

COOKE OPTICS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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COOKE OPTICS LIMITED

COMPANY INFORMATION

Directors

L Zellan
R Howard
G Genin
B Lowry

Company secretary

R Howard

Registered number

03579622

Registered office

1 Cooke Close
Thurmaston
Leicester
LE4 8PT

Independent auditor

PKF Cooper Parry Group Limited
Chartered Accountants & Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

COOKE OPTICS LIMITED

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COOKE OPTICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

Introduction

The principal activity of the company is the design, manufacture and distribution of high quality lenses for the film and television industries.

Business review

On 1 September 2015 the company acquired the total share capital of ZGC Inc. ZGC Inc has been the exclusive distributor of Cooke products in North and South America for many years. 2017 was therefore its first full year of a subsidiary company. Its results are included within the Cooke Optics Group Limited financial statements, but not the financial statements of Cooke Optics Limited.

The results for the company show a profit on ordinary activities before taxation of £6,432,733 (2016: £6,104,768). During the year the company continued to expand its Anamorphic and i range and introduced a second Anamorphic zoom and a new range of spherical prime lenses called the Panchro Classics. The company also developed the S7/i range, of which sales are expected to increase in the coming years. Orders, for the zoom in particular, were very strong and demand for our other product ranges remains strong.

In order to maintain its premier position in the industry the company invests heavily in research and development and this will continue to do so in the coming year.

In the prior year, the entire issued share capital of the company was acquired by a group headed by Cooke Optics Group Limited. Cooke Optics Group Limited is controlled by Growth Capital Partners Fund 111 LLP an independent private equity company.

Principal risks and uncertainties

The market for our products continues to expand with a number of Television productions electing to use film style cameras and lenses to tell their stories. This has led to a number of new entrants to the market which can only increase the competitive environment.

Most of the sales require payment prior to shipping and are invoiced in sterling and most of the suppliers are UK based. The company does not therefore need to have hedging arrangements of respect to trade debtors or creditors and does not consider credit risk to be a major concern.

The company is not reliant on overdraft facilities from its bank and therefore the directors do not believe there to be a cash flow and liquidity risk. The directors believe that the company's bankers are currently satisfied with the company's financial performance and the directors do not think that there is any risk of loan facilities being withdrawn or reduced. At the year end the company had cash balances of £3,969,317.

The company is reliant on a skilled workforce and any significant reduction would have a materially adverse effect on profitability. The company mitigates this risk by ensuring that it maintains competitive pay rates, ensuring comprehensive training of new employees and maintaining an apprentice training scheme.

COOKE OPTICS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

Financial key performance indicators

The Board monitors the performance of the Company by reference to the following KPIs:

	2017	2016	% Change
Sales	£17,723,025	£16,779,085	5.6%
Gross margin	59.1%	57.4%	0.3%
EBITDA	£6,809,021	£6,356,105	7.1%
Employees	115	107	7.5%

This report was approved by the board and signed on its behalf.



R Howard
Director

Date: 12/1/18

COOKE OPTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Results and dividends

The profit for the year, after taxation, amounted to £5,618,509 (2016: £5,397,247).

The directors do not recommend payment of a final dividend.

Directors

The directors who served during the year are stated on the company information page.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

COOKE OPTICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017**

Post balance sheet events

On 11 September 2017, Cooke Optics Limited entered into a further Facilities Agreement with Barclays Bank PLC to borrow £5,000,000, repayable in quarterly instalments from 30 November 2017 for a period of 5 years. The funds will be used to redeem further tranches of loan notes and preference shares in group companies.

This report was approved by the board and signed on its behalf.



R Howard
Director

Date: 12/1/18

COOKE OPTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOKE OPTICS LIMITED

Opinion

We have audited the financial statements of Cooke Optics Limited for the year ended 30 June 2017, set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

COOKE OPTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOKE OPTICS LIMITED (CONTINUED)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

COOKE OPTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOKE OPTICS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

PKF Cooper Parry Group Limited

Peter Sterling (Senior statutory auditor)

for and on behalf of

PKF Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: *12 January 2018*

COOKE OPTICS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £	2016 £
Turnover	1,3	17,723,025	16,779,085
Cost of sales		(7,252,793)	(7,142,402)
Gross profit		10,470,232	9,636,683
Administrative expenses		(3,944,673)	(3,525,480)
Operating profit	4	6,525,559	6,111,203
Interest receivable and similar income		1,488	5,331
Interest payable and similar charges		(94,314)	(11,766)
Profit on ordinary activities before taxation		6,432,733	6,104,768
Taxation on profit on ordinary activities	8	(814,224)	(707,521)
Profit for the year		5,618,509	5,397,247

There were no recognised gains and losses for 2017 or 2016 other than those included in the Profit and Loss Account.

There was no other comprehensive income for 2017 (2016: £Nil)

The notes on pages 11 to 26 form part of these financial statements.

COOKE OPTICS LIMITED
REGISTERED NUMBER: 03579622

BALANCE SHEET
AS AT 30 JUNE 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	10	2,144,364	2,219,018
Investments	11	2,640,499	2,640,499
		<u>4,784,863</u>	<u>4,859,517</u>
Current assets			
Stocks	12	6,809,368	4,695,150
Debtors: amounts falling due within one year	13	13,663,905	6,189,452
Cash at bank and in hand		3,969,317	2,381,676
		<u>24,442,590</u>	<u>13,266,278</u>
Creditors: amounts falling due within one year	14	(5,178,934)	(3,263,148)
Net current assets		<u>19,263,656</u>	<u>10,003,130</u>
Total assets less current liabilities		<u>24,048,519</u>	<u>14,862,647</u>
Creditors: amounts falling due after more than one year	15	(4,042,418)	(483,420)
Provisions for liabilities			
Deferred tax	17	(79,705)	(71,340)
Net assets		<u><u>19,926,396</u></u>	<u><u>14,307,887</u></u>
Capital and reserves			
Called up share capital	18	16,290	16,290
Share premium account	19	338,018	338,018
Capital redemption reserve	19	1,855	1,855
Capital contribution reserve	19	2,640,499	2,640,499
Profit and loss account	19	16,929,734	11,311,225
Shareholders' funds		<u><u>19,926,396</u></u>	<u><u>14,307,887</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



R Howard
Director

Date: 12/1/18

The notes on pages 11 to 26 form part of these financial statements.

COOKE OPTICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 July 2016	16,290	338,018	1,855	2,640,499	11,311,225	14,307,887
Profit for the year	-	-	-	-	5,618,509	5,618,509
At 30 June 2017	<u>16,290</u>	<u>338,018</u>	<u>1,855</u>	<u>2,640,499</u>	<u>16,929,734</u>	<u>19,926,396</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Called up share capital	Share premium account	Capital redemption reserve	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 July 2015	16,290	338,018	1,855	-	5,913,978	3,270,141
Profit for the year	-	-	-	-	5,397,247	5,397,247
Capital contribution	-	-	-	2,640,499	-	2,640,499
At 30 June 2016	<u>16,290</u>	<u>338,018</u>	<u>1,855</u>	<u>2,640,499</u>	<u>11,311,225</u>	<u>4,307,887</u>

The notes on pages 11 to 26 form part of these financial statements.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies

Cooke Optics Limited (the company) is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 30 June 2017 (2016: year ended 30 June 2016).

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following accounting policies have been applied consistently throughout the year:

1.2 Exemptions

Under FRS 102 section 1.12, the company has taken advantage of the exemption from the requirement to prepare a statement of cashflows and disclose aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Cooke Optics Group Limited. The group accounts of Cooke Optics Group Limited are available to the public and can be obtained as set out in note 24.

As permitted by FRS 102 Section 33.1A, the company has taken the exemption from disclosing transactions with wholly owned group companies.

The company itself is a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies (continued)

1.3 Turnover

Turnover is recognised to the extent that it is probable that economic benefits will flow to the company and that the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

- because the group generally only tend to make products against a specific order, turnover is recognised when the goods are manufactured and prepared for shipment;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life of 10 years.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Profit and Loss Account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Freehold land and buildings	-	Over 50 years
Plant and machinery	-	Variable over 2 to 10 years
Motor vehicles	-	Over 4 years
Fixtures, fittings and equipment	-	Variable over 2 to 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the Profit and Loss Account.

1.6 Valuation of investments

Investments in subsidiaries are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the Profit and Loss Account and the value of the investment is reduced accordingly.

1.7 Stocks

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

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

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies (continued)

1.8 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of past events, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking in to account the risks and uncertainties surrounding the obligation.

In respect of warranties provided on the company's products the directors review the position but in view of the low historical incidence of claims, do not make provision on the grounds of materiality.

1.9 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

1.10 Research and development

Research and development expenditure is written off to the Profit and Loss Account in the period in which it is incurred.

1.11 Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant rate of charge on the net obligation outstanding in each period.

1.12 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.13 Dividends

Equity dividends are recognised when they become legally payable.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies (continued)

1.14 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors and loans from related parties. Any bank loans taken out are of an uncomplicated nature.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.15 Taxation

The tax charge for the year comprises current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The directors make estimates and assumptions concerning the future. The directors are also required to exercise judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-current assets

The directors assess the impairment of property, plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the use of the acquired assets or the business strategy; and
- Significant negative industry or economic trends.

Depreciation, amortisation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects disposal values.

Impairment of investments

The directors review the carrying value of investments for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the investment is subject to further testing to determine whether its carrying value exceeds the recoverable amount. This process will usually involve the estimation of future cash flows which are likely to be generated by the asset.

Carrying value of stocks

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

Recoverability of trade debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. Director reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain. The directors make allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the Profit and Loss Account.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Judgments in applying accounting policies (continued)

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and the directors judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not. External advice is sought where appropriate.

Leases

The directors determine whether leases entered into by the company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company takes professional advice on its tax affairs and recognises liabilities for anticipated tax based on estimates of what taxation is likely to be due.

Management estimation is required to determine the amount of any deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

3. Turnover

The whole of the turnover is attributable to the principal activity of the company.

An analysis of turnover by country of destination is as follows:

	2017 £	2016 £
Europe	5,416,319	6,413,500
United States	5,196,657	5,210,884
Rest of the World	7,110,049	5,154,701
	<u>17,723,025</u>	<u>16,779,085</u>

COOKE OPTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

4. Operating profit

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

	2017 £	2016 £
Research & development charged as an expense	1,097,447	928,541
Depreciation of tangible fixed assets owned by the company	153,615	172,685
Depreciation of tangible fixed assets held under finance leases	129,847	72,217
Difference on foreign exchange	(20,120)	(78,995)
	<u>1,359,789</u>	<u>1,194,448</u>

5. Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	21,250	16,000
	<u>21,250</u>	<u>16,000</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	3,354,297	3,102,685
Social security costs	330,165	276,592
Pension costs	203,580	205,130
	<u>3,888,042</u>	<u>3,584,407</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Administration and research and development	15	15
Manufacturing	100	92
	<u>115</u>	<u>107</u>

COOKE OPTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

7. Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	174,614	142,366
Pension costs	16,667	40,000
	<u>191,281</u>	<u>182,366</u>

During the year retirement benefits were accruing to 1 director (2016: 1) in respect of defined contribution pension schemes.

8. Taxation

	2017	2016
	£	£
Corporation tax		
Current tax on profits for the year	951,277	723,283
Adjustments in respect of previous periods	(145,418)	-
Total current tax	<u>805,859</u>	<u>723,283</u>
Deferred tax		
Origination and reversal of timing differences	12,329	(7,051)
Effect of tax rate on opening balance	(3,964)	(8,711)
Total deferred tax	<u>8,365</u>	<u>(15,762)</u>
Taxation on profit on ordinary activities	<u><u>814,224</u></u>	<u><u>707,521</u></u>

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	6,432,733	6,104,768
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20%)	1,270,465	1,220,954
Effects of:		
Expenses not deductible for tax purposes	4,877	13,207
Fixed asset differences	5,081	4,836
Research and development tax credit	(96,877)	(241,421)
Adjustment in respect of previous periods re Patent Box claim	(145,418)	-
Group relief claimed	(218,051)	(262,322)
Adjustment to deferred tax rate	(5,853)	(7,927)
Deferred tax not recognised	-	(19,806)
Total tax charge for the year	814,224	707,521

Factors that may affect future tax charges

Certain of the company's profits are eligible for a reduced rate of corporation tax under the Patent Box initiative. Because the quantification of the Patent Box claim is not made until some time after the company's financial year end, no estimate of the current year Patent Box claim is made within these financial statements.

9. Intangible assets

	Goodwill £
Cost	
At 1 July 2016 and 30 June 2017	733,560
Amortisation	
At 1 July 2016 and 30 June 2017	733,560
Net book value	
At 30 June 2017 and 30 June 2016	-

COOKE OPTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

10. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost					
At 1 July 2016	1,923,417	5,027,962	3,745	301,652	7,256,776
Additions	-	181,725	-	27,083	208,808
At 30 June 2017	<u>1,923,417</u>	<u>5,209,687</u>	<u>3,745</u>	<u>328,735</u>	<u>7,465,584</u>
Depreciation					
At 1 July 2016	908,059	3,868,836	1,950	258,913	5,037,758
Charge for the year	26,130	226,125	1,014	30,193	283,462
At 30 June 2017	<u>934,189</u>	<u>4,094,961</u>	<u>2,964</u>	<u>289,106</u>	<u>5,321,220</u>
Net book value					
At 30 June 2017	<u>989,228</u>	<u>1,114,726</u>	<u>781</u>	<u>39,629</u>	<u>2,144,364</u>
At 30 June 2016	<u>1,015,358</u>	<u>1,159,126</u>	<u>1,795</u>	<u>42,739</u>	<u>2,219,018</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	<u>661,983</u>	<u>791,830</u>

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 July 2016 and 30 June 2017	2,640,499
Net book value	
At 30 June 2017 and 30 June 2016	2,640,499

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
ZGC Inc	Ordinary	100 %	Distribution of precision optical components

The country of incorporation of ZGC Inc is United States of America.

The registered office of ZGC Inc is 264 Morris Avenue, Mountain Lakes, NJ 07046, United States of America.

12. Stocks

	2017 £	2016 £
Raw materials and consumables	4,257,329	3,122,690
Work in progress	1,416,056	923,258
Finished goods and goods for resale	1,135,983	649,202
	<u>6,809,368</u>	<u>4,695,150</u>

Stock recognised in cost of sales during the year as an expense was £4,838,965 (2016: £4,926,857).

An impairment gain of £23,838 (2016: £17,298) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

COOKE OPTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. Debtors

	2017 £	2016 £
Trade debtors	749,121	1,420,466
Amounts owed by group undertakings	12,374,568	4,404,425
Other debtors	481,194	318,628
Prepayments and accrued income	59,022	45,933
	<u>13,663,905</u>	<u>6,189,452</u>

14. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loans	866,668	-
Net obligations under finance lease and hire purchase contracts	145,378	178,966
Trade creditors	2,724,698	2,146,666
Amounts owed to group undertakings	488,722	-
Corporation tax	203,440	272,581
Other taxation and social security	77,643	73,884
Other creditors	18,044	24,485
Accruals and deferred income	654,341	566,566
	<u>5,178,934</u>	<u>3,263,148</u>

Bank loans are secured by a fixed and floating charge over the assets of the company and its group.

Net obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

15. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	3,699,998	-
Net obligations under finance leases and hire purchase contracts	342,420	483,420
	<u>4,042,418</u>	<u>483,420</u>

Bank loans are secured by a fixed and floating charge over the assets of the company and its group.

Net obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

COOKE OPTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

16. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Bank loans		
Within one year	866,668	-
Between one and two years	866,668	-
Between two and five years	2,833,330	-
	<u> </u>	<u> </u>

	2017 £	2016 £
Finance leases and hire purchase contracts		
Within one year	145,378	178,966
Between one and two years	124,268	150,240
Between two and five years	218,152	333,181
	<u> </u>	<u> </u>

17. Deferred taxation

	2017 £	2016 £
At beginning of year	71,340	87,102
Charged/(credited) to the Profit and Loss Account	8,365	(15,762)
At end of year	<u>79,705</u>	<u>71,340</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	95,527	88,360
Short term timing differences	(15,822)	(17,020)
	<u>79,705</u>	<u>71,340</u>

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
16,290 Ordinary shares shares of £1 each	16,290	16,290

19. Reserves

Share premium account

The share premium account includes any premiums received on issued share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

The capital redemption reserve arises upon the buy back of issued share capital by the company.

Capital contribution reserve

The capital contribution reserve account represents a non-repayable contribution from the ultimate parent company, Cooke Optics Group Limited, in connection with the acquisition of ZGC Inc.

Profit and loss account

The Profit and Loss Account includes all current and prior period retained profits and losses, less dividends paid.

20. Capital commitments

At 30 June 2017 the company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	148,793	-

The capital commitments relate to costs in connection with an additional manufacturing facility, to be acquired on a leasehold basis, entered into after the year end.

21. Pension commitments

The company operates a defined contribution plan for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and is set out in note 6.

The amount owing at the year end in respect of such contributions amounted to £13,000 (2016: £22,041) and is included in creditors.

COOKE OPTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22. Related party transactions

During the year the company undertook transactions with entities under common control as follows:

	2017 £	2016 £
Sales to related parties	-	818,162
Purchases from related parties	-	30,562
Management charges	-	19,500
	<u> </u>	<u> </u>

Cooke Optics Limited acquired the share capital of ZGC Inc in the prior year. Certain directors of Cooke Optics Limited were formerly directors and shareholders of ZGC Inc and received aggregate remuneration of £1,760,333 prior to the acquisition during 2016.

23. Post balance sheet events

On 11 September 2017, Cooke Optics Limited entered into a further Facilities Agreement with Barclays Bank PLC to borrow £5,000,000, repayable in quarterly instalments from 30 November 2017 for a period of 5 years. The funds will be used to redeem further tranches of loan notes and preference shares in group companies.

24. Controlling party

The company's parent undertaking is Cooke Optics Holdings Limited, a company incorporated in the United Kingdom.

The ultimate controlling party is Cooke Optics Group Limited, a company incorporated in the United Kingdom. Cooke Optics Group Limited is controlled by Growth Capital Partners Fund 111 LP.

The smallest and largest group for which financial statements are prepared is the Cooke Optics Group Limited group. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.