

Registered number
3579622

COOKE OPTICS LIMITED

Report and Accounts

30 June 2005



COOKE OPTICS LIMITED
Report and accounts
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COOKE OPTICS LIMITED
Company Information

Directors

L Zellan

D M G Stevens

B Lowry (Non-Executive Director)

J Atkins (Non-Executive Director)

P Sheridan (Non-Executive Director) resigned 31 December 2004

Secretary

R W Davis FCA

Auditors

John N G Howitt

Chartered Accountants

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

Cooke Close

Thurmaston

Leics

LE4 8PT

Registered number

3579622

COOKE OPTICS LIMITED

Directors' Report

The directors present their report and accounts for the year ended 30 June 2005.

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 £155,010 and 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 a further 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 £1 Ordinary shares	
	2005	2004
L Zellan	-	-
D M G Stevens	75	75
B Lowry	-	-
J Atkins	250	250
P Sheridan (resigned 31 December 2004)	-	-

L Zellan and B Lowry have an indirect interest in 5,450 (2004 - 5,375) 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:

	2005	2004
R E Little	-	75
B N Billington	120	120
R W Davis	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 22 September 2005.

A handwritten signature in black ink, appearing to read '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 2005 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.

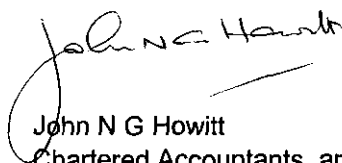
Basis of opinion

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 2005 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

22 September 2005

COOKE OPTICS LIMITED
Profit and Loss Account
for the year ended 30 June 2005

	Notes	2005 £	2004 £
Turnover	2	4,519,048	4,474,180
Cost of sales		(2,361,352)	(2,364,661)
Gross profit		<u>2,157,696</u>	<u>2,109,519</u>
Administrative expenses		(1,905,904)	(1,875,579)
Other operating income		34,118	11,033
Operating profit	3	<u>285,910</u>	<u>244,973</u>
Exceptional items:			
premium on redemption of shares		-	(74,250)
		<u>285,910</u>	<u>170,723</u>
Interest receivable		1,776	1,067
Interest payable	7	(112,518)	(75,646)
Profit on ordinary activities before taxation		<u>175,168</u>	<u>96,144</u>
Tax on profit on ordinary activities	8	(20,158)	(15,275)
Profit for the financial year		<u>155,010</u>	<u>80,869</u>
Retained profit for the financial year	20	<u>155,010</u>	<u>80,869</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 2005

	Notes	2005 £	2004 £
Profit for the financial year		155,010	80,869
Total recognised gains and losses related to the year		<u>155,010</u>	<u>80,869</u>

COOKE OPTICS LIMITED
Balance Sheet
as at 30 June 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	9	220,068	293,424
Tangible assets	10	<u>2,563,039</u>	<u>2,350,538</u>
		2,783,107	2,643,962
Current assets			
Stocks	11	1,189,258	1,012,325
Debtors	12	183,678	543,449
Cash at bank and in hand		<u>565</u>	<u>391</u>
		1,373,501	1,556,165
Creditors: amounts falling due within one year	13	(1,130,101)	(1,365,107)
Net current assets		<u>243,400</u>	<u>191,058</u>
Total assets less current liabilities		<u>3,026,507</u>	<u>2,835,020</u>
Creditors: amounts falling due after more than one year	14	(1,027,366)	(894,602)
Provisions for liabilities and charges			
Deferred taxation	16	(121,694)	(109,333)
		<u>1,877,447</u>	<u>1,831,085</u>
Subordinated loans	17	800,969	909,617
Capital and reserves			
Called up share capital	18	9,145	9,145
Capital redemption reserve	19	855	855
Profit and loss account	20	1,066,478	911,468
Equity	21	<u>1,076,478</u>	<u>921,468</u>
		<u>1,877,447</u>	<u>1,831,085</u>


D M G Stevens
Director

Approved by the board on 22 September 2005

COOKE OPTICS LIMITED
Cash Flow Statement
for the year ended 30 June 2005

	Notes	2005 £	2004 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		285,910	244,973
Depreciation charges		382,260	326,523
Amortisation of goodwill		73,356	73,356
(Increase)/decrease in stocks		(176,933)	19,517
Decrease/(increase) in debtors		359,771	(70,157)
(Decrease)/increase in creditors		(195,355)	159,570
Net cash inflow from operating activities		<u>729,009</u>	<u>753,782</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		729,009	753,782
Returns on investments and servicing of finance	22	(110,742)	(74,579)
Taxation		(38,760)	(26,950)
Capital expenditure	22	<u>(594,761)</u> (15,254)	<u>(1,106,305)</u> (454,052)
Financing	22	72,041	267,346
Increase/(decrease) in cash		<u>56,787</u>	<u>(186,706)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		56,787	(186,706)
Increase in debt and lease financing		(72,041)	(342,346)
Change in net debt	23	<u>(15,254)</u>	<u>(529,052)</u>
Net debt at 1 July		<u>(2,065,618)</u>	<u>(1,536,566)</u>
Net debt at 30 June		<u>(2,080,872)</u>	<u>(2,065,618)</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

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:

Fixtures and fittings	10% straight line
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 marketing, selling and distribution costs.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes. Deferred taxation is calculated on an undiscounted basis at the tax rates which are expected to apply in the periods when the timing differences will reverse.

Foreign currencies

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

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

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:	2005 £	2004 £
Within the European Community	1,661,160	2,015,009
Within the USA	1,673,271	1,571,450
Other	1,184,617	887,721
	<u>4,519,048</u>	<u>4,474,180</u>

3 Operating profit

This is stated after charging:

	2005 £	2004 £
Depreciation of owned fixed assets	382,260	271,760
Depreciation of assets held under finance leases and hire purchase contracts	84,190	54,763
Amortisation of loan costs	11,352	14,545
Operating lease rentals - land buildings	-	67,056
Auditors' remuneration	5,500	5,000
Research and development costs	<u>445,686</u>	<u>453,729</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

4 Exceptional items	2005	2004
	£	£
Premium on redemption of shares	-	(74,250)
	<u>-</u>	<u>(74,250)</u>
5 Directors' emoluments	2005	2004
	£	£
Emoluments	67,737	77,370
Company contributions to money purchase pension schemes	5,676	5,039
	<u>73,413</u>	<u>82,409</u>
Number of directors in company pension schemes:	2005	2004
	Number	Number
Money purchase schemes	<u>1</u>	<u>1</u>
6 Staff costs	2005	2004
	£	£
Wages and salaries	1,475,273	1,436,371
Social security costs	144,342	141,546
Pension costs	98,111	86,990
	<u>1,717,726</u>	<u>1,664,907</u>
Average number of employees during the year	Number	Number
Administration	9	8
Manufacturing	52	51
	<u>61</u>	<u>59</u>
7 Interest payable	2005	2004
	£	£
Bank loans and overdrafts	56,118	15,696
Subordinated loan interest	32,228	39,302
Finance charges payable under finance leases and hire purchase contracts	24,172	20,648
	<u>112,518</u>	<u>75,646</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

8 Taxation	2005	2004
	£	£
UK corporation tax at 19%	800	32,182
Prior year adjustment	6,997	-
Deferred taxation (note 16)	12,361	(16,907)
	<u>20,158</u>	<u>15,275</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:

	2005	2004
	£	£
Profit on ordinary activities before tax	<u>175,168</u>	<u>96,144</u>
Standard rate of tax in the UK	19%	19%
	£	£
Profit on the ordinary activities multiplied by the standard rate of corporation tax	33,282	18,267
Effects of:		
Expenses not deductible for tax purposes	26,330	4,860
Enhanced tax relief	(42,327)	(8,097)
Prior year corporation tax and rate difference	6,208	600
Prior year deferred tax	(3,335)	(355)
	<u>20,158</u>	<u>15,275</u>

9 Intangible fixed assets	£
Goodwill:	
Cost	
At 1 July 2004	<u>733,560</u>
At 30 June 2005	<u>733,560</u>
Amortisation	
At 1 July 2004	440,136
Provided during the year	73,356
At 30 June 2005	<u>513,492</u>
Net book value	
At 30 June 2005	<u>220,068</u>
At 30 June 2004	<u>293,424</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

10 Tangible fixed assets

	Freehold Property	Fixtures, fittings and office equipment £	Motor vehicles £	Plant, machinery and tooling £	Total £
Cost					
At 1 July 2004	1,701,137	151,311	13,500	1,979,287	3,845,235
Additions	200	7,608	-	586,953	594,761
At 30 June 2005	<u>1,701,337</u>	<u>158,919</u>	<u>13,500</u>	<u>2,566,240</u>	<u>4,439,996</u>
Depreciation					
At 1 July 2004	308,545	148,368	12,097	1,025,687	1,494,697
Charge for the year	78,710	2,100	468	300,982	382,260
At 30 June 2005	<u>387,255</u>	<u>150,468</u>	<u>12,565</u>	<u>1,326,669</u>	<u>1,876,957</u>
Net book value					
At 30 June 2005	<u>1,314,082</u>	<u>8,451</u>	<u>935</u>	<u>1,239,571</u>	<u>2,563,039</u>
At 30 June 2004	<u>1,392,592</u>	<u>2,943</u>	<u>1,403</u>	<u>953,600</u>	<u>2,350,538</u>

	2005 £	2004 £
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>740,498</u>	<u>382,524</u>

11 Stocks

	2005 £	2004 £
Raw materials and consumables	526,340	750,877
Work in progress	447,643	166,786
Finished goods and goods for resale	185,775	55,264
Demo and Rental Lenses	29,500	39,398
	<u>1,189,258</u>	<u>1,012,325</u>

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

12 Debtors

	2005 £	2004 £
Trade debtors	66,984	282,709
Prepayments and accrued income	66,386	32,856
Value added tax debtor	50,308	227,884
	<u>183,678</u>	<u>543,449</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

13 Creditors: amounts falling due within one year	2005	2004
	£	£
Bank loans and overdrafts	102,826	139,439
Obligations under finance lease and hire purchase contracts	150,276	122,351
Trade creditors	393,711	386,791
Corporation tax	769	31,732
Other taxes and social security costs	78,422	85,858
ZGC Inc current account	197,362	213,333
Accruals and deferred income	206,735	385,603
	<u>1,130,101</u>	<u>1,365,107</u>

14 Creditors: amounts falling due after one year	2005	2004
Bank loans	720,000	820,000
Obligations under finance lease and hire purchase contracts	307,366	74,602
	<u>1,027,366</u>	<u>894,602</u>

The bank loans are secured by a charge over the Freehold 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	102,826	219,439
Between one and two years	160,000	180,000
Between two and five years	240,000	240,000
Over five years	320,000	320,000
	<u>822,826</u>	<u>959,439</u>

15 Obligations under finance leases and hire purchase contracts	2005	2004
	£	£
Amounts payable:		
Within one year	150,276	122,351
Within two to five years	307,366	74,602
	<u>457,642</u>	<u>196,953</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

16 Deferred taxation

	2005 £	2004 £
At 1 July	109,333	126,240
Charged to the profit and loss account	12,361	(16,907)
At 30 June	<u>121,694</u>	<u>109,333</u>

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

	Provided 2005 £	Potential 2005 £	Provided 2004 £	Potential 2004 £
Capital allowances in advance of depreciation	<u>12,361</u>	<u>-</u>	<u>(16,907)</u>	<u>-</u>

17 Subordinated Loans

	ZGC Inc. Loan £	Other Loans £	Total £
Within one year	-	120,000	120,000
Between 2-5 years	-	46,000	46,000
Outwith 5 years	653,000	-	653,000
	<u>653,000</u>	<u>166,000</u>	<u>819,000</u>
Less: offset of financing costs	14,376	3,655	18,031
Balance at 30 June 2004	<u>638,624</u>	<u>162,345</u>	<u>800,969</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 2005

18 Share capital			2005	2004
			£	£
Authorised:				
Ordinary shares of £1 each			<u>100,000</u>	<u>100,000</u>
	2005	2004	2005	2004
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1	9,145	9,145	<u>9,145</u>	<u>9,145</u>
Movement in share capital			2005	2004
			£	£
At 1 July			9,145	9,895
Shares redeemed			-	(750)
At 30 June			<u>9,145</u>	<u>9,145</u>
19 Capital redemption reserve			2005	2004
			£	£
At 1 July			855	105
Transfer from the profit and loss account			-	750
At 30 June			<u>855</u>	<u>855</u>
20 Profit and loss account			2005	2004
			£	£
At 1 July			911,468	831,349
Retained profit			155,010	80,869
Transfer to capital redemption reserve			-	(750)
At 30 June			<u>1,066,478</u>	<u>911,468</u>
21 Reconciliation of movement in shareholders' funds			2005	2004
			£	£
At 1 July			921,468	841,349
Profit for the financial year			155,010	80,869
Shares redeemed			-	(750)
At 30 June			<u>1,076,478</u>	<u>921,468</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

22 Gross cash flows

	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest received	1,776	1,067
Interest paid	(88,346)	(54,998)
Interest element of finance lease rental payments	(24,172)	(20,648)
	<u>(110,742)</u>	<u>(74,579)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	<u>(594,761)</u>	<u>(1,106,305)</u>
Financing		
Redemption of share capital	-	(75,000)
New loans raised	(108,648)	(50,025)
Loan repayments	(80,000)	525,736
Capital element of finance lease rental payments	260,689	(133,365)
	<u>72,041</u>	<u>267,346</u>

23 Analysis of changes in net debt

	At 1 Jul 2004	Cash flows	Non-cash changes	At 30 Jun 2005
	£	£	£	£
Cash at bank and in hand	391	174		565
Overdrafts	(59,439)	56,613		(2,826)
		<u>56,787</u>		
Debt due within 1 year	(80,000)	(20,000)		(100,000)
Debt due after 1 year	(1,729,617)	208,648		(1,520,969)
Finance leases	(196,953)	(260,689)		(457,642)
		<u>(72,041)</u>		
Total	<u>(2,065,618)</u>	<u>(15,254)</u>	<u>-</u>	<u>(2,080,872)</u>

24 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.

25 Capital Commitments

	2005	2004
	£	£
Amounts contracted for but not provided in the accounts	<u>40,000</u>	<u>120,000</u>

COOKE OPTICS LIMITED
Notes to the Accounts
for the year ended 30 June 2005

26 Related parties

The company made sales to ZGC Inc. of £ 1,321,067 (2004 - £963,280). 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 £ Nil (2004 £Nil).

27 Controlling party

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