

Registered number
3579622

COOKE OPTICS LIMITED

Report and Accounts

30 June 2006



COOKE OPTICS LIMITED
Report and accounts
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COOKE OPTICS LIMITED
Company Information

Directors

L Zellan
D M G Stevens
B Lowry (Non-Executive Director)

Secretary

R W Davis FCA

Auditors

John N G Howitt
2 The Paddock
Attenborough
Nottingham
NG9 6AR

Bankers

HSBC Bank plc
31 Granby Street
Leicester
LE1 6EP

Solicitors

Denton Wilde Sapte
Five Chancery Lane
London
EC4A 1BU

Harvey Ingram LLP
20 New Walk
Leicester
LE1 6TX

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 2006

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

Results and dividends

The results for the year, after taxation, showed a loss of £125,406 after charging £185,750 premium paid on the purchase of own shares. The directors do not recommend the payment of a dividend.

Future developments

The directors aim to maintain the management policies which, next year, will 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:

	£1 Ordinary shares	
	30 Jun 2006	1 Jul 2005
L Zellan	-	-
D M G Stevens	75	75
B Lowry	-	-
J Atkins (resigned 28 June 2006)	-	250

L Zellan and B Lowry have an indirect interest in 7,800 (2005: 5,450) ordinary shares of the company held by ZGC Ltd.

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

	2006	2005
B N Billington	120	120
R W Davis	150	150

Disclosure of information to auditors


So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Acquisition of own shares

The company has, during the year, purchased for cancellation 1,000 Ordinary shares of £1 each at a premium of £184,750.

This report was approved by the board on 17 February 2007.


D M G Stevens
Director

COOKE OPTICS LIMITED

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 accounts, 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 accounts,
- 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

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 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 other 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 audit opinion

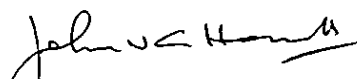
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts.


John N G Howitt
Registered auditors
17 February 2007

2 The Paddock
Attenborough
Nottingham

COOKE OPTICS LIMITED
Profit and Loss Account
for the year ended 30 June 2006

	Notes	2006 £	2005 £
Turnover	2	4,463,200	4,519,048
Cost of sales		(2,409,099)	(2,361,352)
Gross profit		<u>2,054,101</u>	<u>2,157,696</u>
Administrative expenses		(1,905,756)	(1,905,904)
Other operating income		17,840	34,118
Operating profit	3	<u>166,185</u>	<u>285,910</u>
Exceptional items			
purchase of own shares	4	(184,750)	-
		<u>(18,565)</u>	<u>285,910</u>
Interest receivable		565	1,776
Interest payable	7	(107,406)	(112,518)
(Loss)/profit on ordinary activities before taxation		<u>(125,406)</u>	<u>175,168</u>
Tax on (loss)/profit on ordinary activities	8	(580)	(20,158)
(Loss)/profit for the financial year		<u>(125,986)</u>	<u>155,010</u>

Continuing operations

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

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the (loss)/profit for the above two financial years

COOKE OPTICS LIMITED
Balance Sheet
as at 30 June 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	9	146,712	220,068
Tangible assets	10	<u>2,274,990</u>	<u>2,563,039</u>
		2,421,702	2,783,107
Current assets			
Stocks	11	1,104,297	1,189,258
Debtors	12	411,165	183,678
Cash at bank and in hand		<u>8,312</u>	<u>565</u>
		1,523,774	1,373,501
Creditors' amounts falling due within one year	13	(1,241,280)	(1,130,101)
Net current assets		<u>282,494</u>	<u>243,400</u>
Total assets less current liabilities		<u>2,704,196</u>	<u>3,026,507</u>
Creditors' amounts falling due after more than one year	14	(906,873)	(1,027,366)
Provisions for liabilities			
Deferred taxation	17	(107,060)	(121,694)
Net assets		<u>1,690,263</u>	<u>1,877,447</u>
Subordinated Loans	18	646,321	800,969
Capital and reserves			
Called up share capital	19	102,595	9,145
Capital redemption reserve	20	1,855	855
Profit and loss account	21	939,492	1,066,478
Shareholders' funds	22	<u>1,043,942</u>	<u>1,076,478</u>
		<u>1,690,263</u>	<u>1,877,447</u>



D M G Stevens
Director
Approved by the board on 17 February 2007

COOKE OPTICS LIMITED
Cash Flow Statement
for the year ended 30 June 2006

	Notes	2006 £	2005 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		166,185	285,910
Depreciation charges		362,635	382,260
Amortisation of goodwill		73,356	73,356
Decrease/(increase) in stocks		84,961	(176,933)
(Increase)/decrease in debtors		(227,487)	359,771
Decrease in creditors		(394,587)	(195,355)
Net cash inflow from operating activities		<u>65,063</u>	<u>729,009</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		65,063	729,009
Returns on investments and servicing of finance	23	(106,841)	(110,742)
Taxation		(768)	(38,760)
Capital expenditure	23	<u>(74,586)</u> <u>(117,132)</u>	<u>(594,761)</u> <u>(15,254)</u>
Financing	23	(253,814)	72,041
(Decrease)/increase in cash		<u>(370,946)</u>	<u>56,787</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(370,946)	56,787
Decrease/(increase) in debt and lease financing		68,064	(72,041)
Change in net debt	24	<u>(302,882)</u>	<u>(15,254)</u>
Net debt at 1 July		<u>(1,279,903)</u>	<u>(1,264,649)</u>
Net debt at 30 June		<u>(1,582,785)</u>	<u>(1,279,903)</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom 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 Limited, 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 year in which they are incurred

Depreciation

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

Freehold land and buildings	1 2% straight line
Furniture, fittings and office equipment	10% straight line
Plant, machinery and tooling	Between 10% and 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 the estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Foreign currencies

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 2006

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 useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

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.

2 Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

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

Analysis by geographical market	2006 £	2005 £
Within the European Community	2,072,580	1,661,160
Within the USA	1,384,659	1,673,271
Rest of the world	1,005,961	1,184,617
	<u>4,463,200</u>	<u>4,519,048</u>

3 Operating profit

	2006 £	2005 £
This is stated after charging		
Depreciation of owned fixed assets	273,797	380,260
Depreciation of assets held under finance leases and hire purchase contracts	88,838	84,190
Amortisation of loan costs	11,352	11,352
Amortisation of goodwill	73,356	73,356
Auditors' remuneration for audit services	5,000	4,500
Auditors' remuneration for other services	1,000	1,000
Research and development costs	<u>395,610</u>	<u>445,686</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

4 Exceptional items	2006 £	2005 £
Premium on purchase of own shares	<u>184,750</u>	<u>-</u>
5 Directors' emoluments	2006 £	2005 £
Emoluments	63,069	61,708
Company contributions to money purchase pension schemes	<u>5,928</u>	<u>5,676</u>
	<u>68,997</u>	<u>67,384</u>
Number of directors in company pension schemes.	2006 Number	2005 Number
Money purchase schemes	<u>1</u>	<u>1</u>
6 Staff costs	2006 £	2005 £
Wages and salaries	1,515,774	1,475,273
Social security costs	144,351	144,342
Other pension costs	<u>96,870</u>	<u>98,111</u>
	<u>1,756,995</u>	<u>1,717,726</u>
Average number of employees during the year	Number	Number
Administration	9	9
Manufacturing	<u>54</u>	<u>52</u>
	<u>63</u>	<u>61</u>
7 Interest payable	2006 £	2005 £
Bank loans and overdrafts	66,670	56,118
Other loans	19,003	32,228
Finance charges payable under finance leases and hire purchase contracts	<u>21,733</u>	<u>24,172</u>
	<u>107,406</u>	<u>112,518</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

8 Taxation	2006	2005
	£	£
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	15,214	800
Adjustments in respect of previous periods	-	6,997
	<u>15,214</u>	<u>7,797</u>
Deferred tax		
Origination and reversal of timing differences	(14,634)	12,361
	<u>580</u>	<u>20,158</u>

Factors affecting tax charge for period

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

	2006	2005
	£	£
(Loss)/profit on ordinary activities before tax	<u>(125,406)</u>	<u>175,168</u>
Standard rate of corporation tax in the UK	19%	19%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	(23,827)	33,282
Effects of		
Expenses not deductible for tax purposes	39,041	(32,482)
Adjustments to tax charge in respect of previous periods	-	6,997
	<u>15,214</u>	<u>7,797</u>

9 Intangible fixed assets	£
Goodwill	
Cost	
At 1 July 2005	733,560
At 30 June 2006	<u>733,560</u>
Amortisation	
At 1 July 2005	513,492
Provided during the year	73,356
At 30 June 2006	<u>586,848</u>
Net book value	
At 30 June 2006	<u>146,712</u>
At 30 June 2005	<u>220,068</u>

Goodwill is being written off in equal annual instalments over its estimated economic life of 5 years

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

10 Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings & office equipment £	Plant, machinery and tooling £	Total £
Cost				
At 1 July 2005	1,701,337	158,919	2,579,740	4,439,996
Additions	-	1,485	73,101	74,586
At 30 June 2006	<u>1,701,337</u>	<u>160,404</u>	<u>2,652,841</u>	<u>4,514,582</u>
Depreciation				
At 1 July 2005	387,255	150,468	1,339,234	1,876,957
Charge for the year	<u>78,710</u>	<u>5,247</u>	<u>278,678</u>	<u>362,635</u>
At 30 June 2006	<u>465,965</u>	<u>155,715</u>	<u>1,617,912</u>	<u>2,239,592</u>
Net book value				
At 30 June 2006	<u>1,235,372</u>	<u>4,689</u>	<u>1,034,929</u>	<u>2,274,990</u>
At 30 June 2005	<u>1,314,082</u>	<u>8,451</u>	<u>1,240,506</u>	<u>2,563,039</u>

	2006 £	2005 £
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>430,621</u>	<u>740,498</u>

11 Stocks

	2006 £	2005 £
Raw materials and consumables	610,362	526,340
Work in progress	275,951	447,643
Finished goods and goods for resale	188,484	185,775
Demo lenses	<u>29,500</u>	<u>29,500</u>
	<u>1,104,297</u>	<u>1,189,258</u>

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

12 Debtors

	2006 £	2005 £
Trade debtors	326,176	66,984
Other debtors	10,998	-
Prepayments and accrued income	59,393	66,386
Value added tax debtor	<u>14,598</u>	<u>50,308</u>
	<u>411,165</u>	<u>183,678</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

13 Creditors: amounts falling due within one year	2006	2005
	£	£
Bank loans and overdrafts	506,519	102,826
Obligations under finance lease and hire purchase contracts	83,255	150,276
Trade creditors	272,569	393,711
Corporation tax	15,215	769
Other taxes and social security costs	77,210	78,422
ZGC Current account	69,694	197,362
Accruals and deferred income	216,818	206,735
	<u>1,241,280</u>	<u>1,130,101</u>

14 Creditors: amounts falling due after one year	2006	2005
	£	£
Bank loans	685,000	720,000
Obligations under finance lease and hire purchase contracts	221,873	307,366
	<u>906,873</u>	<u>1,027,366</u>

15 Loans	2006	2005
	£	£
Analysis of maturity of debt		
Within one year or on demand	506,519	102,286
Between one and two years	125,000	80,000
Between two and five years	240,000	240,000
After five years	320,000	400,000
	<u>1,191,519</u>	<u>822,286</u>

The bank loans are secured over the freehold property and floating charges over the assets of the company

16 Obligations under finance leases and hire purchase contracts	2006	2005
	£	£
Amounts payable		
Within one year	83,255	150,276
Within two to five years	221,873	307,366
	<u>305,128</u>	<u>457,642</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

17 Deferred taxation	2006 £	2005 £
Accelerated capital allowances	107,060	121,694
Undiscounted provision for deferred tax	<u>107,060</u>	<u>121,694</u>

	2006 £	2005 £
At 1 July	121,694	109,333
Deferred tax charge in profit and loss account	(14,634)	12,361
At 30 June	<u>107,060</u>	<u>121,694</u>

18 Subordinated Loans

	ZGC Inc Loan £	Other Loans £	Total £
Within one year	-	-	-
Between 2-5 years	-	-	-
Outwith 5 years	653,000	-	653,000
	<u>653,000</u>	<u>-</u>	<u>653,000</u>
Less offset of financing costs	6,679	-	6,679
Balance at 30 June 2006	<u>646,321</u>	<u>-</u>	<u>646,321</u>

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

The ZGC Inc loan is unsecured and bears interest at 6% per annum

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

19 Share capital	2006 £	2005 £
Authorised		
Ordinary shares of £1 each	100,000	100,000
170,000 Preference shares of \$1 each	94,450	-
	<u>194,450</u>	<u>100,000</u>

	2006 No	2005 No	2006 £	2005 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	8,145	9,145	8,145	9,145
170,000 Preference shares of \$1	170,000	-	94,450	-
			<u>102,595</u>	<u>9,145</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

20 Capital redemption reserve	2006	2005
	£	£
At 1 July	855	855
Transfer from the profit and loss account	1,000	-
At 30 June	<u>1,855</u>	<u>855</u>
21 Profit and loss account	2006	2005
	£	£
At 1 July	1,066,478	911,468
(Loss)/profit for the financial year	(125,986)	155,010
Transfer to capital redemption reserve	(1,000)	-
At 30 June	<u>939,492</u>	<u>1,066,478</u>
22 Reconciliation of movement in shareholders' funds	2006	2005
	£	£
At 1 July	1,076,478	921,468
(Loss)/profit for the financial year	(125,986)	155,010
Shares issued	94,450	-
Shares redeemed	(1,000)	-
At 30 June	<u>1,043,942</u>	<u>1,076,478</u>
23 Gross cash flows	2006	2005
	£	£
Returns on investments and servicing of finance		
Interest received	565	1,776
Interest paid	(85,673)	(88,346)
Interest element of finance lease rental payments	(21,733)	(24,172)
	<u>(106,841)</u>	<u>(110,742)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	<u>(74,586)</u>	<u>(594,761)</u>
Financing		
Redemption of share capital	(185,750)	-
New loans raised	-	(108,648)
Loan repayments	84,450	(80,000)
Capital element of finance lease rental payments	(152,514)	260,689
	<u>(253,814)</u>	<u>72,041</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2006

24 Analysis of changes in net debt

	At 1 Jul 2005 £	Cash flows £	Non-cash changes £	At 30 Jun 2006 £
Cash at bank and in hand	565	7,747		8,312
Overdrafts	(2,826)	(378,693)		(381,519)
		(370,946)		
Debt due within 1 year	(100,000)	(119,450)		(219,450)
Debt due after 1 year	(720,000)	35,000		(685,000)
Finance leases	(457,642)	152,514		(305,128)
		68,064		
Total	<u>(1,279,903)</u>	<u>(302,882)</u>	<u>-</u>	<u>(1,582,785)</u>

25 Capital commitments

	2006 £	2005 £
Amounts contracted for but not provided in the accounts	<u>297,000</u>	<u>40,000</u>

26 Related parties

The company made sales during the year to ZGC Inc of £ 967,294 (2005 - £1,321,067) 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 year end there was a balance outstanding of £ Nil (2005 £Nil).

The company paid a management charge to ZGC Inc of £60,000 (2005 £60,000) for management and other services provided during the year.

27 Controlling party

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