# Signet Armorlite Europe Limited

## Report and Financial Statements

31 December 2007

Registered No 2108102

**Directors**

M G Dingley (Managing Director)
B Salvadori
C Colombo
C J Stewart
C Hunt
M McCrea
A Pederzini

**Secretary**

C J Stewart

**Auditors**

Ernst & Young LLP
1 Bridewell Street
Bristol
BS1 2AA

**Bankers**

HSBC Bank plc
The Cross
Gloucester
GL1 2AP

**Solicitors**

Rickerbys Solicitors
Ellenborough House
Wellington Street
Cheltenham
Gloucester
GL50 1YD

**Registered Office**

Units 1-7 Apollo
Olympus Business Park
Quedgeley
Gloucester
GL2 4NF

# Directors' report

The directors present their report and financial statements of the group for the year ended 31 December 2007

## Results and dividends

The group loss for the year, after taxation amounted to £87,773 (2006 profit of £1,152,202) Ordinary dividends of £nil were paid during the year (2006 £1,140,251)

## Principal activities and review of the business

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

During 2007 the group has made considerable investment and changes to the business, some of which have had an adverse effect on short term profitability

The group s key performance indicators during the year were as follows

| | *2007* | *2006* | *Change* |
|---|---|---|---|
| | *£'000* | *£'000* | *%* |
| Group turnover | 24,851 | 26,169 | (5%) |
| Operating profit | 295 | 1,628 | (82%) |
| (Loss)/profit after tax | (88) | 1,152 | (108%) |
| Current ratio | 117% | 170% | (31%) |
| Shareholders funds | 11,690 | 11,472 | 2% |

Turnover fell slightly in 2007 by 5% Turnover is expected to grow in 2008 over 2007 due to greater market penetration of existing product ranges together with the launch of new product ranges

Operating profit decreased in 2007 by 82% This was due to the reduction in sales and an overall increase in overheads, impacting directly on operating profits Operating costs include depreciation charges of £1,305,079, amortisation of intangibles of £11,928 and amortisation of goodwill of £92,448 Operating profit adjusted for depreciation amortisation and amortisation of goodwill was £1,704,782 (2006 £2,653,716)

A loss after tax occurred in 2007 of £87,773 (2006 profit of £1,152,202) which is in line with the fall in operating profit

Liquidity ratios showed a decrease year on year, mainly due to the substantial capital expenditure of £6,251,537

Continued emphasis is being placed on the working capital cycle for the forthcoming financial year, in particular group stock holding and day sales outstanding to maximise cash flow and reduce capital borrowing costs

Shareholders funds have slightly improved year on year even after a loss after tax of £87,773 This improvement was due to an exchange difference in the retranslation of the subsidiary undertakings of £305,965

# Directors' report (continued)

## Principal risks and uncertainties

The directors continually review and evaluate the risks that the group is facing The principal risks and uncertainties facing the group are broadly grouped as – competitive, legislative and financial instrument risk

- *Competitive risks*

Largely owing to the nature of the optical market in Europe, the group has faced very strong competition in recent years The group puts strong emphasis on its excellent service levels, quality of its product and competitive pricing to its customer base to maintain its position within the market

- *Legislative risks*

Risk within the optical industry within Europe is controlled by the Medical Devices Regulations Other industry specific recognised bodies provide good practice/standards to follow

- *Financial instruments risks*

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives

The objectives aim to limit undue counterparty exposure ensure sufficient working capital exists and monitor the management of risk at a business unit level

- *Use of derivatives*

The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency

- *Exposure to price, credit, liquidity and cash flow risk*

Price risk arises on inventory purchases but the group aims to minimise risk through effective management of inventory levels, monitoring stock turn and reviewing prices regularly

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation Group policies are aimed at minimising such losses, and require that material deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures Details of the group's debtors are shown in Note 13 to the financial statements The group limits individual trade debtor exposures and these limits are reviewed on a continual basis

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities The group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the group The group is focussed on reducing debtor and inventory days The group also manages liquidity risk via short term credit facilities and long term debt

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variability rate debt The group manages this risk where significant, by the use of its short term loan facilities

## Research and development

Research and development programmes continue within the group During 2007 the group expenditure on research and development was £335 164 (2006 £319,993)

# Directors' report (continued)

## Future developments

The directors aim to expand on the management policies which have resulted in the group s sales and profit growth in recent years They consider that 2008 will show a further growth in sales from continuing operations, particularly in sales within the United Kingdom and Europe

## Charitable donations

During the year the group made donations to charity of £1,069 (2006 £902)

## 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 2007, the company had an average of 93 days (2006 64 days) purchases outstanding in trade creditors

## Disabled employees

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job Opportunities are available to disabled employees for training, career development and promotion

Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim

## Employee involvement

The directors support the participation of employees in the activities of the group, encourage employees to become involved in the pursuit of safety, efficiency and high performance, and provide employees with regular communication on the group's plans, performance and programmes

## Directors of the company

The directors who served during the year were as follows

M G Dingley (Managing Director)
B Salvadori
C Colombo
C J Stewart
C Hunt
M McCrea
A Pederzini

## Directors' and officers' liability insurance

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by s310(3) of the Companies Act 1985

# Directors' report (continued)

## Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors each of these directors confirm that

- To the best of each director s knowledge and belief, there is no information relevant to the preparation of their report of which the company s auditors are not aware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

## Auditors

In accordance with s385 of the Companies Act 1985 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 03-07-08

# Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# Independent auditors' 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 2007 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement, and the related notes 1 to 23 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' responsibilities 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) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

## 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 auditors' 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 2007 and of the group s loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Bristol

Date 10 July 2008

# Group profit and loss account

**for the year ended 31 December 2007**

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Turnover** | 2 | 24.850 730 | 26 169.251 |
| Cost of sales | | (15 264,091) | (15.682,415) |
| **Gross profit** | | 9.586,639 | 10,486 836 |
| Distribution costs | | (1,423,060) | (1 449.040) |
| Administrative expenses | | (7 868 252) | (7 409.336) |
| **Operating profit** | 3 | 295 327 | 1 628 460 |
| Profit on disposal of tangible fixed assets | | 219.897 | 850 |
| Profit on disposal of subsidiary | | - | 39 934 |
| Interest payable | 5 | (254,077) | (116 273) |
| Interest receivable | 6 | 44,330 | 39,434 |
| **Profit on ordinary activities before taxation** | | 305,477 | 1,592,405 |
| Tax on profit on ordinary activities | 7 | (393 250) | (440 203) |
| **(Loss)/profit on ordinary activities after taxation** | 18 | (87,773) | 1,152,202 |

All amounts relate to continuing activities

# Group statement of total recognised gains and losses

**for the year ended 31 December 2007**

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| (Loss)/profit for the financial year attributable to members of the parent company | | (87 773) | 1,152 202 |
| Exchange difference on retranslation of net assets of subsidiary undertakings | 18 | 305.965 | (70 990) |
| **Total recognised gains and losses relating to the year** | | 218 192 | 1,081,212 |

# Group balance sheet

**at 31 December 2007**

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | 648,387 | 743,870 |
| Tangible assets | 10 | 11,941,900 | 6,944,701 |
| | | 12,590,287 | 7,688,571 |
| **Current assets** | | | |
| Stocks | 12 | 3,394,151 | 3,622,697 |
| Debtors | 13 | 7,426,235 | 7,214,627 |
| Cash at bank and in hand | | 320,873 | 274,157 |
| | | 11,141,259 | 11,111,481 |
| **Creditors** amounts falling due within one year | 14 | 9,485,055 | 6,548,016 |
| **Net current assets** | | 1,656,204 | 4,563,465 |
| **Total assets less current liabilities** | | 14,246,491 | 12,252,036 |
| **Creditors** amounts falling due after more than one year | 15 | 2 536,051 | 780,310 |
| **Provisions for liabilities** | | | |
| Deferred taxation | 7(d) | 20,522 | - |
| | | 11,689,918 | 11,471,726 |
| **Capital and Reserves** | | | |
| Called up share capital | 17 | 1,000 | 1,000 |
| Profit and loss account | 18 | 11,688 918 | 11,470,726 |
| **Total equity shareholder's funds** | 18 | 11,689,918 | 11,471,726 |

Approved by the Board

M G Dingley
Director

Date 3-7-08.

# Company balance sheet
**at 31 December 2007**

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | 6,849,917 | 2,916,040 |
| Investments | 11 | 4,522,094 | 4,522,094 |
| | | 11,372,011 | 7,438 134 |
| **Current assets** | | | |
| Stocks | 12 | 2,143,420 | 2,230,944 |
| Debtors | 13 | 4,840,495 | 3,657,486 |
| Cash at bank and in hand | | 4,827 | 4,874 |
| | | 6,988,742 | 5,893,304 |
| **Creditors** amounts falling due within one year | 14 | 9,269,740 | 5,598,404 |
| **Net current (liabilities)/assets** | | (2,280,998) | 294,900 |
| **Total assets less current liabilities** | | 9 091,013 | 7,733,034 |
| **Creditors** amounts falling due after more than one year | 15 | 1,271,220 | 155,497 |
| **Provisions for liabilities** | | | |
| Deferred taxation | 7(d) | 20,522 | - |
| | | 7,799,271 | 7,577,537 |
| **Capital and Reserves** | | | |
| Called up share capital | 17 | 1,000 | 1,000 |
| Profit and loss account | 18 | 7,798,271 | 7,576,537 |
| **Total equity shareholder's funds** | 18 | 7,799,271 | 7 577,537 |

Approved by the Board

M G Dingley
Director

Date 3-7-08.

# Group cash flow statement

**for the year ended 31 December 2007**

| | Note | 2007<br>£ | 2006<br>£ |
|---|---|---|---|
| **Net cash inflow from operating activities** | 20(a) | 2,914,586 | 2,488,935 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 44,330 | 39,434 |
| Interest paid | | (254,077) | (116,273) |
| | | (209,747) | (76,839) |
| **Taxation** | | | |
| Corporation tax paid | | (300,682) | (309,568) |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire tangible fixed assets | | (5,745,015) | (1,933,354) |
| Payments to acquire intangible fixed assets | | (8,893) | (1,226) |
| Receipts from sale of tangible fixed assets | | 379,868 | 31,553 |
| | | (5,374,040) | (1,903,027) |
| **Acquisitions and disposals** | | | |
| Receipts from sale of subsidiary | | - | 100 |
| | | - | 100 |
| **Equity dividends paid** | | - | (1,140,251) |
| **Financing** | | | |
| Repayment of capital element of finance leases and hire purchase contracts | | (204,136) | (151 104) |
| Capital element of bank loans repaid | | (237,061) | (213,653) |
| Bank Loan | | 1,801,000 | - |
| | | 1,359,803 | (364,757) |
| **Decrease in cash in the year** | 20(c) | (1,610,080) | (1,305,407) |

# Notes to the financial statements

**at 31 December 2007**

## 1. Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards

***Basis of consolidation***

The group financial statements consolidate the financial statements 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 s230 of the Companies Act 1985

The results of acquired subsidiaries are consolidated from their date of acquisition, using the acquisition method of accounting The group profit and loss and statement of cash flows for 2006 also includes the results and cash flows of Infield Safety UK Limited for the three month period to 22 March 2006 the date of its sale outside the group

***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 financial statements

**at 31 December 2007**

## 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, except where forward foreign currency contracts are committed to in order to hedge these assets and liabilities, when the contract rates are used 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 Cost includes all costs incurred in bringing each product to its present location and condition 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

# Notes to the financial statements

**at 31 December 2007**

## 1. Accounting policies (continued)

***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

***Research and 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 included within these consolidated financial statements as 90% of the voting rights are held within the group Transactions with group companies not included in these consolidated financial statements are detailed in note 22

## 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

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| *An analysis of turnover by geographical market is given below* | | |
| United Kingdom | 11,162,154 | 11,482,629 |
| Europe and Other | 13,688,576 | 14,686,622 |
| | 24 850.730 | 26 169 251 |

# Notes to the financial statements

**at 31 December 2007**

## 3. Operating profit

Operating profit is stated after charging/(crediting)

| | | 2007 | 2006 |
|---|---|---|---|
| | | £ | £ |
| Auditor s remuneration | - audit services | 60,167 | 59,492 |
| | - non audit services | 31,767 | 28,553 |
| Depreciation | - owned assets | 1,130,040 | 778,555 |
| | - leased assets | 175.039 | 143,214 |
| Amortisation of patents | | 11,928 | 11.039 |
| Amortisation of goodwill | | 92.448 | 92,448 |
| Exchange loss / (gain) | | 29,482 | (28,264) |
| Operating lease rentals | - land and buildings | 473,349 | 429,132 |
| | - other | 126,790 | 134.746 |
| Research and development expenditure | | 335,164 | 319,913 |
| Research development grants | | (10.691) | (11,214) |
| Non-recurring restructuring costs | | 21,004 | 194,755 |

## 4 Directors remuneration and staff costs

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| *Employees and directors costs during the year were* | | |
| Wages and salaries | 5,877,461 | 5,837,195 |
| Social security costs | 929,255 | 960 137 |
| Other pension costs | 195 086 | 154.409 |
| | 7.001.802 | 6,951 741 |

| | 2007 | 2006 |
|---|---|---|
| | No | No |
| *Average number of employees (including directors) during the year were* | | |
| Administration | 36 | 42 |
| Selling and marketing | 88 | 81 |
| Stores and distribution | 45 | 44 |
| Processing | 181 | 174 |
| | 350 | 341 |

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| *Directors ' emoluments* | | |
| Emoluments (including benefits in kind and excluding pension contributions) | 501 758 | 544,826 |
| Company contributions paid to money purchase pension scheme | 61,626 | 59 506 |

# Notes to the financial statements

**at 31 December 2007**

## 4. Directors remuneration and staff costs (continued)

| | *2007* | *2006* |
|---|---|---|
| | *No* | *No* |
| Members of money purchase pension schemes | 4 | 4 |

The emoluments of the highest paid director were £173,938 (2006 £191,650), and company contributions paid to his money purchase pension scheme were £24,452 (2006 £23,421)

## 5. Interest payable

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| Bank overdraft | 113,578 | 58,227 |
| Finance charges payable on bank loans | 66,571 | 26,372 |
| Interest payable on finance lease and hire purchase contracts | 51,361 | 23,018 |
| Interest payable to group undertakings | 22,011 | 7,325 |
| Other interest | 556 | 1,331 |
| | 254,077 | 116,273 |

## 6. Interest receivable

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| Bank interest | 21,742 | 31,806 |
| Interest receivable from group undertakings | 3,683 | 7,628 |
| Other interest | 18,905 | - |
| | 44,330 | 39,434 |

# Notes to the financial statements
**at 31 December 2007**

## 7. Taxation on profit on ordinary activities

(a) Analysis of tax charge in the year

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| UK corporation tax | 97,836 | 420 220 |
| Adjustments in respect of prior periods | (58,776) | (34,485) |
| | 39,060 | 385,735 |
| Double taxation relief | (34,382) | (33,833) |
| | 4 678 | 351,902 |
| Overseas tax | 38,756 | 18,873 |
| Adjustments in respect of prior periods | (1,421) | (8,470) |
| Total current tax charge (note 7(b)) | 42,013 | 362,305 |
| Deferred taxation (note 7(d)) | 351,237 | 77,898 |
| Tax on profit on ordinary activities | 393,250 | 440 203 |

(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% (2006 30%) The differences are reconciled below

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before taxation | 305,477 | 1,592,405 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%) | 91,643 | 477 722 |
| *Effects of* | | |
| Expenses not deductible for tax purposes | 53,612 | 91,996 |
| Capital allowances in excess of depreciation | (76,433) | (85 803) |
| Utilisation of losses brought forward | 77,350 | (62,249) |
| Short term timing differences | - | (1,184) |
| Effect of differences in overseas tax rate | (11,050) | 8 893 |
| Research and development tax credit | (32,912) | (24 115) |
| Adjustments to tax charge in respect of previous periods | (60,197) | (42,955) |
| Total amount of current tax (note 7(a)) | 42 013 | 362 305 |

# Notes to the financial statements

**at 31 December 2007**

## 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 £6.982 122 (2006 £6,707,787) A deferred tax asset of £2 167,226 (2006 £1.885,961) 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*

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| Accelerated capital allowances | 25.562 | (37.499) |
| Other timing differences | (5 040) | (5,400) |
| Losses carried forward | - | (287,816) |
| Deferred tax liability/(asset) (note 13) | 20,522 | (330 715) |

*Company*

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| Accelerated capital allowances | 25,562 | (37,499) |
| Other timing differences | (5,040) | (5 400) |
| Deferred tax liability/(asset) (note 13) | 20,522 | (42 899) |

*The movement on the deferred tax liability/(asset) is as follows*

| | *Group* | *Company* |
|---|---|---|
| | *£* | *£* |
| At 1 January 2007 | (330,715) | (42,899) |
| Deferred tax charge in profit and loss account | 306,265 | 43,570 |
| Reversal of provision on IBAs | 49,826 | 24,705 |
| Adjustment in respect of prior periods | (4 854) | (4 854) |
| At 31 December 2007 | 20,522 | 20,522 |

From financial year 2008. the UK corporation tax rate will reduce from 30% to 28% This rate change will both affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008 The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008

# Notes to the financial statements

**at 31 December 2007**

## 8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £221.734 (2006 profit of £939,212)

## 9. Intangible fixed assets

*Group*

| | Goodwill | Patent | Total |
|---|---|---|---|
| | £ | £ | £ |
| *Cost* | | | |
| At 1 January 2007 | 924.446 | 110 387 | 1 034 833 |
| Additions | - | 8,893 | 8,893 |
| At 31 December 2007 | 924,446 | 119,280 | 1 043.726 |
| *Amortisation* | | | |
| At 1 January 2007 | 246,526 | 44,437 | 290,963 |
| Amortisation in the year | 92,448 | 11,928 | 104,376 |
| At 31 December 2007 | 338,974 | 56 365 | 395 339 |
| *Net book value* | | | |
| At 31 December 2007 | 585.472 | 62,915 | 648,387 |
| At 31 December 2006 | 677.920 | 65 950 | 743 870 |

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

# Notes to the financial statements

**at 31 December 2007**

## 10. Tangible assets

*Group*

| | Land and buildings | Improvement to short leasehold property | Fixtures, fittings & equipment | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| *Cost* | | | | |
| At 1 January 2007 | 2,823,269 | 721,285 | 11,709,806 | 15,254,360 |
| Exchange adjustment | - | 8 238 | 448,425 | 456,663 |
| Additions | 2 813,541 | 75,544 | 3 362,452 | 6 251,537 |
| Disposals | - | (18 803) | (2,239,366) | (2,258,169) |
| At 31 December 2007 | 5,636,810 | 786,264 | 13,281,317 | 19,704,391 |
| *Depreciation* | | | | |
| At 1 January 2007 | 554,509 | 665 392 | 7 089,758 | 8,309,659 |
| Exchange adjustment | - | 6,404 | 239,547 | 245,951 |
| Charge for the year | 74,703 | 35,165 | 1,195,211 | 1 305,079 |
| Disposals | - | (18,803) | (2,079,395) | (2,098,198) |
| At 31 December 2007 | 629,212 | 688 158 | 6 445,121 | 7,762,491 |
| *Net book value* | | | | |
| At 31 December 2007 | 5,007,598 | 98 106 | 6 836,196 | 11,941,900 |
| At 31 December 2006 | 2,268 760 | 55 893 | 4 620,048 | 6,944,701 |

# Notes to the financial statements

**at 31 December 2007**

## 10. Tangible assets (continued)

*Company*

| | *Land and buildings* | *Short leasehold property* | *Fittings & equipment* | *Total* |
|---|---|---|---|---|
| | *£* | *£* | *£* | *£* |
| *Cost* | | | | |
| At 1 January 2007 | 1,975,968 | 637,597 | 4 491,567 | 7 105,132 |
| Additions | 2,069,893 | 75 544 | 2 424,502 | 4,569,939 |
| Disposals | - | (18,803) | (2 153,180) | (2,171,983) |
| At 31 December 2007 | 4,045,861 | 694 338 | 4 762,889 | 9 503,088 |
| *Depreciation* | | | | |
| At 1 January 2007 | 183,165 | 600,360 | 3,405,567 | 4,189,092 |
| Charge for the year | 71,732 | 21,162 | 464,834 | 557,728 |
| Disposals | - | (18,803) | (2 074,846) | (2 093 649) |
| At 31 December 2007 | 254,897 | 602 719 | 1 795,555 | 2,653,171 |
| *Net book value* | | | | |
| At 31 December 2007 | 3,790,964 | 91 619 | 2 967,334 | 6,849,917 |
| At 31 December 2006 | 1,792,803 | 37 237 | 1 086,000 | 2,916,040 |

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

| | *Group* | *Company* |
|---|---|---|
| | *£* | *£* |
| *Cost* | | |
| At 1 January 2007 | 2 790,928 | 1,053,309 |
| Exchange adjustment | 169,346 | - |
| Additions | 506,522 | - |
| Disposals | (1,053,309) | (1 053,309) |
| At 31 December 2007 | 2,413,487 | - |
| *Depreciation* | | |
| At 1 January 2007 | 1,672,077 | 1 053,309 |
| Exchange adjustment | 59,209 | - |
| Charge for the year | 175,039 | - |
| Disposals | (1 053 309) | (1,053 309) |
| At 31 December 2007 | 853,016 | - |
| *Net book value* | | |
| At 31 December 2007 | 1 560 471 | - |
| At 31 December 2006 | 1,118,851 | - |

# Notes to the financial statements

**at 31 December 2007**

## 11. Investments

| *Company* | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| *Cost* | | |
| At 1 January and 31 December | 4,522 094 | 4 522 094 |

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

| *Name of companies* | *Country of registration/ incorporation* | *Proportion of voting rights and ordinary shares held* | *Nature of business* |
|---|---|---|---|
| *Subsidiary undertakings* | | | |
| Signet Armorlite Europe (Holland) BV | The Netherlands | 100% | Distribution of ophthalmic lenses |
| Crossbows Optical Limited | Northern Ireland | 100% | Manufacture of ophthalmic lenses |
| Crossbows Training Limited * | Northern Ireland | 100% | Dormant |
| Signet Amorlite 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% | Distribution of ophthalmic lenses |
| CSO Sevilla SA * | Spain | 100% | Dormant |
| CSO Valencia SA * | Spain | 100% | Dormant |

* - Undertakings held indirectly by the company

## 12 Stocks

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| Raw materials | 128,082 | 132,238 | 49,226 | 35,577 |
| Work in progress | 20,021 | 9 880 | 4 028 | 3,337 |
| Goods for resale | 3 246 048 | 3 480 579 | 2.090 166 | 2 192,030 |
| | 3 394 151 | 3 622 697 | 2 143 420 | 2 230,944 |

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

# Notes to the financial statements
**at 31 December 2007**

## 13. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| Trade debtors | 4,686,107 | 4,502,818 | 2,067,416 | 1 755,183 |
| Amounts owed by subsidiary undertakings | - | - | 1,975,040 | 1,225,081 |
| Amounts owed by parent undertakings | 107,764 | 479,650 | - | 21,760 |
| Amounts owed by other group companies | 745 931 | 464,594 | 121,519 | 173,725 |
| Other debtors | 994 457 | 965,306 | 6,288 | 156,456 |
| Prepayments | 794,237 | 457,160 | 589,128 | 282,382 |
| Corporation tax | 97,739 | 14,384 | 81,104 | - |
| Deferred taxation (note 7(d)) | - | 330,715 | - | 42,899 |
| | 7 426,235 | 7 214,627 | 4,840,495 | 3 657,486 |

## 14. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| Bank overdraft | 1,828,751 | 171,955 | 1 828 751 | 171,955 |
| Bank loan | 198,170 | 225,904 | 173,120 | 225,904 |
| Trade creditors | 2,841,812 | 2,724,345 | 1 934,492 | 1 709,818 |
| Amounts due to parent undertakings | 553,559 | 673,620 | 540,100 | - |
| Amounts due to subsidiary undertakings | - | - | 2 329 072 | 2,217,987 |
| Amounts due to other group companies | 1,111,676 | 459,013 | 1,099 531 | 474,003 |
| Corporation tax | - | 175,314 | - | 146,902 |
| Other taxes and social security | 249 342 | 248,343 | 214,970 | 200,361 |
| Accruals | 2 298 852 | 1,604,947 | 1 149,704 | 451,474 |
| Obligations under finance lease and hire purchase contracts | 402 893 | 264,575 | - | - |
| | 9,485,055 | 6,548,016 | 9 269 740 | 5,598 404 |

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

# Notes to the financial statements

**at 31 December 2007**

## 15 Creditors. amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| Bank loan | 1,747,170 | 155 497 | 1 271 220 | 155,497 |
| Obligations under finance lease and hire purchase contracts | 788,881 | 624,813 | - | - |
| | 2,536,051 | 780,310 | 1,271 220 | 155 497 |

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

## 16 Loans

| | Group | | Company | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| *Amounts falling due* | | | | |
| In one year or less or on demand | 198,170 | 225,904 | 173 120 | 225,904 |
| In more than two years but not more than five years | 524,367 | 155,497 | 382,417 | 155,497 |
| In more than five years | 1,222,803 | - | 888,803 | - |
| | 1 945 340 | 381,401 | 1,444,340 | 381,401 |

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

The bank loans are repayable over various terms from 5 years to 15 years from the date they were taken out Interest rates payable on these loans vary from 1 05% to 1 70% over HSBC Sterling Base Rate (6 55% to 7 2% at 31st December 2007)

## 17. Share capital

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| *Authorised* | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| *Allotted, called up and fully paid* | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |

# Notes to the financial statements

**at 31 December 2007**

## 18 Reconcılıation of shareholders' funds and movements on reserves

| | *Share capıtal* £ | *Profit and loss account* £ | *Total* £ |
|---|---|---|---|
| *Group* | | | |
| At 1 January 2006 | 1 000 | 11 529,765 | 11 530,765 |
| Exchange dıfferences on retranslatıon of net assets and results of subsıdıary undertakıngs | - | (70 990) | (70 990) |
| Profit for the year | - | 1,152,202 | 1,152,202 |
| Dıvıdend paıd | - | (1,140.251) | (1,140,251) |
| At 1 January 2007 | 1,000 | 11,470,726 | 11,471,726 |
| Exchange dıfferences on retranslatıon of net assets and results of subsıdıary undertakıngs | - | 305 965 | 305,965 |
| Loss for the year | - | (87,773) | (87,773) |
| At 31 December 2007 | 1,000 | 11 688.918 | 11,689,918 |

*Company*

| | *Share capıtal* £ | *Profit and loss account* £ | *Total* £ |
|---|---|---|---|
| At 1 January 2006 | 1,000 | 7,777,576 | 7,778,576 |
| Profit for the year | - | 939,212 | 939,212 |
| Dıvıdend paıd | - | (1.140,251) | (1,140 251) |
| At 1 January 2007 | 1 000 | 7 576.537 | 7,577 537 |
| Profit for the year | - | 221,734 | 221.734 |
| At 31 December 2007 | 1 000 | 7.798,271 | 7 799,271 |

A dıvıdend of £nıl per ordınary share (2006 £1,140) was paıd durıng the year

# Notes to the financial statements

**at 31 December 2007**

## 19. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows

*Group*

| | *Land and buildings* | | *Other* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| *Operating leases which expire* | | | | |
| - within one year | 11 772 | 13,094 | 26,239 | 32,387 |
| - between two and five years | 27 701 | 76 364 | 52,948 | 75,297 |
| - over five years | 587 463 | 358.988 | - | - |
| | 626,936 | 448,446 | 79,187 | 107,684 |

*Company*

| | *Land and buildings* | | *Other* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£* | *£* | *£* | *£* |
| *Operating leases which expire* | | | | |
| - within one year | - | - | 14,487 | 7,690 |
| - between two and five years | - | 49,050 | 5,285 | 26,395 |
| - over five years | 283 500 | 75,500 | - | - |
| | 283,500 | 124,550 | 19,772 | 34.085 |

## 20. Notes to the statement of cash flows

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

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| Operating profit | 295,327 | 1,628,460 |
| Depreciation of tangible fixed assets | 1 305,079 | 921,769 |
| Amortisation of intangible fixed assets | 11 928 | 11,039 |
| Amortisation of goodwill | 92,448 | 92,448 |
| Decrease in stocks | 228,546 | (53,596) |
| Increase in debtors | (458,968) | (1,371,615) |
| Increase in creditors | 1,440,226 | 1,260,430 |
| Net cash inflow from operating activities | 2,914,586 | 2,488,935 |

# Notes to the financial statements

**at 31 December 2007**

(b) Analysis of net debt

| | At 1 January 2007 | Cash flow £ | Other £ | At 31 December 2007 £ |
|---|---|---|---|---|
| Cash at bank and in hand | 274,157 | 46,716 | - | 320,873 |
| Bank overdraft | (171 955) | (1,656,796) | - | (1,828,751) |
| | 102,202 | (1,610,080) | - | (1,507,878) |
| Bank loan | (381,401) | (1,563,939) | - | (1,945,340) |
| Finance leases | (889,388) | 204,136 | (506,522) | (1,191,774) |
| | (1,168,587) | (2 969,883) | (506,522) | (4,644,992) |

During 2007 the group entered into new finance lease agreements in respect of fixed assets with a capital value of £506,522, and entered two new bank loans for a total of £1 801,000

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

| | 2007 £ | 2006 £ |
|---|---|---|
| Decrease in cash in the year | (1,610,080) | (1,305,407) |
| Cash inflow from new loans | (1,801,000) | - |
| Repayment of long-term loans | 237,061 | 213,653 |
| Capital element of finance lease repayments | 204,136 | 151,104 |
| Change in net debt arising from cash flows | (2,969,883) | (940,650) |
| New finance lease agreements | (506,522) | (602,727) |
| Movement in net debt in the year | (3,476,405) | (1,543,377) |
| Net debt at 1 January | (1,168,587) | 374,790 |
| Net debt at 31 December | (4,644,992) | (1,168,587) |

## 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

# Notes to the financial statements

**at 31 December 2007**

## 22 Related party transactions

The group had the following transactions with fellow group undertakings during the year

| | *2007* | *2006* |
|---|---|---|
| | *£* | *£* |
| *Signet Armorlite Inc* | | |
| Sales of goods and services to Signet Armorlite Inc | 777,527 | 1,368,932 |
| Purchases of goods and services from Signet Armorlite Inc | 5,516,127 | 5,774,828 |
| Amount owed to Signet Armorlite Inc | 553,559 | 673 620 |
| Amount owed by Signet Armorlite Inc | 107,764 | 479,650 |
| *Signet Armorlite Optic GmbH* | | |
| Sales of goods and services to Signet Armorlite Optic GmbH | 912,899 | 408,323 |
| Purchases of goods and services from Signet Armorlite Optic GmbH | 36,754 | 116,556 |
| Rental income from Signet Armorlite Optic GmbH | 162,415 | 161,372 |
| Amount owed to Signet Armorlite Optic GmbH | 817,888 | 451,827 |
| Amount owed by Signet Armorlite Optic GmbH | 275,121 | 125,238 |
| *Infield Safety GmbH* | | |
| Purchases of goods and services from Infield Safety GmbH | - | 7,000 |
| Amount owed by Infield Safety GmbH | 445 | - |
| *Infield Safety UK Limited* | | |
| Sales of goods and services to Infield Safety UK Limited | 54,596 | 47,880 |
| Amount owed to Infield Safety UK Limited | 81,952 | 7,186 |
| Amount owed by Infield Safety UK Limited | 465,225 | 339,356 |

## 23 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Signet Armorlite Inc , registered in the United States of America

The company's ultimate parent and controlling undertaking is Signet Armorlite Inc , a company incorporated in the United States of America