Registered number: 03206792

AETC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 JANUARY 2022

COMPANY INFORMATION

Directors	A M Armagno R A Beyer S R Hagel P J McIlroy J R Puetz (appointed 1 July 2021) D A Wheeler R P Becker (resigned 30 June 2021)
Company secretary	P Edelstyn J Freeman-Massey S F Martin
Registered number	03206792
Registered office	Victoria Avenue Yeadon Leeds West Yorkshire LS19 7AW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Whitehall Road Leeds West Yorkshire LS1 4BN
Bankers	Bank of America PO Box 407 5 Canada Square London E14 5AQ
	JP Morgan Chase Bank 25 Bank Street Canary Warf London E14 5JP

AETC LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE PERIOD ENDED 2 JANUARY 2022

Principal activity

The company's principal activity is the manufacture and repair of airfoils and gas turbine components.

Review of the business

The results of the company show a pre-tax profit of £7,400k for the 12 months period ended 2 January 2022 *(12 months period ended 27 December 2020: £4,191k)*. Sales for the period were £51,930k *(12 month period ended 27 December 2020: £51,583k)*, an increase of 0.7% which is due to a significant increase in Rolls Royce Sales offset by reduced GE Switzerland sales. Like for like sales in the Industrial Gas Turbine ("IGT") sector decreased 1.2% when compared to the prior period and the Aerospace sector showed an increase of 3.7%.

The company has net assets of £47,502k *(27 December 2020: £36,558k)*. The increase is a result of a large decrease in the pension liability of £9,084k.

Sales for the period ending December 2022 are expected to increase based on the current order book, primarily driven by the ease of Covid-19 restrictions across the globe.

The company continues to work on a 13 week quarter basis (5-4-4 fiscal weeks per month) as before.

Key performance indicators

The level of operating working capital as a percentage of sales ("OWC") has decreased from the prior period. At the period end OWC was 35.1% *(27 December 2020: 29.7%)*. This was driven by a significant increase in accounts receivable due to the timing of Sales and Customer Payment terms. Other key metrics includes sales and profit which is referenced above. The company produces a monthly review package which reviews these and more.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to the state of world markets, competition and to foreign currency.

World markets
The current global economic environment creates uncertainty over the level of demand for the company's products. The Covid-19 pandemic creates a level of uncertainty in the world markets due to supply chain disruptions as well as transport delays. The war in Ukraine has also impacted the business as it has led to significant raw material and energy cost increases.

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

Foreign currency
The company sells into a number of markets worldwide. Some of these sales are in foreign currency, and therefore the company has an exposure to foreign currency movements. In order to mitigate this risk, the group treasury function provides natural hedges against currency exposures and the company also uses foreign exchange derivatives.

Future developments

The directors expect the general level of activity to increase in the forthcoming year. This is due to the recovery of the markets following the Covid-19 Pandemic, the Safran Aircraft Engines demand resumed which had been stopped in relation to the grounding of the 737 Max Aircraft. The directors expect a significant increase of future development as a result of new customers won and further part transferred from PCC Airfoils sister companies. However the directors also expect to face significant cost pressures from rising material and energy prices.

Section 172 Statement

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

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

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

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

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

Customers and suppliers (continued)

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

When working with suppliers, we follow these guidelines
1) Safeguard our confidential and proprietary information with a confidentiality or non-disclosure agreement and safeguard any supplier-provided information protected by any similar agreement.
2) Require the highest standards of product quality, testing and inspections according to customer specifications, and communicate these expectations clearly.
3) Never accept loans, improper gifts other items of excessive value from suppliers. Many of our key customers and suppliers have multi-year contracts to foster strong relationships. Local leadership meets regularly with key customers and suppliers to discuss the business relationship.

Government regulators

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

Employees

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

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

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

Environment

We conduct business in an environmentally responsible way by:

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

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 2 JANUARY 2022

This report was approved by the board on 8/12/2022 and signed on its behalf.

Patrick McIlroy

P J McIlroy
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 2 JANUARY 2022

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the period ended 2 January 2022.

Results and dividends

The profit for the period, after taxation, amounted to £5,455,000 *(2020 - £4,200,000).*

The directors do not recommend the payment of a dividend *(12 months ending 27 December 2020: £Nil).*

Directors

The directors who served during the period and the date of this report, except as noted, were as follows:

A M Armagno
R A Beyer
S R Hagel
P J McIlroy
J R Puetz (appointed 1 July 2021)
D A Wheeler
R P Becker (resigned 30 June 2021)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company 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.

Future developments

Details of future developments can be found in the strategic report on page 2 and form part of this report by cross reference.

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 on page 1.

The company is not reliant on external credit facilities, has a strong balance sheet and sells into a number of markets and geographical areas worldwide. The 737 Max has now resumed full production and as a result the company is expecting to see sales increase over the coming years. The company however is facing significant cost increases in 2022 and is taking measures to reduce the impact where possible. The directors believe that the company is well placed to manage its business risks successfully, see the strategic report for details on the principal risks and uncertainties.

AETC Limited, enjoys the support of the ultimate parent company, PCC Corp which has confirmed that it will provide sufficient financial support, should it be required, to enable the company to meet its liabilities as they fall due for a period of not less than 12 months from the date of the approval of the financial statements. The going concern of the company is therefore dependant on the going concern of the Group which has been assessed and has adequate resources to be able to provide this support. After making enquiries, and having reviewed the latest trading and cash flow forecasts for the company over the next 12 months; the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

The company sells into a number of markets worldwide. Some of these sales are in foreign currency, and therefore the company has an exposure to foreign currency movements. In order to mitigate this risk, the group treasury function provided natural hedges against currency exposures and the company also uses foreign exchange derivatives.

Credit risk

The company is not reliant on external credit facilities. AETC Limited (AETC) had a factoring agreement in place with a fellow subsidiary of Precision Castparts Corporation - SPS Irish Finance Company ("SPS IFC"). The agreement with SPS IFC concluded in September 2018, AETC no longer have a factoring agreement in place. There is no additional risk to AETC, the credit control facility is still in house as it was when the factoring agreement with SPS IFC was in place.

Liquidity risk

The company is not reliant on short or long term debt finance. AETC has an intercompany bank pooling agreement with SPS IFC.

Director's indemnities

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

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

AETC places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is done by holding quarterly meetings with the entire workforce, briefing them on health and safety performance, financial performance, operational targets and the outlook for the company going forward.

Streamlined Energy and Carbon Reporting (SECR)

GHG emissions and energy use data for period 1 January 2021 to 31 December 2021	**Current Reporting Year 2021**	**Previous Reporting Year-2020**	**Notes**
Total aggregate energy consumption in kWh used to calculate emissions (including gas, electricity, transport fuel, and other energy sources)	29,174,668	29,069,668	
Emissions from combustion of gas tCO2e (Scope 1)	2,938	2,899	
Emissions from combustion of fuel for transport purposes (Scope 1)	11.9	14.8	
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	1	1	
Emissions from purchased electricity (Scope 2, location-based)	3,075	3,100	
Total gross CO2e based on above	6,026	6,015	Reported as Tonnes of CO2E
Intensity ratio: tCO2e gross figure based on mandatory fields above/ e.g., per total million tonnes of production	1.60	1.59	Selected tCO2e / Earned Standard Hours
Methodology	Established Kwh or Kwh equivalents of our electricity, gas and diesel fuel consumption. Converted to KG of CO2E. For intensity ratio, divided tonnes of CO2E by Earned Standard Hours. Emission factors obtained via - Conversion Factors 2020, UK govt	Established Kwh or Kwh equivalents of our electricity, gas and diesel fuel consumption. Converted to KG of CO2E. For intensity ratio, divided tonnes of CO2E by Earned Standard Hours. Emission factors obtained via - Conversion Factors 2020, UK govt	

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 2 JANUARY 2022

AETC Ltd has installed low energy LED lighting, has put in place sub-metering system that provides daily usage data for production. Utilities teams worked to reduce energy spend through efficiency projects, behavioural change, Equipment monitoring, shut down routines, leak repairs, moves inside factory to generate equipment synergies.

AETC is also actively working with third parties to evaluate the potential saving using CHP compressor to reduce the use of electricity.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the companies act 2006.

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board on 8/12/2022 and signed on its behalf.

Patrick McIlroy

P J McIlroy
Director

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AETC LIMITED

Qualified opinion

We have audited the financial statements of AETC Limited (the 'company') for the 12 month period ended 2 January 2022, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2022 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.

Basis for qualified opinion

The company operates a defined benefit pension scheme. Included within the total gross pension assets of £195m *(2020: £198m)* are certain pension assets of £3.6m *(2020: £3.6m)* for which the directors were unable to obtain a valuation from the relevant investment advisor as at the balance sheet date. The investment advisor was unable to provide a valuation statement to the directors as at the financial period end date as a result of ongoing litigation relating to this investment. The company is not a party to this litigation. Given this, the directors have valued this investment based on a valuation provided by the investment advisor as of 31 January 2020, less a discount, and amounts to £3.6m *(2020: £3.6m)*, which has been included within the total gross pension assets valuation.

We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the pension assets described above of £3.6m *(2020: £3.6m)* at the balance sheet date, because we were also unable to obtain direct confirmation from the investment advisor, nor were we able to satisfy ourselves by alternative means as to the valuation of this pension asset. Consequently, we were unable to determine whether any adjustments to the carrying value of the pension assets were necessary and therefore whether there was any consequential effect on statement of comprehensive income and the balance sheet for the period ended 2 January 2022. Our opinion on the financial statements for the period ended 27 December 2020 was also qualified in respect of the same matter.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AETC LIMITED (CONTINUED)

Emphasis of matter – Value of pension assets

We draw attention to Note 3 and Note 20 of the financial statements, which describes the valuation of the pension assets. The valuation of the Ascension Healthcare plc ("Ascension") pension assets are dependent upon and assume achieving successful clinical trials results for haemotology products and raising sufficient investment to enable the clinical trials to be undertaken and finalised. As a result of these uncertainties, there is significant judgement in the valuation of the pension assets and whether the assets will be realised. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as inflation and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Other information (continued)

As described in the basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence regarding a pension asset investment of £3.6m held at 2 January 2022. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Opinions on other matters prescribed by the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Arising solely from the limitation on the scope of our work relating to the defined benefit pension scheme, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AETC LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and we determined that the laws and regulations most directly relevant to specific assertions in the financial statements are those related to the reporting framework (being FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' and the Companies Act 2006) and relevant tax legislation in the UK. In addition, we concluded that there are certain significant laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements such as health and safety regulations, employment law and anti-bribery legislation.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by making enquiries of management and those charged with governance, and updating our understanding of the group's operations, financial reporting obligations and control environment, including around compliance with laws and regulations. We considered the risk of fraud to be higher through the potential for management override of controls.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AETC LIMITED (CONTINUED)

- Audit procedures performed by the engagement team included:
  - identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud, particularly around journal processing;
  - journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business;
  - challenging assumptions and judgements made by management relating to its areas of significant estimation and judgement;
  - reviewing legal and professional expenditure in the year to assess for any indicators of non-compliance with relevant laws and regulations; and
  - completion of audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment by the engagement partner of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - knowledge of the industry in which the group operates and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
  - understanding of the legal and regulatory requirements specific to the group.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Richard Woodward
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: 8/12/2022

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 2 JANUARY 2022

	Note	2 January 2022 £000	*27 December 2020 £000*
Turnover	4	**51,930**	*51,583*
Cost of sales		**(41,440)**	*(38,445)*
Gross profit		**10,490**	*13,138*
Distribution expenses		**(179)**	*(206)*
Administrative expenses		**(3,395)**	*(7,800)*
Other operating income	5	**1,148**	*-*
Operating profit	6	**8,064**	*5,132*
Finance costs (net)	8	**(664)**	*(941)*
Profit before tax		**7,400**	*4,191*
Tax on profit	11	**(1,945)**	*9*
Profit for the financial year		**5,455**	*4,200*

All activities derive from continuing operations.

The notes on pages 19 to 40 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 2 JANUARY 2022

	Note	2 January 2022 £000	*27 December 2020 £000*
Profit for the financial period		**5,455**	*4,200*
Remeasurement of net defined benefit liability	20	**3,606**	*3,520*
Tax relating to components of other comprehensive income		**1,883**	*(669)*
Other comprehensive income		**5,489**	*2,851*
Total comprehensive income		**10,944**	*7,051*

The notes on pages 19 to 40 form part of these financial statements.

AETC LIMITED
REGISTERED NUMBER:03206792

BALANCE SHEET
AS AT 2 JANUARY 2022

	Note		2 January 2022 £000		27 December 2020 £000
Fixed assets					
Tangible assets	12		**13,583**		*13,529*
Current assets					
Stocks	13	**7,797**		*7,918*	
Debtors: amounts falling due after more than one year	14	**8,358**		*8,215*	
Debtors: amounts falling due within one year	14	**64,639**		*61,713*	
Cash at bank and in hand		**-**		-	
		80,794		*77,846*	
Creditors: amounts falling due within one year	15	**(10,094)**		*(8,952)*	
Net current assets			**70,700**		*68,894*
Total assets less current liabilities			**84,283**		*82,423*
Pension liability	20		**(36,781)**		*(45,865)*
Net assets			**47,502**		*36,558*
Capital and reserves					
Called up share capital	17		**-**		-
Profit and loss account	18		**47,502**		*36,558*
Total equity			**47,502**		*36,558*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8/12/2022

Patrick McIlroy

P J McIlroy
Director

The notes on pages 19 to 40 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 2 JANUARY 2022

	Profit and loss account	Total equity
	£000	£000
At 29 December 2019	**29,507**	**29,507**
Comprehensive income for the period		
Profit for the period	**4,200**	**4,200**
Remeasurement of net defined benefit liability	**3,520**	**3,520**
Tax relating to items of other comprehensive income	**(669)**	**(669)**
Total comprehensive income for the period	**7,051**	**7,051**
At 27 December 2020	**36,558**	**36,558**
Comprehensive income for the period		
Profit for the period	**5,455**	**5,455**
Remeasurement of net defined benefit liability	**3,606**	**3,606**
Tax relating to items of other comprehensive income	**1,883**	**1,883**
Total comprehensive income for the period	**10,944**	**10,944**
At 2 January 2022	**47,502**	**47,502**

The notes on pages 19 to 40 form part of these financial statements.

1. General information

AETC Limited is a private company limited by shares and incorporated in England and Wales. It registered head office is located at Victoria Avenue, Yeadon, Leeds, West Yorkshire, LS19 7AW. The nature of the company's operations and its principal activity are set out in the Strategic report.

2. Accounting policies

2.1 General information and basis of accounting

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

The functional currency of AETC Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The presentational currency of these financial statements is GBP. Values are rounded to the nearest thousand.

As part of Berkshire Hathaway Inc., AETC Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The financial statements are made up to the nearest Sunday to the accounting reference date annually, resulting in a 52 week period. This in line with the requirements of the Companies Act as it falls within 7 days of the accounting reference date.

2.2 Going concern

AETC's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the financial position of AETC; the objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The directors have taken into account the letter of financial support received from Precision Castparts Corp. in arriving at their conclusion.

2.3 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange using the month average. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2.4 Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised as per FCA Incoterms when parts leave the AETC site - this is specified in all customer contracts or purchase orders. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

2. Accounting policies (continued)

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and loss account in the same period as the related expenditure.

2.6 Employee benefits

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 AETC, 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.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.7 Taxation

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

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

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

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax

2. Accounting policies (continued)

2.7 Taxation (continued)

recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax is measured on a non-discounted basis.

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

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

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

2.8 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, 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, as follows:

The estimated useful lives range as follows:

Freehold property	- 20 years
Plant and machinery, fixtures and fittings	- 3-12 years

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.

Assets in the course of construction are held on the balance sheet at cost until completion of the asset and capitalisation into the relevant fixed asset category. Provision is made for any impairment.

2.9 Investment property

Investment properties for which fair value can be measured reliably on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account. An independent valuer provides AETC with a valuation which is reviewed and approved by the directors.

2. Accounting policies (continued)

2.10 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

2.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow moving or, defective items where appropriate.

2.12 Leases

AETC as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2.13 Debtors

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

2.14 Creditors

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

2.15 Financial instruments

Financial assets and financial liabilities are recognised when AETC 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 AETC 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 or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a 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.

2. Accounting policies (continued)

2.15 Financial instruments (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when a legally enforceable exists to set off the recognised amounts and AETC 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 (I) 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 the credit deterioration of the issuer or a change in control 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.

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.

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) AETC transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) AETC, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

2. Accounting policies (continued)

2.15 Financial instruments (continued)

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

(ii) Equity instruments

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

(iii) Derivative financial instruments

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

AETC designates certain derivatives as hedging instruments in cash flow 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 AETC determines and documents causes for hedge ineffectiveness.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of AETC's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying AETC's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying AETC's accounting policies .and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether AETC had transferred to the buyer the significant risks and rewards of ownership of the goods. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current period is appropriate.

3. Judgements in applying accounting policies (continued)

Key source of estimation uncertainty - defined benefit obligation. assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causes a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Key source of estimation uncertainty - pension assets

Included in the defined benefit pension liability as at 2 January 2022 are plan assets of £16.4m *(2020: £17.4m)* relating to investments in various securities of Ascension Healthcare Plc ("Ascension") and its Malta subsidiary, PBB Malta. In assessing the fair value of these pension assets, the directors considered Ascension's 31 December 2020 audited financial statements (the latest accounts available) and future prospects, as well as supporting information provided by Ascension's advisors, the Pension Plan trustees, and advisors to the Pension Plan. Ascension is a biopharmaceutical company engaged in early-stage development of a novel haemophilia drug portfolio, as well as marketing and distribution of over-the-counter ("OTC") products designed to provide relief of joint pain. Given a significant portion of Ascension's value is derived from its early-stage drug development programs, a high degree of uncertainty exists regarding the ultimate realisable value of the pension scheme's investment in the Ascension securities. The value of the Ascension securities is primarily based on an adjusted discounted cash flow analysis, considering future cash flows of the business attributable to the various investor classes. Key valuation inputs include:

- Management' forecasts of future revenue and operating profits
- Probability of drug trial success and related approvals
- The available market for novel haemophilia treatments and expected market share
- Risk-adjusted discount rates used to derive the present value of expected cash flows; and
- Raising of sufficient funds for development of the product

Ascension has been delayed in completing and filing its accounts as of 31 December 2021, therefore the directors have had to base their valuation as of that date on additional information related to calendar 2021 business activities provided by company management, its board of directors and the Pension Plan trustees. This includes information regarding changes in the competitive landscape for haematology treatments in development and preliminary results of recent clinical trials performed by Ascension. Although a high degree of uncertainty exists as to the ultimate value of the Ascension securities, the directors believe that, based on the limited information available to them, it is reasonable to consider that the fair value of the Ascension securities has not materially changed over the course of 2021.

Key assumptions

The assumptions used in the calculation of the defined benefit obligation are deemed to be significant estimates with key judgements being applied to calculate the liability, such as the discount rate set by reference to market yields. See note 20 for further details.

4. Turnover

The company has only one principal class of business, that of the manufacture, machining and repair of airfoils and gas turbine components. All revenue in the current and prior periods relate to the sale of goods. An analysis of AETC's turnover by geographical market is set out below.

	2 January 2022 £000	*27 December 2020 £000*
Switzerland	**12,828**	*14,486*
United Kingdom	**14,869**	*9,653*
North America	**13,610**	*11,691*
Germany	**6,625**	*4,882*
Other European	**3,315**	*7,741*
Rest of World	**683**	*714*
Liquidated Damages Accrual	**-**	*2,416*
	51,930	*51,583*

5. Other operating income

	2022 £000	*2020 £000*
Furlough income	**201**	-
RDM income	**322**	-
Revert income	**625**	-
	1,148	-

6. Profit before taxation

Profit before taxation is stated after charging:

	2 January 2022 £000	*27 December 2020 £000*
Depreciation of tangible fixed assets	**1,557**	*1,834*
Operating lease expenses	**57**	*56*
Foreign exchange loss	**479**	*179*
Loss on disposal of fixed assets	**-**	*(3)*
Stock provision loss/(gain)	**99**	*(386)*

7. Auditor's remuneration

	2 January 2022 £000	*27 December 2020 £000*
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	**77**	*70*

Fees payable to the company's auditor and its associates:

	2 January 2022 £000	*27 December 2020 £000*
Tax advisory	**29**	*5*
Taxation compliance services	**36**	*17*
All other non-audit services	**4**	*4*
	69	*26*

8. Staff numbers and costs

The aggregate remuneration (including executive directors) was:

	2 January 2022 £000	*27 December 2020 £000*
Wages and salaries	**11,511**	*11,110*
Social security costs	**1,104**	*1,089*
Defined contribution pension costs	**902**	*1,615*
	13,517	*13,814*

At period-end there were outstanding pension contributions of £110k *(12 months ended 27 December 2020: £86k).*

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

	2 January 2022 No.	*27 December 2020 No.*
Production	**171**	*185*
Administration	**106**	*108*
	277	*293*

9. Finance costs (net)

	2 January 2022 £000	*27 December 2020 £000*
Interest on amount due from group undertakings	**(47)**	*35*
Net interest on defined benefit liability	**(617)**	*(976)*
	(664)	*(941)*

10. Directors' remuneration and transactions

	2 January 2022 £000	*27 December 2020 £000*
Directors' remuneration		
Emoluments	**303**	*254*

	Number	*Number*
The number of directors who:		
Are members of a defined benefit pension scheme	**1**	*1*

The highest paid director is the only director remunerated by AETC. The remaining directors are paid through the parent company and their remuneration cannot be appropriately split. The above represents the remuneration of the one director.

The highest paid director is a member of the company's defined benefit pension scheme and had accrued entitlement of £44,678 *(27 December 2020: £41,897)* under the scheme at the period end. There are accrued lump sums of £22,797 *(27 December 2020: £Nil)*.

11. Taxation

	2 January 2022 £000	*27 December 2020 £000*
Current tax on profit		
UK corporation tax	**173**	*(212)*
Adjustments in respect of previous periods	**(1)**	*(40)*
Total current tax	**172**	*(252)*
Deferred tax		
Origination and reversal of timing differences	**1,582**	*1,320*
Adjustments in respect of prior periods	**1**	*(3)*
Effect of tax rate change on opening balance	**190**	*(1,074)*
Total deferred tax	**1,773**	*243*
Total tax on profit	**1,945**	*(9)*

11. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than *(2020 - lower than)* the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	2 January 2022 £000	*27 December 2020 £000*
Profit on ordinary activities before tax	**7,400**	*4,191*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2020: 19%)*	**1,406**	*796*
Effects of:		
Fixed asset differences	**(29)**	-
Expenses not deductible for tax purposes	-	*27*
Rate difference - deferred tax attributable to OCI	**2,568**	-
Adjustments to tax charge in respect of previous periods	**(1)**	*(42)*
Remeasurement of deferred tax for changes in tax rates	**(1,998)**	*(1,074)*
Movement in deferred tax not recognised	**(1)**	-
Prior period restatement	-	*284*
Total tax charge for the period	**1,945**	*(9)*

Factors that may affect future tax charges

Increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) has been substantively enacted. This will impact the Company's future tax charge accordingly.

12. Tangible fixed assets

	Investment property £000	Freehold buildings £000	Plant & machinery and fixtures & fittings £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 28 December 2020	275	5,754	39,533	346	45,908
Additions	-	-	-	1,611	1,611
Reclassifications	-	27	1,320	(1,347)	-
Disposals	-	-	(386)	-	(386)
At 2 January 2022	275	5,781	40,467	610	47,133
Depreciation					
At 28 December 2020	-	2,690	29,689	-	32,379
Charge for the year	-	104	1,453	-	1,557
Disposals	-	-	(386)	-	(386)
At 2 January 2022	-	2,794	30,756	-	33,550
Net book value					
At 2 January 2022	275	2,987	9,711	610	13,583
At 27 December 2020	*275*	*3,064*	*9,844*	*346*	*13,529*

Investment properties, which are all freehold, were revalued to the quoted market price on 20th September 2018 at £275,000 by William H Brown, an independent valuer and estate agent with recent experience in the location and class of the property valued. The directors have reviewed this value and agree that this represents its market value at 2 January 2022. The property is not currently leased and there are no intentions to lease the property in the foreseeable future. The purchase price for this was £211,000 *(2020: £211,000)*, therefore the difference between the fair value and the historic value of the property is £64,000 *(2020: £64,000)*.

13. Stocks

	2 January 2022 £000	*27 December 2020 £000*
Raw materials and consumables	**2,987**	*3,430*
Work in progress	**4,703**	*4,356*
Finished goods and goods for resale	**107**	*132*
	7,797	*7,918*

Replacement value of stocks are deemed to be approximately equal to book value.

14. Debtors

	2 January 2022 £000	*27 December 2020 £000*
Due after more than one year		
Other debtors	**33**	*-*
Deferred tax asset (note 15)	**8,325**	*8,215*

	2 January 2022 £000	*27 December 2020 £000*
Due within one year		
Trade debtors	**18,041**	*12,994*
Amounts owed by group undertakings	**42,073**	*45,927*
Prepayments and accrued income	**940**	*173*
Corporation Tax	**3,500**	*2,619*
Derivative financial instruments	**85**	*-*
	64,639	*61,713*

Amounts owed by group undertakings are all repayable on demand within 60 days. No interest is charged on these amounts.

15. Creditors: Amounts falling due within one year

	2 January 2022 £000	27 December 2020 £000
Trade creditors	5,038	4,793
Amounts owed to group undertakings	1,211	1,291
Other taxation and social security	312	3
Accruals and deferred income	3,533	2,865
	10,094	8,952

Amounts owed by group undertakings are all repayable on demand within 60 days. No interest is charged on these amounts.

16. Provisions

Deferred tax movement:

	2 January 2022 £000	27 December 2020 £000
At 28 December 2020	8,215	9,127
Credit/(charged) to profit and loss account	(1,773)	(243)
Credit/(charged) to other comprehensive income	1,883	(669)
At 2 January 2022	8,325	8,215

Deferred tax is split as follows:

	2 January 2022 £000	27 December 2020 £000
Deferred tax asset	9,211	8,724
Deferred tax liability	(886)	(509)
Net deferred tax at 2 January 2022	8,325	8,215

16. Provisions (continued)

Deferred tax is provided as follows:

	2 January 2022 £000	*27 December 2020 £000*
Accelerated capital allowances	**(873)**	*(499)*
Deferred tax arising in relation to retirement benefit obligations	**9,211**	*8,724*
Capital gains	**(13)**	*(10)*
Net asset for deferred tax	**8,325**	*8,215*

Deferred tax assets and liabilities are offset only where AETC has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within AETC.

17. Share capital

	2 January 2022 £000	*27 December 2020 £000*
Allotted, called up and fully paid		
100 *(2020 - 100)* Ordinary shares of £1 each	**-**	*-*
Allotted, called up and partly paid		
10 *(2020 - 10)* Ordinary shares of £1 each	**-**	*-*

18. Reserves

Profit and loss account

Includes all current and prior periods retained profits and losses.

19. Financial commitments and operating leases

At 2 January 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2 January 2022 £000	*27 December 2020 £000*
Land and buildings		
Not later than 1 year	**25**	*25*
Later than 1 year and not later than 5 years	**27**	*54*
Later than 5 years	**-**	*-*
	52	*79*

	2 January 2022 £000	*27 December 2020 £000*
Other		
Not later than 1 year	**14**	*16*
Later than 1 year and not later than 5 years	**2**	*13*
Later than 5 years	**-**	*-*
	16	*29*

The company had no other contracted capital commitments as at the balance sheet date.

20. Employee benefits

Defined contribution schemes

AETC operates defined contribution retirement benefit schemes for all qualifying employees.

Defined benefit schemes

AETC operates defined benefit schemes for qualifying employees. Under the scheme, the employees are entitled 10 retirement benefits varying between 2 plans:

Plan A: 1/80 x Final Pensionable Earnings x Pensionable Service, where employee contributes 8.5% of pensionable earnings and employer 23.375%.

Plan B: 1/65 x. Final Pensionable Earnings x Pensionable Service and 1/60 for service prior to 1 April 2007 on attainment of a retirement age of 65, where employee contributes 10% of pensionable earnings and employer 27.5%.

The annual contribution to the scheme is £6.7m that is funded by the contributions above, with the employer topping up any shortfalls. In advance of the 2018 pension scheme valuation an additional contribution has been performed by the company in advance of the revised recovery plan agreement. This consisted of an additional contribution of £Nil.

The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The Plan holds several securities in Ascension Healthcare plc ("Ascension") as well as its Malta subsidiary (PBB Malta), the value of which is related to the value of one or more of Ascension group's therapeutic programs. The Trustees have based their valuation of the Plan's investments on the last available independent valuation of Ascension group's intangible assets in respect of certain portfolios as at 27 December 2020, as well as known developments related to those programs through to 2 January 2022. There are a number of risk factors which affect the valuation of the investment and the Trustees have applied a significant and consistent discount of over 50% to the 2020 independent valuation for the purposes of the Plan accounts, having sought advice and guidance from their professional investment advisor, due to these risk factors. The level of valuation of intangibles and the discount applied are themselves subjective and the auditor has drawn attention in the audit opinion to the fact that as a result of these uncertainties, there is significant judgement in the carrying value of these assets. In addition, the directors have limited financial information regarding Ascension's business activities during 2021 and the impact of recent program milestone achievements, the probability of success, and ultimate sales potential of the therapeutic programs. Based on the information received, the directors have concluded that the valuation as at 2 January 2022 (excluding loans to Ascension) should remain consistent with the valuation as at 27 December 2020.

Included within total gross pension assets of £195m are certain pension scheme assets of £3.6m in relation to Prophecy, for which the directors were unable to obtain a valuation from the relevant investment advisor as at the balance sheet date. The investment advisor was unable to provide a valuation statement to the directors as a result of ongoing litigation relating to this investment. The company is not party to this litigation. Given this, the directors have valued this investment based on a valuation provided by the investment advisor as of 31 January 2020, less a discount, and amounts to £3.6m, which has been included within the total gross pension assets valuation. The directors believe maintaining this valuation from that made as at 27 December 2020 is appropriate based on developments in the litigation process over the course of the year and subsequent to 2 January 2022, and expect to be in a position to update their valuation in future periods as additional underlying portfolio information becomes available.

Valuation at

	2 January 2022 %	*27 December 2020 %*
Key assumptions used:		
Discount rate	**1.90**	*1.45*
Future pension increases	**2.80**	*2.80*
Inflation	**3.55**	*2.85*

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of AETC's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Valuation at

	2 January 2022 Years	*27 December 2020 Years*
Retiring today:		
Males	**20.4**	*20.3*
Females	**22.9**	*22.9*
Retiring in 20 years:		
Males	**21.6**	*21.4*
Females	**24.3**	*24.2*

GMP Equalisation:

The liability includes an allowance for the potential cost of equalising GMP between males and females. The allowance is 0.4% of the liabilities which remains our best estimate for this cost It assumes that any future GMP conversion would be done on a cost neutral basis and hence the current best estimate of this is nil. The cost was recognised as a past service cost in 2018.

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2 January 2022 £000	*27 December 2020 £000*
Current service cost	**-**	*1,099*
Administrative services	**560**	*705*
Net interest cost	**617**	*976*
Past service cost	**-**	*3,645*
	1,177	*6,425*
Recognised in other comprehensive income	**(3,606)**	*(3,520)*
Total cost / (income) relating to defined benefit scheme	**(2,429)**	*2,905*

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

	2 January 2022 £000	*27 December 2020 £000*
Present value of defined benefit obligations	**(231,983)**	*(243,905)*
Fair value of scheme assets	**195,202**	*198,040*
Net liability recognised in the balance sheet	**(36,781)**	*(45,865)*

Movements in the present value of defined benefit obligations were as follows:

	2 January 2022 £000	27 December 2020 £000
Opening defined benefit obligation	**243,905**	*221,507*
Service cost	**-**	*1,099*
Interest cost	**3,455**	*4,196*
Actuarial (gains)/ losses	**(4,128)**	*23,903*
Contributions by scheme participants	**-**	*456*
Net benefits paid out	**(11,249)**	*(10,901)*
Past service cost (including curtailments)	**-**	*3,645*
Closing defined benefit obligation	**231,983**	*243,905*

Movements in the fair value of scheme assets were as follows:

	2 January 2022 £000	27 December 2020 £000
Opening fair value of scheme assets	**198,040**	*165,106*
Interest income	**2,838**	*3,220*
Actuarial gains/ (losses)	**(522)**	*27,423*
Contributions from the employer	**6,655**	*13,441*
Contributions from the scheme participants	**-**	*456*
Benefits paid	**(11,249)**	*(10,901)*
Administration costs incurred	**(560)**	*(705)*
Closing fair value of scheme assets	**195,202**	*198,040*

The analysis of the scheme assets at the balance sheet date was as follows:

Fair value of assets

	2 January 2022 £000	*27 December 2020 £000*
Equity instruments	**72,720**	*88,240*
Fixed income bonds	**34,040**	*31,249*
Balanced	**28,367**	*25,822*
Other assets	**10,903**	*7,206*
Alternatives	**49,172**	*45,523*
	195,202	*198,040*

21. Related party transactions

Transactions with other companies with the group are not disclosed as the company has taken advantage of the exemption available under FRS 102 section 33, as the consolidated financial statements of Berkshire Hathaway in which the company is included are available at the address in note 21: Controlling party (below).

22. Post balance sheet events

In the first quarter of 2022, the operations of Ascension Healthcare plc ("Ascension") were significantly impacted due to the substantial ownership stake in Ascension by a Russian state investment vehicle. The directors have considered the impact of recent events on the value of the Ascension securities and believe that a significant further reduction in the value of the securities has occurred. Considering available information and known risk factors, the directors have subsequently reduced the valuation of the Ascension securities since 2 January 2022 by over 40%, despite further progress on Ascension's therapeutic programs. The directors understand that given recent market developments, carrying values may differ significantly to those that would have been achieved had the investments been disposed as of 2 January 2022.

23. Controlling party

The immediate parent undertaking is PCC European Holdings Sarl. The ultimate parent undertaking and ultimate controlling party is Berkshire Hathaway Inc., a company incorporated in the United States of America and this is the smallest and largest group into which this company is consolidated. Copies of the financial statements of Berkshire Hathaway Inc. may be obtained by writing to 3555 Farnam St Suite 1440 Omaha, Nebraska 6813, United States of America, this is the registered office.