Registered number: 03579622

# COOKE OPTICS LIMITED

## ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2020

# COOKE OPTICS LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | L Zellan<br>R Howard<br>D M Oatley (appointed 16 October 2020)<br>R T Pugh (appointed 16 October 2020) |
| **Company secretary** | D M Oatley (appointed 16 October 2020) |
| **Registered number** | 03579622 |
| **Registered office** | 1 Cooke Close<br>Thurmaston<br>Leicester<br>LE4 8PT |
| **Independent auditor** | Cooper Parry Group Limited<br>Chartered Accountants & Statutory Auditor<br>Sky View<br>Argosy Road<br>East Midlands Airport<br>Castle Donington<br>Derby<br>DE74 2SA |

COOKE OPTICS LIMITED

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COOKE OPTICS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2020

## 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

The results for the company show a profit on ordinary activities before taxation of £1,745,496 (2019: £9,898,237). The business experienced a significant reduction in revenue during the last quarter of the financial year as a result of the Coronavirus pandemic. Revenue has since returned to previous levels. The results for the year were also impacted by a significant increase in the stock provision to £5,113,048 (2019: £109,177) which was established in response to changes in demand patterns with customers favouring full frame lens formats over Super 35 lenses. Demand for lenses remains strong and continues to exceed capacity, as a result of which the company has a very substantial order book. In order to maintain its premier position in the industry, the company invests heavily in research and development and will continue to do so in the coming year.

## Principal risks and uncertainties

The business has a risk management process to identify, evaluate, manage and mitigate significant risks. The risk register is regularly reviewed by management and there is executive ownership of each risk and mitigation plan.

## Covid Risk

In March 2020, there was an outbreak of Coronavirus which has developed into a global pandemic. The impact of this on all businesses in the short term was an increase in uncertainty over the future trading prospects and cashflows. In our industry in particular COVID-19 has slowed the delivery of stock. At the date of signing these accounts, the directors have considered the effect on the company with the information available to them and do not believe it will affect the company's ability to continue to trade for the foreseeable future. See note 1.2 for further details. Further outbreaks of the virus would have a detrimental affect on the company's working practices, supply chains and the film and TV industries which the company services. The Directors have and will continue to follow the Health & Safety guidelines as laid out by the Government to ensure that the company minimises the risk of spreading the infection.

## Market competition risk

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. The company seeks to promote its market share by the constant development of new and innovative products.

## Credit and currency risk

Most of our sales require payment prior to shipping and are invoiced in sterling. Our suppliers comprise both UK and overseas companies. In the case of overseas suppliers most are dollar based. Because of the existence of our US based subsidiary, Cooke Americas Limited, we have a natural hedge against dollar exposure. The company does not therefore need to have hedging arrangements in respect to trade debtors or creditors and does not consider credit risk to be a major concern.

## Liquidity risk

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. At the year end the company had cash balances of £2,828,532. The company is part of a wider group, and the company acts as guarantor for the borrowings of Chaplin Topco Limited, Chaplin Midco Limited, Chaplin Bidco Limited, Cooke Optics Group Limited and Cooke Optics Holdings Limited.

### Labour risk

The company is reliant on a skilled workforce and any significant reduction would have a material 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.

### Financial key performance indicators

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

| | 2020 | 2019 | % Change |
|---|---|---|---|
| Sales | £19,261,404 | £25,294,106 | -24% |
| Gross margin | 31.7% | 57.5% | -26% |
| EBITDA before stock provision | £7,071,337 | £10,188,768 | -31% |
| EBITDA after stock provision | £2,067,467 | £10,188,768 | -80% |
| Employees | 125 | 125 | 0% |

The board is satisfied with the company's performance.

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

R Howard

**R Howard**
Director

Date: 28 october 2020

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

## 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 judgements 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 £1,735,564 (2019: £9,094,378).

During the year the directors have declared a dividend of £7,000,000 (2019: £28,250,137).

## Directors

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

## Future developments

The directors will continue to develop the Cooke Optics products in order to ensure that they advance in line with changes in technology. It is anticipated that along with existing management policies there will be an effective response to the challenges of the future.

## Financial instruments

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors. The main purpose of these instruments is to raise funds to finance the company's operations. The company's approach to managing risks applicable to the financial instruments is detailed below:

• Trade debtors are managed through credit and cash flow risk by assessing the terms offered to customers and the regular monitoring of amounts outstanding at a given time.

• Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet liabilities as they fall due.

• The company's bank accounts are monitored to ensure the group has sufficient funds to meet their current commitments, no use of overdraft facilities has been required.

## Research and development activities

The company has continued to invest heavily in research and development throughout the year. This is an essential part of the company's activities and due to continuous changes in technology is necessary for the future development of the company's products.

## Engagement with suppliers, customers and others

The business values its relationships with its key stakeholders, placing a high reliance on integrity. Our suppliers are paid on time, our customer relationships are long term in nature and closely monitored.

## 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.

## Post balance sheet events

There have been no significant events affecting the Company since the year end.

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

R Howard

**R Howard**
Director

Date: 28 October 2020

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

## Opinion

We have audited the financial statements of Cooke Optics Limited (the 'company') for the year ended 30 June 2020, which comprise the profit and loss account, the balance sheet and the related notes, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 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.

**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 or 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.

## 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. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Limited

Peter Sterling (Senior statutory auditor)

for and on behalf of
**Cooper Parry Group Limited**

Chartered Accountants
Statutory Auditor

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

Date: 28 October 2020

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 £ | 2019 £ |
|---|---|---|---|
| **Turnover** | 3 | 19,261,404 | 25,294,106 |
| Cost of sales | | (13,163,743) | (10,752,067) |
| **Gross profit** | | 6,097,661 | 14,542,039 |
| Administrative expenses | | (4,719,395) | (4,852,089) |
| Other operating income | 4 | 338,300 | 204,178 |
| **Operating profit** | 5 | 1,716,566 | 9,894,128 |
| Interest receivable and similar income | | 36,386 | 26,817 |
| Interest payable and similar expenses | | (7,456) | (22,708) |
| **Profit on ordinary activities before taxation** | | 1,745,496 | 9,898,237 |
| Taxation on profit on ordinary activities | 8 | (9,932) | (803,859) |
| **Profit for the financial year** | | 1,735,564 | 9,094,378 |

| | | |
|---|---|---|
| Retained earnings at the beginning of the year | 5,992,243 | 25,148,002 |
| Profit for the year | 1,735,564 | 9,094,378 |
| Dividends declared and paid | (7,000,000) | (28,250,137) |
| **Retained earnings at the end of the year** | 727,807 | 5,992,243 |

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

The notes on pages 10 to 26 form part of these financial statements.

# BALANCE SHEET
## AS AT 30 JUNE 2020

| | Note | | 2020 £ | | 2019 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 10 | | 776,254 | | - |
| Tangible assets | 11 | | 2,957,685 | | 2,533,073 |
| Investments | 12 | | 2,758,646 | | 2,758,646 |
| | | | 6,492,585 | | 5,291,719 |
| **Current assets** | | | | | |
| Stocks | 13 | 7,231,266 | | 10,425,922 | |
| Debtors: amounts falling due within one year | 14 | 8,376,865 | | 1,240,753 | |
| Cash at bank and in hand | | 2,828,532 | | 7,960,000 | |
| | | 18,436,663 | | 19,626,675 | |
| **Creditors: amounts falling due within one year** | 15 | (21,114,010) | | (15,742,462) | |
| **Net current (liabilities)/assets** | | | (2,677,347) | | 3,884,213 |
| **Total assets less current liabilities** | | | 3,815,238 | | 9,175,932 |
| **Creditors: amounts falling due after more than one year** | 16 | | - | | (110,912) |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 17 | | (90,769) | | (76,115) |
| **Net assets** | | | 3,724,469 | | 8,988,905 |
| **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 | | 727,807 | | 5,992,243 |
| **Shareholders' funds** | | | 3,724,469 | | 8,988,905 |

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

R Howard

**R Howard**
Director

Date: 28 October 2020

The notes on pages 10 to 26 form part of these financial statements.

## 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 2020 (2019: year ended 30 June 2019).

### 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 judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement 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 Coronavirus and going concern

At the balance sheet date, the company had net assets in excess of £3.7m, including a cash balance of £2.8m and no external debt. Its current liability position was £2.7m, the deficit relates to amounts owed to group companies.

The company is an integral part of the Chaplin Topco Limited group, its operations and funding is closely linked to that of the wider group. The directors are in regular contact with the directors of the holding company.

At the time of signing these financial statements, the directors have considered the impact of the Coronavirus pandemic on the going concern position of the company and of the wider group. In the initial stages of the pandemic the group's production facility was closed for a short period of time before re opening in April. The group has taken advantage of the Coronavirus Job Retention Scheme as well as the facility to defer VAT and PAYE payments. Virtually all staff have now returned to full time work. Because of the group's strong balance sheet including cash reserves of £6,604,618 at the year end the group did not need to make any applications for any of the Government funded loan schemes available. The group has continued to trade profitably since the year end and detailed financial forecasts anticipate a satisfactory level of profit for the year ended 30 June 2021. Further, the group's principal debt is not due for repayment until August 2025. The forecasts prepared show an ability to operate comfortably within the funding facilities available to the group. On this basis the directors believe that it is appropriate that the financial statements are prepared on a going concern basis.

## 1. Accounting policies (continued)

### 1.3 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 Chaplin Topco Limited. The group accounts of Chaplin Topco Limited are available to the public and can be obtained as set out in note 25.

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.

### 1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and 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**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company 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.

### 1.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

Government grants relate to the receipt of Coronavirus Job Retention Scheme income which is included within other operating income in the profit and loss account.

### 1.6 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.

Development costs in relation to new projects are initially capitalised and will be amortised over their useful economic life. Amortisation will be charged from the point that the asset is considered to be available for use. Development costs are reviewed on an annual basis for evidence of impairment.

At each period end the directors consider the carrying value of all intangible assets for impairment.

## 1. Accounting policies (continued)

### 1.7 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 on a straightline basis.

| | | |
|---|---|---|
| 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.

### 1.8 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.

### 1.9 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.

## 1. Accounting policies (continued)

### 1.10 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.

### 1.11 Research and development

Traditionally all research and development expenditure has been written off to the Profit and Loss Account under FRS 102.

The research and development policy was revised in the current year. External development costs in relation to new projects are now initially capitalised and are amortised over their useful economic life. Amortisation will be charged from the point that the asset is considered to be available for use. The directors have considered the change of the accounting policy on the research and development expenditure incurred in previous years. The impact on the accounts is considered to be immaterial and as such deemed unnecessary to restate the prior year figures.

Development costs are reviewed on an annual basis for evidence of impairment.

### 1.12 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.

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

### 1.13 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. 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 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.

### 1.16 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.

### 1.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

## 2. Judgements 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 judgement in the process of applying the company's accounting policies. Estimates and judgements 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. The recoverable amount is defined as the higher of fair value and value in use as defined by FRS 102. 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 judgement 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.

## 2. Judgements 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 judgement. The nature and type of risks for these provisions differ and the directors judgement 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:

| | 2020<br>£ | 2019<br>£ |
|---|---:|---:|
| Europe | 7,830,452 | 9,299,059 |
| United States | 4,274,069 | 6,546,288 |
| Rest of the World | 7,156,883 | 9,448,759 |
| | 19,261,404 | 25,294,106 |

## 4. Other operating income

| | 2020<br>£ | 2019<br>£ |
|---|---:|---:|
| Research and development tax credit | 142,925 | 204,178 |
| Government grants receivable - furlough income | 195,375 | - |
| | 338,300 | 204,178 |

## 5. Operating profit

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

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Research & development charged as an expense | 675,202 | 1,701,487 |
| Depreciation of tangible fixed assets owned by the company | 281,793 | 225,433 |
| Depreciation of tangible fixed assets held under finance leases | 69,108 | 69,207 |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 39,000 | 45,000 |
| Difference on foreign exchange | (48,246) | (29,539) |
| Operating lease rentals | 42,283 | 42,172 |
| Stock provision (See note 13) | 5,113,048 | 56,794 |
| | 5,107,085 | 69,427 |

## 6. Employees

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

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Wages and salaries | 3,685,702 | 3,806,063 |
| Social security costs | 373,670 | 380,936 |
| Pension costs | 214,896 | 225,476 |
| | 4,274,268 | 4,412,475 |

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

| | 2020<br>No. | 2019<br>No. |
|---|---|---|
| Administration and research and development | 21 | 18 |
| Manufacturing | 104 | 107 |
| | 125 | 125 |

## 7. Directors' remuneration

| | 2020 £ | 2019 £ |
|---|---|---|
| Directors' emoluments | 265,337 | 243,370 |

During the year retirement benefits were accruing to no directors (2019: Nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £265,337 (2019: £243,370).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2019: £Nil).

## 8. Taxation

| | 2020 £ | 2019 £ |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 27,156 | 793,466 |
| Adjustments in respect of previous periods | (31,878) | 13,006 |
| **The current tax** | (4,722) | 806,472 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 5,699 | (2,613) |
| Changes to tax rates | 8,955 | - |
| **Total deferred tax** | 14,654 | (2,613) |
| **Taxation on profit on ordinary activities** | 9,932 | 803,859 |

**8. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Profit on ordinary activities before tax | 1,745,496 | 9,898,237 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | 331,644 | 1,880,665 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | 5,545 | 19,347 |
| Fixed asset differences | 5,775 | 5,074 |
| Adjustments to tax charge in respect of prior periods | (31,878) | 13,006 |
| Patent Box claim in current year | (96,456) | (794,180) |
| Group relief claimed | (213,653) | (1,099,817) |
| Payment for group relief | - | 779,457 |
| Adjustment to deferred tax rate | 8,955 | 307 |
| **Total tax charge for the year** | 9,932 | 803,859 |

**Factors that may affect future tax charges**

There were no factors that may affect future charges.

## 9. Dividends

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Dividend paid | 7,000,000 | 28,250,137 |

## 10. Intangible assets

| | Development expenditure<br>£ | Goodwill<br>£ | Total<br>£ |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2019 | - | 733,560 | 733,560 |
| Additions | 776,254 | - | 776,254 |
| At 30 June 2020 | 776,254 | 733,560 | 1,509,814 |
| **Amortisation** | | | |
| At 1 July 2019 | - | 733,560 | 733,560 |
| At 30 June 2020 | - | 733,560 | 733,560 |
| **Net book value** | | | |
| At 30 June 2020 | 776,254 | - | 776,254 |
| At 30 June 2019 | - | - | - |

## 11. Tangible fixed assets

| | Freehold property £ | Plant and machinery £ | Motor vehicles £ | Fixtures, fittings and equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July 2019 | 1,833,293 | 6,019,290 | 12,550 | 544,366 | 8,409,499 |
| Additions | - | 175,728 | - | 599,785 | 775,513 |
| Disposals | - | (77,281) | - | - | (77,281) |
| At 30 June 2020 | 1,833,293 | 6,117,737 | 12,550 | 1,144,151 | 9,107,731 |
| **Depreciation** | | | | | |
| At 1 July 2019 | 916,878 | 4,524,097 | 5,044 | 430,407 | 5,876,426 |
| Charge for the year | 24,376 | 236,195 | 3,137 | 87,193 | 350,901 |
| Disposals | - | (77,281) | - | - | (77,281) |
| At 30 June 2020 | 941,254 | 4,683,011 | 8,181 | 517,600 | 6,150,046 |
| **Net book value** | | | | | |
| At 30 June 2020 | 892,039 | 1,434,726 | 4,369 | 626,551 | 2,957,685 |
| At 30 June 2019 | 916,415 | 1,495,193 | 7,506 | 113,959 | 2,533,073 |

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

| | 2020 £ | 2019 £ |
|---|---|---|
| Plant and machinery | 378,377 | 447,414 |

## 12. Fixed asset investments

| | Investments in subsidiary companies £ |
|---|---|
| At 1 July 2019 and 30 June 2020 | 2,758,646 |

### Subsidiary undertakings

The following were subsidiary undertakings of the company:

| Name | Class of shares | Holding |
|---|---|---|
| Cooke Americas Limited | Ordinary | 100% |
| Cooke (Shanghai) Optics Technology Co.,Ltd | Ordinary | 100% |
| Cooke Optics TV Limited | Ordinary | 100% |
| Cooke Brasil Serviços De Assistência Técnica LTDA | Ordinary | 100% |

The country of incorporation of Cooke Americas Limited is the United States of America. The registered office of Cooke Americas Limited is 264 Morris Avenue, Mountain Lakes, NJ 07046, United States of America.

The country of incorporation of Cooke (Shanghai) Optics Technology Co.,Ltd is China. The registered office of Cooke (Shanghai) Optics Technology Co.,Ltd is Rooms 501-03 & 501-04, No. 1 Building, No. 908 Xiuwen Road, Minhang District, Shanghai, China.

The country of incorporation of Cooke Optics TV Limited is the United Kingdom. The registered office is the same as Cooke Optics Limited and noted on the company information page.

The country of incorporation of Cooke Brasil Serviços De Assistência Técnica LTDA is Brazil. The registered office of Cooke Brasil Serviços De Assistência Técnica LTDA is Rua Cardeal Arcoverde, n. 17.495, 6º andar, cj. 67, Pinheiros, CEP 05.407-002, in the City of São Paulo, State of São Paulo.

## 13. Stocks

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Raw materials and consumables | 3,643,348 | 6,147,249 |
| Work in progress | 2,521,667 | 1,996,209 |
| Finished goods and goods for resale | 1,066,251 | 2,282,464 |
| | 7,231,266 | 10,425,922 |

Stock recognised in cost of sales during the year as an expense was £5,186,817 (2019: £7,982,499).

An impairment loss of £5,003,390 (2019: £56,794) was recognised in cost of sales relating to the additional provision against slow-moving and obsolete stock. The additional provision made was in response to a change in customer demand. The provision has been calculated on an individual product basis taking into account existing stock and anticipated demand in the medium term.

## 14. Debtors

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Trade debtors | 214,048 | 268,944 |
| Amounts owed by group undertakings | 7,644,550 | - |
| Other debtors | 336,109 | 834,398 |
| Prepayments and accrued income | 182,158 | 137,411 |
| | 8,376,865 | 1,240,753 |

## 15. Creditors: Amounts falling due within one year

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Net obligations under finance lease and hire purchase contracts | 100,884 | 106,315 |
| Trade creditors | 2,970,422 | 3,566,487 |
| Amounts owed to group undertakings | 16,986,902 | 11,106,088 |
| Other taxation and social security | 391,398 | 93,643 |
| Other creditors | 37,191 | 33,614 |
| Accruals and deferred income | 627,213 | 836,315 |
| | 21,114,010 | 15,742,462 |

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

## 16. Creditors: Amounts falling due after more than one year

| | 2020 £ | 2019 £ |
|---|---|---|
| Net obligations under finance leases and hire purchase contracts | - | 110,912 |

## 17. Deferred taxation

| | 2020 £ |
|---|---|
| At beginning of year | 76,115 |
| | (14,654) |
| **At end of year** | 90,769 |

The provision for deferred taxation is made up as follows:

| | 2020 £ | 2019 £ |
|---|---|---|
| Accelerated capital allowances | 102,413 | 86,318 |
| Short term timing differences | (11,644) | (10,203) |
| | 90,769 | 76,115 |

## 18. Share capital

| | 2020 £ | 2019 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 16,290 Ordinary shares of £1 each | 16,290 | 16,290 |

## 19. Reserves

### Share premium account

The share premium account includes any premiums received on the issue of share capital above its nominal value. Any transaction costs associated with the issuing of shares are deducted from share premium.

### Capital redemption reserve

The capital redemption reserve arose 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 a group company.

### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses, less dividends paid.

## 20. Contingent liabilities

The company is a party to a group wide guarantee given to the group's lenders. At 30 June 2020, the maximum liability stood at £32,372,962 (2019: £30,000,000).

The company is party to a group wide VAT and duty deferment guarantee for £205,025 (2019: £205,025).

## 21. Capital commitments

At 30 June 2020 the company had capital commitments as follows:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Contracted for but not provided in these financial statements | 84,533 | 640,231 |

## 22. 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 £31,524 (2019: £29,387) and is included in creditors.

## 23. Commitments under operating leases

At 30 June 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Not later than 1 year | 41,503 | 41,503 |
| Later than 1 year and not later than 5 years | 166,012 | 166,012 |
| Later than 5 years | 83,489 | 125,077 |
| | 291,004 | 332,592 |

## 24. Related party transactions

During the year, the company utilised tax losses from non-wholly owned group entities under common control of £54,145 (2019: £779,457). At the year end a balance of £725,312 (2019: £779,457) was due and included in creditors due within one year.

Rental charges of £14,955 (2019: £Nil) were paid to a director of the company.

## 25. Controlling party

The ultimate controlling party is Caledonia Investments plc, the ultimate parent company. Caledonia Investments plc indirectly holds 77.88% of the shares in Cooke Optics Holdings Limited, the immediate parent company. Caledonia Investments plc and Cooke Optics Holdings Limited are companies registered in England and Wales. Post year end, Caledonia Investments plc increased their indirect holding in Cooke Optics Holdings Limited to 80.58% after acquiring shares from a retiring shareholder.

The smallest and largest group for which financial statements are prepared is Chaplin Topco Limited and Caledonia Investments plc respectively. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.