fair value and designated in an effective hedging relationship	(2,281)	(2,208)
	(61,774)	(66,735)

Financial assets measured at the undiscounted amount receivable comprise trade and other debtors, amounts due from group undertakings and cash and cash equivalents (See note 17 and 18).

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

Financial liabilities measured at undiscounted amount payable comprise trade creditors and amounts due to group undertakings. (see note 15).

Financial liabilities measured at fair value and designated in an effective hedging relationship comprise of forward foreign currency contracts valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

	3 April 2016 £000	29 March 2015 £000
Fair value gains and losses		
On derivative contracts accounted in profit and loss account	1,297	112
On derivative contracts included in other comprehensive income (Gross of deferred tax of £27,000 and prior year £731,000)	(136)	(3,651)
	1,161	(3,539)

Cash flow hedges

Forward foreign currency contracts

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

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2016 rate	2015 rate	2016 £000	2015 £000	2016 £000	2015 £000
Sell USD	1.4904	1.5466	63,518	52,438	(2,281)	(2,208)
Sell EUR	1.2750	-	784	-	-	-

Losses of £1,912,000 (2015: losses of £1,803,000) net of deferred tax of £478,000 (2015: £451,000) were recognised in other comprehensive income and hedge ineffectiveness resulting in a gain of £109,000 (2015: gain of £45,000) was recognised in profit and loss account. Net loss of £1,252,000 (2015: gain of £3,000) was reclassified to profit or loss for the period on account of the matured hedges.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

22. Deferred taxation

	Deferred tax £000
At 30 March 2015	10,282
Credited to the profit or loss	393
Charged to other comprehensive income	(1,668)
At 3 April 2016	9,007

The deferred tax asset is made up as follows:

	3 April 2016 £000	29 March 2015 £000
Fixed asset differences	(1,925)	(2,764)
Pension deficit	10,364	12,429
Fair value of cash flow hedges	478	451
Other timing differences	90	166
	9,007	10,282

**Notes to the Financial Statements
For the Period Ended 3 April 2016**
23. Provisions

	Asset retirement obligation £000	Environmen tal obligatio n £000	Health & Safety obligation £000	Dilapidation provision £000	Contract loss provision £000	Total £000
At 29 March 2015	1,047	4,563	476	907	251	7,244
Profit and loss charge	68	-	-	35	39	142
Utilised in year	-	(84)	(87)	-	-	(171)
At 3 April 2016	1,115	4,479	389	942	290	7,215

	Asset retirement obligation £000	Environmental obligation £000	Health & Safety obligation £000	Dilapidation provision £000	Contract loss provision £000	Total £000
Due within one year (note 19)	-	1,181	314	-	-	1,495
Due within more than one year	1,115	3,298	75	943	290	5,720
	1,115	4,479	389	943	290	7,215

Asset retirement obligation

The asset retirement obligation represents an estimate of the costs to decommission plant and machinery at the Plant at Witton, England as per the terms of the property lease for that plant. 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 2016 and 2024.

Environmental obligation

The environmental obligation represents the costs of appropriate environmental remediation of contaminated land at Witton, England and Waunarlwydd, Wales.

Health & Safety obligation

The health and safety obligation represents the anticipated costs to fully review the adequacy and compliance with applicable law of the company's health and safety environment. Provision is made only for the costs of specialist consultants who will advise on action that needs to be taken. Provision is not made for any capital expenditure that may be recommended by the consultants.

Dilapidation provision

The company has an 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.

Contract loss provision

The contract loss provision relates to an LTA with a customer where there is a provision based on future losses on sales. This will be released as sales occur.

Timet UK Limited

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

24. Share capital

	3 April 2016 £000	29 March 2015 £000
Allotted, called up and fully paid		
29,000,002 ordinary shares of £1 each	29,000	29,000

25. Contingent liabilities

Guarantees

The company has utilised £0.6m (2015: £0.6m) of its banking facility as bank guarantees:

- £0.6m (2015: £0.6m) in favour of HMRC to cover deferred duty and value added tax on imports

26. Capital commitments

At 3 April 2016 the Company had capital commitments as follows:

	3 April 2016 £000	29 March 2015 £000
Contracted for but not provided in these financial statements	1,298	343

27. Pension commitments

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 of the defined benefit section 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. Since the closure the company contributes at a rate between 5% and 8.55% 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 period was £1,830,000 (2015: £1,787,000).

The outstanding contributions as at 3 April 2016 were £150,000 (2015: £140,000).

Defined benefit scheme

As stated above, from 1 December 2011 the company closed the defined benefit section for future accruals on 30 November 2011 and accordingly no current service cost is reported in the current of preceding financial period.

The Plan is funded in advance by employer contributions. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the Plan.

The latest actuarial valuation of the defined benefit scheme was made at 30 September 2013 by a qualified independent actuary. The actuary has reviewed the most recent actuarial valuation as at 3 April 2016 and updated it to reflect current conditions.

The actuarial valuation at 3 April 2016 showed a deficit of £57,577,000 compared to a deficit of £62,146,000 at the start of the year. No benefit improvements were made in the period or during the prior year.

During the period the company made contributions of £3,060,000 (2015: £8,000,000) representing fixed monthly contributions of £255,000 (2015: £667,000).

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

27. Pension commitments (continued)

In April 2016 the Company made a payment of £3,060,000 representing the contribution agreed with the trustees for the financial year ending 3 April 2017.

Composition of plan assets:

	3 April 2016 % of total plan	29 March 2015 % of total plan
Equities	63	62
Fixed Interest - UK Corporate bonds	14	14
Alternatives	21	18
Other	2	6

The amounts recognised in the Balance Sheet are as follows:

	3 April 2016 £000	29 March 2015 £000
Fair value of plan assets	165,256	164,280
Present value of plan liabilities	(222,833)	(226,426)
Net pension scheme liability	(57,577)	(62,146)

The amounts recognised in profit or loss are as follows:

	3 April 2016 £000	29 March 2015 £000
Net interest on obligation	(2,009)	(1,647)
Total	(2,009)	(1,647)

Reconciliation of fair value of plan liabilities were as follow:

	3 April 2016 £000	29 March 2015 £000
Opening defined benefit obligation	226,426	188,122
Interest cost	7,585	8,343
Actuarial gains and (losses)	(4,467)	35,465
Benefits paid	(6,711)	(5,504)
At the end of the year	222,833	226,426

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

27. Pension commitments (continued)

Reconciliation of fair value of plan assets were as follows:

	3 April 2016 £000	29 March 2015 £000
Opening fair value of scheme assets	164,280	143,527
Interest income on plan assets	5,576	6,696
Contributions by employer	3,060	8,000
Return on plan assets in excess of interest income	(949)	11,561
Benefits paid	(6,711)	(5,504)
At the end of the year	165,256	164,280

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £100,262,000 (2015 -£103,780,000).

The Company expects to contribute £3,060,000 to its Defined benefit pension scheme in 2016.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	3.35	3.40
Future salary increases	n/a	n/a
Pension increase rate - RPI min 0% p.a., max 5% p.a	2.85	2.85
Pension increase rate - CPI min 0% p.a., max 3% p.a	1.80	1.80
Inflation assumption	2.90	2.90
Mortality rates		
- for a male aged 65 now	22.7	22.9
- for a female aged 65 now	24.5	24.7
- at 65 for a male aged 45 now	25.9	26.1
- at 65 for a female member aged 45 now	27.8	28.1

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

27. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2016 £000	2015 £000	2014 £000	2012 £000	2011 £000
Defined benefit obligation	(222,833)	(226,426)	(188,122)	(179,570)	(158,324)
Scheme assets	165,256	164,280	143,527	120,615	103,816
Deficit	(57,577)	(62,146)	(44,595)	(58,955)	(54,508)
Experience adjustments on scheme liabilities	4,467	(35,465)	(7,053)	-	-
Experience adjustments on scheme assets	(949)	11,561	12,901	(10,313)	(19,224)

28. Commitments under operating leases

At 3 April 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	3 April 2016 £000	29 March 2015 £000
Land and buildings		
Not later than 1 year	1,469	1,469
Later than 1 year and not later than 5 years	5,874	5,874
Later than 5 years	6,911	8,403
Total	14,254	15,746
Other		
Not later than 1 year	213	336
Later than 1 year and not later than 5 years	67	283
Total	280	619

Timet UK Limited

Notes to the Financial Statements For the Period Ended 3 April 2016

29. Related party transactions

The company has taken advantage of the exemption under Section 33 of Financial Reporting Standard 102 from disclosing related party transactions with other entities that are 100% owned by Berkshire Hathaway Inc.

As shown in note 15, via Timet Europe Limited, the Company holds 70% of Timet Savoie SA. The company's balances at 3 April 2016 and 29 March 2015 with Timet Savoie SA, and its income and expenses in the year from transactions with Timet Savoie SA are detailed below:

	2016 £000	2015 £000
Balances as at Balance Sheet Date		
Trade debtors	6,994	9,153
Trade creditors	(650)	(378)
Income during the period		
Sales of titanium products	40,205	36,587
Commission income	76	56
Expenses during the period		
Purchase of titanium products	(4,317)	(1,499)
Commission expenses	(220)	(160)

30. Post balance sheet events

There are no post balance sheet events.

31. Controlling party

Berkshire Hathaway Inc, a company incorporated and registered in the United States of America, is 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. Berkshire Hathaway Inc heads the smallest and largest group that consolidate these financial statements.

Copies of the accounts of Berkshire Hathaway Inc may be obtained from the United States Securities and Exchange Commission, Washington D.C., USA.

**Notes to the Financial Statements
For the Period Ended 3 April 2016**

32. Transition to FRS

The Company transitioned to FRS 102 from previously extant UK GAAP as at 31 March 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 31 March 2014

	£000
Equity at 31 March 2014 under previous UK GAAP	123,391
Recognition of forward foreign exchange contract	1,481
Deferred tax movement of foreign exchange contract	(280)
Equity shareholders funds at 31 March 2014 under FRS 102	124,592

Reconciliation of equity at 29 March 2015

	£000
Equity at 29 March 2015 under previous UK GAAP	126,615
Recognition of forward foreign exchange contract	(2,208)
Deferred tax movement of foreign exchange contract	439
Equity shareholders funds at 29 March 2015 under FRS 102	124,846

Reconciliation of profit and loss account for the ended 29 March 2015

	£000
Profit for the period under UK GAAP	27,331
Recognition of forward foreign exchange contract	45
Presentation adjustment to defined benefit scheme in the profit and loss account	(3,354)
Profit for the period ended 29 March 2015 under FRS 102	24,022

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 The forward foreign exchange contracts held by the company have been recognised under FRS 102 which has also let to certain changes in deferred tax.
- 2 Presentation adjustment to the defined benefit scheme with no net asset impact.