

Registered number
3579622

COOKE OPTICS LIMITED

Report and Accounts

30 June 2003



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COOKE OPTICS LIMITED
Report and accounts
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COOKE OPTICS LIMITED
Company Information

Directors

L Zellan
D M G Stevens
P Sheridan (Non-Executive Director)
B Lowry (Non-Executive Director)
J Atkins (Non-Executive Director)

Secretary

R W Davis FCA

Auditors

John N G Howitt
2 The Paddock
Attenborough
NOTTINGHAM
NG2 6AR

Bankers

HSBC Bank plc
31 Granby Street
Leicester
LE1 6EP

Solicitors

Denton Wilde Sapte
Five Chancery Lane
LONDON
EC4A 1BU

Registered office

Five Chancery Lane
LONDON
EC4A 1BU

Registered number

3579622

COOKE OPTICS LIMITED

Directors' Report

The directors present their report and accounts for the year ended 30 June 2003.

Principal activities and review of the business

The company's principal activity during the year continued to be the design and manufacture of precision optical systems.

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

Results and dividends

The profit for the year, after taxation, amounted to £110,660 after charging a premium on the redemption of shares of £10,395. The directors do not recommend the payment of a dividend.

Future developments

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

Directors

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

	As at 30 June	
	2003	2002
L Zellan	-	-
D M G Stevens	75	150
B Lowry	-	-
J Atkins	250	250
P Sheridan	-	-

L Zellan and B Lowry have an indirect interest in 5,225 (2002 - 5,225) ordinary shares of the company held by ZGC Llc.

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

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

	2003	2002
R E Little	225	225
B N Billington	150	150

COOKE OPTICS LIMITED

Directors' Report

Directors' responsibilities

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

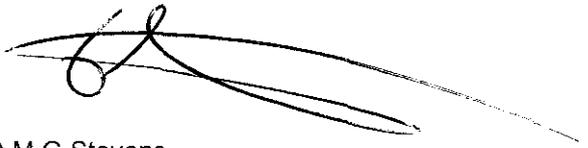
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

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

This report was approved by the board on 13 November 2003.

A handwritten signature in black ink, appearing to be 'D M G Stevens', written over a horizontal line.

D M G Stevens
Director

COOKE OPTICS LIMITED

Independent auditors' report to the shareholders of COOKE OPTICS LIMITED

We have audited the accounts of Cooke Optics Limited for the year ended 30 June 2003 which comprises pages 5 to 18. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

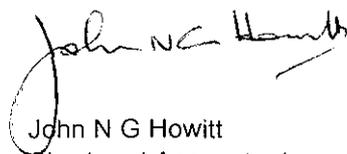
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements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

We planned and performed our audit so as to obtain

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

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at the 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



John N G Howitt
Chartered Accountants and Registered Auditors

2 The Paddock
Attenborough
NOTTINGHAM
NG2 6AR

13 November 2003

COOKE OPTICS LIMITED
Profit and Loss Account
for the year ended 30 June 2003

	Notes	2003 £	2002 £
Turnover	2	4,206,031	3,962,205
Cost of sales		(2,352,604)	(2,067,986)
Gross profit		<u>1,853,427</u>	<u>1,894,219</u>
Administrative expenses		(1,635,487)	(1,626,126)
Operating profit	3	<u>217,940</u>	<u>268,093</u>
Exceptional items:			
profit on the disposal of tangible fixed assets	4	38,957	-
premium on redemption of shares		(10,395)	-
		<u>28,562</u>	<u>-</u>
		<u>246,502</u>	<u>268,093</u>
Interest payable	7	(106,372)	(122,308)
Profit on ordinary activities before taxation		<u>140,130</u>	<u>145,785</u>
Tax on profit on ordinary activities	8	(29,470)	(15,895)
Profit for the financial year		<u>110,660</u>	<u>129,890</u>
Retained profit for the financial year	20	<u>110,660</u>	<u>129,890</u>

Continuing operations

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

COOKE OPTICS LIMITED
Statement of total recognised gains and losses
for the year ended 30 June 2003

	Notes	2003 £	2002 £
Profit for the financial year		110,660	129,890
Total recognised gains and losses related to the year		<u>110,660</u>	<u>129,890</u>

COOKE OPTICS LIMITED

Balance Sheet

as at 30 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	9	366,780	440,136
Tangible assets	10	<u>1,570,756</u>	<u>1,798,836</u>
		1,937,536	2,238,972
Current assets			
Stocks	11	1,031,842	1,203,348
Debtors	12	473,292	590,626
Cash at bank and in hand		<u>127,658</u>	<u>308</u>
		1,632,792	1,794,282
Creditors: amounts falling due within one year	13	<u>(1,412,692)</u>	<u>(1,759,035)</u>
Net current assets		220,100	35,247
Total assets less current liabilities		<u>2,157,636</u>	<u>2,274,219</u>
Creditors: amounts falling due after more than one year	14	(230,405)	(471,864)
Provisions for liabilities and charges			
Deferred taxation	16	(126,240)	(123,270)
		<u>1,800,991</u>	<u>1,679,085</u>
Subordinated loans	17	959,642	948,291
Share premium		-	-
Revaluation reserve		-	-
Capital redemption reserve	19	105	-
Profit and loss account	20	831,349	720,794
Equity	21	<u>841,349</u>	<u>730,794</u>
Non-equity		<u>-</u>	<u>-</u>
		<u>1,800,991</u>	<u>1,679,085</u>


D M G Stevens

Director

Approved by the board on 13 November 2003

COOKE OPTICS LIMITED
Cash Flow Statement
for the year ended 30 June 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		217,940	268,093
Depreciation charges		307,227	301,940
Amortisation of goodwill		73,356	73,356
Decrease/(increase) in stocks		171,506	(247,682)
Decrease/(increase) in debtors		117,334	(169,084)
Decrease in creditors		(24,386)	(10,822)
Net cash inflow from operating activities		<u>862,977</u>	<u>215,801</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		862,977	215,801
Returns on investments and servicing of finance	22	(106,372)	(122,308)
Taxation		(27,598)	(27)
Capital expenditure	22	<u>(40,190)</u>	<u>(84,524)</u>
		688,817	8,942
Financing	22	(89,948)	(111,308)
Increase/(decrease) in cash		<u>598,869</u>	<u>(102,366)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		598,869	(102,366)
Decrease in debt and lease financing		79,448	111,308
Change in net debt	23	<u>678,317</u>	<u>8,942</u>
Net debt at 1 July		<u>(2,214,883)</u>	<u>(2,223,825)</u>
Net debt at 30 June		<u>(1,536,566)</u>	<u>(2,214,883)</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

1 Accounting policies

Accounting convention

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

Intangible fixed assets

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

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

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

Research and Development

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

Tangible fixed assets

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

Leasehold fixtures & fittings	Over the term of the lease
Plant, machinery and tooling	Between 10% and 33% straight line
Motor vehicles	33% reducing balance
Office equipment	33% straight line

Stocks

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

Deferred taxation

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

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

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

Leasing and hire purchase commitments

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

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

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

Pensions

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

Development costs

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

2 Turnover

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

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

Analysis by geographical market:

	2003	2002
	£	£
Within the European Community	1,976,596	1,964,058
Within the USA	1,564,212	1,291,017
Other	665,223	707,130
	<u>4,206,031</u>	<u>3,962,205</u>

3 Operating profit

	2003	2002
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	232,392	229,053
Depreciation of assets held under finance leases and hire purchase contracts	74,835	72,887
Amortisation of loan costs	13,724	29,368
Operating lease rentals - land buildings	67,056	67,056
Auditors' remuneration	5,000	5,000
Research and development costs	<u>304,636</u>	<u>225,931</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

4	Exceptional items	2003	2002
		£	£
	Profit on disposal of fixed assets	38,957	-
	Premium on redemption of shares	(10,395)	-
		<u>28,562</u>	<u>-</u>
5	Directors' emoluments	2003	2002
		£	£
	Emoluments	58,679	69,460
	Company contributions to money purchase pension schemes	5,050	4,750
		<u>63,729</u>	<u>74,210</u>
	Number of directors in company pension schemes:	2003	2002
		Number	Number
	Money purchase schemes	<u>1</u>	<u>1</u>
6	Staff costs	2003	2002
		£	£
	Wages and salaries	1,363,741	1,349,812
	Social security costs	121,711	117,989
	Pension costs	85,713	88,342
		<u>1,571,165</u>	<u>1,556,143</u>
	Average number of employees during the year	Number	Number
	Administration	8	8
	Manufacturing	52	53
		<u>60</u>	<u>61</u>
7	Interest payable	2003	2002
		£	£
	Bank loans and overdrafts	38,907	46,724
	Subordinated loan interest	40,626	40,712
	Finance charges payable under finance leases and hire purchase contracts	26,839	34,872
		<u>106,372</u>	<u>122,308</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

8 Taxation	2003 £	2002 £
UK corporation tax at 19%	26,500	27,625
Deferred taxation (note 16)	2,970	(11,730)
	<u>29,470</u>	<u>15,895</u>

Factors affecting tax charge for the year

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

	2003 £	2002 £
Profit on ordinary activities before tax	<u>140,130</u>	<u>145,785</u>
Standard rate of tax in the UK	19%	20%
	£	£
Profit on the ordinary activities multiplied by the standard rate of corporation tax	26,625	29,157
Effects of:		
Expenses not deductible for tax purposes	27,278	25,220
Enhanced tax relief	(24,433)	(20,388)
Prior year deferred tax	-	(18,094)
	<u>29,470</u>	<u>15,895</u>

9 Intangible fixed assets	£
Goodwill:	
Cost	
At 1 July 2002	<u>733,560</u>
At 30 June 2003	<u>733,560</u>
Amortisation	
At 1 July 2002	293,424
Provided during the year	<u>73,356</u>
At 30 June 2003	<u>366,780</u>
Net book value	
At 30 June 2003	<u>366,780</u>
At 30 June 2002	<u>440,136</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

10 Tangible fixed assets

	Leasehold Fixtures & fittings. Office equipment	Motor vehicles	Plant, machinery and tooling	Total
	£	£	£	£
Cost				
At 1 July 2002	797,389	56,566	1,846,464	2,700,419
Additions	3,100	-	110,477	113,577
Disposals	-	(43,066)	(32,000)	(75,066)
At 30 June 2003	<u>800,489</u>	<u>13,500</u>	<u>1,924,941</u>	<u>2,738,930</u>
Depreciation				
At 1 July 2002	302,768	37,313	561,502	901,583
Charge for the year	81,176	4,006	222,045	307,227
On disposals	-	(29,924)	(10,712)	(40,636)
At 30 June 2003	<u>383,944</u>	<u>11,395</u>	<u>772,835</u>	<u>1,168,174</u>
Net book value				
At 30 June 2003	<u>416,545</u>	<u>2,105</u>	<u>1,152,106</u>	<u>1,570,756</u>
At 30 June 2002	<u>494,621</u>	<u>19,253</u>	<u>1,284,962</u>	<u>1,798,836</u>
			2003	2002
			£	£
Net book value of plant and machinery included above held under finance leases and hire purchase contracts			<u>427,344</u>	<u>511,256</u>

11 Stocks

	2003	2002
	£	£
Raw materials and consumables	653,170	989,504
Work in progress	235,621	213,844
Demo and Rental Lenses	143,051	-
	<u>1,031,842</u>	<u>1,203,348</u>

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

12 Debtors

	2003	2002
	£	£
Trade debtors	348,379	492,918
Other debtors	2,243	26,020
Prepayments and accrued income	98,268	53,658
Value added tax debtor	24,402	18,030
	<u>473,292</u>	<u>590,626</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

13 Creditors: amounts falling due within one year	2003	2002
	£	£
Bank loans and overdrafts	340,956	671,519
Obligations under finance lease and hire purchase contracts	133,221	123,517
Trade creditors	444,656	367,437
Corporation tax	26,500	27,598
Other taxes and social security costs	81,956	32,256
ZGC Inc current account	185,264	288,976
Accruals and deferred income	200,139	247,732
	<u>1,412,692</u>	<u>1,759,035</u>

14 Creditors: amounts falling due after one year	2003	2002
Bank loans	33,308	228,518
Obligations under finance lease and hire purchase contracts	197,097	243,346
	<u>230,405</u>	<u>471,864</u>

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

	£	£
Analysis of maturity of bank loan:		
Within one year or on demand	245,525	200,000
Between one and two years	36,500	233,333
Less: offset of financing costs	(3,192)	(4,815)
	<u>278,833</u>	<u>428,518</u>

15 Obligations under finance leases and hire purchase contracts	2003	2002
	£	£
Amounts payable:		
Within one year	133,221	123,517
Within two to five years	197,097	243,346
	<u>330,318</u>	<u>366,863</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

16 Deferred taxation

	2003 £	2002 £
At 1 July	123,270	135,000
Charged to the profit and loss account	2,970	(11,730)
At 30 June	<u>126,240</u>	<u>123,270</u>

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

	Provided 2003 £	Potential 2003 £	Provided 2002 £	Potential 2002 £
Capital allowances in advance of depreciation	<u>2,970</u>	<u>-</u>	<u>(11,730)</u>	<u>-</u>

17 Subordinated Loans

	ZGC Inc. Loan £	Other Loans £	Total £
Within one year	-	-	-
Between 2-5 years	-	347,378	347,378
Outwith 5 years	653,000	-	653,000
	<u>653,000</u>	<u>347,378</u>	<u>1,000,378</u>
Less: offset of financing costs	26,591	14,145	40,736
Balance at 30 June 2003	<u>626,409</u>	<u>333,233</u>	<u>959,642</u>

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

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

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

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

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

18 Share capital			2003	2002
			£	£
Authorised:				
Ordinary shares of £1 each			<u>100,000</u>	<u>100,000</u>
	2003	2002	2003	2002
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	9,895	10,000	<u>9,895</u>	<u>10,000</u>
Movement in share capital			2003	2002
			£	£
At 1 July			10,000	10,000
Shares redeemed			(105)	-
			<u>9,895</u>	<u>10,000</u>
At 30 June				
19 Capital redemption reserve			2003	2002
			£	£
Transfer from the profit and loss account			105	-
			<u>105</u>	<u>-</u>
At 30 June				
20 Profit and loss account			2003	2002
			£	£
At 1 July			720,794	590,904
Retained profit			110,660	129,890
Transfer to capital redemption reserve			(105)	-
			<u>831,349</u>	<u>720,794</u>
At 30 June				
21 Reconciliation of movement in shareholders' funds			2003	2002
			£	£
At 1 July			730,794	600,904
Profit for the financial year			110,660	129,890
Shares redeemed			(105)	-
			<u>841,349</u>	<u>730,794</u>
At 30 June				

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

22 Gross cash flows	2003	2002
	£	£
Returns on investments and servicing of finance		
Interest paid	(79,533)	(87,436)
Interest element of finance lease rental payments	(26,839)	(34,872)
	<u>(106,372)</u>	<u>(122,308)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(113,577)	(84,524)
Receipts from sales of tangible fixed assets	73,387	-
	<u>(40,190)</u>	<u>(84,524)</u>
Financing		
Redemption of share capital	(10,500)	-
New loans raised	11,351	(13,459)
Loan repayments	(54,254)	(89,865)
Capital element of finance lease rental payments	(36,545)	(7,984)
	<u>(89,948)</u>	<u>(111,308)</u>

23 Analysis of changes in net debt

	At 1 Jul 2002 £	Cash flows £	Non-cash changes £	At 30 Jun 2003 £
Cash at bank and in hand	308	127,350		127,658
Overdrafts	(471,519)	471,519		-
		<u>598,869</u>		
Debt due within 1 year	(200,000)	(140,956)		(340,956)
Debt due after 1 year	(1,176,809)	183,859		(992,950)
Finance leases	(366,863)	36,545		(330,318)
		<u>79,448</u>		
Total	<u>(2,214,883)</u>	<u>678,317</u>	<u>-</u>	<u>(1,536,566)</u>

24 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Leasehold buildings 2003 £	Leasehold buildings 2002 £	Other 2003 £	Other 2002 £
Operating leases which expire: in over five years	<u>67,056</u>	<u>67,056</u>	<u>-</u>	<u>-</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2003

25 Contingent liabilities

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

26 Related parties

The company made sales to ZGC Inc. of £1,035,648 (2002 - £910,417). ZGC Inc. are related to the holders of a majority shareholding in Cooke Optics Limited, ZGC Llc by virtue of common ownership. The transactions were carried out at arms' length and on normal commercial terms. At the period end there was a balance outstanding of £201,060 (2002 £Nil) which is included in trade debtors.

In addition, the company made purchases of £227,321 (2002 - £462,771) from Cannon Engineering and Associates, the holders of a minority shareholding in the company. These transactions were also carried out at arms' length and under normal commercial terms. At the year end, the balance owed by Cooke Optics Limited was £42,909 (2002 - £78,184). This balance was included within the trade creditors.

27 Controlling party

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