

Registered number: SC068820

WALKER PRECISION ENGINEERING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

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WALKER PRECISION ENGINEERING LIMITED

COMPANY INFORMATION

Directors	Mr G S Walker Mr M J Walker (resigned 26 September 2023) Mr P J Carnie (appointed 26 September 2023) Mr E B Lockhart (appointed 26 September 2023)
Company secretary	PJ Carnie
Registered number	SC068820
Registered office	4 Fullarton Drive Glasgow East Investment Park Glasgow G32 8FA
Independent auditors	Anderson Anderson & Brown Audit LLP 133 Finnieston Street Glasgow G3 8HB
Bankers	Bank of Scotland 110 St. Vincent Street Glasgow Scotland G2 5ER

WALKER PRECISION ENGINEERING LIMITED

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WALKER PRECISION ENGINEERING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2023

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2023.

Principal activity

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

Business review

In summary, company turnover for the year was £12.2m (2022: £13.2m), down 7% mainly due to a high value Aerospace contract ending. Gross margin for the company improved to 27.5% (2022: 24%) due to improved program pricing and cost control.

Turnover in FY24 has increased compared with FY23, due to increased market demand resulting in a significant increase in the company's orderbook and throughput. The positive outlook for FY24 has allowed the business to invest in additional and replacement assets to meet market demand. The full benefit of this increased orderbook and site capacity will be realised in FY25. The Board are encouraged by the positive market outlook across key end markets of defence and aerospace, which has been supported with significant growth in key client programme orderbooks. There is confidence that demand in the medium to long term will exceed the period pre Covid, where the business had a strong track record of positive and profitable performance / 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.

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 above the orders already taken. It was previously noted this would be 2023 and beyond and that is still the position. The company's revenue comprises largely from the defence sector which has seen strong growth over the last 12 months. Where cost inflation cannot be avoided the company will pass through cost inflation to clients.

The company has strengthened its' balance sheet through re-financing to allow for growth in line with customer demand and extended its' financing facilities.

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

WALKER PRECISION ENGINEERING LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

Key performance indicators

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

- Health and Safety Performance
- 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 and signed on its behalf.



.....
Mr E B Lockhart
Director

Date: *21 June 2024*

WALKER PRECISION ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2023

The directors present their report and the financial statements for the year ended 30 September 2023.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £962,550 (2022 - loss £1,066,383).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

Mr G S Walker
Mr M J Walker (resigned 26 September 2023)
Mr P J Carnie (appointed 26 September 2023)
Mr E B Lockhart (appointed 26 September 2023)

Principal risks and uncertainties

Future developments

See strategic report.

WALKER PRECISION ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2023

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 June 2025. Whilst there is a projected loss for the year ended 30 September 2024, there is a very strong longer-term pipeline of orders which will generate projected profit for year ended September 2025 and beyond.

The directors have considered the financing available to the Company 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.

Furthermore, the directors have concluded that with the available financing, in conjunction with actions and strategies available to them to mitigate business threats, the company 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.

On the basis of their assessment of the group and company's financial position, having considered future budgets, cash flows and available facilities for working capital, 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.

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 15.

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.

Disclosure of information to auditors

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

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

WALKER PRECISION ENGINEERING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

Auditors

The auditors, Anderson Anderson & Brown Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *21 June 2024* and signed on its behalf.



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Mr E B Lockhart
Director

WALKER PRECISION ENGINEERING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER PRECISION ENGINEERING LIMITED

Opinion

We have audited the financial statements of Walker Precision Engineering Limited (the 'Company') for the year ended 30 September 2023, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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WALKER PRECISION ENGINEERING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER PRECISION ENGINEERING LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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.

WALKER PRECISION ENGINEERING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER PRECISION ENGINEERING LIMITED (CONTINUED)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations – this responsibility lies with management with the oversight of the Directors.

Based on our understanding of the Company and industry, discussions with management and directors we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

As part of the engagement team discussion about how and where the Company's financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.

Our audit procedures included:

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 Auditors' 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 Auditors' 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.

Anderson Anderson & Brown Audit LLP

Angus McCuaig (Senior statutory auditor)
for and on behalf of
Anderson Anderson & Brown Audit LLP
Statutory Auditors
133 Finnieston Street
Glasgow
G3 8HB
Date: 26 June 2024

WALKER PRECISION ENGINEERING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

	Note	2023 £	2022 £
Turnover	4	12,151,624	13,174,315
Cost of sales		(8,809,935)	(9,977,571)
Gross profit		3,341,689	3,196,744
Distribution costs		(202,131)	(152,131)
Administrative expenses		(5,325,357)	(5,590,220)
Other operating income	5	706,741	728,484
Operating loss	6	(1,479,058)	(1,817,123)
Interest receivable and similar income	10	467	19
Interest payable and similar expenses	11	(79,150)	(50,127)
Loss before tax		(1,557,741)	(1,867,231)
Tax on loss	12	595,191	800,848
Loss for the financial year		(962,550)	(1,066,383)
Total comprehensive income for the year		(962,550)	(1,066,383)

The notes on pages 12 to 27 form part of these financial statements.


All activities of the company are from continuing operations.

WALKER PRECISION ENGINEERING LIMITED
REGISTERED NUMBER: SC068820

BALANCE SHEET
AS AT 30 SEPTEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	13	2,733,783	3,121,625
Investments	14	23,618	23,618
		2,757,401	3,145,243
Current assets			
Stocks	15	4,073,330	2,622,139
Debtors: amounts falling due after more than one year	16	3,221,735	2,856,796
Debtors: amounts falling due within one year	16	4,525,256	5,297,601
Cash at bank and in hand		580,837	436,342
		12,401,158	11,212,878
Creditors: amounts falling due within one year	17	(6,456,436)	(4,436,964)
		5,944,722	6,775,914
Net current assets			
		8,702,123	9,921,157
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	(7,985,562)	(8,294,186)
Provisions for liabilities			
Deferred tax	20	(52,140)	-
		(52,140)	-
Net assets		664,421	1,626,971
Capital and reserves			
Called up share capital	22	16,000	16,000
Capital redemption reserve	23	4,000	4,000
Profit and loss account	23	644,421	1,606,971
		664,421	1,626,971

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



Mr E B Lockhart
 Director

Date: 21 June 2024

The notes on pages 12 to 27 form part of these financial statements.

WALKER PRECISION ENGINEERING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 October 2021	16,000	4,000	2,673,354	2,693,354
Comprehensive income for the year				
Loss for the year	-	-	(1,066,383)	(1,066,383)
At 1 October 2022	16,000	4,000	1,606,971	1,626,971
Comprehensive income for the year				
Loss for the year	-	-	(962,550)	(962,550)
At 30 September 2023	16,000	4,000	644,421	684,421

The notes on pages 12 to 27 form part of these financial statements.

WALKER PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

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. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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 June 2025. Whilst there is a projected loss for the year ended 30 September 2024, there is a very strong longer-term pipeline of orders which will generate projected profit for year ended September 2025 and beyond.

The directors have considered the financing available to the Company 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.

Furthermore, the directors have concluded that with the available financing, in conjunction with actions and strategies available to them to mitigate business threats, the company 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.

On the basis of their assessment of the group and company's financial position, having considered future budgets, cash flows and available facilities for working capital, 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.

2.3 Disclosure exemptions

The entity satisfied 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.

WALKER PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Accounting policies (continued)

2.4 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.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

2.6 Revenue

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

Sale of goods

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

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

WALKER PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Accounting policies (continued)

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.8 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.

2.9 Research and development

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

2.10 Tangible fixed assets

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

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.

WALKER PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Investments

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

2.12 Impairment of fixed assets

A review for indications 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 flows 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.

2.13 Stocks

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

WALKER PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 Cash and cash equivalents

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

2.17 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.

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 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.

2.18 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.

2.19 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 not normally the invoice price.

WALKER PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Accounting policies (continued)

2.20 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.

3. Judgements in applying accounting policies 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.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Sale of goods	12,151,624	13,174,315
	<u>12,151,624</u>	<u>13,174,315</u>

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	11,099,953	12,522,928
North America	151,619	77,816
Rest of the world	900,052	573,571
	<u>12,151,624</u>	<u>13,174,315</u>

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

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

5. Other operating income

	2023 £	2022 £
Management charges receivable	636,000	636,000
Government grants receivable	70,741	92,484
	<u>706,741</u>	<u>728,484</u>

6. Operating loss

The operating loss is stated after charging:

	2023 £	2022 £
Depreciation of tangible assets	820,268	830,611
(Gains) / loss on disposal of tangible assets	(1,554)	(29,248)
Operating lease rentals	175,000	175,000
Foreign exchange differences	(1,726)	(4,734)
Amortisation of government grants	(70,741)	(92,484)
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2023 £	2022 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	19,500	18,000
	<u> </u>	<u> </u>

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

8. Employees

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

	2023 £	2022 £
Wages and salaries	4,825,802	5,282,873
Social security costs	490,139	548,934
Cost of defined contribution scheme	356,451	408,764
	<u>5,672,392</u>	<u>6,240,571</u>

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

	2023 No.	2022 No.
Administrative staff	22	22
Manufacturing staff	104	129
	<u>126</u>	<u>151</u>

9. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	220,000	220,000
Company contributions to defined contribution pension schemes	4,800	4,800
	<u>224,800</u>	<u>224,800</u>

During the year retirement benefits were accruing to 2 directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £110,000 (2022 - £110,000).

10. Interest receivable

	2023 £	2022 £
Interest from group undertakings	467	19
	<u>467</u>	<u>19</u>

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

11. Interest payable and similar expenses

	2023 £	2022 £
Interest on bank loans and overdrafts	58,319	28,873
Finance leases and hire purchase contracts	4,751	15,405
Other interest payable and similar charges	16,080	5,849
	<u>79,150</u>	<u>50,127</u>

12. Taxation

	2023 £	2022 £
Corporation tax		
Adjustments in respect of previous periods	(669,745)	(707,019)
	<u>(669,745)</u>	<u>(707,019)</u>
Total current tax	<u>(669,745)</u>	<u>(707,019)</u>
Deferred tax		
Origination and reversal of timing differences	74,554	(93,829)
Total deferred tax	<u>74,554</u>	<u>(93,829)</u>
Taxation on loss on ordinary activities	<u>(595,191)</u>	<u>(800,848)</u>

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - the same as) the standard rate of corporation tax in the UK of 22.01% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	<u>(1,557,741)</u>	<u>(1,867,231)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.01% (2022 - 19%)	(343,831)	(354,774)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,673	2,371
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(669,745)	(707,019)
Adjustments to tax charge in respect of previous periods - deferred tax	466,273	-
Fixed asset differences	(3,684)	(7,834)
Other Permanent differences	-	117
Movement in deferred tax not recognised	-	380,012
Remeasurement of deferred tax for changes in tax rates	(46,877)	(113,721)
Total tax charge for the year	<u><u>(595,191)</u></u>	<u><u>(800,848)</u></u>

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

13. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 October 2022	10,884,329	17,935	2,366,107	13,268,371
Additions	405,021	-	27,405	432,426
Disposals	(98,381)	(17,935)	-	(116,316)
At 30 September 2023	11,190,969	-	2,393,512	13,584,481
Depreciation				
At 1 October 2022	8,046,794	17,935	2,082,017	10,146,746
Charge for the year on owned assets	743,380	-	76,888	820,268
Disposals	(98,381)	(17,935)	-	(116,316)
At 30 September 2023	8,691,793	-	2,158,905	10,850,698
Net book value				
At 30 September 2023	2,499,176	-	234,607	2,733,783
At 30 September 2022	2,837,535	-	284,090	3,121,625

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

	2023 £	2022 £
Plant and machinery	304,097	539,398
	<u>304,097</u>	<u>539,398</u>

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2022	23,618
At 30 September 2023	23,618

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding
Walker Guidance Systems Limited	Ordinary	100%

The aggregate of the share capital and reserves as at 30 September 2023 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Walker Guidance Systems Limited	(2,506,571)	(334,690)

15. Stocks

	2023 £	2022 £
Raw materials and consumables	1,585,748	1,326,302
Work in progress (goods to be sold)	2,487,582	1,295,837
	4,073,330	2,622,139

Stock recognised in cost of sales during the year as an expense was £4,499,604 (2022: £4,448,529).

16. Debtors

	2023 £	2022 £
Due after more than one year		
Amounts owed by group undertakings	3,221,735	2,856,796
	3,221,735	2,856,796

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

16. Debtors (continued)

	2023 £	2022 £
Due within one year		
Trade debtors	2,009,834	2,023,337
Amounts owed by group undertakings	1,661,768	2,426,774
Other debtors	706,730	707,715
Prepayments and accrued income	146,924	117,361
Deferred taxation	-	22,414
	4,525,256	5,297,601
	4,525,256	5,297,601

17. Creditors: Amounts falling due within one year

	2023 £	2022 £
Bank overdrafts	1,030,987	663,127
Bank loans	200,000	200,000
Trade creditors	1,756,268	932,957
Amounts owed to group undertakings	793,118	307,017
Other taxation and social security	700,257	761,581
Obligations under finance lease and hire purchase contracts	41,939	208,184
Other creditors	85,743	81,974
Accruals and deferred income	1,848,124	1,282,124
	6,456,436	4,436,964
	6,456,436	4,436,964

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.

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

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

	2023 £	2022 £
Bank loans	466,667	666,667
Net obligations under finance leases and hire purchase contracts	-	32,801
Amounts owed to group undertakings	7,518,895	7,594,718
	7,985,562	8,294,186

The hire purchase obligations are secured on the assets being purchased. The amounts owed to group undertakings are due over 1 year and do not attract interest.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £	2022 £
Within one year	41,939	208,184
Between 1-5 years	-	32,801
	41,939	240,985

20. Deferred taxation

	2023 £
At beginning of year	22,414
Charged to profit or loss	(74,554)
At end of year	(52,140)

The deferred taxation balance is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	(393,290)	(447,978)
Losses and other deductions	41,829	2,662
Short term timing differences	299,321	467,730
	(52,140)	22,414

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

21. Government grants

	2023	2022
	£	£
Recognised in creditors:		
Deferred government grants due within one year	199,668	234,573
Deferred government grants due after more than one year	-	-
	199,668	234,573
Recognised in other operating income:		
Government grants recognised directly in income	70,741	92,484

22. Share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
16,000 (2022 - 16,000) Ordinary shares of £1.00 each	16,000	16,000

23. 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.

24. 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 £356,451 (2022: £408,764). Contributions totalling £30,150 (2022: £27,851) were payable to the fund at the balance sheet date and are included in other creditors.

WALKER PRECISION ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

25. Commitments under operating leases

At 30 September 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
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	743,750	918,750
	<u>1,618,750</u>	<u>1,793,750</u>

26. 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 (2022: £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 £1,618,750 over the next 9 years.

There was no balance due to Walker Propco Limited at the year end (2022: £5,122 included within other creditors).

27. 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.