William Cook Holdings Limited

Directors' report and financial statements

Registered number 3283010

For the year ended 1 July 2017

Contents

Directors and advisers

Board of Directors

Sir Andrew Cook CBE
William James Cook
Christopher Seymour

Company Secretary

Michael Hodgson FCA

Registered Office

Parkway Avenue
Sheffield
S9 4UL

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Bankers

The Royal Bank of Scotland plc
3rd Floor
2 Whitehall Quay
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Chairman's Report

Although the loss for 2017 is disappointing, it should more properly be regarded as an investment in the future. Let me explain.

In the year ending March 2013 the group made excellent profits of £10 million on sales of £80 million. Then, in the subsequent 4 years a market collapse occurred of a magnitude and intensity greater than I have ever experienced in my 38 years as Chairman of William Cook.

The main reasons for this were, firstly, a slump in demand for components for the oil and gas industry following the sharp and now-embedded fall in oil prices in 2014. This was exacerbated by the transfer, mainly to the Far East, of all business by the Caterpillar Tractor company, which had once accounted for approaching £20 million of the Group's annual sales and was still a significant contributor to the Stanhope and Leeds activities. Secondly, the expected upturn in the Group's Rail business did not materialise. The British government's decision to order new trains from suppliers in Japan, Switzerland and Spain, all of which had well-established domestic supply chains, failed to produce any new business for William Cook. Strenuous efforts were made by me in person to interest the builders of the new trains in our products and services, but in the absence of any stipulations from the Department of Transport about UK content these were ultimately unsuccessful. Thirdly, chronic over-capacity on the supply side resulted in ruinous price competition in which all sense and sanity was abandoned. Lastly, a spate of retirements and resignations at senior management level created a management vaccuum which has taken a long time to fill satisfactorily.

In the course of this very difficult period, huge expenditure and effort was made to restructure the Leeds and Sheffield operations to fit them to the new market conditions. The Precision factory at Halfway, Sheffield was closed and its activities moved to a refurbished and modernised factory on the Parkway, Sheffield, site. The cost of this in capital expenditure, redundancy costs, moving expenses and attendant disruption approached £10 million. At Leeds, the closure of a key sub-contractor, coupled with our strategy to move exclusively into the high value-added, high-specification products demanded by the rail industry, required a major investment of over £6 million in machine tools and attendant facilities. Adding the inevitable redundancy and downsizing losses, Leeds too has absorbed some £10 million in the recent past. At Stanhope, some £5 million was spent on restructuring and re-equipping with the the latest machinery. That these huge investments have been possible at all without the group incurring any external debt is a testimony to its continuing financial strength.

It is indeed a credit to the Defence business based at Stanhope that it continued to be satisfactorily profitable, albeit on significantly reduced sales and despite major difficulties with a large export contract. Inevitably, the combination of restructuring and market conditions was too much for the Leeds-based Rail business and the Sheffield-based Industrial business to remain profitable, and significant losses were incurred.

However, I am glad to say that the position has now stabilised. A sensible Managing Director with a strong financial background has taken over day-to-day control of the Group, and I myself am once again keeping a careful eye on all its activities. The current financial year will show a marked improvement over 2017, although we have a long way to go before we return to the once-normal situation when all William Cook businesses could be relied upon to make consistently satisfactory profits.

In conclusion, I call to mind Joseph Conrad's 'Typhoon'. The ship sails into a hurricane of immense severity. The captain knows there is no alternative but to continue on course. Eventually, battered and bent, the ship emerges from the storm. This resonates with my own maxim 'Persistence and Determination are Omnipotent', and I expect to report better news next year.

Parkway Avenue
Sheffield
S9 4UL

Sir Andrew Cook
Chairman

29 March 2018

Strategic Report

Principal activities

The Group's principal activity during the period was the design and manufacture of engineering components and assemblies primarily comprising steel castings. The parent company continues to act as a holding company.

Business review and results

The operating performance during the period remains disappointing. The global trading environment remains particularly difficult and has caused a decrease in both sales and profitability compared with the previous year.

Group turnover decreased from £51,737,000 in the year ended 2 July 2016 to £41,128,000 in the year ended 1 July 2017.

Gross profit was £6,636,000 in the year ended 1 July 2017 against £13,120,000 in the year ended 2 July 2016. The gross profit margin in the current year was 16.1% compared with 25.3% achieved in the prior period.

Overheads, excluding exceptional items, were £8,610,000 in the current period, compared with £8,886,000 in the year ended 2 July 2016.

The operating loss for the year was £3,728,000 compared with an operating profit of £3,408,000 in the prior period.

The loss before taxation for the year was £5,834,000 compared with a profit before tax of £1,768,000 in the prior period, and is after provision for impairment of fixed assets relating to non-core activities in the sum of £2,014,000 (2016: £1,572,000).

In contrast to the other business sectors, the defence business continues to remain robust with a strong forward order book.

There was a cash outflow from operating activities of £1,984,000 in the year ended 1 July 2017 compared with £17,086,000 (inflow) in the prior year. The prior year's cash flows benefit from an advance payment against an ongoing contract.

Balance sheet

Consolidated shareholders' funds are £51,042,000 at 1 July 2017 compared to £56,485,000 at 2 July 2016.

Key performance indicators

Group management monitors the performance of the operations compared to budget and forecast.

KPIs monitored daily are:

- Production volume and value
- Sales volume and value
- Plant availability (production downtime)
- Quality (scrap and rework)
- Order intake

Strategic report *(continued)*

Key Performance Indicators (KPIs) *(continued)*

KPIs monitored weekly and monthly are the above plus:

- Profit and cash generation
- Man hours per tonne
- Labour cost per tonne
- Overtime and absenteeism
- Health and safety (accidents per 100,000 hours)
- Delivery performance
- Forward order outlook

Principal risks and uncertainties

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

- Bad management
- Collapsed mineral prices
- Structural changes in principal markets
- Hostile trade union interference
- Any impediments to access to the Single European Market
- Chronic excess capacity in the industry causing below cost pricing.

Financial risk management policies and objectives

Exposure to credit and currency risk arises in the normal course of the Group's business. The Group manages financial risk within its general risk management philosophy and framework.

No significant financial instruments were traded by the Group in the period *(2016: none)*.

Credit risk

The Group has credit management policies in place and exposure to credit risk is monitored. Investment of surplus cash balances is only in short term deposits.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet and the related risk for trade debtors is spread over many customers.

Interest rate risk

The Group's debt comprises fixed rate shareholder pension fund loans, and fixed rate shareholder loan stock. The Group may use interest rate swaps to manage interest rates wherever there is a perceived foreseeable long term cash benefit available. No swaps were used during the period *(2016: none)*.

Currency risk

The Group maintains a policy of utilising forward foreign exchange contracts when considered appropriate to eliminate currency risk.

Strategic report *(continued)*

Future developments

The directors remain confident about the long-term prospects for the Group. Great effort is being made to focus on stable or growing markets attracting high added value and with a correspondingly lower casting content. Substantial capital investment continues to be made to improve efficiency and cut costs.

At the year end the international economic environment remained uncertain and another challenging year is envisaged for 2018. Notwithstanding this, the directors believe the Group to have turned the corner by the end of the 2017 calendar year, and for sales and profits to be once again rising towards historic levels.

By order of the board

Christopher Seymour
Director

Parkway Avenue
Sheffield
S9 4UL

29 March 2018

Directors' report

The directors submit their report and the audited accounts For the year ended 1 July 2017.

Financial assets

The Group's financial assets as at 1 July 2017 included interest bearing cash balances of £16,577,000 *(2016: £22,251,000)*.

There was no difference between the carrying value and the fair value of financial assets as at the period end *(2016: no difference)*.

Financial liabilities

The Group's financial liabilities as at 1 July 2017 comprised other loans of £1,800,000 *(2016: £2,400,000)* and shareholder loan stock of £3,450,000 *(2016: £3,450,000)*.

There was no difference between the carrying value and the fair value of financial liabilities as at the period end *(2016: no difference)*.

Dividends

No dividends were paid in the current period and the directors recommend that no final dividend be paid.

Directors

Sir Andrew Cook CBE held office during the whole of the period from 3 July 2016 to the date of this report.

Changes in directors holding office are as follows:

Christopher Seymour was appointed a director on 1 September 2016.

Sir Andrew Cook holds 37,624,720 *(2016: 37,624,720)* ordinary shares in the company at the end of the period, including those shares held by his family trusts and pension scheme.

None of the directors had any interest in the shares of other Group companies.

Directors' report *(continued)*

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 development. The Group's policy includes, where practicable, the continued employment of those who may become disabled during their employment.

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

Payments to suppliers

For all trade creditors it is the Group's policy to agree the terms of payment at the start of business with that supplier. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Political and charitable donations

During the period, the Group made political donations of £31,701 *(2016: £397,000)* and charitable donations amounting to £10,050 *(2016: £9,700)*.

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.

Disclosure of information to auditor

The directors who hold office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor of the company will be proposed at the forthcoming Annual General Meeting.

By order of the board

Christopher Seymour
Director

Parkway Avenue
Sheffield
S9 4UL

29 March 2018

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 they have elected to prepare the group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

KPMG

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Independent auditor's report to the members of William Cook Holdings Limited

Opinion

We have audited the financial statements of William Cook Holdings Limited ("the company") for the year ended 1 July 2017 which comprise the Consolidated Profit and loss Account, Balance Sheets, Consolidated Cash Flow Statement, Group and Company Statements of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 1 July 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

Independent auditor's report to the members of William Cook Holdings Limited
(continued)

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

M D Wilcox

Matthew Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

29 March 2018

Consolidated profit and loss account

For the year ended 1 July 2017

	Notes	1 July 2017 £000	2 July 2016 £000
	2		
Group turnover	*2*	**41,128**	51,737
Cost of sales		**(34,492)**	(38,617)
Gross profit		**6,636**	13,120
Net operating expenses			
Normal	*3*	**(8,610)**	(8,886)
Exceptional	*3*	**(1,754)**	(826)
		(10,364)	(9,712)
Group operating (loss)/profit		**(3,728)**	3,408
Share of operating result in joint venture	*12*	-	-
		(3,728)	3,408
Political donations		-	(397)
Insurance settlement		**127**	-
Impairment of fixed assets relating to non-core activities		**(2,014)**	(1,572)
Profit on disposal of fixed assets		**88**	670
(Loss)/profit on ordinary activities before interest		**(5,527)**	2,109
Net interest and similar charges payable			
Group	*5*	**(307)**	(341)
Joint Venture	*12*	-	-
(Loss)/Profit on ordinary activities before taxation		**(5,834)**	1,768
Taxation	*7*	**391**	(900)
(Loss)/Profit for the financial period		**(5,443)**	868

The group has no items of other comprehensive income and therefore no separate statement of comprehensive income has been presented.

Notes on pages 15-33 form part of the financial statements.

Balance sheets
at 1 July 2017

	Note	Group		Company	
		July 2017	July 2016	**July 2017**	July 2016
		£000	£000	**£000**	£000
Fixed assets					
Intangible assets	*10*	**6,233**	6,720	-	-
Tangible assets	*11*	**34,863**	37,377	**881**	736
Investment in joint venture					
Share of gross assets		**6**	6	-	-
Share of gross liabilities		**(2,691)**	(2,691)	-	-
	12	**(2,685)**	(2,685)	-	-
Investment in subsidiaries and other investments	*12*	**47**	47	**36,419**	42,124
		(2,638)	(2,638)	**36,419**	42,124
		38,458	41,459	**37,300**	42,860
Current assets					
Stocks	*13*	**5,674**	5,205	-	-
Debtors	*14*	**14,402**	13,428	**10,498**	13,873
Cash at bank and in hand		**16,577**	22,251	**6,990**	8,824
		36,653	40,884	**17,488**	22,697
Creditors: amounts falling due within one year	*15*	**(22,188)**	(23,095)	**(5,792)**	(10,562)
Net current assets		**14,465**	17,789	**11,696**	12,135
Total assets less current liabilities		**52,923**	59,248	**48,996**	54,995
Creditors: amounts falling due after more than one year	*15*	**(1,200)**	(1,800)	**(1,200)**	(1,800)
Provisions for liabilities and charges	*16*	**(681)**	(963)	-	-
Net assets		**51,042**	56,485	**47,796**	53,195
Capital and reserves					
Called up share capital	*17*	**376**	376	**376**	376
Share premium account	*18*	**15,591**	15,591	**15,591**	15,591
Capital redemption reserve	*18*	**1,405**	1,405	**1,405**	1,405
Revaluation reserve	*18*	**2,277**	2,277	-	-
Profit and loss account	*18*	**31,393**	36,836	**30,424**	35,823
Shareholders' funds		**51,042**	56,485	**47,796**	53,195

These financial statements were approved by the board of directors on 29 March 2018 and were signed on its behalf by:

Christopher Seymour
Director

Notes on pages 16-33 form part of the financial statements

Consolidated cash flow statement

For the year ended 1 July 2017

	Note	1 July 2017 £000	1 July 2017 £000	2 July 2016 £000	2 July 2016 £000
Cash flow from operating activities	*23*		**(1,984)**		17,086
Returns on investments and servicing of finance					
Interest received		**26**		69	
Interest paid					
On shareholder loan stock		**-**		-	
On other loans		**(131)**		(160)	
Franked investment income		**9**		3	
Net cash outflow from returns on investments and servicing of financing			**(96)**		(88)
Taxation paid			**(420)**		(118)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(3,484)**		(5,436)	
Purchase of intangible fixed assets		**-**		(91)	
Purchase of own shares		**-**		(10)	
Sales of tangible fixed assets		**910**		1,371	
			(2,574)		(4,166)
Equity dividends paid			**-**		(400)
Net cash outflow before financing			**(5,074)**		12,314
Financing ***(Being repayments of debt and capital)***					
Repayment of borrowings		**(600)**		(600)	
Net cash outflow from financing			**(600)**		(600)
(Decrease)/increase in cash			**(5,674)**		11,714

Reconciliation of net cash flow to movement in net debt

	Note	2017 £000	2016 £000
(Decrease)/Increase in cash		**(5,674)**	11,714
Cash flow from change in debt		**600**	600
Change in net debt resulting from cash flows	*24*	**(5,074)**	12,314
Net funds at 2 July 2016		16,401	4,087
Net funds at 1 July 2017		**11,327**	16,401

Notes on pages 16-33 form part of the financial statements

Group statement of Changes in Equity
For the year ended 1 July 2017

	Called up Share capital	Retained earnings	Capital redemption reserve	Share Premium account	Revaluation reserve	Total equity
	£000	£000	£000	£000	£000	**£000**
Balance at 30 March 2015	377	36,378	1,404	15,591	2,277	56,027
Changes in equity						
Total comprehensive income	-	868	-	-	-	868
Dividends	-	(400)	-	-	-	(400)
Purchase of own shares	(1)	-	1	-	-	-
Cancelled shares	-	(10)				(10)
Balance at 2 July 2016	376	36,836	1,405	15,591	2,277	56,485
Changes in equity						
Total comprehensive income	-	(5,443)	-	-	-	**(5,443)**
Balance at 1 July 2017	376	31,393	1,405	15,591	2,277	**51,042**

Notes on pages 16-33 form part of the financial statements

Company statement of Changes in Equity
For the year ended 1 July 2017

	Called up Share capital	Retained earnings	Capital redemption reserve	Share Premium account	Total equity
	£000	£000	£000	£000	**£000**
Balance at 30 March 2015	377	31,021	1,404	15,591	48,393
Changes in equity					
Total comprehensive income	-	5,212	-	-	**5,212**
Dividends	-	(400)	-	-	**(400)**
Purchase of own shares	(1)	-	1	-	-
Cancelled shares	-	(10)	-	-	**(10)**
Balance at 2 July 2016	376	35,823	1,405	15,591	53,195
Changes in equity					
Total comprehensive income	-	(5,399)	-	-	**(5,399)**
Balance at 1 July 2017	376	30,424	1,405	15,591	**47,796**

Notes on pages 16-33 form part of the financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards. The directors have adopted the going concern basis in the preparation of the financial statements.

Consolidation and goodwill

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings ("subsidiaries"). All financial statements are made up to1 July 2017. At the date of acquisition of a business other than by merger, fair values are attributed to the net assets acquired. Until 28 March 1998 the Group eliminated goodwill from the accounts by immediate write off against reserves. Goodwill is capitalised and written off to the profit and loss account over a period appropriate to each investment but no more than 20 years in accordance with FRS 102 Section 19 'Business combinations and goodwill'. In applying this standard, the Group does not intend to capitalise retrospectively previously written off goodwill.

The Group's share of the profits less losses of joint ventures and associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet. A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. An associate is an undertaking in which the Group has a long term interest and over which it exercises significant influence.

On the disposal or closure of any business acquired, the profit and loss account includes a charge in respect of the goodwill previously written off against reserves on the acquisition of the business.

Turnover

Turnover is the net invoiced value of goods sold and services rendered outside the Group excluding value added tax.

Tangible fixed assets depreciation

Tangible fixed assets are fully depreciated, on cost or valuation less residual value, on a straight line basis, over their estimated useful lives as follows:

Leasehold land and buildings	-	by equal instalments over the life of the lease
Freehold buildings	-	2.5% per annum
Plant and equipment	-	10% - 20% per annum
Motor vehicles	-	25% per annum

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 valueless costs to sell, and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Heritage assets are held at market value. Individual items are periodically valued by an external valuer with any surplus or deficit being reported in the Consolidated Statement of Total Recognised Gains and Losses. These assets (paintings) are deemed to have indeterminate lives and a high residual value, consequently no depreciation is charged.

Notes *(continued)*

1 Accounting policies *(continued)*

Amortisation of intangible fixed assets

Intangible fixed assets are amortised by equal annual instalments over their estimated useful lives as follows:

Yacht berth licence - 4%

Investment properties and land

In accordance with FRS 102 section 16, investment properties and land are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. If deficits are considered permanent these are written off to profit and loss account. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties where the unexpired term of the lease is more than 20 years. These properties are maintained in a state of good repair and, accordingly, the directors consider that the lives of these assets are so long and residual values sufficiently high that any depreciation charge to the profit and loss account would be insignificant.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102 section 16. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

Intangible fixed assets and amortisation

Intangible fixed assets being the amount paid for Customer Relationships and purchased in 2007 are capitalised at cost and amortised by equal instalments over their estimated useful economic life of 20 years. These intangible assets are subject to annual impairment reviews.

Stocks

Stocks are stated at the lower of cost and net realisable value using the first in/first out method. Cost comprises the direct costs of production and the attributable proportion of all overheads appropriate to location and condition. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising on translation and on the conversion of ordinary foreign currency transactions during the period are dealt with as part of the profit on ordinary activities.

Post retirement benefits

The Group operates an active defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The defined benefit section of the Group's pension scheme was wound up in 2011 and the Group has no further liability in relation to this former scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Notes *(continued)*

1 Accounting policies *(continued)*

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

2 Turnover

The directors consider that the trading activities conducted by the Group's subsidiaries do not significantly differ. All turnover originates in the United Kingdom.

	1 July 2017 £000	2 July 2016 £000
Geographical analysis of turnover by destination		
United Kingdom	**29,071**	33,998
Continental Europe	**9,707**	11,442
North America	**1,255**	1,421
Rest of world	**1,095**	4,876
	41,128	51,737

3 Net operating expenses

	1 July 2017 £000	2 July 2016 £000
Normal		
Distribution costs	**648**	748
Administrative expenses	**7,962**	8,138
	8,610	8,886
Exceptional		
Employment termination	**896**	710
Reorganisation costs	**769**	116
Site clearance as a result of fly tipping	**89**	-
	1,754	826
	10,364	9,712

Notes *(continued)*

4 Directors and employees

	1 July 2017 £000	2 July 2016 £000
Directors' remuneration		
Salary	**272**	50
Benefits in kind	**34**	48
Pension contributions	**15**	10
	321	108

Directors' remuneration includes amounts paid to the directors by all Group companies. Emoluments of the highest paid director were £169,000 *(2016: £58,000)*.

	1 July 2017 £000	2 July 2016 £000
Employees		
Wages and salaries	**13,859**	14,483
Social security costs	**1,308**	1,403
Other pension costs	**228**	226
	15,395	16,112

	Number	Number
Average numbers employed by the Group:		
Factories	**395**	418
Sales and administration	**99**	114
	494	532

Notes *(continued)*

5 Net interest payable

	1 July 2017 £000	2 July 2016 £000
Group		
Interest payable on shareholder loan stock	**(244)**	(249)
Interest payable on pension scheme loans	**(100)**	(160)
Other interest payable	**(1)**	-
	(345)	(409)
Bank interest receivable	**29**	65
Income from fixed asset investments	**9**	3
	(307)	(341)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	1 July 2017 £000	2 July 2016 £000
Auditor's remuneration:		
Audit of these financial statements	**6**	5
Amounts receivable by auditors in respect of:		
- audit of financial statements of subsidiaries pursuant to legislation	**83**	77
- other services relating to taxation	**49**	46
- advisory services		-
Depreciation		
- owned	**3,112**	2,714
Impairment of fixed assets	**50**	1,572
Profit on disposal of fixed assets	**(88)**	(670)
Amortisation of goodwill and other intangible assets	**487**	487
Hire of plant and machinery	**573**	325
Other operating leases	**300**	393
Research and development	**404**	195

Notes *(continued)*

7 Taxation

	1 July 2017 £000	2 July 2016 £000
Current tax:		
Corporation tax on the profit for the period	**(16)**	789
Adjustments in respect of prior periods	**(94)**	(67)
Total current tax charge (see below)	**(110)**	722
Deferred tax:		
Origination/reversal of timing differences	**(282)**	140
Adjustments in respect of prior periods	**46**	107
Effect of rate change	**(45)**	(69)
Tax on profit on ordinary activities	**(391)**	900

The current tax charge for the period is higher *(2016:* higher*)* than the standard rate of corporation tax in the UK 19.75% *(2016:* 20%*)*.

The differences are explained below:

	1 July 2017 £000	2 July 2016 £000
Current tax reconciliation		
(Loss)/Profit on ordinary activities before tax	**(5,834)**	1,768
Current tax at 19.75% *(2016: 20%)*	**(1,152)**	354
Effects of:		
Expenses not deductible for tax purposes	**797**	776
Group dividends	**(2)**	-
Profit on sale of non qualifying assets	**(18)**	(158)
Adjustments in respect of prior periods	**(92)**	(28)
Deferred tax rate change	**76**	(44)
Total tax (credit)/charge (see above)	**(391)**	900

Notes *(continued)*

8 Dividends

The aggregate amount of dividends comprises:

	Year ended 1 July 2017 £000	Year ended 2 July 2016 £000
Final dividends paid in respect of current period	-	400

£Nil ordinary dividends are recognised as liabilities as at the period end *(2016: £nil).*

9 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts.

The consolidated profit and loss account of the period includes a loss for the financial period of £5,399,000 *(2016: Profit - £5,212,000)* which are dealt with in the accounts of the company.

10 Intangible fixed assets

Group

	Customer relationships £000	Licences £000	Research & Development £000	Goodwill £000	Total £000
Cost					
At 2 July 2016	1,911	476	91	7,061	9,539
At 1 July 2017	**1,911**	**476**	**91**	**7,061**	**9,539**
Amortisation					
At 2 July 2016	641	189	-	1,989	2,819
Charge for the period	120	16	-	351	487
At 1 July 2017	**761**	**205**	**-**	**2,340**	**3,306**
Net book value at 1 July 2017	**1,150**	**271**	**91**	**4,721**	**6,233**
Net book value at 2 July 2016	1,270	287	91	5,072	6,720

Notes *(continued)*

11 Tangible fixed assets

Group

	Investment Properties £000	Land and Buildings £000	Heritage assets £000	Plant, equipment and motor vehicles £000	Total £000
Cost or valuation					
At 2 July 2016	2,633	13,431	718	34,366	51,148
Additions	-	472	20	2,992	3,484
Disposals	-	-	-	(1,494)	(1,494)
At 1 July 2017	**2,633**	**13,903**	**738**	**35,864**	**53,138**
Depreciation and impairment					
At 2 July 2016	-	2,734	-	11,037	13,771
Depreciation charge for the period	-	381	-	2,731	3,112
Impairment charge for the period	-	50	-	2,014	2,064
Eliminated on disposals	-	-	-	(672)	(672)
At 1 July 2017	**-**	**3,165**	**-**	**15,110**	**18,275**
Net book value at 1 July 2017	**2,633**	**10,738**	**738**	**20,754**	**34,863**
Net book value at 2 July 2016	2,633	10,697	718	23,329	37,377

Investment properties are mainly freehold, with the exception of £344,000 *(2016: £344,000)* which is long leasehold. Investment properties are revalued annually by the directors on an open market basis. The directors confirm that the value of these properties is not significantly different from their market value at 1 July 2017.

Included within land and buildings is £3,705,000 *(2016: £3,705,000)* of land which is not being depreciated. Land and buildings are mainly freehold with the exception of £1,991,000 *(2016: £2,062,000)* which is long leasehold.

At the date of transition to FRS 102, the revalued plant and machinery has been valued at deemed cost as a result of a previous GAAP revaluation dated 29 March 2014, and in accordance with section 35 of FRS 102.

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Company	**Heritage assets £000**	**Plant, equipment and motor vehicles £000**	**Total £000**
Cost			
At 2 July 2016	718	116	834
Additions	20	141	161
At 1 July 2017	**738**	**257**	**995**
Depreciation			
At 2 July 2016	-	98	98
Charge for the period	-	16	16
At 1 July 2017	-	**114**	**114**
Net book value at 1 July 2017	**738**	**143**	**881**
Net book value at 2 July 2016	718	18	736

Heritage assets represent paintings purchased during the current and prior years. They are held at market value, considered to be equal to their cost in the year of acquisition.

Notes *(continued)*

12 Investments

Group	Interest in Joint venture £000
Cost	
At 2 July 2016 and 1 July 2017	**1,000**
Share of post acquisition reserves	
At 2 July 2016	(3,685)
Retained losses	-
At 1 July 2017	**(3,685)**
Net book value	
At 1 July 2017	**(2,685)**
At 2 July 2016	(2,685)

Interest in joint venture

This represents a 50% holding of the equity shares of Ocsaif Limited. The Group's share of the operating results of Ocsaif Limited from its incorporation to 1 July 2017 is included in the Group result.

Interest in associate

The interest in the associate represents 35% of the equity shares of Tooting Broadway Limited. The Group's share of the operating results of the associate from incorporation to 1 July 2017 was £nil and the Group's interest in the net assets of the associate is equal.to the Group's investment in the associate of £177.

Group	Other Investments £000
Cost	
At 2 July 2016 and 1 July 2017	**47**
Provision for diminution in value	
At 2 July 2016 and 1 July 2017	-
Net book value	
At 1 July 2017	**47**
At 2 July 2016	47

Listed investments costing £29,829 had a market value of £92,000 as at 1 July 2017.

Notes *(continued)*

12 Investments *(continued)*

Company

	Shares in Group undertakings £000	Listed Investments £000	Total £000
Cost			
At 2 July 2016	42,094	30	42,124
Additions	-	-	-
Disposals	-	-	-
At 1 July 2017	42,094	30	42,124
Provision for diminution in value			
At 2 July 2016	-	-	-
Charge for the period	5,705	-	5,705
At 1 July 2017	5,705	-	5,705
Net book value at 1 July 2017	36,389	30	36,419
Net book value at 2 July 2016	42,094	30	42,124

A full listing of the group companies is provided at note 21.

13 Stocks

	Group		Company	
	July 2017 £000	June 2016 £000	**July 2017 £000**	June 2016 £000
Raw materials and consumables	**2,348**	2,185	-	-
Work in progress	**3,181**	2,410	-	-
Provisions	**(570)**	(146)		
Finished goods	**715**	756	-	-
	5,674	5,205	-	-

14 Debtors

	Group		Company	
	July 2017 £000	June 2016 £000	**July 2017 £000**	June 2016 £000
Trade debtors	**9,311**	8,813	-	-
Other debtors	**3,746**	3,275	**946**	464
Corporation tax	**127**	-	-	-
Prepayments and accrued income	**1,218**	1,340	**306**	164
Amounts due from subsidiaries	-	-	**9,214**	13,235
Deferred taxation asset *(see note 16)*	-	-	**32**	10
	14,402	13,428	**10,498**	13,873

Notes *(continued)*

15 Creditors

	Group		Company	
	July 2017	June 2016	**July 2017**	June 2016
	£000	£000	**£000**	£000
Amounts falling due within one year				
Other loans	**600**	600	**600**	600
Shareholder loan stock	**3,450**	3,450	**3,450**	3,450
Amounts due to subsidiaries	**-**	-	**9**	4,531
Trade creditors	**4,907**	5,614	**129**	46
Corporation tax	**-**	401	**486**	995
Other taxation and social security	**888**	776	**178**	105
Other creditors	**8,976**	9,090	**-**	1
Accruals				
Shareholder loan stock interest	**677**	432	**676**	432
Other loan interest	**46**	76	**46**	76
Other	**2,644**	2,656	**218**	326
	22,188	23,095	**5,792**	10,562
Amounts falling due after more than one year				
Other loans	**1,200**	1,800	**1,200**	1,800
Other loans can be analysed as:				
Due after one year and less than two	**600**	600	**600**	600
Due after two years and less than five	**600**	1,200	**600**	1,200
	1,200	1,800	**1,200**	1,800

Other loans include a loan from The A J Cook Pension Scheme for £3m drawn on 22 December 2014. The loan is repayable by equal annual instalments over a period of five years commencing one year from drawdown. Interest is payable at a fixed rate of 5% per annum and the loans are secured by a fixed and floating charge over the assets of the Group. These loans are considered to be related party transactions as Sir Andrew Cook is both a Trustee of the A J Cook Pension Scheme and a Director of William Cook Holdings Limited.

Notes *(continued)*

16 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Total £000
Group			
At 2 July 2016	759	204	963
Utilised during period	-	-	-
Charged to the profit and loss account	(283)	1	(282)
At 1 July 2017	**476**	**205**	**681**
Company			
At 2 July 2016	(10)	-	(10)
Credited to the profit and loss account	**(22)**	-	**(22)**
At 1 July 2017 and 2 July 2016	**(32)**	-	**(32)**

	Group		Company	
	July 2017 £000	June 2016 £000	**July 2017 £000**	June 2016 £000
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and amortisation	**503**		**(26)**	
and capital allowances		806		(3)
Other timing differences	**(27)**	(47)	**(6)**	(7)
Undiscounted provision	**476**	759	**(32)**	(10)
Deferred tax asset *(see note 14)*	-	-	**(32)**	(10)

Other provisions comprise £87,000 relating to possible employers' liability insurance claims prior to 1990 and £118,000 for potential future payments under a self insured employers' liability insurance policy.

Notes *(continued)*

17 Called up share capital

Allotted and fully paid	July 2017 Number	July 2017 £	June 2016 Number	June 2016 £
Ordinary shares of 1 pence each*	**37,624,720**	**376,247**	37,624,720	376,247

* The ordinary share capital is divided as below:

	July 2017 Authorised Number	July 2017 Allotted Number	June 2016 Authorised Number	June 2016 Allotted Number
A shares	**25,891,177**	**25,891,177**	25,891,177	25,891,177
B shares	**6,772,447**	**6,772,447**	6,772,447	6,772,447
C1 shares	**3,820,198**	**3,820,198**	3,820,198	3,820,198
C2 shares	-	-	-	-
C2a shares	**35,226**	**35,226**	35,226	35,226
C2b shares	**35,224**	**35,224**	35,224	35,224
C2c shares	**35,224**	**35,224**	35,224	35,224
C2d shares	**35,224**	**35,224**	35,224	35,224
C3 shares	**1,000,000**	**1,000,000**	1,000,000	1,000,000
D shares	**300,000**	-	300,000	-
E shares	**1,000,000**	-	1,000,000	-
	38,924,720	**37,624,720**	38,924,720	37,624,720

18 Share premium and reserves

Group	Revaluation reserve £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 2 July 2016	2,277	15,591	1,405	36,836
Profit for the financial period	-	-	-	(5,443)
At 1 July 2017	2,277	15,591	1,405	31,393

Notes *(continued)*

18 Share premium and reserves *(continued)*

Company

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 2 July 2016	15,591	1,405	35,823
Loss for the financial period	-	-	(5,399)
At 1 July 2017	**15,591**	**1,405**	**30,424**

The cumulative amount of positive goodwill resulting from the acquisition of William Cook plc on 25 February 1997 which has been written off to reserves is £11,962,000 *(2016: £11,962,000)*.

19 Commitments

Capital commitments

	Group		Company	
	July 2017 £000	June 2016 £000	**July 2017 £000**	June 2016 £000
Contracted but not provided for	-	407	-	-
Authorised but not contracted for	-	-	-	-

Operating lease commitments

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

	Group		Company	
	July 2017 £000	June 2016 £000	**July 2017 £000**	June 2016 £000
Within one year	**208**	319	**23**	36
Within two to five years	**414**	549	-	23
After five years	**3,954**	4,047	-	-
	4,576	4,915	**23**	59

Notes *(continued)*

20 Contingent liabilities

Group contingent liabilities relating to guarantees, performance bonds and other items of a normal trading nature amounted to £1,167,000 *(2016: £939,000)*.

William Cook Holdings Limited has given guarantees in respect of bank indebtedness of subsidiary undertakings, which amounted to £7,017,000 *(2016: £4,411,000)*.

21 Group companies

The companies in the Group at 1 July 2017 were:

	Activity
Ultimate Parent Company	
William Cook Holdings Limited	Holding Company
Subsidiary Companies	
William Cook Limited	Dormant
William Cook Cast Products Limited	Management services and operational holding company
William Cook Leeds Limited	Steel casting and engineering
William Cook Integrity Limited	Steel casting and engineering
William Cook Precision Limited	Steel casting and engineering
William Cook Stanhope Limited	Manufacture of defence equipment
Cook Defence Systems Limited	Design and sale of defence equipment
William Cook Machine Shop (Leeds) Limited	Machining
William Cook NDT Limited	Non-destructive testing
William Cook Master Patterns Limited	Tooling, die and pattern manufacture
William Cook Rail Limited	Specialist engineering services for the rail industry
Glentworth Rail Limited	Dormant
William Cook Properties Limited	Commercial property management
William Cook Estates Limited	Development property management
William Cook Aviation Limited	Aircraft charter
William Cook Marine Limited	Yacht charter
Swiss Classic Train GmbH	Operation of heritage trains
William Cook Leaseholds Limited	Management of leasehold properties
William Cook Intermodal Limited	Special products for freight transport
William Cook Publishing Limited	Publishing

All the above subsidiary companies are wholly owned.

Joint Venture	
Ocsaif Limited (50% share in joint venture)	Dormant
Associate Venture	
Tooting Broadway Limited (35% share in associate)	Film production

With the exception of William Cook Marine Limited and Swiss Classic Train GmbH, all the above companies are registered in England & Wales and trade mainly in the United Kingdom. William Cook Marine Limited is registered in the Isle of Man and Swiss Classic Train GmbH is registered in Switzerland.

Notes *(continued)*

22 Pension commitments

The Group operates a defined contribution pension scheme. The assets are held separately from those of the Group.

The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £227,718 *(2016: £225,662)*.

Accrued contributions at 1 July 2017 are £nil *(2016: £nil)*.

23 Reconciliation of operating (loss)/profit to operating cash flows

	1 July 2017	2 July 2016
	£000	£000
(Loss)/profit on ordinary activities before interest	**(5,527)**	2,109
Depreciation charge	**3,112**	2,714
Impairment charge	**2,064**	1,572
Profit on disposal of fixed assets	**(88)**	(670)
Amortisation of goodwill and other intangible assets	**487**	487
(Increase)/decrease in stocks	**(469)**	2,343
Decrease in debtors	**(844)**	(1,213)
Decrease in creditors	**(720)**	9,751
Decrease in provisions	**1**	(7)
Cash (outflow)/inflow from operating activities	**(1,984)**	17,086

24 Analysis of net funds/(debt)

	2 July 2016 £000	Non-cash movements £000	Cash flows £000	**1 July 2017 £000**
Cash at bank and in hand	22,251	-	(5,674)	**16,577**
Debt due within one year	(4,050)	(600)	600	**(4,050)**
Debt due after one year	(1,800)	600	-	**(1,200)**
	(5,850)	-	600	**(5,250)**
Total	**16,401**	-	**(5,074)**	**11,327**

25 Related party transactions

The A J Cook Pension Scheme
Loans made to the company by The A J Cook Pension Scheme, are detailed at note 15.

Sir Andrew Cook CBE
Sir Andrew Cook is a director and the ultimate controlling party of the group and company.

During the financial period, the company has advanced loans to Sir Andrew Cook, and the maximum amount owing to the company during the financial period in respect of these loans was £791,032. No interest was payable on these loans.

Notes *(continued)*

25 Related party transactions *(continued)*

The amount due from Sir Andrew Cook at 1 July 2017 was £791,032 (*2016:* £437,758).

26 Ultimate controlling party

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

27 Critical accounting judgements and key sources of estimate uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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 20 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 to reduce the value of stocks to their net realisable value as determined by estimates of selling prices.