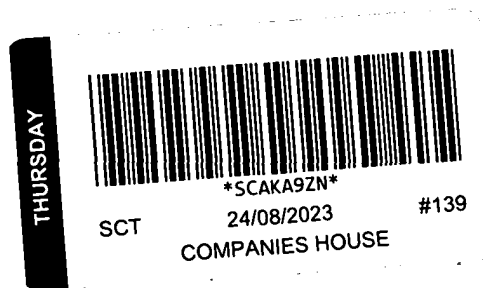


Company Registration No. SC046491 (Scotland)

WALLACE, MCDOWALL LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022



WALLACE, MCDOWALL LIMITED

COMPANY INFORMATION

Directors	Mrs Y Ward HLD GOC Holdings Limited Mr J H Gemmell
Company number	SC046491
Registered office	Bld 11c Spirit Aerosystems Tarbolton Road Monkton Ayrshire KA9 2RR
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG

WALLACE, MCDOWALL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

The principal activity of the company is the manufacture and supply of subcontract engineering metal parts.

The company prides itself on its quality and service and continues to monitor performance of these metrics on a weekly basis. Capital investment is incurred to ensure that the company delivers best in class quality and service in a competitive landscape. Quality control is monitored and evaluated throughout the supply chain commencing at raw material supply stage to ensure the highest standard of product is then delivered to our clients.

Supplier relationships have been forged over many years and only those suppliers who can meet our meticulous standards continue to work with us for the benefit our customers.

The principal risks are reviewed by the Board on an ongoing basis. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at Board meetings. The principal risks are determined through an evaluation of likelihood of occurrence and potential impact.

Management also reviews specific strategic, operational, financial, health & safety and compliance risks in monthly business review meetings. This approach is also embedded at the operational level within each of our business units.

Health & Safety

Health & Safety is a key objective for the business and as such, the company's Health & Safety manager continues to help implement the latest guidance and improvements to ensure that our colleagues, customers, and suppliers are protected as much as possible. On a weekly and monthly basis, Health & Safety statistics are monitored to allow us board to be pro-active in implementing any positive change where it is required.

We are pleased to report that at the time of writing, the company is in compliance with Health and Safety legislation and that no major incidents have occurred for another year. In addition, the business is in the process of ISO45001 accreditation.

Key performance indicators

The Board measures progress through the review of Key Performance Indicators and other relevant management information which are closely aligned to the strategic objectives of the business.

Our key financial performance indicator is EBITDA (Earnings Before Interest Tax Depreciation Amortisation):

	2022	2021
Operating Profit	£802,100	£74,543
Add: Depreciation	£333,254	£353,436
EBITDA	£1,135,354	£427,979

WALLACE, MCDOWALL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal Risks and Uncertainties

The directors consider that outside of macro-economic factors the following are key risks for the business:

Treasury Management

To mitigate the principal risks above, the company prepares short term, medium term and long-term financial forecasts including Trading and Cash Flow forecasts.

This provides us with the tools to monitor and implement operational, tactical and strategic action plans to mitigate risks to the best of our ability and judgements.

Weekly meetings are held by management to monitor and manage liquidity including the active collection of trade debtors.

The company is exposed to interest rate movements but at the time of writing the directors consider that the risk of substantial increases in interest rates is low. This is monitored on an annual review basis at the time of the Budgets.

Strategy

The company's strategy is to become a leading supplier of steel products in the UK. To achieve this objective, the shareholders and the board are committed to continued investment in plant, machinery, people and systems. In addition to this, the company will seek to undertake acquisitions which complement and are accretive to both earnings and the product and customer profile.

Furthermore, continued research and development takes place, and the company will strive to be at the forefront of the latest trends and material developments both nationally and internationally.

On behalf of the board



.....
Mr J H Gemmell

Director

Date: 01/08/23
.....

WALLACE, MCDOWALL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be the provision of sub-contract machining and sheet metal work services as OEM's for major supply chain companies.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2021 : £nil). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr W Wilson	(Resigned 31 March 2022)
Mr L Collins	(Resigned 22 April 2022)
Mr D Johnstone	(Resigned 31 July 2022)
Mrs Y Ward	
HLD GOC Holdings Limited	
Mr J H Gemmell	(Appointed 18 April 2022)

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
Mr J H Gemmell

Director

Date: 01/08/23
.....

WALLACE, MCDOWALL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALLACE, MCDOWALL LIMITED

Opinion

We have audited the financial statements of Wallace, McDowall Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit 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.

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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- gaining assurance over the borrowing facilities available at the balance sheet date and in the forecast period;
- evaluating the integrity and accuracy of the cashflow forecasts prepared by management for the Group;
- assessing the appropriateness of assumptions and explanations provided by management to supporting information, where available;
- evaluating the accuracy and consistency of disclosures made in the financial statements in respect of principal risks and going concern.

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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALLACE, MCDOWALL LIMITED (CONTINUED)

Opinions 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 4, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALLACE, MCDOWALL LIMITED (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in relation to management override of internal controls included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business. Audit procedures performed in relation to revenue included but were not limited to testing controls in relation to invoicing procedures, performing test of detail work on goods delivered to ensure they were accurately recorded in revenue and reviewing revenue transactions post year end to ensure completeness.

A further description of our responsibilities for the audit of the financial statements is located 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.

Alan Aitchison

Alan Aitchison (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

.....

01/08/23

WALLACE, MCDOWALL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	13,567,882	11,670,026
Cost of sales		(10,989,995)	(10,196,271)
Gross profit		2,577,887	1,473,755
Distribution costs		(348,608)	(330,111)
Administrative expenses		(1,656,914)	(1,251,659)
Other operating income		75,500	182,558
Operating profit	6	647,865	74,543
Interest payable and similar expenses	7	(201,344)	(149,972)
Profit/(loss) before taxation		446,521	(75,429)
Tax on profit/(loss)	8	102,605	(53,265)
Profit/(loss) for the financial year		549,126	(128,694)

WALLACE, MCDOWALL LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	9	2,506,478		2,820,612	
Investments	10	250,100		250,100	
		<u>2,756,578</u>		<u>3,070,712</u>	
Current assets					
Stocks	12	643,740		1,326,800	
Debtors	13	5,924,086		5,239,558	
Cash at bank and in hand		548,336		218,477	
		<u>7,116,162</u>		<u>6,784,835</u>	
Creditors: amounts falling due within one year	14	(5,451,236)		(5,498,432)	
Net current assets		<u>1,664,926</u>		<u>1,286,403</u>	
Total assets less current liabilities		<u>4,421,504</u>		<u>4,357,115</u>	
Creditors: amounts falling due after more than one year	15	(963,980)		(1,396,221)	
Provisions for liabilities	18	(400,386)		(452,882)	
Net assets		<u>3,057,138</u>		<u>2,508,012</u>	
Capital and reserves					
Called up share capital	22	487,176		487,176	
Revaluation reserve	23	1,175,167		1,175,167	
Capital redemption reserve	23	60,000		60,000	
Profit and loss reserves	23	1,334,795		785,669	
Total equity		<u>3,057,138</u>		<u>2,508,012</u>	

The financial statements were approved by the board of directors and authorised for issue on 01/08/23 and are signed on its behalf by:



.....
Mr J H Gemmell
Director

WALLACE, MCDOWALL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 January 2021	487,176	1,175,167	60,000	914,363	2,636,706
Year ended 31 December 2021:					
Loss and total comprehensive income for the year	-	-	-	(128,694)	(128,694)
Balance at 31 December 2021	487,176	1,175,167	60,000	785,669	2,508,012
Year ended 31 December 2022:					
Profit and total comprehensive income for the year	-	-	-	549,126	549,126
Balance at 31 December 2022	487,176	1,175,167	60,000	1,334,795	3,057,138

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Wallace, McDowall Limited is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Bld 11c Spirit Aerosystems, Tarbolton Road, Monkton, Ayrshire, KA9 2RR.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The financial statements of the company are consolidated in the financial statements of The Wallace Steel Group Limited. These consolidated financial statements are available from its registered office, C/O Gssl The Mill Lane, Mill Lane Industrial Estate, Glenfield, United Kingdom, LE3 8DX.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover represents amounts receivable for the sale of goods and services of sub-contract machining and sheet metal work, exclusive of VAT and trade discounts.

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	7.5% - 50% straight line
Motor vehicles	8% - 12.5% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade, other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

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

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure, including income under the UK Government's Coronavirus Job Retention Scheme, are released to the profit and loss account as the related expenditure is incurred.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

	2022 £	2021 £
Other revenue		
Grant income	75,500	182,558
	<u>75,500</u>	<u>182,558</u>
	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	11,610,903	10,007,519
Europe	1,318,726	1,127,237
USA	591,155	478,966
Rest of world	47,098	56,304
	<u>13,567,882</u>	<u>11,670,026</u>

During the year the company received support from the government under the Coronavirus Job Retention Scheme of £nil (2021: £34,558). The scheme provides for the reimbursement of wages for employees who were placed on furlough leave.

Under the scheme the company applied for the reimbursement of up to 80% of employees' wage costs up to £2,500 per wages payable from 1 March 2020. The scheme was accessed by designating affected employees as furloughed or retained on paid leave of absence, notifying employees of these changes, submitting information about these employees and their earnings to HMRC.

4 Employees

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

	2022 Number	2021 Number
Production	152	147
Administration	8	8
Technical	4	6
Selling/purchasing	6	8
	<u>170</u>	<u>169</u>
Total	<u>170</u>	<u>169</u>

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees (Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	4,385,936	3,978,969
Social security costs	371,731	339,693
Pension costs	96,397	94,800
	<u>4,854,064</u>	<u>4,413,462</u>

5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	249,093	256,591
Company pension contributions to defined contribution schemes	27,147	29,409
	<u>276,240</u>	<u>286,000</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	82,115	80,000
Company pension contributions to defined contribution schemes	9,045	8,000
	<u></u>	<u></u>

6 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(13,072)	(5,832)
Government grants	(75,500)	(182,558)
Fees payable to the company's auditor for the audit of the company's financial statements	23,500	20,000
Depreciation of owned tangible fixed assets	44,292	56,089
Depreciation of tangible fixed assets held under finance leases	288,962	297,347
Profit on disposal of tangible fixed assets	(6,983)	-
Operating lease charges	<u>265,686</u>	<u>253,588</u>

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

7 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and loans	100,579	55,793
Interest on finance leases and hire purchase contracts	100,765	94,179
	<u>201,344</u>	<u>149,972</u>

8 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	104,126	-
Adjustments in respect of prior periods	(154,235)	(93,463)
Total current tax	<u>(50,109)</u>	<u>(93,463)</u>
Deferred tax		
Origination and reversal of timing differences	(36,010)	(12,209)
Changes in tax rates	-	111,622
Adjustment in respect of prior periods	(16,486)	47,315
Total deferred tax	<u>(52,496)</u>	<u>146,728</u>
Total tax (credit)/charge	<u>(102,605)</u>	<u>53,265</u>

The total tax (credit)/charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2022	2021
	£	£
Profit/(loss) before taxation	<u>446,521</u>	<u>(75,429)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	84,839	(14,332)
Tax effect of expenses that are not deductible in determining taxable profit	-	1,491
Adjustments in respect of prior years	(154,235)	(93,463)
Effect of change in corporation tax rate	(8,642)	108,692
Group relief	(3,868)	5,000
Permanent capital allowances in excess of depreciation	(4,213)	(1,457)
Other permanent differences	-	19
Deferred tax adjustments in respect of prior years	(16,486)	47,315
Taxation (credit)/charge for the year	<u>(102,605)</u>	<u>53,265</u>

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2022	7,733,943	409,778	8,143,721
Additions	73,911	-	73,911
Disposals	(6,150)	(118,211)	(124,361)
At 31 December 2022	7,801,704	291,567	8,093,271
Depreciation and impairment			
At 1 January 2022	5,145,666	177,443	5,323,109
Depreciation charged in the year	309,244	24,010	333,254
Eliminated in respect of disposals	(6,150)	(63,420)	(69,570)
At 31 December 2022	5,448,760	138,033	5,586,793
Carrying amount			
At 31 December 2022	2,352,944	153,534	2,506,478
At 31 December 2021	2,588,277	232,335	2,820,612

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2022 £	2021 £
Plant and machinery	2,170,793	2,465,906

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2022 £	2021 £
Cost	7,145,163	7,219,665
Accumulated depreciation	(6,282,648)	(6,019,289)
Carrying value	862,515	1,200,376

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	11	100	100
Unlisted investments		250,000	250,000
		<u>250,100</u>	<u>250,100</u>

Movements in fixed asset investments

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost or valuation			
At 1 January 2022 & 31 December 2022	<u>100</u>	<u>250,000</u>	<u>250,100</u>
Carrying amount			
At 31 December 2022	<u>100</u>	<u>250,000</u>	<u>250,100</u>
At 31 December 2021	<u>100</u>	<u>250,000</u>	<u>250,100</u>

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
SPS (Ayr) Limited	Bld 11c Spirit Aerosystems, Tarbolton Road, Monkton, Ayrshire, KA9 2RR, Scotland	Non-trading	Ordinary	100.00

12 Stocks

	2022 £	2021 £
Raw materials and consumables	222,321	532,788
Work in progress	421,419	794,012
	<u>643,740</u>	<u>1,326,800</u>

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	2,611,207	2,253,828
Amounts owed by group undertakings	2,701,701	2,225,101
Other debtors	268,021	271,600
Prepayments and accrued income	343,157	489,029
	<u>5,924,086</u>	<u>5,239,558</u>

14 Creditors: amounts falling due within one year

	Notes	2022	2021
		£	£
Obligations under finance leases	17	294,813	278,600
Other borrowings	16	116,665	-
Trade creditors		1,175,665	1,616,080
Corporation tax		17,391	-
Other taxation and social security		439,844	537,123
Government grants	20	2,671	75,500
Other creditors		2,857,543	2,715,738
Accruals and deferred income		546,644	275,391
		<u>5,451,236</u>	<u>5,498,432</u>

Advances arising from the company's debt financing arrangements of £2.1m are included within other creditors (2021: £2.0m). The advances are secured over certain of the company's assets by a floating charge that contains a negative pledge.

15 Creditors: amounts falling due after more than one year

	Notes	2022	2021
		£	£
Obligations under finance leases	17	648,700	951,883
Other borrowings	16	315,280	441,667
Government grants	20	-	2,671
		<u>963,980</u>	<u>1,396,221</u>

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

16 Borrowings

	2022 £	2021 £
Other loans	431,945	441,667
Payable within one year	116,665	-
Payable after one year	315,280	441,667

Other loans of £431,945 (2021: £441,667) represents amounts payable under the UK government's Coronavirus Business Interruption Loan Scheme (CBILS).

17 Finance lease obligations

	2022 £	2021 £
Future minimum lease payments due under finance leases:		
Less than one year	293,193	278,600
Between one and five years	650,320	951,883
	943,513	1,230,483

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets.

Certain finance lease obligations are secured upon the assets to which the finance relates.

18 Provisions for liabilities

	Notes	2022 £	2021 £
Deferred tax liabilities	19	400,386	452,882

19 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	442,157	466,428
Tax losses	-	(7,629)
Short term timing differences	(41,771)	(5,917)
	400,386	452,882

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

19 Deferred taxation (Continued)

	2022 £
Movements in the year:	
Liability at 1 January 2022	452,882
Credit to profit or loss	(52,496)
Liability at 31 December 2022	<u>400,386</u>

20 Government grants

	2022 £	2021 £
Arising from government grants	<u>2,671</u>	<u>78,171</u>
Deferred income is included in the financial statements as follows:		
Current liabilities	2,671	75,500
Non-current liabilities	-	2,671
	<u>2,671</u>	<u>78,171</u>

21 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>96,397</u>	<u>94,800</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	320,000	320,000	320,000	320,000
Deferred ordinary shares of £1 each	167,176	167,176	167,176	167,176
	<u>487,176</u>	<u>487,176</u>	<u>487,176</u>	<u>487,176</u>

WALLACE, MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

23 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of plant, machinery and motor vehicles.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

24 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	265,683	253,584

25 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Rent paid 2022 £	2021 £
Entities under common control	203,703	191,604

26 Ultimate parent company

The company's parent company is The Wallace Steel Group Limited, which is registered in England.

The smallest and largest group for which group financial statements are drawn up and of which the company is a member is The Wallace Steel Group Limited. Its registered office and the address from which group financial statements can be obtained is C/O Gssl The Mill Lane, Mill Lane Industrial Estate, Glenfield, United Kingdom, LE3 8DX.