

COMPANY REGISTRATION NUMBER: SC068820



**WALKER PRECISION ENGINEERING
LIMITED**

FINANCIAL STATEMENTS

30 SEPTEMBER 2021

MONDAY



JNI *JBESRZT7* #50
COMPANIES HOUSE

Walker Precision Engineering Limited

Financial Statements

Year ended 30 September 2021

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	7
Statement of income and retained earnings	11
Statement of financial position	12
Notes to the financial statements	13

Walker Precision Engineering Limited

Officers and Professional Advisers

The board of directors	Mr G S Walker Mr M J Walker
Company secretary	PJ Carnie MJ Walker
Registered office	4 Fullarton Drive Glasgow East Investment Park Glasgow Scotland G32 8FA
Auditor	BDO Northern Ireland Chartered accountants & statutory auditor Lindsay House 10 Callender Street Belfast BT1 5BN
Bankers	Bank of Scotland 110 St. Vincent Street Glasgow Scotland G2 5ER

Walker Precision Engineering Limited

Strategic Report *(continued)*

Year ended 30 September 2021

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2021.

Principal activity

The company's principal activity is the design and manufacture of precision engineering services.

Business review

Company turnover for the year was £17.5m (2020: £18.6m), down 6% from the previous year, mainly due to a high value Aerospace contract coming to the end of the programme part of the way through the year. Gross margin for the company remained steady at 26% (2020: 26%) due to product mix and a write down of inventory in 2020.

Trading has been behind budget in FY22 where the company is forecasting an operating loss. This loss has arisen from the decline in the order book and trading volume which arose from the uncertainty/disruption of the post Covid period. This was a specific, unforeseen and one-off event, and not connected to underlying business performance or a longer term market issue. The Board take comfort from a positive market outlook across key end markets (defence, aerospace and space), this is supported with recent evidence of programme order books and forecasts from clients showing significant growth/recovery. With potential for demand in the medium to long term to exceed the period pre Covid, where the business had a strong track record of positive and profitable performance and growth.

Principal risks and uncertainties

Principal risks affecting the company have been identified.

Competition

In order to address this risk, there is a continual focus on quality and on time deliveries.

Credit risk

In order to address this risk, new customers are subject to credit check, and receipts are monitored closely against contractual credit terms.

Rising direct costs

In order to address this risk, quotes are obtained from competing suppliers wherever practicable and pricing of existing contracts are regularly reviewed.

COVID -19

At the date of signing the accounts, the UK economy is still coming out of the effects of having restrictions in place for a long period of time. The company, in line with businesses in many industries, has been impacted by these measures and the implications are discussed below. The company has considered these implications of COVID-19 through the 'lenses' of operational capability, market based demand and structural finance. The Board continues to monitor the covid situation and take appropriate action to ensure the wellbeing of all stakeholders.

The main market which the company supplies its products and services to has remained strong, and our key strategic customers continue to predict further growth but we expect this to be 2023 and beyond before much of the growth is realised.

The company's revenue comprises largely from the defence sector which is deemed an essential service. The company has continued to work throughout the pandemic ensuring uninterrupted supply

Walker Precision Engineering Limited

Strategic Report *(continued)*

Year ended 30 September 2021

of products and services deemed essential to our national defence and transportation network.

The company has surplus cash balance available and access to invoice discounting facilities which are not drawn down at September 2021. The first instalment of external debt held at company level is not payable until December 2023 and a letter of support is in place from one of the company's subsidiaries. The group has obtained a CBILs loan of £1m and repayments have started on that loan in 2022.

The Directors believe the business is well placed to capitalise on the future growth opportunities.

Key performance indicators

Key Performance Indicators (KPIs) for the business are measured in the following areas:

- Financial performance
- Quality
- On time delivery
- Efficiency
- Human resources

Future developments and business outlook

The company will continue to look for opportunities to expand in its relevant sectors and develop new products for customers.

This report was approved by the board of directors on 17/10/2022 and signed on behalf of the board by:



Mark Walker (Oct 17, 2022 10:47 GMT+1)

Mr M J Walker
Director

Registered office:
4 Fullarton Drive
Glasgow East Investment Park
Glasgow
Scotland
G32 8FA

Walker Precision Engineering Limited

Directors' Report *(continued)*

Year ended 30 September 2021

The directors present their report and the financial statements of the company for the year ended 30 September 2021.

Directors

The directors who served the company during the year were as follows:

Mr G S Walker
Mr M J Walker

Results and Dividends

The loss for the year, after taxation, amounted to £317,405 (2020 loss £429,485).

The directors do not recommend the payment of a dividend.

Future developments

See strategic report.

Going concern

The directors have assessed, based on current projections, that the group and company have adequate resources to meet the ongoing costs of the business for a minimum of 12 months from the date of signing the financial statements.

As detailed in the strategic report, the directors have also completed a thorough assessment of the business performance to December 2023. Whilst there is a projected loss for the year ended 30 September 2022, there is a very strong longer term pipeline which will generate projected profit for year ended September 2023 and beyond.

The directors have considered the financing available to the Group including, Coronavirus Business Interruption Loan 'CBIL,' with Bank Of Scotland and invoice discounting facility with Lloyds Bank. Bank of Scotland have acknowledged whilst there are currently breaches of covenants that they are willing to continue to provide support for at least the next twelve months. The Board have projected that they will be able to meet all contractual obligations from borrowings as they fall due and therefore the outstanding balance of £869K in respect of the CBIL is presented within amounts due to creditors greater than one year at the year end. Lloyds bank have also acknowledged a breach of covenant on their facility and willingness to support for at least the next twelve months. In addition, the primary lender BGF Investments LLP has agreed to defer its loan payments until December 2023.

Furthermore, the directors have concluded that the available financing, in conjunction with actions and strategies available to them to mitigate business threats, the group can operate within its available funding limits. The directors are confident of a strong sales pipeline in respect of agreed programmes in which they are the incumbent contracted supplier up to and including 2028.

Therefore, as there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future with the continued support of its lenders, the directors have a reasonable expectation that the company and group will be able 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.

Financial risk management

Foreign exchange risk

Foreign exchange risk arises when individual entities enter into transaction denominated in a currency other than their functional currency. The company's policy is to monitor exposure on a regular basis.

Walker Precision Engineering Limited

Directors' Report *(continued)*

Year ended 30 September 2021

No formal hedging instruments are currently used.

Liquidity Risk

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

The directors review cash flow projections regularly as well as information regarding cash balances. See also going concern accounting policy on page 14.

Cash flow interest rate risk

The company is exposed to cash flow interest rate risk from borrowings at variable rate and monitor this policy regularly.

Credit Risk

See strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report and 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 the Companies Act 2006 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Financial Reporting Council ("the relevant financial reporting framework"). 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 assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2006.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, comprising FRS 102, subject to any material departures disclosed and explained in the financial statements; and
- 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 ensuring that the company keeps or causes to be kept adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and

Walker Precision Engineering Limited

Directors' Report *(continued)*


Year ended 30 September 2021

- they have taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditors, BDO Northern Ireland, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 17/10/2022 and signed on behalf of the board by:



Mark Walker (Oct 17, 2022 10:47 GMT+1)

Mr M J Walker
Director

Registered office:
4 Fullarton Drive
Glasgow East Investment Park
Glasgow
Scotland
G32 8FA

Walker Precision Engineering Limited

Independent Auditor's Report to the Members of Walker Precision Engineering Limited

Year ended 30 September 2021

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Walker Precision Engineering Limited (the 'company') for the year ended 30 September 2021 which comprise the statement of income and retained earnings, statement of financial position and the related notes, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. 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.

Independence

We remain 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.

Conclusions relating to going concern

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

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

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

Walker Precision Engineering Limited

Independent Auditor's Report to the Members of Walker Precision Engineering Limited *(continued)*

Year ended 30 September 2021

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Walker Precision Engineering Limited

Independent Auditor's Report to the Members of Walker Precision Engineering Limited *(continued)*

Year ended 30 September 2021

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and the regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

We focused on laws and regulations that could give rise to material misstatement in the financial statements. Our tests included but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period; and
- considering the effectiveness of the control environment and monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risk to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and 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. As in all of our audits we addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Walker Precision Engineering Limited

Independent Auditor's Report to the Members of Walker Precision Engineering Limited *(continued)*

Year ended 30 September 2021

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our report

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

Laura Jackson

Laura S V Jackson, senior statutory auditor
For and on behalf of BDO Northern Ireland, statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

17/10/2022

Walker Precision Engineering Limited
Statement of Income and Retained Earnings
Year ended 30 September 2021

	Note	2021 £	2020 £
Turnover	4	17,454,309	18,611,309
Cost of sales		12,995,714	13,796,252
Gross profit		4,458,595	4,815,057
Distribution costs		121,231	73,642
Administrative expenses		5,883,141	6,133,896
Other operating income	5	719,867	1,047,568
Operating loss	6	(825,910)	(344,913)
Other interest receivable and similar income	10	204,611	211,101
Interest payable and similar expenses	11	407,999	384,025
Loss before taxation		(1,029,298)	(517,837)
Tax on loss	12	(711,893)	(88,352)
Loss for the financial year and total comprehensive income		<u>(317,405)</u>	<u>(429,485)</u>
Retained earnings at the start of the year		2,990,759	3,420,244
Retained earnings at the end of the year		<u>2,673,354</u>	<u>2,990,759</u>

All the activities of the company are from continuing operations.

Walker Precision Engineering Limited

Statement of Financial Position

30 September 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	3,739,730	3,491,851
Investments	14	23,618	23,618
		<u>3,763,348</u>	<u>3,515,469</u>
Current assets			
Stocks	15	3,073,189	4,224,469
Debtors: due within one year	16	5,710,136	4,862,418
Debtors: due after more than one year	16	2,691,647	2,375,250
Cash at bank and in hand		1,018,692	2,002,381
		<u>12,493,664</u>	<u>13,464,518</u>
Creditors: amounts falling due within one year	17	<u>4,471,677</u>	<u>6,203,852</u>
Net current assets		<u>8,021,987</u>	<u>7,260,666</u>
Total assets less current liabilities		<u>11,785,335</u>	<u>10,776,135</u>
Creditors: amounts falling due after more than one year	18	<u>9,020,566</u>	<u>7,560,448</u>
Provisions	20	<u>71,415</u>	<u>204,928</u>
Net assets		<u>2,693,354</u>	<u>3,010,759</u>
Capital and reserves			
Called up share capital	23	16,000	16,000
Capital redemption reserve	24	4,000	4,000
Profit and loss account	24	2,673,354	2,990,759
Shareholders funds		<u>2,693,354</u>	<u>3,010,759</u>

These financial statements were approved by the board of directors and authorised for issue on 17/10/2022 and are signed on behalf of the board by:



Mark Walker (Oct 17, 2022 10:47 GMT+1)

Mr M J Walker
Director

Company registration number: SC068820

Walker Precision Engineering Limited

Notes to the Financial Statements

Year ended 30 September 2021

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is 4 Fullarton Drive, Glasgow East Investment Park, Glasgow, G32 8FA, Scotland.

The principal activity of the company during the year was machining and other engineering activities.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with the historical cost convention modified to include certain items at fair value. The financial reporting framework that has been applied in their preparation is the Companies Act 2006 (the Act) and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

Going concern

The directors have assessed, based on current projections, that the group and company have adequate resources to meet the ongoing costs of the business for a minimum of 12 months from the date of signing the financial statements.

As detailed in the strategic report, the directors have also completed a thorough assessment of the business performance to December 2023. Whilst there is a projected loss for the year ended 30 September 2022, there is a very strong longer term pipeline which will generate projected profit for year ended September 2023 and beyond.

The directors have considered the financing available to the Group including, Coronavirus Business Interruption Loan 'CBIL,' with Bank Of Scotland and invoice discounting facility with Lloyds Bank. Bank of Scotland have acknowledged whilst there are currently breaches of covenants that they are willing to continue to provide support for at least the next twelve months. The Board have projected that they will be able to meet all contractual obligations from borrowings as they fall due and therefore the outstanding balance of £869k in respect of the CBIL is presented within amounts due to creditors greater than one year at the year end. Lloyds bank have also acknowledged a breach of covenant on their facility and willingness to support for at least the next twelve months. In addition, the primary lender BGF Investments LLP has agreed to defer its loan payments until December 2023.

Furthermore, the directors have concluded that the available financing, in conjunction with actions and strategies available to them to mitigate business threats, the group can operate within its available funding limits. The directors are confident of a strong sales pipeline in respect of agreed programmes in which they are the incumbent contracted supplier up to and including 2028.

Therefore, as there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future with the continued support of its lenders, the directors have a reasonable expectation that the company and group will be able 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.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Walker Precision Holdings Limited which can be obtained from Companies House. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement or net debt reconciliation has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.

Consolidation

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

In preparing these financial statements, the members have made the following judgements:

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stocks are assessed annually for impairment, with a particular focus on items which have been held for more than one year. A standard overhead absorption rate is applied to work in progress and finished goods. This is calculated based on machine hours and labour hours.

Revenue recognition

Turnover 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 and value added tax. The following criteria must also be met before revenue is recognised:

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

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Research and development

Expenditure on research and development is charged to the statement of comprehensive income in the period in which it is incurred.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 7-15% straight line
Fixtures and fittings	- 15% straight line
Motor vehicles	- 25% straight line

Investments

Investments in subsidiaries are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Payments received under the UK government's Coronavirus Job Retention Scheme are a form of grant. This grant money is receivable as compensation for expenses already incurred. It is recognised in income in the period in which it becomes receivable and the related expense is incurred.

Cash and cash equivalents

Cash consists of cash on hand and demand deposits.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Other financial assets

Other financial assets including trade debtors arising from goods sold to customers or short-term credit, are initially measured at the undiscounted amount of cash receivable from that debtor, which is normally the invoice price.

Other financial liabilities

Other financial liabilities, including trade creditors arising from goods purchased from suppliers on short term credit, are initially measured at the undiscounted amount owed to the creditor which is normally the invoice price.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Sale of goods	<u>17,454,309</u>	<u>18,611,309</u>

The whole of the turnover is attributable to the principal activity of the group.

Analysis of turnover by country of destination:

	2021	2020
	£	£
United Kingdom	16,979,567	18,201,008
Rest of Europe	461,879	410,301
North America	12,863	–
	<u>17,454,309</u>	<u>18,611,309</u>

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

5. Other operating income

	2021	2020
	£	£
Management charges receivable	636,000	600,000
Government grant income	83,867	447,568
	<u>719,867</u>	<u>1,047,568</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Depreciation of tangible assets	818,461	825,466
(Gains)/loss on disposal of tangible assets	(31,966)	17,122
Operating lease rentals	175,000	232,309
Foreign exchange differences	(1,913)	5,423
Amortisation of government grants	(50,111)	(48,300)

7. Auditor's remuneration

	2021	2020
	£	£
Fees payable for the audit of the financial statements	<u>15,000</u>	<u>17,000</u>

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2021	2020
	No.	No.
Administrative staff	22	41
Manufacturing staff	167	154
	<u>189</u>	<u>195</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£	£
Wages and salaries	6,547,105	6,805,139
Social security costs	615,005	615,879
Other pension costs	477,230	453,778
	<u>7,639,340</u>	<u>7,874,796</u>

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	216,333	198,000
Company contributions to defined contribution pension plans	4,800	4,800
	<u>221,133</u>	<u>202,800</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2021	2020
	No.	No.
Defined benefit plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2021	2020
	£	£
Aggregate remuneration	<u>108,167</u>	<u>99,000</u>

10. Other interest receivable and similar income

	2021	2020
	£	£
Interest from group undertakings	204,611	211,011
Other interest receivable and similar income	—	90
	<u>204,611</u>	<u>211,101</u>

11. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	29,048	12,570
Interest on obligations under finance leases and hire purchase contracts	51,862	52,237
Interest due to group undertakings	320,187	312,728
Other interest payable and similar charges	6,902	6,490
	<u>407,999</u>	<u>384,025</u>

12. Tax on loss

Major components of tax income

	2021	2020
	£	£
Current tax:		
Adjustments in respect of prior periods	(578,380)	(35,825)

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

12. Tax on loss *(continued)*

	2021 £	2020 £
Deferred tax:		
Origination and reversal of timing differences	(274,150)	(84,425)
Adjustments in respect of prior periods	57,701	1,440
Effect of tax rate change on opening balance	82,936	30,458
Total deferred tax	<u>(133,513)</u>	<u>(52,527)</u>
Tax on loss	<u>(711,893)</u>	<u>(88,352)</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Loss on ordinary activities before taxation	<u>(1,029,298)</u>	<u>(517,837)</u>
Loss on ordinary activities by rate of tax	(195,567)	(98,389)
Adjustment to tax charge in respect of prior periods	57,701	–
Effect of expenses not deductible for tax purposes	2,382	2,787
Rounding on tax charge	–	–
Fixed asset differences	(15,169)	5,369
Other permanent differences	–	1,841
Adjust closing deferred tax to average rate of 19%	17,140	35,865
Adjustment in respect of prior periods	(578,380)	(35,825)
Tax on loss	<u>(711,893)</u>	<u>(88,352)</u>

13. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 October 2020	10,170,038	2,329,127	17,935	12,517,100
Additions	1,087,707	10,289	–	1,097,996
Disposals	(271,204)	–	–	(271,204)
At 30 September 2021	<u>10,986,541</u>	<u>2,339,416</u>	<u>17,935</u>	<u>13,343,892</u>
Depreciation				
At 1 October 2020	7,098,485	1,909,569	17,195	9,025,249
Charge for the year	735,467	82,254	740	818,461
Disposals	(239,548)	–	–	(239,548)
At 30 September 2021	<u>7,594,404</u>	<u>1,991,823</u>	<u>17,935</u>	<u>9,604,162</u>
Carrying amount				
At 30 September 2021	<u>3,392,137</u>	<u>347,593</u>	<u>–</u>	<u>3,739,730</u>
At 30 September 2020	<u>3,071,553</u>	<u>419,558</u>	<u>740</u>	<u>3,491,851</u>

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

13. Tangible assets *(continued)*

The net book value of assets held under finance leases or hire purchase contracts included above are as follows:

	2021	2020
	£	£
Plant and machinery	1,219,561	1,657,266

14. Investments

	Shares in group undertakings £
Cost	
At 1 October 2020 and 30 September 2021	<u>23,618</u>
Impairment	
At 1 October 2020 and 30 September 2021	<u>—</u>
Carrying amount	
At 30 September 2021	<u>23,618</u>
At 30 September 2020	<u>23,618</u>

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Walker Guidance Systems Limited	Ordinary	100

15. Stocks

	2021	2020
	£	£
Raw materials and consumables	1,212,342	924,572
Work in progress	1,709,973	3,091,025
Finished goods and goods for resale	150,874	208,872
	<u>3,073,189</u>	<u>4,224,469</u>

Stock recognised in cost of sales during the year as an expense was £7,017,066 (2020: £8,617,240).

Stock of £792,437 (2020: £238,602) was written off in the year.

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

16. Debtors

Debtors falling due within one year are as follows:

	2021	2020
	£	£
Trade debtors	2,627,814	2,657,144
Amounts owed by group undertakings	2,286,483	2,000,000
Prepayments and accrued income	207,294	158,993
Corporation tax repayable	578,380	35,825
Other debtors	10,165	10,456
	<u>5,710,136</u>	<u>4,862,418</u>

Debtors falling due after one year are as follows:

	2021	2020
	£	£
Amounts owed by group undertakings	<u>2,691,647</u>	<u>2,375,250</u>

17. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	133,333	11,471
Trade creditors	1,170,848	1,126,091
Amounts owed to group undertakings	320,187	995,169
Accruals and deferred income	1,115,438	1,776,378
Social security and other taxes	1,165,996	1,635,457
Obligations under finance leases and hire purchase contracts	449,224	530,873
Other creditors	116,651	128,413
	<u>4,471,677</u>	<u>6,203,852</u>

Included within bank loans is a loan received under the Coronavirus Business Interruption Loan (CBIL) Scheme. As per the terms of this Scheme, the UK Government covers the interest due on the loan for the first twelve months and provides the lender with a government-backed, partial guarantee of eighty percent against the outstanding facility balance. The company remains liable for the full amount of the debt owed on CBIL loans. The Bank of Scotland PLC and Lloyds Bank Commercial Finance Limited hold a fixed and floating charge over the assets of the company. This was granted on 9 January 2018 and 24 May 2018. A corporate guarantee was entered into with Bank of Scotland on 5th January 2021 between Walker Precision Engineering Limited, Walker Precision Holdings Limited and Walker Guidance Systems Limited.

The hire purchase obligations are secured on the assets being purchased.

18. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans and overdrafts	866,667	-
Amounts owed to group undertakings	7,920,500	6,665,277
Accruals and deferred income	-	212,550
Obligations under finance leases and hire purchase contracts	233,399	682,621
	<u>9,020,566</u>	<u>7,560,448</u>

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

18. Creditors: amounts falling due after more than one year *(continued)*

The hire purchase obligations are secured on the assets being purchased. The amounts owed to group undertakings are due over 1 year and attract interest at 7%.

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2021	2020
	£	£
Not later than 1 year	449,224	530,873
Later than 1 year and not later than 5 years	233,399	407,477
Later than 5 years	–	275,144
	<u>682,623</u>	<u>1,213,494</u>

20. Provisions

	Deferred tax (note 21)
	£
At 1 October 2020	204,928
Unused amounts reversed	(133,513)
At 30 September 2021	<u>71,415</u>

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021	2020
	£	£
Included in provisions (note 20)	<u>71,415</u>	<u>204,928</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Fixed-asset timing differences	463,607	277,319
Losses and other deductions	(12,838)	(63,740)
Short term timing differences	(379,354)	(8,651)
	<u>71,415</u>	<u>204,928</u>

Walker Precision Engineering Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

22. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2021	2020
	£	£
Recognised in creditors:		
Deferred government grants due within one year	229,000	–
Deferred government grants due after more than one year	–	212,550
	<u>229,000</u>	<u>212,550</u>
Recognised in other operating income:		
Government grants recognised directly in income	<u>83,867</u>	<u>447,568</u>

23. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>

24. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

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

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Not later than 1 year	175,000	175,000
Later than 1 year and not later than 5 years	700,000	700,000
Later than 5 years	1,091,223	1,266,233
	<u>1,966,223</u>	<u>2,141,233</u>

Walker Precision Engineering Limited**Notes to the Financial Statements** *(continued)***Year ended 30 September 2021**

26. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £477,230 (2020: £453,778). Contributions totalling £42,354 (2020: £36,534) were payable to the fund at the balance sheet date and are included in other creditors.

27. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

An expense of £175,000 (2020: £175,000) has been recognised in the year in respects of amounts paid to Walker Propco Limited, a party which is related by virtue of common directors. The business rents a property from Walker Propco Limited and has uncancellable operating lease commitments of £1,966,223 over the next 11 years - further information is contained within note 25.

There was a balance of £28,784 (2020: £23,240 credit) due from Walker Propco Limited included in other creditors at year end.

28. Controlling party

The smallest and largest group in which the results of the company are consolidated is that headed by the parent company, Walker Precision Holdings Limited. The address of Walker Precision Holdings Limited is 4 Fullarton Drive, Glasgow East Investment Park, Glasgow, G32 8FA. These accounts are publicly available at Companies House. In the opinion of the directors, there is no single ultimate controlling party.