

Signet Armorlite Europe Limited

Annual report and financial statements

31 December 2005

Registered Number: 2108102

EY ERNST & YOUNG



Signet Armorlite Europe Limited

Registered No. 2108102

DIRECTORS

M G Dingley (Managing Director)
Graham Brierley (resigned 11 January 2005)
B Salvadori
C Colombo
C J Stewart
C Hunt
M McCrea
A Pederzini

SECRETARY

C J Stewart

AUDITORS

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

BANKERS

HSBC Bank plc
The Cross
Gloucester
GL1 2AP

SOLICITORS

Rickerbys Solicitors
Ellenborough House
Wellington Street
Cheltenham
GL50 1YD

REGISTERED OFFICE

Unit 1 Apollo
Olympus Business Park
Quedgeley
Gloucester
GL2 4NF

DIRECTORS' REPORT

The directors present their report on the affairs of the group, together with the financial statements and auditors report for the year ended 31 December 2005.

RESULTS FOR THE PERIOD

The group profit for the year, after taxation, amounted to £2,286,008 (2004: £1,214,982). Ordinary dividends of £1,100,000 (2004: £NIL) were paid during the year.

PRINCIPAL ACTIVITIES

The group's principal activity is the processing and distribution of ophthalmic lenses and associated products in the United Kingdom, Europe and other overseas markets.

REVIEW OF THE BUSINESS

2005 saw further enhanced trading of the Kodak lens branded products as they further established themselves as a leading premium lens in the market place.

This was due to increased trading from our Kodak surfacing, coating and glazing laboratory, which enables us to supply finished Kodak branded products direct to a retail customer base.

Investment in information technology continued in order to maintain flexibility of resource management.

DIRECTORS AND THEIR INTERESTS

The Directors at 31 December 2005 were as follows:

M G Dingley
B Salvadori
C Colombo
C J Stewart
C Hunt
M McCrea
A Pederzini

The Directors do not have any interest in the shares of the company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

CHARITABLE DONATIONS

During the year the group made donations to charity of £2,012 (2004: £1,531).

DISPOSALS

On 2 November 2005 the group disposed of its subsidiary Anglo Italian Optical Limited for £250,000. A loss on disposal of £378,099 has been recognised in the profit and loss account for the current year in respect of this transaction.

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY

In respect of all of its suppliers, it is the policy of the company to settle terms of payment with suppliers when agreeing the terms of a transaction, to ensure that suppliers are aware of the terms of payment and to abide by the terms of payment.

At 31 December 2005, the company had an average of 51 days purchases outstanding in trade creditors.

POST BALANCE SHEET EVENTS REVIEW

As part of a group restructuring in March 2006 the UK group sold the whole of the issued share capital of Infield Safety UK Limited, a company incorporated in England, to Infield Safety GmbH, a group company incorporated in Germany.

STATEMENT OF 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 group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

C J Stewart
Secretary

Date



12-10-2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNET ARMORLITE EUROPE LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Signet Armorlite Europe Limited for the year ended 31 December 2005 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements 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 financial statements, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 financial statements 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 financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNET ARMORLITE
EUROPE LIMITED (continued)**

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Birmingham

Date *18 October 2006*

Signet Armorlite Europe Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER	2	26,689,202	22,614,073
Cost of sales		(15,117,165)	(13,711,619)
GROSS PROFIT		11,572,037	8,902,454
Distribution costs		(1,477,649)	(1,225,030)
Administrative expenses		(7,010,225)	(5,746,611)
OPERATING PROFIT	3	3,084,163	1,930,813
Profit / (loss) on disposal of tangible fixed assets		1,031	(378)
Loss on disposal of subsidiary		(378,099)	-
Interest payable	5	(92,084)	(110,179)
Interest receivable	6	63,486	14,090
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,678,497	1,834,346
Tax on profit on ordinary activities	7	(392,489)	(619,364)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	18	2,286,008	1,214,982

All amounts relate to continuing activities.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2005

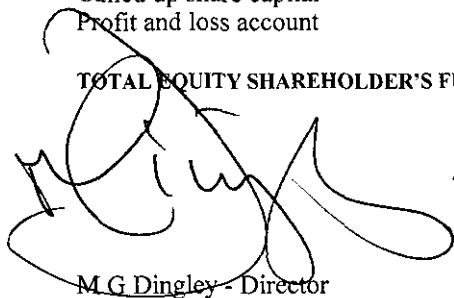
		2005 £	2004 £
Profit for the financial year attributable to members of the parent company		2,286,008	1,214,982
Exchange difference on retranslation of net assets of subsidiary undertakings	18	(66,222)	84,294
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		2,219,786	1,299,276

Signet Armorlite Europe Limited

GROUP BALANCE SHEET at 31 December 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Intangible assets	9	846,131	931,713
Tangible assets	10	5,415,948	5,340,474
		<u>6,262,079</u>	<u>6,272,187</u>
CURRENT ASSETS			
Stocks	12	3,657,614	4,387,422
Debtors	13	6,249,768	5,632,852
Cash at bank and in hand		1,407,609	322,044
		<u>11,314,991</u>	<u>10,342,318</u>
CREDITORS: amounts falling due within one year	14	5,379,652	5,357,028
NET CURRENT ASSETS		<u>5,935,339</u>	<u>4,985,290</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,197,418</u>	<u>11,257,477</u>
CREDITORS: amounts falling due after more than one year	15	666,653	846,498
		<u>11,530,765</u>	<u>10,410,979</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000	1,000
Profit and loss account	18	11,529,765	10,409,979
TOTAL EQUITY SHAREHOLDER'S FUNDS	18	<u>11,530,765</u>	<u>10,410,979</u>

ERNST & YOUNG


M.G. Dingley - Director

Date

12-10-06

Signet Armorlite Europe Limited

COMPANY BALANCE SHEET

at 31 December 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	10	2,637,376	2,675,492
Investments	11	4,522,094	4,037,689
		<u>7,159,470</u>	<u>6,713,181</u>
CURRENT ASSETS			
Stocks	12	2,152,235	2,297,440
Debtors	13	3,466,462	3,603,824
Cash at bank and in hand		855,695	3,355
		<u>6,474,392</u>	<u>5,904,619</u>
CREDITORS: amounts falling due within one year	14	5,473,885	4,690,470
NET CURRENT ASSETS		<u>1,000,507</u>	<u>1,214,149</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,159,977</u>	<u>7,927,330</u>
CREDITORS: amounts falling due after more than one year	15	381,401	595,054
		<u>7,778,576</u>	<u>7,332,276</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000	1,000
Profit and loss account	18	7,777,576	7,331,276
TOTAL EQUITY SHAREHOLDER'S FUNDS	18	<u>7,778,576</u>	<u>7,332,276</u>

ERNST & YOUNG

M G Dingley - Director

Date

12-10-06.

Signet Armorlite Europe Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 2005

	Notes	2005 £	2004 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20(a)	4,383,574	3,534,958
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest received		43,436	14,090
Interest paid		(92,084)	(110,179)
		(48,648)	(96,089)
TAXATION			
Corporation tax paid		(774,513)	(468,571)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(791,456)	(989,300)
Payments to acquire intangible fixed assets		(17,661)	(14,980)
Receipts from sale of tangible fixed assets		3,353	3,733
		(805,764)	(1,000,547)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertaking		-	(2,525,347)
Net cash acquired with subsidiary		-	26,688
Sale of subsidiary		250,000	-
		250,000	(2,498,659)
EQUITY DIVIDENDS PAID		(1,100,000)	-
FINANCING			
Repayment of capital element of finance leases and hire purchase contracts		(228,624)	(28,347)
New bank loan		-	500,000
Capital element of bank loans repaid		(202,068)	(155,176)
		(430,692)	316,477
INCREASE/(DECREASE) IN CASH IN THE YEAR	20(c)	1,473,957	(212,431)

NOTES TO THE ACCOUNTS

at 31 December 2005

1. ACCOUNTING POLICIES

Accounting Convention

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

Basis of Consolidation

The group accounts consolidate the accounts of Signet Armorlite Europe Limited and its subsidiary undertakings drawn up to 31 December each year.

No profit and loss account is presented for Signet Armorlite Europe Limited as permitted by section 230 of the Companies Act 1985.

The results of acquired subsidiaries are consolidated from their date of acquisition, using the acquisition method of accounting.

Goodwill

Positive goodwill arising on acquisitions, being the difference between the price paid for a company and the aggregate fair value of its separate net assets, is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill, being the difference between the price paid for a company and the aggregate fair value of its separate net assets, is capitalised and released to the profit and loss account in the periods in which the non-monetary assets to which it relates are recovered, either through sale or depreciation.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Intangible Assets

Intangible assets acquired separately from the business are capitalised at cost. Intangible assets are amortised on a straight line basis over their estimated useful economic lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

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

Buildings	- 2.5% to 20%
Improvements to leasehold property	- 10% to 20% or lease term if shorter
Fixtures, fittings and equipment	- 10% to 33%
Motor vehicles	- 25%
Industrial vehicles	- 10% to 25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE ACCOUNTS

at 31 December 2005

1. ACCOUNTING POLICIES (continued)

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 group, are capitalised in the balance sheet and are depreciated over their 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 profit and loss on a straight line basis over the lease term.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or the right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered. Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Foreign Currencies

Company

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.

Group

Profits and losses of overseas subsidiary undertakings are translated into sterling at average rates of exchange during the year.

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rate ruling at the balance sheet date. The exchange difference on the retranslation of opening net assets is taken directly to reserves.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Goods for resale - purchase cost on a first-in, first-out basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

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.

NOTES TO THE ACCOUNTS

at 31 December 2005

1. ACCOUNTING POLICIES (continued)

Research & development

Research and development expenditure is written off in the period in which it is incurred.

Government grants

Capital grants received are credited to deferred income upon receipt, from which an annual transfer is made to the profit and loss account, calculated on the same basis as the depreciation of the related assets.

Revenue grants are credited to the profit and loss account in the same year as the related expenditure is incurred except for revenue grants in respect of research and development which are credited in the year of receipt.

Related parties transactions

The company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose transactions with group companies as 90% of the voting rights are held within the group.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax. The turnover and pre-tax profit is entirely attributable to one continuing activity, the processing and distribution of ophthalmic lenses and associated products.

	2005	2004
	£	£
An analysis of turnover by geographical market is given below:		
United Kingdom	12,943,467	12,918,389
Europe	13,745,735	9,695,684
	<u>26,689,202</u>	<u>22,614,073</u>

3. OPERATING PROFIT

	2005	2004
	£	£
Operating profit is stated after charging/(crediting):		
Auditor's remuneration - audit services	57,807	57,217
- non audit services	25,154	31,062
Depreciation - owned assets	716,768	666,494
Depreciation - leased assets	96,590	88,167
Amortisation of patents	10,795	9,187
Amortisation of goodwill	92,448	61,630
Exchange (gain) / loss	(3,522)	9,679
Operating lease rentals - land and buildings	436,692	327,363
- other	160,303	110,096
Research and development expenditure	342,902	286,138
Research development grants	(60,296)	(15,180)

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

4. DIRECTORS REMUNERATION AND STAFF COSTS

	2005	2004
	£	£
(a) Employees and directors costs during the year were:		
Wages and salaries	5,753,180	4,676,505
Social security costs	869,190	644,944
Other pension costs	170,686	155,994
	<u>6,793,056</u>	<u>5,477,443</u>

	2005	2004
	No.	No.
(b) Average number of employees (including directors) during the year were:		
Administration	40	37
Selling and marketing	77	62
Stores and distribution	46	36
Processing	166	143
	<u>329</u>	<u>278</u>

	2005	2004
	£	£
(c) Directors' Emoluments		
Emoluments (including benefits in kind and excluding pension contributions)	<u>519,209</u>	<u>557,356</u>
Company contributions paid to money purchase pension scheme	<u>54,783</u>	<u>59,159</u>

	2005	2004
	No.	No.
Members of money purchase pension schemes	<u>4</u>	<u>5</u>

The emoluments of the highest paid director were £195,453 (2004: £183,877), and company contributions paid to his money purchase pension scheme were £22,520 (2004: £21,047).

5. INTEREST PAYABLE

	2005	2004
	£	£
Bank overdraft	40,166	58,660
Finance charges payable on bank loans	37,957	37,466
Interest payable on finance lease and hire purchase contracts	11,069	9,488
Interest payable to group undertakings	-	4,565
Other interest	2,892	-
	<u>92,084</u>	<u>110,179</u>

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

6. INTEREST RECEIVABLE

	2005	2004
	£	£
Bank interest	34,817	6,617
Interest receivable from group undertakings	-	5,565
Other interest	28,669	1,908
	<u>63,486</u>	<u>14,090</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
a) Analysis of tax charge in year:		
UK corporation tax	735,825	565,897
Adjustments in respect of prior periods	(231,841)	(9,420)
	<u>503,984</u>	<u>556,477</u>
Double taxation relief	(17,628)	-
	<u>486,356</u>	<u>556,477</u>
Overseas tax	19,628	92,918
Adjustments in respect of prior periods	5,207	-
	<u>511,191</u>	<u>649,395</u>
Total current tax charge (note 7b)	(118,702)	(30,031)
Deferred taxation (note 7d)		
	<u>392,489</u>	<u>619,364</u>

b) Factors affecting tax charge for year:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are reconciled below:

Profit on ordinary activities before taxation	2,678,497	1,834,346
	<u>803,549</u>	<u>550,304</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)		
Effects of:		
Expenses not deductible for tax purposes	97,333	90,376
Capital allowances in excess of depreciation	(21,762)	15,402
Utilisation of losses brought forward	(233,174)	(14,788)
Short term timing differences	2,671	19,556
Effect of differences in overseas tax rate	-	12,965
Research and development tax credit	(22,589)	(15,000)
Adjustments to tax charge in respect of previous periods	(226,634)	(9,420)
Differences in tax rates on losses carried back	(1,633)	-
Non qualifying loss on disposal of investment	113,430	-
	<u>511,191</u>	<u>649,395</u>

Included within adjustments in respect of prior periods is an amount of £164,825 relating to capital gains tax repaid on a transaction undertaken in 2001.

NOTES TO THE ACCOUNTS

at 31 December 2005

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

c) Factors that may affect future tax charges

The group has surplus trading losses carried forward of £6,911,308 (2004: £7,818,894). A deferred tax asset of £1,873,892 (2004: £2,304,839) has not been recognised in respect of these losses due to uncertainties as to the quantum of future suitable taxable profits.

d) Deferred taxation

Group:

	2005	2004
	£	£
Accelerated capital allowances	(53,151)	(73,888)
Other timing differences	(5,397)	(22,753)
Losses carried forward	(350,065)	(187,065)
Deferred tax asset (note 13)	(408,613)	(283,706)

Company:

	2005	2004
	£	£
Accelerated capital allowances	(60,039)	(57,949)
Other timing differences	(5,700)	(23,027)
Deferred tax asset (note 13)	(65,739)	(80,976)

The movement on the deferred tax asset is as follows:

	Group	Company
	£	£
At 1 January 2005	(283,706)	(80,976)
Deferred tax credit in profit and loss account	(118,702)	15,237
Deferred tax disposed of with subsidiary undertaking	(6,205)	-
At 31 December 2005	(408,613)	(65,739)

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £1,546,300 (2004: profit of £1,733,154).

NOTES TO THE ACCOUNTS
at 31 December 2005

9. INTANGIBLE FIXED ASSETS

Group

	<i>Goodwill</i>	<i>Negative Goodwill</i>	<i>Patent</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2005	924,446	(705,586)	91,500	310,360
Additions	-	-	17,661	17,661
At 31 December 2005	924,446	(705,586)	109,161	328,021
Amortisation:				
At 1 January 2005	61,630	(705,586)	22,603	(621,353)
Amortisation in the year	92,448	-	10,795	103,243
At 31 December 2005	154,078	(705,586)	33,398	(518,110)
Net book value:				
At 31 December 2005	770,368	-	75,763	846,131
At 31 December 2004	862,816	-	68,897	931,713

Patent costs and goodwill are being written off in equal annual instalments over their estimated economic life of 10 years.

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

10. TANGIBLE ASSETS

<i>Group</i>	<i>Buildings</i>	<i>Improvement to Land and Short Leasehold Property</i>	<i>Fixtures, Fittings & Equipment</i>	<i>Total</i>
<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Cost:				
At 1 January 2005	2,822,984	768,173	8,815,535	12,406,692
Exchange adjustment	-	(2,698)	(103,686)	(106,384)
Additions	285	965	987,290	988,540
Disposals	-	-	(18,671)	(18,671)
Disposal of Anglo Italian Optical	-	(71,813)	(248,802)	(320,615)
At 31 December 2005	2,823,269	694,627	9,431,666	12,949,562
Depreciation:				
At 1 January 2005	437,363	628,054	6,000,801	7,066,218
Exchange adjustment	-	(1,284)	(57,086)	(58,370)
Charge for the year	61,246	59,482	692,630	813,358
Disposals	-	-	(16,349)	(16,349)
Disposal of Anglo Italian Optical	-	(51,121)	(220,122)	(271,243)
At 31 December 2005	498,609	635,131	6,399,874	7,533,614
Net book value:				
At 31 December 2005	2,324,660	59,496	3,031,792	5,415,948
At 31 December 2004	2,385,621	140,119	2,814,734	5,340,474

<i>Company</i>	<i>Buildings</i>	<i>Improvement to Land and Short Leasehold Property</i>	<i>Fixtures, Fittings & Equipment</i>	<i>Total</i>
<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Cost:				
At 1 January 2005	1,975,968	608,771	3,626,771	6,211,510
Additions	-	645	279,205	279,850
Disposals	-	-	(2,500)	(2,500)
At 31 December 2005	1,975,968	609,416	3,903,476	6,488,860
Depreciation:				
At 1 January 2005	90,189	538,588	2,907,241	3,536,018
Charge for the year	46,488	43,108	228,370	317,966
Disposals	-	-	(2,500)	(2,500)
At 31 December 2005	136,677	581,696	3,133,111	3,851,484
Net book value:				
At 31 December 2005	1,839,291	27,720	770,365	2,637,376
At 31 December 2004	1,885,779	70,183	719,530	2,675,492

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

10. TANGIBLE ASSETS *(continued)*

Included in the amounts for fixtures, fittings and equipment above are the following amounts relating to leased assets.

	<i>Group</i>	<i>Company</i>
	£	£
Cost:		
At 1 January 2005	2,045,701	1,053,309
Exchange adjustment	(29,971)	-
Additions	197,084	-
At 31 December 2005	2,212,814	1,053,309
Depreciation:		
At 1 January 2005	1,454,156	1,053,309
Exchange adjustment	(11,789)	-
Charge for the year	96,590	-
At 31 December 2005	1,538,957	1,053,309
Net book value:		
At 31 December 2005	673,857	-
At 31 December 2004	591,545	-

11. INVESTMENTS

<i>Company</i>	<i>2005</i>	<i>2004</i>
	£	£
Cost:		
At 1 January	4,037,689	1,512,342
Additions	484,405	2,525,347
At 31 December	4,522,094	4,037,689

The company made additional capital contributions to Signet Armorlite Iberica SA of £207,602 on 30 June 2005 and £276,803 on 25 July 2005.

Signet Armorlite Europe Limited

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at 31 December 2005

11. INVESTMENTS (continued)

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

<i>Name of companies</i>	<i>Country of registration/ incorporation</i>	<i>Proportion of voting rights and ordinary shares held</i>	<i>Nature of business</i>
Subsidiary undertakings:			
Signet Armorlite Europe (Holland) BV	The Netherlands	100%	Distribution of ophthalmic lenses
Infield Safety UK Limited *	England	100%	Distribution of safety eyewear products
Crossbows Optical Limited	Northern Ireland	100%	Manufacture of ophthalmic products
Crossbows Training Limited *	Northern Ireland	100%	Dormant
Signet Armorlite Iberica SA	Spain	100%	Processing and distribution of ophthalmic lenses
Signet Armorlite Portugal Lda *	Portugal	100%	Distribution of ophthalmic lenses
CSO Madrid SA *	Spain	100%	Dormant
CSO Sevilla SA *	Spain	100%	Dormant
CSO Valencia SA *	Spain	100%	Dormant

* - Undertakings held indirectly by the company

The investment in Anglo Italian Optical Limited was disposed of during the year for £250,000. The loss on disposal was £378,099 as analysed below:

Net assets disposed of:	£
Tangible fixed assets	49,372
Stocks	352,700
Debtors	228,883
Cash	-
Creditors due within one year	(27,232)
Deferred tax	(6,205)
Net assets	597,518
Consideration received	(250,000)
	347,518
Costs relating to disposal	30,581
Total loss on disposal of subsidiary	378,099

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

12. STOCKS

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Raw materials	191,708	215,035	28,486	31,669
Work in progress	45,194	88,074	3,829	-
Goods for resale	3,420,712	4,084,313	2,119,920	2,265,771
	<u>3,657,614</u>	<u>4,387,422</u>	<u>2,152,235</u>	<u>2,297,440</u>

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

13. DEBTORS

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Trade debtors	4,092,482	4,165,476	1,784,723	1,981,280
Amounts owed by subsidiary undertakings	-	-	1,235,920	1,234,210
Amounts owed by parent undertakings	302,210	364,674	-	-
Amounts owed by other group companies	159,896	154,540	150,370	54,482
Other debtors	736,960	292,970	8,354	5,939
Prepayments	319,329	371,486	221,356	246,937
Corporation Tax	230,278	-	-	-
Deferred taxation (note 7d)	408,613	283,706	65,739	80,976
	<u>6,249,768</u>	<u>5,632,852</u>	<u>3,466,462</u>	<u>3,603,824</u>

14. CREDITORS: amounts falling due within one year

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Bank overdraft	-	388,392	-	388,392
Bank loan	213,653	202,068	213,653	202,068
Trade creditors	2,007,905	1,927,802	1,198,172	1,245,639
Amounts due to parent undertakings	668,294	390,157	142,693	26,988
Amounts due to subsidiary undertakings	-	-	2,629,664	1,640,318
Amounts due to other group companies	49,422	39,188	-	-
Corporation tax	338,471	436,968	358,625	385,690
Other taxes and social security	309,412	472,267	264,236	348,214
Accruals	1,595,677	829,808	666,842	453,161
Obligations under finance lease and hire purchase contracts	152,513	217,861	-	-
Other creditors	44,305	452,517	-	-
	<u>5,379,652</u>	<u>5,357,028</u>	<u>5,473,885</u>	<u>4,690,470</u>

The bank overdraft is secured by a floating charge on the assets of the company and is repayable on demand.

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

15. CREDITORS: amounts falling due after more than one year

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Bank loan	381,401	595,054	381,401	595,054
Obligations under finance lease and hire purchase contracts	285,252	251,444	-	-
	<u>666,653</u>	<u>846,498</u>	<u>381,401</u>	<u>595,054</u>

All amounts due under finance lease and hire purchase contracts are due within five years.

16. LOANS

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Amounts falling due:				
In one year or less or on demand	213,653	202,068	213,653	202,068
In more than one year but not more than two years	225,905	213,654	225,905	213,654
In more than two years but not more than five years	155,496	381,400	155,496	381,400
	<u>595,054</u>	<u>797,122</u>	<u>595,054</u>	<u>797,122</u>

The bank loan is secured by a fixed and floating charge over the assets of the group and the company.

17. SHARE CAPITAL

	2005	2004
	£	£
Ordinary shares of £1 each Authorised (1,000 shares)	1,000	1,000
Allotted, called up and fully paid (1,000 shares)	<u>1,000</u>	<u>1,000</u>

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2005

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

<i>Group</i>	<i>Share Capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 2004	1,000	9,110,703	9,111,703
Exchange differences on retranslation of net assets and results of subsidiary undertaking	-	84,294	84,294
Profit for the year	-	1,214,982	1,214,982
At 1 January 2005	1,000	10,409,979	10,410,979
Exchange differences on retranslation of net assets and results of subsidiary undertakings	-	(66,222)	(66,222)
Profit for the year	-	2,286,008	2,286,008
Dividend	-	(1,100,000)	(1,100,000)
At 31 December 2005	1,000	11,529,765	11,530,765
<i>Company</i>			
At 1 January 2004	1,000	5,598,122	5,599,122
Profit for the year	-	1,733,154	1,733,154
At 1 January 2005	1,000	7,331,276	7,332,276
Profit for the year	-	1,546,300	1,546,300
Dividend	-	(1,100,000)	(1,100,000)
At 31 December 2005	1,000	7,777,576	7,778,576

A dividend of £1,100 per ordinary share (2004 - £nil) was paid during the year.

19. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

<i>Group</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
within one year	37,103	18,994	7,402	18,285
between two and five years	-	272,785	105,341	76,193
over five years	348,403	113,250	-	-
	385,506	405,029	112,743	94,478
<i>Company</i>				
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
within one year	11,163	-	-	13,516
between two and five years	-	46,750	49,635	23,240
over five years	75,500	75,500	-	-
	86,663	122,250	49,635	36,756

NOTES TO THE ACCOUNTS

at 31 December 2005

20. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2005	2004
	£	£
Operating profit	3,084,163	1,930,813
Depreciation of tangible fixed assets	813,358	754,661
Amortisation of intangible fixed assets	10,795	9,187
Amortisation of goodwill	92,448	61,630
Decrease in stocks	377,108	888,352
(Increase)/decrease in debtors	(491,812)	424,395
Increase/(decrease) in creditors	497,514	(534,080)
Net cash inflow from operating activities	4,383,574	3,534,958

(b) Analysis of net debt

	At 1 January 2005	Cashflow	At 31 December Other	2005
		£	£	£
Cash at bank and in hand	322,044	1,085,565	-	1,407,609
Bank overdraft	(388,392)	388,392	-	-
	(66,348)	1,473,957	-	1,407,609
Bank loan	(797,122)	202,068	-	(595,054)
Finance leases	(469,305)	228,624	(197,084)	(437,765)
	(1,332,775)	1,904,649	(197,084)	374,790

During the year the group entered into new finance lease agreements in respect of fixed assets with a capital value of £197,084.

(c) Reconciliation of net cash flow to movement in net debt

	2005	2004
	£	£
Increase/(decrease) in cash in the year	1,473,957	(212,431)
Net cash flow from movement in debt and lease financing	233,608	183,523
Finance lease acquired	-	(497,652)
Cash inflow from new bank loan	-	(500,000)
Movement in net debt in the year	1,707,565	(1,026,560)
Net debt at 1 January	(1,332,775)	(306,215)
Net debt at 31 December	374,790	(1,332,775)

NOTES TO THE ACCOUNTS

at 31 December 2005

21. PENSIONS

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are taken to the profit and loss account as they are incurred. There were no amounts accrued or prepaid at the year end.

22. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Signet Armorlite Incorporated, a company incorporated in the United States of America.