

Registered number
3579622

COOKE OPTICS LIMITED

Report and Accounts

30 June 2004



COOKE OPTICS LIMITED
Report and accounts
Contents

	Page
Company information	1
Directors' report	2
Auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9

COOKE OPTICS LIMITED
Company Information

Directors

L Zellan

D M G Stevens

P Sheridan (Non-Executive Director)

B Lowry (Non-Executive Director)

J Atkins (Non-Executive Director)

Secretary

R W Davis FCA

Auditors

John N G Howitt

2 The Paddock

Attenborough

NOTTINGHAM

NG2 6AR

Bankers

HSBC Bank plc

31 Granby Street

Leicester

LE1 6EP

Solicitors

Denton Wilde Sapte

Five Chancery Lane

LONDON

EC4A 1BU

Registered office

Cooke Close

Thurmaston

Leics

LE4 8PT

Registered number

3579622

COOKE OPTICS LIMITED

Directors' Report

The directors present their report and accounts for the year ended 30 June 2004.

Principal activities and review of the business

The company's principal activity during the year continued to be the design and manufacture of precision optical systems. A major acquisition during the year was the purchase of the freehold of the factory and offices on Cookes Close, Leicester in June 2004.

The company is continuing to research and develop further precision optical systems and is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The profit for the year, after taxation, amounted to £80,869 and the directors do not recommend the payment of a dividend.

Future developments

The directors aim to maintain the management policies which have resulted in the profits for the year and consider that the next year should show an increase in profitability.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	As at 30 June	
	£1 Ordinary shares	
	2004	2003
L Zellan	-	-
D M G Stevens	75	150
B Lowry	-	-
J Atkins	250	250
P Sheridan	-	-

L Zellan and B Lowry have an indirect interest in 5,375 (2003 - 5,225) ordinary shares of the company held by ZGC Llc.

J Atkins has an indirect interest in 1,500 ordinary shares of the company held by Hitme Realty Llc.

Senior Executives interests in the share capital of the company as at 30 June were as follows:

	2004	2003
R E Little	75	225
B N Billington	120	120
R W Davis	150	-

COOKE OPTICS LIMITED

Directors' Report

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

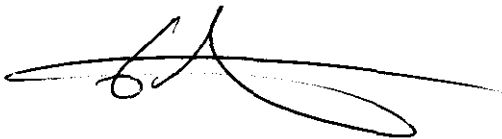
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

John N G Howitt have been reappointed as registered auditors of the company.

This report was approved by the board on 22 September 2004.

A handwritten signature in black ink, appearing to be 'D M G Stevens', with a long horizontal flourish extending to the right.

D M G Stevens
Director

COOKE OPTICS LIMITED

Independent auditors' report to the shareholders of COOKE OPTICS LIMITED

We have audited the accounts of Cooke Optics Limited for the year ended 30 June 2004 which comprises pages 5 to 18. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

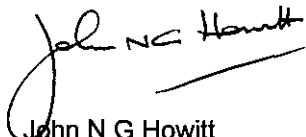
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at the 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



John N G Howitt
Chartered Accountants and Registered Auditors

2 The Paddock
Attenborough
NOTTINGHAM
NG2 6AR

22 September 2004

COOKE OPTICS LIMITED
Profit and Loss Account
for the year ended 30 June 2004

	Notes	2004 £	2003 £
Turnover	2	4,474,180	4,206,031
Cost of sales		(2,364,661)	(2,352,604)
Gross profit		<u>2,109,519</u>	<u>1,853,427</u>
Administrative expenses		(1,875,579)	(1,635,915)
Other operating income		11,033	428
Operating profit	3	<u>244,973</u>	<u>217,940</u>
Exceptional items:			
profit on the disposal of tangible fixed assets	4	-	38,957
premium on redemption of shares		(74,250)	(10,395)
		<u>170,723</u>	<u>246,502</u>
Interest receivable		1,067	-
Interest payable	7	(75,646)	(106,372)
Profit on ordinary activities before taxation		<u>96,144</u>	<u>140,130</u>
Tax on profit on ordinary activities	8	(15,275)	(29,470)
Profit for the financial year		<u>80,869</u>	<u>110,660</u>
Retained profit for the financial year	20	<u>80,869</u>	<u>110,660</u>

Continuing operations


None of the company's activities were acquired or discontinued during the above two financial years.

COOKE OPTICS LIMITED**Statement of total recognised gains and losses
for the year ended 30 June 2004**

	Notes	2004 £	2003 £
Profit for the financial year		80,869	110,660
Total recognised gains and losses related to the year		<u>80,869</u>	<u>110,660</u>

COOKE OPTICS LIMITED
Balance Sheet
as at 30 June 2004

	Notes	2004 £	2003 £
Fixed assets			
Intangible assets	9	293,424	366,780
Tangible assets	10	<u>2,350,538</u>	<u>1,570,756</u>
		2,643,962	1,937,536
Current assets			
Stocks	11	1,012,325	1,031,842
Debtors	12	543,449	473,292
Cash at bank and in hand		<u>391</u>	<u>127,658</u>
		1,556,165	1,632,792
Creditors: amounts falling due within one year	13	(1,365,107)	(1,412,692)
Net current assets		<u>191,058</u>	<u>220,100</u>
Total assets less current liabilities		<u>2,835,020</u>	<u>2,157,636</u>
Creditors: amounts falling due after more than one year	14	(894,602)	(230,405)
Provisions for liabilities and charges			
Deferred taxation	16	(109,333)	(126,240)
		<u>1,831,085</u>	<u>1,800,991</u>
Subordinated loans	17	909,617	959,642
Capital and reserves			
Called up share capital	18	9,145	9,895
Capital redemption reserve	19	855	105
Profit and loss account	20	911,468	831,349
Equity	21	<u>921,468</u>	<u>841,349</u>
		<u>1,831,085</u>	<u>1,800,991</u>


D M G Stevens
Director

Approved by the board on 22 September 2004

COOKE OPTICS LIMITED
Cash Flow Statement
for the year ended 30 June 2004

	Notes	2004 £	2003 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		244,973	268,093
Depreciation charges		326,523	301,940
Amortisation of goodwill		73,356	73,356
Decrease/(increase) in stocks		19,517	(247,682)
Increase in debtors		(70,157)	(169,084)
Increase/(decrease) in creditors		159,570	(10,822)
Net cash inflow from operating activities		753,782	215,801

CASH FLOW STATEMENT

Net cash inflow from operating activities		753,782	215,801
Returns on investments and servicing of finance	22	(74,579)	(122,308)
Taxation		(26,950)	(27)
Capital expenditure	22	(1,106,305) (454,052)	(84,524) 8,942
Financing	22	267,346	(111,308)
Decrease in cash		(186,706)	(102,366)

Reconciliation of net cash flow to movement in net debt

Decrease in cash in the period		(186,706)	(102,366)
(Increase)/decrease in debt and lease financing		(342,346)	111,308
Change in net debt	23	(529,052)	8,942
Net debt at 1 July		(1,536,566)	(1,545,508)
Net debt at 30 June		(2,065,618)	(1,536,566)

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Intangible fixed assets

The total gross cost of goodwill carried in the balance sheet is £733,560 relating to the acquisition of Cooke Optics, a division of Taylor Hobson Limited.

Cooke Optics operates in a longstanding and profitable market sector, and has over 100 continuous years of history. The sector has high market entry barriers due to the highly specialised and skilled workforce required.

The directors have considered the cost, current valuation and amortisation of goodwill and decided to amortise the cost on a straight line basis over ten years from the date of purchase.

Research and Development

The company is continuing to develop new and improved products and the costs of research and development are written off in the the year in which they are incurred.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	10% straight line
Plant, machinery and tooling	Between 10% and 33% straight line
Motor vehicles	33% reducing balance
Office equipment	33% straight line

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials and direct labour appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and tax purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that the tax will be arise.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their estimated useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Development costs

Certain consultancy costs and labour costs relating to development of specific significant projects are capitalised and written off over the period when the product first contributes to revenue. Other development costs are written off to the profit and loss account as incurred.

2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

Turnover is attributable to one continuing activity, the manufacture of precision optical systems.

Analysis by geographical market:	2004	2003
	£	£
Within the European Community	2,015,009	1,976,596
Within the USA	1,571,450	1,564,212
Other	887,721	665,223
	<u>4,474,180</u>	<u>4,206,031</u>

3 Operating profit

This is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	271,760	232,392
Depreciation of assets held under finance leases and hire purchase contracts	54,763	74,835
Amortisation of loan costs	14,545	13,724
Operating lease rentals - land buildings	67,056	67,056
Auditors' remuneration	5,000	5,000
Research and development costs	<u>453,729</u>	<u>304,636</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

4 Exceptional items	2004	2003
	£	£
Premium on redemption of shares	(74,250)	(10,395)
Profit on disposal of fixed assets	-	38,957
	<u>(74,250)</u>	<u>28,562</u>

5 Directors' emoluments	2004	2003
	£	£
Emoluments	77,370	75,577
Company contributions to money purchase pension schemes	5,039	5,050
	<u>82,409</u>	<u>80,627</u>

Number of directors in company pension schemes:

	2004	2003
	Number	Number
Money purchase schemes	<u>1</u>	<u>1</u>

6 Staff costs	2004	2003
	£	£
Wages and salaries	1,436,371	1,363,741
Social security costs	141,546	121,711
Pension costs	86,990	85,713
	<u>1,664,907</u>	<u>1,571,165</u>

Average number of employees during the year

	Number	Number
Administration	8	8
Manufacturing	51	52
	<u>59</u>	<u>60</u>

7 Interest payable	2004	2003
	£	£
Bank loans and overdrafts	15,696	38,907
Subordinated loan interest	39,302	40,626
Finance charges payable under finance leases and hire purchase contracts	20,648	26,839
	<u>75,646</u>	<u>106,372</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

8 Taxation	2004	2003
	£	£
UK corporation tax at 19%	32,182	26,500
Deferred taxation (note 16)	(16,907)	2,970
	<u>15,275</u>	<u>29,470</u>

Factors affecting tax charge for the year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2004	2003
	£	£
Profit on ordinary activities before tax	<u>96,144</u>	<u>140,130</u>
Standard rate of tax in the UK	19%	20%
	£	£
Profit on the ordinary activities multiplied by the standard rate of corporation tax	18,267	26,625
Effects of:		
Expenses not deductible for tax purposes	4,860	27,278
Enhanced tax relief	(8,097)	(24,433)
Prior year corporation tax and rate difference	600	-
Prior year deferred tax	(355)	-
	<u>15,275</u>	<u>29,470</u>

9 Intangible fixed assets	£
Goodwill:	
Cost	
At 1 July 2003	<u>733,560</u>
At 30 June 2004	<u>733,560</u>
Amortisation	
At 1 July 2003	366,780
Provided during the year	73,356
At 30 June 2004	<u>440,136</u>
Net book value	
At 30 June 2004	<u>293,424</u>
At 30 June 2003	<u>366,780</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

10 Tangible fixed assets

	Freehold Property	Fixtures & fittings. Office equipment £	Motor vehicles £	Plant, machinery and tooling £	Total £
Cost					
At 1 July 2003	-	800,489	13,500	1,924,941	2,738,930
Additions	1,050,816	1,143	-	54,346	1,106,305
Transfer	650,321	(650,321)	-	-	-
At 30 June 2004	<u>1,701,137</u>	<u>151,311</u>	<u>13,500</u>	<u>1,979,287</u>	<u>3,845,235</u>
Depreciation					
At 1 July 2003	-	383,944	11,395	772,835	1,168,174
Charge for the year	66,045	6,924	702	252,852	326,523
Transfer	242,500	(242,500)	-	-	-
At 30 June 2004	<u>308,545</u>	<u>148,368</u>	<u>12,097</u>	<u>1,025,687</u>	<u>1,186,152</u>
Net book value					
At 30 June 2004	<u>1,392,592</u>	<u>2,943</u>	<u>1,403</u>	<u>953,600</u>	<u>2,350,538</u>
At 30 June 2003	<u>-</u>	<u>416,545</u>	<u>2,105</u>	<u>1,152,106</u>	<u>1,570,756</u>

	2004 £	2003 £
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>382,524</u>	<u>427,344</u>

11 Stocks

	2004 £	2003 £
Raw materials and consumables	750,877	653,170
Work in progress	166,786	235,621
Finished goods and goods for resale	55,264	-
Demo and Rental Lenses	39,398	143,051
	<u>1,012,325</u>	<u>1,031,842</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12 Debtors

	2004 £	2003 £
Trade debtors	282,709	348,379
Other debtors	-	2,243
Prepayments and accrued income	32,856	98,268
Value added tax debtor	227,884	24,402
	<u>543,449</u>	<u>473,292</u>

13 Creditors: amounts falling due within one year

2004 **2003**

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

	£	£
Bank loans and overdrafts	139,439	340,956
Obligations under finance lease and hire purchase contracts	122,351	133,221
Trade creditors	386,791	444,656
Corporation tax	31,732	26,500
Other taxes and social security costs	85,858	81,956
ZGC Inc current account	213,333	185,264
Accruals and deferred income	385,603	200,139
	<u>1,365,107</u>	<u>1,412,692</u>

14 Creditors: amounts falling due after one year	2004	2003
Bank loans	820,000	33,308
Obligations under finance lease and hire purchase contracts	<u>74,602</u>	<u>197,097</u>
	<u>894,602</u>	<u>230,405</u>

The bank loans are secured by a charge over the Freehold property and floating charges over the assets of the company. Obligations under finance leases and hire purchase agreements are wholly repayable within five years and are secured against their related assets.

	£	£
Analysis of maturity of bank loan:		
Within one year or on demand	139,438	245,525
Between one and two years	80,000	36,500
Between two and five years	240,000	-
Less: offset of financing costs	<u>(3,192)</u>	<u>(4,815)</u>
	<u>456,246</u>	<u>277,210</u>

15 Obligations under finance leases and hire purchase contracts	2004	2003
	£	£
Amounts payable:		
Within one year	122,351	133,221
Within two to five years	<u>74,602</u>	<u>197,097</u>
	<u>196,953</u>	<u>330,318</u>

16 Deferred taxation

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

	2004 £	2003 £
At 1 July	126,240	123,270
Charged to the profit and loss account	(16,907)	2,970
At 30 June	<u>109,333</u>	<u>126,240</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided 2004 £	Potential 2004 £	Provided 2003 £	Potential 2003 £
Capital allowances in advance of depreciation	<u>160</u>	<u>-</u>	<u>2,970</u>	<u>-</u>

17 Subordinated Loans

	ZGC Inc. Loan £	Other Loans £	Total £
Within one year	-	120,000	120,000
Between 2-5 years	-	166,000	166,000
Outwith 5 years	653,000	-	653,000
	<u>653,000</u>	<u>286,000</u>	<u>939,000</u>
Less: offset of financing costs	20,434	8,949	29,383
Balance at 30 June 2004	<u>632,566</u>	<u>277,051</u>	<u>909,617</u>

The company must obtain written consent from these lenders prior to the creation of a mortgage or charge on the whole or any part of its assets.

Repayments of the loans cannot be sought, until all bank loans have been repaid in full, or otherwise with the consent of the bank.

The loans are unsecured and the ZGC Inc. loan bears interest at 2% and the other loans bear interest at 8%.

The ZGC Inc. loan is a related party loan, details of the relationship are given in note 26.

18 Share capital

2004 **2003**

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

			£	£
Authorised:				
Ordinary shares of £1 each			<u>100,000</u>	<u>100,000</u>
	2004	2003	2004	2003
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1	9,145	10,000	<u>9,145</u>	<u>9,895</u>
Movement in share capital			2004	2003
			£	£
At 1 July			9,895	10,000
Shares redeemed			(750)	(105)
At 30 June			<u>9,145</u>	<u>9,895</u>
19 Capital redemption reserve			2004	2003
			£	£
At 1 July			105	-
Transfer from the profit and loss account			750	105
At 30 June			<u>855</u>	<u>105</u>
20 Profit and loss account			2004	2003
			£	£
At 1 July			831,349	720,794
Retained profit			80,869	110,660
Transfer to capital redemption reserve			(750)	(105)
At 30 June			<u>911,468</u>	<u>831,349</u>
21 Reconciliation of movement in shareholders' funds			2004	2003
			£	£
At 1 July			841,349	730,794
Profit for the financial year			80,869	110,660
Shares redeemed			(750)	(105)
At 30 June			<u>921,468</u>	<u>841,349</u>
22 Gross cash flows			2004	2003

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

	£	£
Returns on investments and servicing of finance		
Interest received	1,067	-
Interest paid	(54,998)	(87,436)
Interest element of finance lease rental payments	(20,648)	(34,872)
	<u>(74,579)</u>	<u>(122,308)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	<u>(1,106,305)</u>	<u>(84,524)</u>
Financing		
Redemption of share capital	(75,000)	-
New loans raised	(50,025)	(13,459)
Loan repayments	525,736	(89,865)
Capital element of finance lease rental payments	(133,365)	(7,984)
	<u>267,346</u>	<u>(111,308)</u>

23 Analysis of changes in net debt

	At 1 Jul 2003 £	Cash flows £	Non-cash changes £	At 30 Jun 2004 £
Cash at bank and in hand	127,658	(127,267)		391
Overdrafts	-	(59,439)		(59,439)
		<u>(186,706)</u>		
Debt due within 1 year	(340,956)	260,956		(80,000)
Debt due after 1 year	(992,950)	(736,667)		(1,729,617)
Finance leases	(330,318)	133,365		(196,953)
		<u>(342,346)</u>		
Total	<u>(1,536,566)</u>	<u>(529,052)</u>	<u>-</u>	<u>(2,065,618)</u>

24 Contingent liabilities

The company has a contingent liability in respect of lenses sold to customers under its normal trade warranty. The directors are not aware of any significant warranty claims and therefore no liability has been provided for.

25 Capital Commitments

	2004 £	2003 £
Amounts contracted for but not provided in the accounts	<u>120,000</u>	<u>-</u>

26 Related parties

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2004

The company made sales to ZGC Inc. of £ 963,280 (2003 - £1,035,648). ZGC Inc. are related to the holders of a majority shareholding in Cooke Optics Limited, ZGC Llc by virtue of common ownership. The transactions were carried out at arms' length and on normal commercial terms. At the period end there was a balance outstanding of £Nil (2003 £201,060).

27 Controlling party

The company's ultimate parent company is ZGC Llc, a company registered in the USA.