

Registered number
3579622

COOKE OPTICS LIMITED

Report and Accounts

30 June 2007

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COOKE OPTICS LIMITED
Report and accounts
Contents

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the accounts	8

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

Royal Bank of Scotland

5 Market Street

Leicester

LE1 6DN

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 2007

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 profit of £157,227 which has been added to revenue reserves carried forward. 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 following directors served during the year:

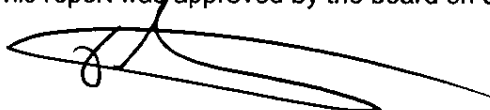
L Zellan
D M G Stevens
B Lowry
J Atkins (resigned 28 June 2006)

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.

This report was approved by the board on 9 October 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 2007 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

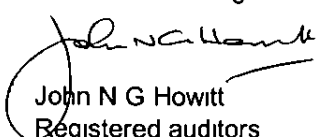
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant 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 2007 and of its profit 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
9 October 2007

2 The Paddock
Attenborough
Nottingham

COOKE OPTICS LIMITED
Profit and Loss Account
for the year ended 30 June 2007

	Notes	2007 £	2006 £
Turnover	2	4,515,509	4,463,200
Cost of sales		(2,273,839)	(2,409,099)
Gross profit		<u>2,241,670</u>	<u>2,054,101</u>
Administrative expenses		(1,947,480)	(1,905,756)
Other operating income		19,765	17,840
Operating profit	3	<u>313,955</u>	<u>166,185</u>
Exceptional items			
purchase of own shares	4	-	(184,750)
		<u>313,955</u>	<u>(18,565)</u>
Interest receivable		644	565
Interest payable	7	(125,207)	(107,406)
Profit/(loss) on ordinary activities before taxation		<u>189,392</u>	<u>(125,406)</u>
Tax on profit/(loss) on ordinary activities	8	(32,165)	(580)
Profit/(loss) for the financial year		<u>157,227</u>	<u>(125,986)</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 profit/(loss) for the above two financial years

COOKE OPTICS LIMITED
Balance Sheet
as at 30 June 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	9	73,356	146,712
Tangible assets	10	<u>2,271,778</u>	<u>2,274,990</u>
		2,345,134	2,421,702
Current assets			
Stocks	11	1,505,954	1,104,297
Debtors	12	518,982	341,471
Cash at bank and in hand		<u>248</u>	<u>8,312</u>
		2,025,184	1,454,080
Creditors' amounts falling due within one year	13	(1,362,122)	(1,171,586)
Net current assets		<u>663,062</u>	<u>282,494</u>
Total assets less current liabilities		<u>3,008,196</u>	<u>2,704,196</u>
Creditors' amounts falling due after more than one year	14	(1,028,314)	(906,873)
Provisions for liabilities			
Deferred taxation	17	(119,337)	(107,060)
Net assets		<u>1,860,545</u>	<u>1,690,263</u>
Subordinated Loans	18	313,213	646,321
Capital and reserves			
Called up share capital	19	110,740	102,595
Share premium account	20	338,018	-
Capital redemption reserve	21	1,855	1,855
Profit and loss account	22	1,096,719	939,492
Shareholders' funds	23	<u>1,547,332</u>	<u>1,043,942</u>
		<u>1,860,545</u>	<u>1,690,263</u>


D M G Stevens
Director

Approved by the board on 9 October 2007

COOKE OPTICS LIMITED
Cash Flow Statement
for the year ended 30 June 2007

	Notes	2007 £	2006 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		313,955	166,185
Depreciation charges		368,702	362,635
Amortisation of goodwill		73,356	73,356
(Increase)/decrease in stocks		(401,657)	84,961
Increase in debtors		(177,511)	(227,487)
Increase/(decrease) in creditors		90,768	(394,587)
Net cash inflow from operating activities		<u>267,613</u>	<u>65,063</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		267,613	65,063
Returns on investments and servicing of finance	24	(124,563)	(106,841)
Taxation		(15,215)	(768)
Capital expenditure	24	<u>(365,490)</u> <u>(237,655)</u>	<u>(74,586)</u> <u>(117,132)</u>
Financing	24	520,329	(253,814)
Increase/(decrease) in cash		<u>282,674</u>	<u>(370,946)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		282,674	(370,946)
(Increase)/decrease in debt and lease financing		(174,166)	68,064
Change in net debt	25	<u>108,508</u>	<u>(302,882)</u>
Net debt at 1 July		<u>(1,582,785)</u>	<u>(1,279,903)</u>
Net debt at 30 June		<u>(1,474,277)</u>	<u>(1,582,785)</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

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 2007

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	2007 £	2006 £
Within the European Community	1,969,316	2,072,580
Within the USA	1,508,001	1,384,659
Rest of the world	1,038,192	1,005,961
	<u>4,515,509</u>	<u>4,463,200</u>

3 Operating profit

	2007 £	2006 £
This is stated after charging		
Depreciation of owned fixed assets	299,146	273,797
Depreciation of assets held under finance leases and hire purchase contracts	69,556	88,838
Amortisation of loan costs	-	11,352
Amortisation of goodwill	73,356	73,356
Auditors' remuneration for audit services	5,000	5,000
Auditors' remuneration for other services	1,000	1,000
Research and development costs	<u>390,688</u>	<u>395,610</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

4 Exceptional items	2007 £	2006 £
Premium on purchase of own shares	-	(184,750)
5 Directors' emoluments	2007 £	2006 £
Emoluments	65,000	63,069
Company contributions to money purchase pension schemes	6,500	5,928
	<u>71,500</u>	<u>68,997</u>
Number of directors in company pension schemes	2007 Number	2006 Number
Money purchase schemes	<u>1</u>	<u>1</u>
6 Staff costs	2007 £	2006 £
Wages and salaries	1,638,427	1,515,774
Social security costs	136,890	144,351
Other pension costs	98,247	96,870
	<u>1,873,564</u>	<u>1,756,995</u>
Average number of employees during the year	Number	Number
Administration	8	8
Manufacturing	57	54
	<u>65</u>	<u>62</u>
7 Interest payable	2007 £	2006 £
Bank loans and overdrafts	81,012	66,670
Other loans	18,793	19,003
Finance charges payable under finance leases and hire purchase contracts	25,402	21,733
	<u>125,207</u>	<u>107,406</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

8 Taxation	2007	2006
	£	£
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	20,610	15,214
Adjustments in respect of previous periods	(722)	-
	<u>19,888</u>	<u>15,214</u>
Deferred tax		
Origination and reversal of timing differences	12,277	(14,634)
	<u>32,165</u>	<u>580</u>
Tax on profit on ordinary activities		
	<u>32,165</u>	<u>580</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		
	2007	2006
	£	£
Profit/(loss) on ordinary activities before tax	<u>189,392</u>	<u>(125,406)</u>
Standard rate of corporation tax in the UK	19%	19%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	35,984	(23,827)
Effects of		
Expenses not deductible for tax purposes and enhanced allowances for research and development	(15,374)	39,041
Adjustments to tax charge in respect of previous periods	(722)	-
	<u>19,888</u>	<u>15,214</u>
Current tax charge for period		
	<u>19,888</u>	<u>15,214</u>
9 Intangible fixed assets		£
Goodwill		
Cost		
At 1 July 2006		733,560
At 30 June 2007		<u>733,560</u>
Amortisation		
At 1 July 2006		586,848
Provided during the year		73,356
At 30 June 2007		<u>660,204</u>
Net book value		
At 30 June 2007		<u>73,356</u>
At 30 June 2006		<u>146,712</u>
Goodwill is being written off in equal annual instalments over its estimated economic life of ten years		

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

10 Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings & office equipment £	Plant, machinery and tooling £	Total £
Cost				
At 1 July 2006	1,701,337	160,404	2,652,841	4,514,582
Additions	-	4,854	360,636	365,490
At 30 June 2007	<u>1,701,337</u>	<u>165,258</u>	<u>3,013,477</u>	<u>4,880,072</u>
Depreciation				
At 1 July 2006	465,965	155,715	1,617,912	2,239,592
Charge for the year	<u>77,697</u>	<u>5,683</u>	<u>285,322</u>	<u>368,702</u>
At 30 June 2007	<u>543,662</u>	<u>161,398</u>	<u>1,903,234</u>	<u>2,608,294</u>
Net book value				
At 30 June 2007	<u>1,157,675</u>	<u>3,860</u>	<u>1,110,243</u>	<u>2,271,778</u>
At 30 June 2006	<u>1,235,372</u>	<u>4,689</u>	<u>1,034,929</u>	<u>2,274,990</u>

	2007 £	2006 £
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>654,976</u>	<u>430,621</u>

11 Stocks

	2007 £	2006 £
Raw materials and consumables	772,171	610,362
Work in progress	410,727	275,951
Finished goods and goods for resale	283,556	188,484
Demo lenses	<u>39,500</u>	<u>29,500</u>
	<u>1,505,954</u>	<u>1,104,297</u>

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

12 Debtors

	2007 £	2006 £
Trade debtors	254,773	326,176
Other debtors	6,761	10,998
Prepayments and accrued income	83,062	59,393
ZGC Current account	120,232	(69,694)
Value added tax debtor	<u>54,154</u>	<u>14,598</u>
	<u>518,982</u>	<u>341,471</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

13 Creditors: amounts falling due within one year	2007	2006
	£	£
Bank loans and overdrafts	210,781	506,519
Obligations under finance lease and hire purchase contracts	140,980	83,255
Customer deposits	310,993	-
Trade creditors	435,545	272,569
Corporation tax	19,888	15,215
Other taxes and social security costs	85,326	77,210
Accruals and deferred income	158,609	216,818
	<u>1,362,122</u>	<u>1,171,586</u>

14 Creditors amounts falling due after one year	2007	2006
	£	£
Bank loans	680,000	685,000
Obligations under finance lease and hire purchase contracts	348,314	221,873
	<u>1,028,314</u>	<u>906,873</u>

15 Loans and Overdrafts	2007	2006
	£	£
Analysis of maturity of debt		
Within one year or on demand	210,781	506,519
Between one and two years	120,000	120,000
Between two and five years	360,000	360,000
After five years	200,000	200,000
	<u>890,781</u>	<u>1,186,519</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	2007	2006
	£	£
Amounts payable		
Within one year	140,980	83,255
Within two to five years	348,314	221,873
	<u>489,294</u>	<u>305,128</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

17 Deferred taxation	2007 £	2006 £
Accelerated capital allowances	119,337	107,060
Undiscounted provision for deferred tax	119,337	107,060

	2007 £	2006 £
At 1 July	107,060	121,694
Deferred tax charge in profit and loss account	12,277	(14,634)
At 30 June	119,337	107,060

18 Subordinated Loans

	ZGC Inc Loan £
Within one year	-
Between 2-5 years	-
Outwith 5 years	313,213
Balance at 30 June 2007	313,213

The ZGC Inc loan is unsecured and interest is payable 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	2007 £	2006 £
Authorised		
Ordinary shares of £1 each	100,000	100,000
170,000 Preference shares of \$1 each	94,450	94,450
	194,450	194,450

	2007 No	2006 No	2007 £	2006 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	16,290	8,145	16,290	8,145
170,000 Preference shares of \$1	94,450	94,450	94,450	94,450
			110,740	102,595

During the year there was a rights issue of Ordinary shares at £42.50 per share

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

20 Share premium	2007	2006
	£	£
Shares issued	338,018	-
At 30 June	<u>338,018</u>	<u>-</u>
21 Capital redemption reserve	2007	2006
	£	£
At 1 July	1,855	855
Transfer from the profit and loss account	-	1,000
At 30 June	<u>1,855</u>	<u>1,855</u>
22 Profit and loss account	2007	2006
	£	£
At 1 July	939,492	1,066,478
Profit/(loss) for the financial year	157,227	(125,986)
Transfer to capital redemption reserve	-	(1,000)
At 30 June	<u>1,096,719</u>	<u>939,492</u>
23 Reconciliation of movement in shareholders' funds	2007	2006
	£	£
At 1 July	1,043,942	1,076,478
Profit/(loss) for the financial year	157,227	(125,986)
Shares issued	8,145	94,450
Shares redeemed	-	(1,000)
Premium on share issue	338,018	-
At 30 June	<u>1,547,332</u>	<u>1,043,942</u>
24 Gross cash flows	2007	2006
	£	£
Returns on investments and servicing of finance		
Interest received	644	565
Interest paid	(99,805)	(85,673)
Interest element of finance lease rental payments	(25,402)	(21,733)
	<u>(124,563)</u>	<u>(106,841)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	<u>(365,490)</u>	<u>(74,586)</u>
Financing		
Issue of share capital	346,163	-
Redemption of share capital	-	(185,750)
Loan repayments	(10,000)	84,450
Capital element of finance lease rental payments	184,166	(152,514)
	<u>520,329</u>	<u>(253,814)</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2007

25 Analysis of changes in net debt

	At 1 Jul 2006 £	Cash flows £	Non-cash changes £	At 30 Jun 2007 £
Cash at bank and in hand	8,312	(8,064)		248
Overdrafts	(381,519)	290,738		(90,781)
		282,674		
Debt due within 1 year	(219,450)	5,000		(214,450)
Debt due after 1 year	(685,000)	5,000		(680,000)
Finance leases	(305,128)	(184,166)		(489,294)
		(174,166)		
Total	(1,582,785)	108,508	-	(1,474,277)

26 Capital commitments

	2007 £	2006 £
Amounts contracted for but not provided in the accounts	318,000	297,000

27 Related parties

The company made sales during the year to ZGC Inc of £1,384,398 (2006 - £967,294) 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 (2006 £Nil)

The company paid a management charge to ZGC Inc of £60,000 (2006 £60,000) for management and other services provided during the year

28 Controlling party

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