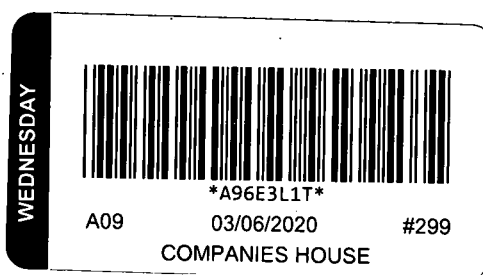


REGISTERED NUMBER: 06792266 (England and Wales)

**ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2018 TO 29 JUNE 2019
FOR
COOK DEFENCE SYSTEMS LIMITED**



**CONTENTS OF THE FINANCIAL STATEMENTS
for the Period 1 July 2018 to 29 June 2019**

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COOK DEFENCE SYSTEMS LIMITED

COMPANY INFORMATION
for the Period 1 July 2018 to 29 June 2019

DIRECTORS:	W J Cook C D Seymour
SECRETARY:	M K Hodgson FCA
REGISTERED OFFICE:	Parkway Avenue Sheffield South Yorkshire S9 4UL
REGISTERED NUMBER:	06792266 (England and Wales)
INDEPENDENT AUDITOR:	Mazars LLP Chartered Accountants and Statutory Auditor 5th Floor, 3 Wellington Place Leeds LS1 4AP
BANKERS:	The Royal Bank of Scotland plc 2 Whitehall Quay Leeds LS1 4HR
SOLICITORS:	Gordons LLP Riverside West Whitehall Road Leeds LS1 4AW

STRATEGIC REPORT
for the Period 1 July 2018 to 29 June 2019

The directors present their strategic report for the period 1 July 2018 to 29 June 2019.

REVIEW OF BUSINESS

The operating performance during the period has been good, with a marked improvement in both turnover and operating profit.

Turnover increased to £25,046,260 in the period ended 29 June 2019 from £18,227,774 in the period ended 30 June 2018. An increase of 37%.

Gross profit was £6,995,317 in 2019 compared with £6,246,833 in 2018. The gross profit margin was 27.9% (2018: 34.3%). Normal operating expenses were £3,668,497 compared with £3,317,080 in the prior period.

The profit for the financial period amounted to £2,893,015 (2018: £2,380,241).

Balance sheet

The directors present financial statements showing shareholder's funds of £13,491,382 as at 29 June 2019 compared to £13,598,367 as at 30 June 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The most significant risks to the company's profitability are:

- Increased costs of raw materials and energy
- Increased statutory regulation, e.g. health and safety, environment
- Reduced demand from the company's main markets
- Any impediments to access to the Single European Market

The board has strategies to manage these risks and remains confident of the continued success of the company.

ON BEHALF OF THE BOARD:



M K Hodgson FCA - Secretary

Date: 8 April 2020

DIRECTORS' REPORT
for the Period 1 July 2018 to 29 June 2019

The directors present their report with the financial statements of the company for the period 1 July 2018 to 29 June 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of the design, sale and distribution of military vehicle track systems.

DIVIDENDS

An interim dividend for the period ended 29 June 2019 was paid to the sole shareholder on 4 April 2019 in the sum of £3 million (period ended 30 June 2018: £2 million).

FUTURE DEVELOPMENTS

Despite setbacks in other economic areas, the global defence sector remains robust and the position of the Company as the leading independent designer and supplier of armoured vehicle tracks in the world positions it perfectly to take full advantage of this.

Investment is being made in order to develop new products and improve the operational performance of those products currently being manufactured.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2018 to the date of this report.

W J Cook

C D Seymour

DIRECTORS' INDEMNITY PROVISIONS

The directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

DIRECTORS' REPORT
for the Period 1 July 2018 to 29 June 2019

WITHDRAWAL OF THE UK FROM THE EU

The directors have considered the potential impact of Brexit on the following key areas of the Company's business: the potential loss of staff, loss of customers and disruption to the supply chain.

The Company is not considered to be significantly exposed to risk of the loss of key staff as very few employees are EU nationals.

The Company generates a significant amount of business with customers based in the EU and as a result, the directors are conscious of the Company's exposure as a result of Brexit. £5,459,000 of current year and £1,944,000 of prior year turnover was generated from customers based in the EU and depending on the terms of any Brexit deal this business may be at risk. However, as the end customer for the majority of this business is based in the UK it is not considered a major risk. The directors continue to engage constructively with our EU trading partners throughout the Brexit process and are confident that these relationships can be maintained.

The Company is reliant upon suppliers based in the EU, but is developing secondary suppliers in the UK and elsewhere outside the EU in order to mitigate the risks arising from Brexit.

Whilst Brexit is not expected to have a significant impact on the business for the reasons set out above, the terms of Brexit remain uncertain, so it is not currently possible to analyse all the potential implications to the Company's activities. The directors will continue to monitor the situation and adapt their plans appropriately to minimise disruption.

THE IMPACT OF UNCERTAINTIES DUE TO THE COVID-19 CORONAVIRUS

Although the full impact of the current Covid-19 coronavirus pandemic is not clear it is having a significant detrimental impact on the overall economy. The directors expect this detrimental impact to be short lived and this will we hope, be followed by a gradual recovery. However, it is not currently possible to evaluate all of the potential implications to the Company and the Group's trade, customers, suppliers, and the wider economy. Given the Group had significant cash of over £19m, net current assets of over £13m and no external debt beyond related parties as at 29 June 2019 and this broadly remains the case today, the directors consider the Group and Company are well placed to manage the risks associated with, and detrimental impact of, Covid-19 coronavirus. The directors will also continue to maintain close relationships and dialogue with customers and suppliers as the situation develops. The directors therefore continue to adopt the going concern basis of accounting in preparation of the annual financial statements and do not consider there to be a material non-adjusting post balance sheet event.

EMPLOYEES

It is the policy of the Group to employ disabled persons wherever circumstances permit and provide normal opportunities for their training, promotion and career developments.

The company considers it important that employees are well informed on all aspects of its affairs as far as the needs of communication and financial confidentiality will allow.

GOING CONCERN

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DIRECTORS' REPORT
for the Period 1 July 2018 to 29 June 2019

AUDITOR

KPMG LLP resigned as auditor on 15 July 2019 and Mazars LLP was appointed on the same day to fill this vacancy.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue in office.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'M K Hodgson', written in a cursive style.

M K Hodgson FCA - Secretary

Date: 8 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the Period 1 July 2018 to 29 June 2019

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 period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOK DEFENCE SYSTEMS LIMITED

Opinion

We have audited the financial statements of Cook Defence Systems Limited (the 'company') for the period ended 29 June 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 pandemic, the consideration given to the going concern basis of preparation of the financial statements and of non-adjusting post balance sheet events in the Directors' Report on page 4.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

Going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOK DEFENCE SYSTEMS LIMITED

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Statement of Directors' Responsibilities set out on page six, 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 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.

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
COOK DEFENCE SYSTEMS LIMITED**

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.

Shaun Mullins (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants
and Statutory Auditor
5th Floor, 3 Wellington Place
Leeds
LS1 4AP

Date: 14 April 2020

COOK DEFENCE SYSTEMS LIMITED (REGISTERED NUMBER: 06792266)

**INCOME STATEMENT
for the Period 1 July 2018 to 29 June 2019**

	Notes	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
TURNOVER	4	25,046,260	18,227,774
Cost of sales		<u>(18,050,943)</u>	<u>(11,980,941)</u>
GROSS PROFIT		6,995,317	6,246,833
Distribution costs		-	(21)
Administrative expenses		<u>(3,668,497)</u>	<u>(3,317,059)</u>
OPERATING PROFIT	7	3,326,820	2,929,753
Interest receivable and similar income		<u>59,758</u>	<u>64,736</u>
PROFIT BEFORE TAXATION		3,386,578	2,994,489
Tax on profit	8	<u>(493,563)</u>	<u>(614,248)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u><u>2,893,015</u></u>	<u><u>2,380,241</u></u>

The notes on pages 14 to 22 form part of these financial statements

COOK DEFENCE SYSTEMS LIMITED (REGISTERED NUMBER: 06792266)

OTHER COMPREHENSIVE INCOME
for the Period 1 July 2018 to 29 June 2019

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
Notes		
PROFIT FOR THE PERIOD	2,893,015	2,380,241
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>2,893,015</u>	<u>2,380,241</u>

The notes on pages 14 to 22 form part of these financial statements

COOK DEFENCE SYSTEMS LIMITED (REGISTERED NUMBER: 06792266)

BALANCE SHEET
29 June 2019

	Notes	29.6.19 £	30.6.18 £
FIXED ASSETS			
Intangible assets	10	7,695,000	7,923,000
Tangible assets	11	<u>432,488</u>	<u>529,003</u>
		<u>8,127,488</u>	<u>8,452,003</u>
CURRENT ASSETS			
Stocks	12	477,522	20,734
Debtors	13	5,169,669	4,156,487
Cash at bank and in hand		<u>11,170,317</u>	<u>11,052,158</u>
		16,817,508	15,229,379
CREDITORS			
Amounts falling due within one year	14	<u>(11,432,994)</u>	<u>(10,012,768)</u>
NET CURRENT ASSETS		<u>5,384,514</u>	<u>5,216,611</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,512,002	13,668,614
PROVISIONS FOR LIABILITIES	16	<u>(20,620)</u>	<u>(70,247)</u>
NET ASSETS		<u>13,491,382</u>	<u>13,598,367</u>
CAPITAL AND RESERVES			
Called up share capital	17	9,120,001	9,120,001
Retained earnings	18	<u>4,371,381</u>	<u>4,478,366</u>
SHAREHOLDERS' FUNDS		<u>13,491,382</u>	<u>13,598,367</u>

The financial statements were approved by the Board of Directors on 8 April 2020 and were signed on its behalf by:



C D Seymour - Director

The notes on pages 14 to 22 form part of these financial statements

COOK DEFENCE SYSTEMS LIMITED (REGISTERED NUMBER: 06792266)

**STATEMENT OF CHANGES IN EQUITY
for the Period 1 July 2018 to 29 June 2019**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 2 July 2017	9,120,001	4,098,125	13,218,126
Changes in equity			
Dividends	-	(2,000,000)	(2,000,000)
Total comprehensive income	-	2,380,241	2,380,241
Balance at 30 June 2018	<u>9,120,001</u>	<u>4,478,366</u>	<u>13,598,367</u>
Changes in equity			
Dividends	-	(3,000,000)	(3,000,000)
Total comprehensive income	-	2,893,015	2,893,015
Balance at 29 June 2019	<u><u>9,120,001</u></u>	<u><u>4,371,381</u></u>	<u><u>13,491,382</u></u>

The notes on pages 14 to 22 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the Period 1 July 2018 to 29 June 2019

1. STATUTORY INFORMATION

Cook Defence Systems Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards. Under Company law, the Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. As part of its normal business practice, budgets, cash flow forecasts and longer term financial projections are prepared and in reviewing this information, the Directors are satisfied that the Company have adequate resources to enable them to continue in business for the foreseeable future. The Directors have therefore adopted the going concern basis in the preparation of the financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

The impact of uncertainties due to the covid-19 coronavirus

Although the full impact of the current Covid-19 coronavirus pandemic is not clear it is having a significant detrimental impact on the overall economy. The directors expect this detrimental impact to be short lived and this will we hope, be followed by a gradual recovery. However, it is not currently possible to evaluate all of the potential implications to the Company and the Group's trade, customers, suppliers, and the wider economy. Given the Group had significant cash of over £19m, net current assets of over £13m and no external debt beyond related parties as at 29 June 2019 and this broadly remains the case today, the directors consider the Group and Company are well placed to manage the risks associated with, and detrimental impact of, Covid-19 coronavirus. The directors will also continue to maintain close relationships and dialogue with customers and suppliers as the situation develops. The directors therefore continue to adopt the going concern basis of accounting in preparation of the annual financial statements and do not consider there to be a material non-adjusting post balance sheet event.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Goodwill and intangible assets

Goodwill and intangible assets, being the amount paid for a business in 2012 and comprising goodwill and intellectual property, are capitalised at cost and amortised by equal instalments over their estimated useful economic life of 40 years.

The goodwill and intellectual property relate to the business of the sale and marketing of track systems and related products for armoured fighting vehicles. The directors believe that they have a reasonable expectation that the lifespan of these track systems and related products will be at least 40 years based on past experience and expectations of the future development of armoured vehicles and their associated track systems. Accordingly, an estimated useful economic life of 40 years has been adopted, and these intangible assets and goodwill are subject to annual impairment reviews.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives as follows:

Plant and machinery	- 10% on cost
Fixtures and fittings	- 33% on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33% on cost

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined, which is the higher of its fair value less costs to sell, and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The company participates in an active defined contribution group personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying the Group and Company's accounting policies

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

Useful economic life of goodwill

The directors have assessed that the goodwill related to historic acquisitions has a useful economic life of 40 years.

Key sources of estimation uncertainty

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

Valuation of stock

The company is exposed to risk of stock being valued above its net realisable value. Provisions are recorded, where appropriate, to reduce the value of stocks to their net realisable value as determined by estimates of selling prices.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
United Kingdom	14,215,287	13,433,078
Continental Europe	5,458,803	1,944,158
Rest of world	<u>5,372,170</u>	<u>2,850,538</u>
	<u>25,046,260</u>	<u>18,227,774</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

5. EMPLOYEES AND DIRECTORS

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
Wages and salaries	256,352	268,253
Social security costs	27,655	29,039
Other pension costs	8,733	8,400
	<u>292,740</u>	<u>305,692</u>

The average number of employees during the period was as follows:

	Period 1.7.18 to 29.6.19	Period 2.7.17 to 30.6.18
Sales and administration	<u>6</u>	<u>6</u>

6. DIRECTORS' EMOLUMENTS

The emoluments of the directors of the Group and the Company are borne entirely by other group companies and disclosed in the financial statements of those companies.

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
Other operating leases	74,842	30,598
Depreciation - owned assets	223,757	154,667
Goodwill and intellectual property amortisation	228,000	228,000
Auditor's remuneration for the audit of the company's financial statements	5,000	6,000
Auditor's remuneration for taxation compliance services	-	5,215
Foreign exchange differences	(1,770)	-
Research and development	<u>62,547</u>	<u>125,366</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

8. TAXATION

Analysis of the tax charge

The tax charge on the profit for the period was as follows:

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
Current tax:		
UK corporation tax	699,694	579,667
Adjustment in respect of prior period	<u>(156,504)</u>	<u>482</u>
Total current tax	<u>543,190</u>	<u>580,149</u>
Deferred tax:		
Current period	(13,630)	27,979
Adjustments relating to prior period	<u>(35,997)</u>	<u>6,120</u>
Total deferred tax	<u>(49,627)</u>	<u>34,099</u>
Tax on profit	<u>493,563</u>	<u>614,248</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
Profit before tax	<u>3,386,578</u>	<u>2,994,489</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	643,450	568,953
Effects of:		
Expenses not deductible for tax purposes	41,010	41,984
Adjustments to tax charge in respect of previous periods	(192,501)	6,603
Difference between deferred tax and corporation tax rates	<u>1,604</u>	<u>(3,292)</u>
Total tax charge	<u>493,563</u>	<u>614,248</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

9. DIVIDENDS

	Period 1.7.18 to 29.6.19 £	Period 2.7.17 to 30.6.18 £
Ordinary shares of £1 each		
Interim dividend for the current financial period	<u>3,000,000</u>	<u>2,000,000</u>

10. INTANGIBLE FIXED ASSETS

	Goodwill and intellectual property £
COST	
At 1 July 2018 and 29 June 2019	<u>9,120,000</u>
AMORTISATION	
At 1 July 2018	1,197,000
Amortisation for period	<u>228,000</u>
At 29 June 2019	<u>1,425,000</u>
NET BOOK VALUE	
At 29 June 2019	<u>7,695,000</u>
At 30 June 2018	<u>7,923,000</u>

Goodwill and intellectual property relate to the acquisition of a business on 30 November 2012. The assets acquired comprise of goodwill of £2,780,000 and intellectual property of £6,340,000, which relates to patents, design rights and know-how.

In the opinion of the directors, following a review, there were no indicators of impairment at 29 June 2019.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

11. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 July 2018	816,364	5,685	12,715	7,627	842,391
Additions	<u>127,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,242</u>
At 29 June 2019	<u>943,606</u>	<u>5,685</u>	<u>12,715</u>	<u>7,627</u>	<u>969,633</u>
DEPRECIATION					
At 1 July 2018	287,361	5,685	12,715	7,627	313,388
Charge for period	<u>223,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,757</u>
At 29 June 2019	<u>511,118</u>	<u>5,685</u>	<u>12,715</u>	<u>7,627</u>	<u>537,145</u>
NET BOOK VALUE					
At 29 June 2019	<u>432,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432,488</u>
At 30 June 2018	<u>529,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,003</u>

12. STOCKS

	29.6.19	30.6.18
	£	£
Raw materials and consumables	13,152	20,734
Finished goods and goods for resale	<u>464,370</u>	<u>-</u>
	<u>477,522</u>	<u>20,734</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29.6.19	30.6.18
	£	£
Trade debtors	3,603,854	3,310,184
Amounts owed by group undertakings	944,197	555,693
VAT	278,327	134,391
Prepayments and accrued income	<u>343,291</u>	<u>156,219</u>
	<u>5,169,669</u>	<u>4,156,487</u>

Amounts owed by group undertakings are repayable on demand and are interest free.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29.6.19	30.6.18
	£	£
Trade creditors	62,560	378,548
Amounts owed to group undertakings	1,975,466	629,728
Corporation tax	543,190	580,360
Social security and other taxes	7,493	7,387
Other creditors	(3,536)	(3,040)
Accrued expenses and deferred income	<u>8,847,821</u>	<u>8,419,785</u>
	<u>11,432,994</u>	<u>10,012,768</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Amounts owed to group undertakings are repayable on demand and are interest free.

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	29.6.19	30.6.18
	£	£
Within one year	6,273	6,273
Between one and five years	<u>10,456</u>	<u>16,729</u>
	<u>16,729</u>	<u>23,002</u>

16. PROVISIONS FOR LIABILITIES

	29.6.19	30.6.18
	£	£
Deferred tax	<u>20,620</u>	<u>70,247</u>

	Deferred tax £
Balance at 1 July 2018	70,247
Credit to Income Statement during period	<u>(49,627)</u>
Balance at 29 June 2019	<u>20,620</u>

The elements of deferred taxation are as follows:

	29.6.19	30.6.18
	£	£
Difference between accumulated depreciation and capital allowances	<u>20,620</u>	<u>70,247</u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	29.6.19	30.6.18
			£	£
9,120,001	Ordinary	£1	<u>9,120,001</u>	<u>9,120,001</u>

18. RESERVES

	Retained earnings £
At 1 July 2018	4,478,366
Profit for the period	2,893,015
Dividends	<u>(3,000,000)</u>
At 29 June 2019	<u>4,371,381</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Period 1 July 2018 to 29 June 2019

19. PENSION COMMITMENTS

The company makes contributions to a group personal pension scheme.

The assets of the defined contribution pension scheme are held separately from those of the company, in an independently administered fund. The company's contribution to the scheme for the period was £8,733 (2018: £8,400).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

20. ULTIMATE PARENT COMPANY

The ultimate holding company is William Cook Holdings Limited a company registered in England and Wales.

21. CONTINGENT LIABILITIES

Group contingent liabilities relating to guarantees, performance bonds and other items of a normal trading nature amounted to £1,185,000 (2018: £1,314,000).

Cook Defence Systems Limited has given guarantees in respect of bank indebtedness of fellow group undertakings, which amounted to £5,302,000 (2018: £7,139,000).

22. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

23. POST BALANCE SHEET EVENTS

After the year end dividends totalling £5m were declared.

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group and Company is considered to be Sir Andrew Cook CBE.