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Signet Armorlite Europe Limited

Report and Financial Statements

31 December 2009

Registered Number 2108102

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COMPANIES HOUSE

Directors
M G Dingley (Managing Director)
B Salvadori
C J Stewart
C Hunt

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 2009

Results and dividends

The group loss for the year, after taxation, amounted to £483,148 (2008 – loss of £2,531,467) Dividends totalling £628,190 were distributed during the year (2008 – £nil)

Principal activity 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 2008 and 2009 the group made considerable reductions in the operating costs of the business, some of which have had an immediate effect on improving short term profitability

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

	2009	*2008*	*Change*
	£'000	*£'000*	*%*
Group turnover	22,541	23,827	(5 4%)
Operating loss	(638)	(2,214)	71 2%
Loss after tax	(483)	(2,531)	80 9%
Current ratio	118%	116%	2 0%
Shareholders' funds	8,788	10,215	(14 0%)

Turnover fell slightly in 2009 by 5 4% Turnover is expected to grow in 2010 over 2009 due to greater market penetration of existing product ranges together with the launch of new product ranges

Operating loss improved in 2009 by £1 6m This was due to the reduction in operating expenses and overheads, impacting directly on operating profits During 2008 the company had made a one off investment in advertising the Kodak Lens Vision Centres network and Kodak Lenses totalling in excess of £1m which has had a short term negative impact on profitability in that year

Operating costs include depreciation charges of £1,809,792 (2008 – £1,805 393), amortisation of intangibles of £17,990 (2008 – £13,484) and amortisation of goodwill of £92,448 (2008 – £92,448)

Net operating profit adjusted for depreciation, amortisation and amortisation of goodwill was a profit of £1 282 476 (2008 – loss of £302,448)

A loss after tax occurred in 2009 of £483 148 (2008 – loss of £2,531,467)

Liquidity ratios showed a slight improvement year on year

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 As a consequence net debt reduced by £1 846 987 during the year

Shareholders' funds have fallen year on year by £1,426,275 This reduction was due to the loss after tax of £483 148 (2008 – £2 531,467), dividends paid during 2009 to Signet Armorlite Inc of £628,190 and a negative exchange difference in the retranslation of the subsidiary undertakings of £314,937 (2008 positive exchange difference – £1,056,073)

Directors' report

Directors of the company

The directors who served during the year were as follows

M G Dingley	(Managing Director)
B Salvadori	
C Colombo	(Resigned 2 April 2010)
C J Stewart	
C Hunt	
M McCrea	(Resigned 2 April 2010)
A Pederzini	(Resigned 2 April 2010)

Directors' and officers' liability insurance

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 234 of the Companies Act 2006

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 14 to the financial statements

The group limits individual trade debtor exposures and these limits are reviewed on a continual basis

Directors' report

Principal risks and uncertainties (continued)

Exposure to price, credit, liquidity and cash flow risk (continued)

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 2009 the group expenditure on research and development was £285 453 (2008 – £311,229)

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 2010 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 £2,400 (2008 – £1 611)

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 2009, the company had an average of 85 days (2008 – 74 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' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

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 22-04-2010

Statement of directors' responsibilities

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) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing these 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 are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

Independent auditors' report

to the members of Signet Armorlite Europe Limited

We have audited the financial statements of Signet Armorlite Europe Limited for the year ended 31 December 2009 which comprise Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 25 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company s members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report

to the members of Signet Armorlite Europe Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Ken Griffin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Date 22 April 2010

Group profit and loss account

for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	22,541,002	23,826,583
Cost of sales		(14,354,517)	(15,543,221)
Gross profit		8,186,485	8,283,362
Distribution costs		(1,431,290)	(1,454,025)
Administrative expenses		(7,392,949)	(9,043,110)
Operating loss	3	(637,754)	(2,213,773)
Profit / (loss) on disposal of tangible fixed assets		496,516	(18,501)
Interest payable	6	(195,256)	(484,337)
Interest receivable	7	10,347	57,178
Loss on ordinary activities before taxation		(326,147)	(2,659,433)
Tax on loss on ordinary activities	8	(157,001)	127,966
Loss on ordinary activities after taxation	19	(483,148)	(2,531,467)

All amounts relate to continuing activities

Group statement of total recognised gains and losses

for the year ended 31 December 2009

	Note	2009 £	2008 £
Loss for the financial year attributable to members of the parent company		(483,148)	(2,531,467)
Exchange difference on retranslation of net assets of subsidiary undertakings	19	(314,937)	1,056,073
Total recognised gains and losses relating to the year		(798,085)	(1,475,394)

Group balance sheet

at 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	10	495,215	556,377
Tangible assets	11	10,017,698	12,403,283
		10,512,913	12,959,660
Current assets			
Stocks	13	2,562,644	3,089,972
Debtors	14	5,479,531	7,108,856
Cash at bank and in hand		788,036	422,830
		8,830,211	10,621,658
Creditors: amounts falling due within one year	15	7,514,169	9,191,567
Net current assets		1,316,042	1,430,091
Total assets less current liabilities		11,828,955	14,389,751
Creditors. amounts falling due after more than one year	16	3,040,706	4,175,227
		8,788,249	10,214,524
Capital and Reserves			
Called up share capital	18	1,000	1,000
Profit and loss account	19	8,787,249	10,213,524
Total equity shareholder's funds	19	8,788,249	10,214,524

Approved by the Board

M G Dingley
Director

Date 22-4-2010

Company balance sheet

at 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	10	12,804	2 743
Tangible assets	11	5 734,202	6,378,791
Investments	12	5,044,482	5,044,482
		10,791 488	11.426,016
Current assets			
Stocks	13	1,731,134	2,080,418
Debtors	14	3,331,674	4,377,941
Cash at bank and in hand		505,354	6,488
		5 568,162	6,464,847
Creditors: amounts falling due within one year	15	8,647,767	8,492,581
Net current liabilities		(3 079,605)	(2,027,734)
Total assets less current liabilities		7,711,883	9,398,282
Creditors amounts falling due after more than one year	16	2,242,951	2,921,652
		5 468 932	6,476,630
Capital and Reserves			
Called up share capital	18	1,000	1.000
Profit and loss account	19	5 467,932	6,475.630
Total equity shareholder's funds	19	5,468,932	6,476,630

Approved by the Board

M G Dingley
Director

Date 22-4-2010

Group cash flow statement

for the year ended 31 December 2009

	Note	2009 £	2008 £
Net cash inflow from operating activities	21(a)	1,922,307	1,440,082
Returns on investments and servicing of finance			
Interest received		10,347	57,178
Interest paid		(195,256)	(484,337)
		(184,909)	(427,159)
Taxation			
Corporation tax (paid) / refunded		(11,448)	58,309
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(172,121)	(1,295,295)
Payments to acquire intangible fixed assets		(49,276)	(13 922)
Receipts from sale of tangible fixed assets		970.624	35.421
		749,227	(1,273,796)
Equity dividends paid		(628.190)	-
Financing			
Repayment of capital element of finance leases and hire purchase contracts		(512,863)	(206,795)
Capital element of bank loans repaid		(743,159)	(481,578)
Bank loan		-	2,595,886
		(1,256,022)	1,907,513
Increase in cash in the year	21(c)	590,965	1,704,949

Notes to the financial statements

at 31 December 2009

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 section 408 of the Companies Act 2006

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

Going concern

On the basis of their assessment of the company's financial position, banking arrangements and current year forecasts and of the enquiries made of the Directors of the company's parent Signet Armorlite Inc the company's Directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future

Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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%

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Depreciation (continued)
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

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

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 exception

- 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

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

Notes to the financial statements
at 31 December 2009

1. Accounting policies (continued)

Leasing and hire purchase commitments (continued)

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

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 100% of the voting rights are held within the group Transactions with group companies not included in these consolidated financial statements are detailed in note 23

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

An analysis of turnover by geographical market is given below

	2009	*2008*
	£	*£*
United Kingdom	9,741,953	10,896,841
Europe and Other	12 799,049	12 929,742
	22,541,002	23 826,583

Notes to the financial statements

at 31 December 2009

3. Operating loss

This is stated after charging/(crediting)		*2009* £	*2008* £
Auditor's remuneration	– audit services	70.806	66,633
	– non audit services	31,007	30,357
Depreciation	– owned assets	1.522.985	1,512,792
	– leased assets	286.807	292 601
Amortisation of patents and trademarks		17,990	13,484
Amortisation of goodwill		92.448	92,448
Exchange loss		8,573	39,789
Operating lease rentals	– land and buildings	566,361	567,719
	– other	116,542	133,422
Research and development expenditure		285,453	311.229
Research development grants		(48,098)	(36,980)

4. Directors' emoluments

	2009 £	*2008* £
Directors' emoluments		
Emoluments (including benefits in kind and excluding pension contributions)	440,846	415,851
Company contributions paid to money purchase pension scheme	69,814	63,134

	2009 *No*	*2008* *No*
Members of money purchase pension schemes	4	4

The emoluments of the highest paid director were £146,249 (2008 – £142 392) and company contributions paid to his money purchase pension scheme were £25,185 (2008 – £25,185)

Notes to the financial statements

at 31 December 2009

5 Staff costs

	2009 £	2008 £
Wages and salaries	5,887,392	6,832,533
Social security costs	1,005,912	1,133,799
Other pension costs	163,423	142,750
	7,056,727	8,109,082

Average number of employees (including directors) during the year were

	2009 No	2008 No
Administration	34	38
Selling and marketing	69	78
Stores and distribution	24	35
Processing	154	174
	281	325

6. Interest payable

	2009 £	2008 £
Bank overdraft	9,749	108,965
Finance charges payable on bank loans	89,902	214,106
Interest payable on finance lease and hire purchase contracts	36,925	96,796
Interest payable to group undertakings	57,798	64,470
Other interest	882	-
	195,256	484,337

7. Interest receivable

	2009 £	2008 £
Bank interest	2,195	26,908
Interest receivable from group undertakings	7,733	19,790
Other interest	419	10,480
	10,347	57,178

Notes to the financial statements

at 31 December 2009

8. Tax

(a) Analysis of tax charge in the year

	2009	*2008*
	£	*£*
UK corporation tax	2,454	-
Adjustments in respect of prior periods	-	(408)
	2,454	(408)
Overseas tax	24,402	43,436
Adjustments in respect of prior periods	(14,064)	(6,263)
Total current tax (note 8(b))	12,792	36,765
Deferred taxation (note 8(d))	144,209	(164,731)
Tax on loss on ordinary activities	157,001	(127,966)

(b) Factors affecting tax charge for year

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 – 28 5%) The differences are reconciled below

	2009	*2008*
	£	*£*
Loss on ordinary activities before taxation	(326,147)	(2,659,433)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28 5%)	(91,321)	(757 938)
Effects of		
Expenses not deductible for tax purposes (non taxable income)	63,488	82,099
Capital allowances in excess of depreciation	73 991	187 073
Non taxable sale of land and buildings	(148.028)	-
Losses carried forward	175,195	576 822
Effect of differences in overseas tax rate	(20,261)	(16,620)
Research and development tax credit	(26,208)	(28,000)
Adjustments to tax charge in respect of previous periods	(14,064)	(6,671)
Total amount of current tax (note 8(a))	12,792	36,765

Notes to the financial statements

at 31 December 2009

8. Taxation on profit on ordinary activities (continued)

(c) Factors that may affect future tax charge

The group has surplus trading losses carried forward of £10 351,148 (2008 – £9 964,753) A deferred tax asset of £3,322,769 (2008 – £3 180 136) 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.

	2009	*2008*
	£	*£*
(Decelerated) capital allowances	-	(141 969)
Other timing differences	-	(2,240)
Deferred tax (asset) (note 14)	-	(144,209)

Company.

	2009	*2008*
	£	*£*
(Decelerated) capital allowances	-	(141,969)
Other timing differences	-	(2,240)
Deferred tax (asset) (note 14)	-	(144,209)

The movement on the deferred tax asset is as follows

	Group	*Company*
	£	*£*
At 1 January 2009	(144,209)	(144 209)
Deferred tax expensed during the year	144,209	144,209
At 31 December 2009	-	-

Notes to the financial statements

at 31 December 2009

9. Profit attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £379,508 (2008 – loss of £1,322,641)

10. Intangible fixed assets

Group	*Goodwill*	*Patents / Trademarks*	*Total*
	£	£	£
Cost			
At 1 January 2009	924 446	133,202	1,057,648
Additions	-	49,276	49,276
At 31 December 2009	924,446	182,478	1,106,924
Amortisation			
At 1 January 2009	431,422	69 849	501 271
Amortisation in the year	92,448	17,990	110,438
At 31 December 2009	523,870	87,839	611,709
Net book value			
At 31 December 2009	400,576	94,639	495,215
At 31 December 2008	493,024	63,353	556,377

Notes to the financial statements

at 31 December 2009

10 Intangible fixed assets (continued)

Company	*Patents / Trademarks* £	*Total* £
Cost		
At 1 January 2009	3,227	3,227
Additions	11,251	11,251
At 31 December 2009	14,478	14,478
Amortisation		
At 1 January 2009	484	484
Amortisation in the year	1,190	1,190
At 31 December 2009	1,674	1,674
Net book value		
At 31 December 2009	12,804	12,804
At 31 December 2008	2,743	2,743

Patent and trademark 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 2009

11. Tangible assets

Group

	Land and buildings	*Improvement to short leasehold property*	*Fixtures, fittings and equipment*	*Total*
	£	£	£	£
Cost				
At 1 January 2009	5,928,286	817,929	15,191,455	21,937,670
Exchange adjustment	-	(10,130)	(695,182)	(705,312)
Additions	1,590	10 449	160 082	172,121
Disposals	(471,330)	(1,822)	(53,047)	(526,199)
At 31 December 2009	5,458,546	816,426	14.603,308	20.878,280
Depreciation				
At 1 January 2009	739,314	723,580	8 071.493	9 534,387
Exchange adjustment	-	(9,427)	(422,079)	(431,506)
Charge for the year	110,385	38,866	1 660,541	1 809,792
Disposals	-	(1 822)	(50 269)	(52 091)
At 31 December 2009	849.699	751,197	9,259,686	10,860,582
Net book value				
At 31 December 2009	4,608,847	65,229	5 343,622	10,017,698
At 31 December 2008	5 188,972	94.349	7,119,962	12,403,283

Notes to the financial statements
at 31 December 2009

11. Tangible assets (continued)

Company

	Land and buildings	*Short leasehold property*	*Fittings and equipment*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 January 2009	4,051,056	697,923	4,978,864	9,727,843
Additions	-	10,449	101,424	111,873
Disposals	-	-	(32,258)	(32,258)
At 31 December 2009	4,051,056	708,372	5,048,030	9,807,458
Depreciation				
At 1 January 2009	348,692	611,935	2,388,425	3,349,052
Charge for the year	89,636	31,321	633,696	754,653
Disposals	-	-	(30,449)	(30,449)
At 31 December 2009	438,328	643,256	2,991,672	4,073,256
Net book value				
At 31 December 2009	3,612,728	65,116	2,056,358	5,734,202
At 31 December 2008	3,702,364	85,988	2,590,439	6,378,791

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

	Group	*Company*
	£	*£*
Cost		
At 1 January 2009	1,782,553	-
Exchange adjustment	(150,468)	-
Additions	-	-
At 31 December 2009	1,632,085	-
Depreciation		
At 1 January 2009	335,132	-
Exchange adjustment	(28,289)	-
Charge for the year	286,807	-
At 31 December 2009	593,650	-
Net book value		
At 31 December 2009	1,038,435	-
At 31 December 2008	1,447,421	-

Notes to the financial statements

at 31 December 2009

12. Investments

Company	*2009*	*2008*
	£	*£*
Cost		
At 1 January	5,044,482	4,522,094
Additions	-	522 388
At 31 December	5,044,482	5,044,482

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

* - Undertakings held indirectly by the company

13 Stocks

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Raw materials	124,244	162 463	55,995	50,248
Work in progress	22,475	24,270	2,520	1,716
Goods for resale	2,415,925	2,903,239	1,672,619	2,028,454
	2,562 644	3,089 972	1 731,134	2,080,418

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

Notes to the financial statements
at 31 December 2009

14. Debtors

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Trade debtors	3,709,201	4.725 053	1.370 808	1 553,832
Amounts owed by parent undertakings	75,270	99,477	-	-
Amounts owed by subsidiary undertakings	-	-	1.590,829	2,169,590
Amounts owed by other group companies	530,715	768,495	96.306	131,167
Other debtors	733,014	817.005	3,837	4,373
Prepayments	430 010	538 513	269,894	358,666
Corporation tax	1 321	16.104	-	16,104
Deferred taxation (note 8d))	-	144.209	-	144,209
	5,479.531	7 108,856	3,331,674	4,377.941

15. Creditors: amounts falling due within one year

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Bank overdraft	-	225,759	-	225,759
Bank loan	596,831	614,202	557.299	574,670
Trade creditors	2 127,487	1,976.787	1,117 979	1,078,947
Amounts due to parent undertakings	1,212 525	1,745,990	250,852	1.264,178
Amounts due to subsidiary undertakings	-	-	4,223.422	2,622 817
Amounts due to other group companies	1,614,046	1,630.619	1 607 349	1,626.392
Corporation tax	-	13 439	-	-
Other taxes and social security	249,812	592,453	212,810	271,936
Accruals	1.321,739	1,896 459	678,056	827,882
Obligations under finance lease and hire purchase contracts	391,729	495,859	-	-
	7,514,169	9,191,567	8 647,767	8,492,581

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 2009

16. Creditors amounts falling due after more than one year

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Bank loan	2 719,659	3,445,447	2,242,951	2,921.652
Obligations under finance lease and hire purchase contracts	321,047	729,780	-	-
	3,040,706	4,175,227	2,242,951	2,921 652

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

17. Loans

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Amounts falling due				
In one year or less or on demand	596,831	614 202	557,299	574,670
In more than two years but not more than five years	1,717,341	2,190,976	1 559,214	2 032,849
In more than five years	1,002,318	1,254 471	683,737	888,803
	3,316,490	4,059 649	2 800,250	3,496,322

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 0 95% to 1 70% over HSBC Sterling Base Rate subject to Base Rate collars of 3 5% and 3 25% on two particular bank loans, (Actual interest rates range from 1 55% to 4 45% at 31 December 2009)

18. Issued share capital

	2009	*2008*
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 2009

19. Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital £	*Profit and loss account* £	*Total* £
At 31 December 2007	1,000	11 688,918	11,689 918
Exchange differences on retranslation of net assets and results of subsidiary undertakings	-	1,056,073	1,056,073
Loss for the year	-	(2,531,467)	(2,531,467)
At 31 December 2008	1,000	10,213,524	10,214,524
Exchange differences on retranslation of net assets and results of subsidiary undertakings	-	(314,937)	(314,937)
Loss for the year	-	(483,148)	(483,148)
Dividend paid	-	(628,190)	(628,190)
At 31 December 2009	1,000	8,787,249	8,788,249

Company

	Share capital £	*Profit and loss account* £	*Total* £
At 31 December 2007	1 000	7,798,271	7,799,271
Loss for the year	-	(1,322 641)	(1,322,641)
At 31 December 2008	1,000	6,475,630	6,476,630
Loss for the year	-	(379 508)	(379,508)
Dividend paid	-	(628,190)	(628,190)
At 31 December 2009	1,000	5,467,932	5,468,932

A dividend of £628 19 per ordinary share (2008 – £nil) was paid during the year

Notes to the financial statements

at 31 December 2009

20 Other financial commitments

Annual commitments under non-cancellable operating leases are as follows

Group

	Land and buildings		*Other*	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Operating leases which expire				
- within one year	-	18,868	29 949	14,125
- between two and five years	69,557	39,466	49,576	90,969
- over five years	708,746	742,911	-	-
	778,303	801,245	79,525	105,094

Company

	Land and buildings		*Other*	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Operating leases which expire				
- within one year	-	-	5,178	-
- between two and five years	-	-	10,302	22,200
- over five years	283,500	283.500	-	-
	283,500	283,500	15,480	22,200

21 Notes to the statement of cash flows

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

	2009	*2008*
	£	*£*
Operating loss	(637,754)	(2 213 773)
Depreciation of tangible fixed assets	1 809,792	1,805 393
Amortisation of intangible fixed assets	17,990	13,484
Amortisation of goodwill	92,448	92,448
Decrease in stocks	527.328	304,179
Decrease in debtors	1,470,333	379,953
(Decrease) / increase in creditors	(1,357,830)	1.058,398
Net cash inflow from operating activities	1 922,307	1,440,082

Notes to the financial statements
at 31 December 2009

21. Notes to the statement of cash flows (continued)

(b) Analysis of net debt

	At 1 January 2009	*Cash flow* £	*At 31 December 2009* £
Cash at bank and in hand	422,830	365,206	788,036
Bank overdraft	(225,759)	225,759	-
	197,071	590,965	788,036
Bank loan	(4,059,649)	743,159	(3,316,490)
Finance leases	(1,225,639)	512,863	(712,776)
	(5,088,217)	1 846,987	(3,241,230)

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

	2009 £	*2008* £
Increase in cash in the year	590,965	1,704,949
Cash inflow from new loans	-	(2,595,886)
Repayment of long-term loans	743,159	481,578
Capital element of finance lease repayments	512,863	206 795
Change in net debt arising from cash flows	1,846,987	(202,564)
New finance lease agreements	-	(240,661)
Movement in net debt in the year	1 846,987	(443,225)
Net debt at 1 January	(5,088,217)	(4,644,992)
Net debt at 31 December	(3,241,230)	(5,088,217)

22. 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 2009

23. Related party transactions

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

	2009	*2008*
	£	*£*
Signet Armorlite Inc (Ultimate parent company)		
Sales of goods and services to Signet Armorlite Inc	424,770	570,425
Purchases of goods and services from Signet Armorlite Inc	3,504,340	4,549,073
Amount owed to Signet Armorlite Inc	1,212,525	1,745,990
Amount owed by Signet Armorlite Inc	75,270	99,477
Signet Armorlite Optic GmbH (Group company)		
Sales of goods and services to Signet Armorlite Optic GmbH	1,468,302	1,181,793
Purchases of goods and services from Signet Armorlite Optic GmbH	12,145	17,097
Rental income from Signet Armorlite Optic GmbH	210,540	188,236
Amount owed to Signet Armorlite Optic GmbH	1,611,592	1,496,191
Amount owed by Signet Armorlite Optic GmbH	149,846	343,354
Infield Safety GmbH (Group company)		
Amount owed by Infield Safety GmbH	-	826
Infield Safety UK Limited (Group company)		
Sales of goods and services to Infield Safety UK Limited	65,135	69,102
Purchases of goods and services from Infield Safety UK Limited	-	34
Amount owed to Infield Safety UK Limited	2,454	134,428
Amount owed by Infield Safety UK Limited	379,339	373,487
Signet Armorlite Columbia (Group company)		
Sales of goods and services to Signet Armorlite Columbia	17,651	50,828
Amount owed by Signet Armorlite Columbia	1,530	50,828

24. Contingent liabilities

The company has entered into forward foreign exchange contracts with HSBC Bank Plc in order to protect its trading from adverse movements in foreign exchange rates

At 31st December 2009 the total value of contracts entered into amount to £1,171,637 (2008 £1,508,078)

25. Ultimate parent undertaking and controlling party

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

At 31st December 2009 the company's ultimate parent and controlling undertaking is Signet Armorlite Inc , a company incorporated in the United States of America

On 1st April 2010, EOA Holding Co Inc , a company registered in the United States of America and which is a subsidiary of Essilor International SA, a company which is registered in France, acquired the entire share capital of Signet Armorlite Inc