

COMPANIES HOUSE



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**DAVID MOULSDALE (HOLDINGS) LIMITED
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

31 DECEMBER 1997

Registered number: 146610



**KIDSONS IMPEY
CHARTERED ACCOUNTANTS
Glasgow**

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

for the year ended 31 December 1997

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COMPANY INFORMATION

31 December 1997

NUMBER	146610
DIRECTOR	D Mouldsdale
SECRETARY	G Murdoch
REGISTERED OFFICE	Breckenridge House 274 Sauchiehall Street Glasgow G2 3EH
AUDITORS	Kidsons Impey Chartered Accountants Breckenridge House 274 Sauchiehall Street Glasgow G2 3EH

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

31 December 1997

The director presents his report and the audited financial statements for the year ended 31 December 1997.

Principal activity

The principal activity of the company is that of a holding company. The company's subsidiaries during the year and their principal activities were as follows:

<u>Subsidiary</u>	<u>Principal activity</u>
Optical Express (Holdings) Limited	Holding company
Optical Express (Southern) Limited	Opticians
Optical Express (Central) Limited	Opticians
Optical Express (Northern) Limited	Opticians
Optical Express (Gyle) Limited	Opticians
Optical Express (Westfield) Limited	Central buying agent
Optical Express (Ayr) Limited	Non trading
Optical Express (Aberdeen) Limited	Non trading
Optical Express (Forge) Limited	Non trading
Optical Express (Leith) Limited	Non trading
Specialeyes (Optical Services) Limited	Non trading
Specialeyes Holding B.V.	Non trading
Total Eyecare Limited	Opticians
Optical Express Limited	Dormant

Specialeyes (Optical Services) Limited and Specialeyes Holding B.V. were dissolved on 8 September 1998 and 1 November 1997 respectively. Total Eyecare Limited ceased trading on 10 February 1997.

Business review

The group's balance sheet as detailed on page 8 shows a satisfactory position, shareholders' funds amounting to £3,716,527.

Results and dividends

The group's results for the year are shown in the profit and loss account on page 5.

Following the acquisition of Specialeyes Plc substantial investment has been made in optical equipment, rebranding and staff development. The turnaround in performance of the acquired business is particularly satisfying and reflects both the success of the Optical Express trading concept and the efforts of all involved over this period.

The director does not propose payment of an ordinary dividend.

Fixed assets

In the opinion of the director there is no significant difference between the present market value of the group's properties and the amounts at which they are stated in the accounts. Details are set out in note 12.

continued

DIRECTORS' REPORT

(continued)

31 December 1997**Directors**

The director of the company during the year and his interests in the shares of the company as recorded in the register of directors' interests were as follows

	31 December 1997 Ordinary shares	1 January 1997 Ordinary shares
D Mouldale	2	2

Future developments

The director expects the current trading performance to continue, despite difficult market conditions.

Employees

The group operates employment policies designed to ensure that it is able to attract and retain the highest calibre of employees from all sections of the community.

We ensure that all employees are fully involved and committed to accomplishing the goals of the group through a variety of communication methods including annual conferences, a senior team video, weekly communication packs, team briefing and an open door policy through which we encourage and welcome feedback and suggestions.

These methods of informing our employees go hand in hand with financial information on performance and sales targets.

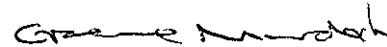
The group values diversity in the workplace and is committed to providing the same quality of opportunities to all employees and potential employees. It actively encourages training and skills development throughout the group.

These policies and training programmes have been developed to attract and retain the best people on the basis of their skills and abilities. This ensures that the group offers people with disabilities the same opportunities for training and career progression as other employees.

Auditors

Kidsons Impey have agreed to offer themselves for re-appointment as auditors of the group.

On behalf of the director



G Murdoch
Secretary

Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

25 November 1998

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

25 November 1998

On behalf of the director



D Mouldsdaie
Director

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES**AUDITORS' REPORT****Auditors' report to the members of****David Mouldsdale (Holdings) Limited and Subsidiaries**

We have audited the financial statements on pages 5 to 25 which have been prepared under the historical cost convention as amended for the revaluation of certain fixed assets and the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 3, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

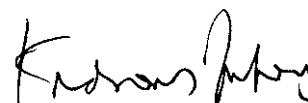
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Glasgow
25 November 1998

Kidsons Impey
Registered Auditors
Chartered Accountants

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

		1997		1996	
	Note	£	£	£	£
Turnover	2				
Continuing operations		9,485,850		3,373,338	
Acquisitions		27,225,726		3,448,035	
Cost of sales	4		36,711,576 (8,022,538)		6,821,373 (1,614,442)
Gross profit			28,689,038		5,206,931
Net operating expenses	4				
Administrative expenses			(26,741,853)		(4,325,216)
Other operating income			36,839		-
Operating profit	3				
Continuing operations		813,347		647,229	
Acquisitions		1,174,331		234,486	
Discontinued operations		1,987,678 (3,654)		881,715 -	
Investment income	6		1,984,024 375,121		881,715 636
Interest payable	7		(334,474)		(63,615)
Profit on ordinary activities before taxation			2,024,671		818,736
Taxation	9		(418,053)		(159,253)
Profit on ordinary activities after taxation	24		1,606,618		659,483
Dividends	10		-		(35,000)
Retained profit for the year	24		1,606,618		624,483

Movements in reserves are shown in the notes to the financial statements.

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

COMPANY PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	Note	1997 £	1996 £
Administrative expenses		-	-
Operating profit		-	-
Investment income	6	-	43,750
Profit on ordinary activities before taxation		-	43,750
Taxation	9	-	(8,750)
Profit on ordinary activities after taxation	24	-	35,000
Dividends	10	-	(35,000)
Retained profit for the year	24	-	-

Movements in reserves are shown in the notes to the financial statements.

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

There are no recognised gains and losses in 1997 or 1996 other than the profit for the year.

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

7

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1997

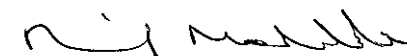
	1997 £	1996 £
Profit for the financial year	1,606,618	659,483
Unrealised surplus on revaluation of fixed assets	1,222,500	-
Total gains recognised since last annual report	<u>2,829,118</u>	<u>659,483</u>

BALANCE SHEET

at 31 December 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Intangible assets	11		4,493,123		14,655
Tangible assets	12		7,079,767		2,002,784
			<u>11,572,890</u>		<u>2,017,439</u>
Current assets					
Stocks	15	4,031,459		710,409	
Debtors	16	3,310,500		505,761	
Cash at bank and in hand		6,940		9,985	
			<u>7,348,899</u>	<u>1,226,155</u>	
Creditors: amounts falling due within one year	17	(12,957,076)		(1,790,119)	
Net current liabilities			<u>(5,608,177)</u>		<u>(563,964)</u>
Total assets less current liabilities			<u>5,964,713</u>		<u>1,453,475</u>
Creditors: amounts falling due after more than one year	18		(1,999,485)		(566,066)
Provision for liabilities and charges	19		<u>(248,701)</u>		<u>-</u>
			<u>3,716,527</u>		<u>887,409</u>
Capital and reserves					
Called up share capital	22		2		2
Revaluation reserve	23		1,222,500		-
Profit and loss account	24		2,494,025		887,407
Total shareholders' funds	21		<u>3,716,527</u>		<u>887,409</u>

The financial statements on pages 5 to 25 were approved by the director on 25 November 1998 and signed by:



D Mouldsdaie
Director

COMPANY BALANCE SHEET

at 31 December 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Intangible assets	11		35,000		-
Investments	14		802		700
			<u>35,802</u>		<u>700</u>
Current assets					
Debtors	16	28,902		28,902	
		<u>28,902</u>		<u>28,902</u>	
Creditors: amounts falling due within one year	17	(64,702)		(29,600)	
			<u>(35,800)</u>		<u>(698)</u>
Net current liabilities					
Total assets less current liabilities			<u>2</u>		<u>2</u>
Capital and reserves					
Called up share capital	22		2		2
Total shareholders' funds	21		<u>2</u>		<u>2</u>

The financial statements on pages 5 to 25 were approved by the director on 25 November 1998 and signed by:



D Mouldale
Director

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT

for the year ended 31 December 1997

	Note	£	1997 £	£	1996 £
Net cash inflow from operating activities	27		1,082,264		766,318
Returns on investments and servicing of finance					
Interest received		17,448		636	
Interest paid		(295,619)		(45,967)	
Interest element of finance lease rental payments		(38,855)		(17,648)	
Other returns		357,673		-	
			40,647		(62,979)
Taxation					
Corporation tax paid			(473,311)		(14,474)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(80,000)		(7,500)	
Purchase of tangible fixed assets		(2,670,176)		(1,136,370)	
Sale of tangible fixed assets		24,433		49,727	
			(2,725,743)		(1,094,143)
			(2,076,143)		(405,278)
Equity dividends paid			-		(35,000)
			(2,076,143)		(440,278)
Acquisitions and disposals					
Purchase of subsidiary undertaking		(2,326,501)		-	
Cash acquired with subsidiary		433,000		-	
			(1,893,501)		-
Financing					
Debt due within a year:					
Bank loan advances/(repayments)		1,856		(20,964)	
Debt due beyond a year:					
Bank loan advances		1,701,540		230,235	
Capital element of finance lease rentals		(242,741)		(150,724)	
			1,460,655		58,547
Decrease in cash			(2,508,989)		(381,731)

NOTES ON FINANCIAL STATEMENTS

31 December 1997

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as amended for the revaluation of certain assets.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold property	Nil
Leasehold properties	Over the term of the lease
Shopfitting	25% reducing balance
Equipment	10% & 15% reducing balance
Motor vehicles	20% reducing balance
Fixtures and fittings	15% reducing balance
Goodwill	10 & 20 years
Lease premiums	18 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve. No depreciation has been provided in the current year as the Leasehold properties were revalued on the 31 December 1997. Freehold property was not depreciated during the year as it was realised post year end for its net book value.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability. Rentals paid under operating leases are charged to income as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

NOTES ON FINANCIAL STATEMENTS

31 December 1997

1 Accounting policies (continued)**Pensions****Defined contribution scheme**

The company made contributions into employees private pension schemes during the year.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings. Total Eyecare Limited has been consolidated using figures from management accounts.

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

3 Operating Profit

	1997 £	1996 £
Operating profit is stated after crediting:		
Net rental income	36,839	-
Profit on foreign exchange	104,549	-
Profit on sale of assets	-	1,277
	<hr/>	<hr/>
and after charging		
Staff costs (note 5)	14,842,383	2,648,703
Exceptional items (note 8)	175,565	-
Auditors' remuneration - audit services	113,500	18,800
- non audit services	36,800	6,000
Operating leases		
Hire of equipment	86,381	5,879
Rent	4,723,078	303,661
	<hr/>	<hr/>
Depreciation of tangible fixed assets (note 12)		
owned assets	398,674	111,680
leased assets	154,566	68,337
Amortisation of intangible fixed assets (note 11)	246,598	845
	<hr/>	<hr/>
	799,838	180,862
	<hr/>	<hr/>
The total amount charged against profits in respect of finance leases and hire purchase contract is	193,421	85,985
(of which part is shown as depreciation and the balance is shown as interest payable in note 7)	<hr/>	<hr/>

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

31 December 1997

4 Operating profit

1997				
	Continuing operations		Discontinued operations	Total
		Acquisitions		
	£	£	£	£
Cost of sales	2,079,202	5,943,336	-	8,022,538
Net operating expenses				
Administrative expenses	6,593,301	20,144,898	3,654	26,741,853
Other operating income	-	(36,839)	-	(36,839)
	<u>6,593,301</u>	<u>20,108,059</u>	<u>3,654</u>	<u>26,705,014</u>

1996				
	Continuing operations		Discontinued operations	Total
		Acquisitions		
	£	£	£	£
Cost of sales	779,347	835,095	-	1,614,442
Net operating expenses				
Administrative expenses	1,946,762	2,378,454	-	4,325,216
	<u>1,946,762</u>	<u>2,378,454</u>	<u>-</u>	<u>4,325,216</u>

NOTES ON FINANCIAL STATEMENTS

31 December 1997

5 Directors and employees

	Group	
	1997 £	1996 £
Staff costs including directors' emoluments		
Wages and salaries	14,577,941	2,574,459
Pension costs	135,055	74,244
Compensation for loss of office	129,387	-
	<u>14,842,383</u>	<u>2,648,703</u>
Average monthly number employed including executive directors:	Number	Number
Production staff	145	35
Office and management	41	28
Other	654	89
	<u>840</u>	<u>152</u>
Directors	£	£
Emoluments	301,136	31,563
Directors' pension schemes	30,000	32,750
Compensation for loss of office	129,387	-
	<u>460,523</u>	<u>64,313</u>
Highest paid director	£	£
Emoluments	40,927	31,563
Company contributions to a money purchase pension scheme	-	32,750
	<u>-</u>	<u>32,750</u>

Defined contribution pension scheme

The company makes contributions into employees private pension schemes. The pension cost charge represents contributions payable by the company to the personal schemes and amounted to £135,055 (1996 £74,244).

6 Investment income

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Dividend received	-	-	-	43,750
Interest receivable	17,448	636	-	-
Other non-trading income	357,673	-	-	-
	<u>375,121</u>	<u>636</u>	<u>-</u>	<u>43,750</u>

NOTES ON FINANCIAL STATEMENTS

31 December 1997

7 Interest payable

	1997 £	Group 1996 £
Bank interest	120,804	20,593
Bank loan interest	154,950	25,374
Other interest	19,865	-
Hire purchase interest	38,855	17,648
	<u>334,474</u>	<u>63,615</u>

8 Exceptional items

	1997 £	Group 1996 £
Included in administrative expenses:		
Trade debtors written off	<u>175,565</u>	<u>-</u>

The trade debtors disclosed in the financial statements of Optical Express (Southern) Limited for the year ended 31 December 1996 were overstated by £175,565.

9 Taxation

	1997 £	Group 1996 £	1997 £	Company 1996 £
Corporation tax on profit on ordinary activities at 31% (1996 24%)	168,190	160,050	-	-
Deferred taxation	248,701	-	-	-
Tax on franked investment income	-	-	-	8,750
	<u>416,891</u>	<u>160,050</u>	<u>-</u>	<u>8,750</u>
Under/(over) provision in earlier years	1,162	(797)	-	-
	<u>418,053</u>	<u>159,253</u>	<u>-</u>	<u>8,750</u>

10 Dividends

	1997 £	Group 1996 £	1997 £	Company 1996 £
Equity - final	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES
NOTES ON FINANCIAL STATEMENTS
31 December 1997

11 Intangible fixed assets

	Group			Company
	Goodwill £	Lease Premiums £	Total £	Goodwill £
Cost				
1 January 1997	3,000	12,500	15,500	-
Additions	4,725,066	-	4,725,066	35,000
31 December 1997	4,728,066	12,500	4,740,566	35,000
Amortisation				
1 January 1997	150	695	845	-
Charge for the year	245,903	695	246,598	-
31 December 1997	246,053	1,390	247,443	-
Net book amount				
31 December 1997	4,482,013	11,110	4,493,123	35,000
1 January 1997	2,850	11,805	14,655	-

Goodwill additions in the year arise from the purchase of the 100% interest in Specialeyes Plc on 10 January 1997. On the date of the purchase of Specialeyes Plc, the company also acquired the 100% interest in Total Eyecare Limited. These companies have been included in the group accounts using the acquisition method of accounting.

Net assets at date of acquisition:

	Book value in respect of acquisitions in the year		
	Specialeyes Plc £	Total Eyecare Ltd £	Total £
Tangible fixed assets	663,000	400,000	1,063,000
Stocks	720,000	92,000	812,000
Debtors	1,788,000	165,000	1,953,000
Cash at bank and in hand	431,000	2,000	433,000
	3,602,000	659,000	4,261,000
Creditors	(6,143,000)	(436,565)	(6,579,565)
Fair value of assets acquired	(2,541,000)	222,435	(2,318,565)
Consideration			
Cash paid including acquisition costs			2,326,501
Goodwill			4,645,066
The goodwill arising on the acquisition is being amortised over a period of 20 years.			
Purchased goodwill			80,000
The purchased goodwill in the Group and the Company is being amortised over a period of 10 years.			
Total Goodwill			4,725,066

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

31 December 1997

11 Intangible fixed assets (Continued)

A summary of Specialeyes Plc consolidated profit and loss account for the 57 weeks ended 31 December 1996 is as follows:

	£
Turnover	<u>23,117,000</u>
Operating loss	<u>(9,524,000)</u>
Loss before interest and tax	<u>(9,478,000)</u>
Taxation	<u>1,619,000</u>
Loss after interest and taxation	<u>(8,397,000)</u>

The profit/(loss) for the nine days trading to the date of acquisition have been included within the consolidated financial statements for the year ended 31 December 1997.

12 Tangible fixed assets
Group

Cost or valuation	Motor Vehicles £	Equipment £	Fixtures and Fittings £	Freehold & Leasehold Properties £	Shopfitting £	Total £
1 January 1997	263,877	1,017,823	979,761	34,870	-	2,296,331
Additions	309,790	2,872,097	846,405	115,162	288,702	4,432,156
Disposals	(48,750)	-	-	-	-	(48,750)
Surplus on revaluation	-	-	-	1,222,500	-	1,222,500
Inter-category transfers	-	-	(15,031)	15,031	-	-
31 December 1997	<u>524,917</u>	<u>3,889,920</u>	<u>1,811,135</u>	<u>1,387,563</u>	<u>288,702</u>	<u>7,902,237</u>
Depreciation						
1 January 1997	62,912	96,398	121,071	13,166	-	293,547
Charge for year	56,603	246,527	177,641	12,813	59,656	553,240
Disposals	(24,317)	-	-	-	-	(24,317)
Inter-category transfers	-	-	(561)	561	-	-
31 December 1997	<u>95,198</u>	<u>342,925</u>	<u>298,151</u>	<u>26,540</u>	<u>59,656</u>	<u>822,470</u>
Net book amount						
31 December 1997	<u>429,719</u>	<u>3,546,995</u>	<u>1,512,984</u>	<u>1,361,023</u>	<u>229,046</u>	<u>7,079,767</u>
1 January 1997	<u>200,965</u>	<u>921,425</u>	<u>858,690</u>	<u>21,704</u>	<u>-</u>	<u>2,002,784</u>

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

31 December 1997

12 Tangible fixed assets (Continued)

The net book amount of fixed assets includes £1,639,338 (1996 £732,926) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

The leasehold properties were revalued on the 31st December 1997 on an open market valuation by Whitelaw Baikie Figs, Chartered Surveyors. The historical cost is £83,442 and the historical net book value is £56,902.

**13 Leasehold and freehold properties
Group**

	1997 £	1996 £
Freehold	81,621	-
Short leasehold	1,279,402	21,704
	<u>1,361,023</u>	<u>21,704</u>

**14 Fixed asset investments
Company**

	Investments other than loans £
Cost	
1 January 1997	700
Additions	102
31 December 1997	<u>802</u>
Net book amount	
31 December 1997	<u>802</u>
1 January 1997	<u>700</u>

15 Stocks

	1997 £	1996 £
General stock	4,031,459	710,409
	<u>4,031,459</u>	<u>710,409</u>

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

31 December 1997

16 Debtors

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Amounts falling due within one year				
Amounts owed by group undertakings	-	-	28,900	28,900
Trade debtors	542,883	164,647	-	-
Other debtors	1,552,990	270,848	2	2
Prepayments and accrued income	1,214,627	70,266	-	-
	<u>3,310,500</u>	<u>505,761</u>	<u>28,902</u>	<u>28,902</u>

Other debtors includes balances in respect of a directors' overdrawn current account totalling £118,814 (1996 £(3,490)). This loan account has no fixed terms of repayment and is not liable to any interest.

17 Creditors: amounts falling due within one year

	1997	1996	1997	1998
	£	£	£	£
Bank loans and overdrafts	3,698,519	690,719	-	-
Trade creditors	4,872,547	328,100	-	-
Corporation tax	-	238,625	-	-
Other taxation and social security	1,323,976	132,260	-	-
Other creditors	600,770	3,490	3,490	3,490
Accruals and deferred income	2,012,817	172,838	-	-
Amounts owed to group undertakings	-	-	61,212	26,110
Obligations under finance leases and hire purchase contracts - note 18	448,447	224,087	-	-
	<u>12,957,076</u>	<u>1,790,119</u>	<u>64,702</u>	<u>29,600</u>

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

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18 Creditors: amounts falling due after more than one year

Group	1997 £	1996 £
Bank loans	1,427,731	226,191
Obligations under finance leases	571,754	339,875
	<u>1,999,485</u>	<u>566,066</u>
Maturity of debt		
In one year or less, or on demand - see note 17	546,604	44,748
Between one and two years	543,712	44,748
Between two and five years	840,000	107,424
In five years or more	44,019	74,019
	<u>1,974,335</u>	<u>270,939</u>
Amounts falling due after more than five years:		
Bank loans	<u>44,019</u>	<u>74,019</u>
Obligations under finance leases and hire purchase contracts		
These are repayable over varying periods by monthly instalments as follows:		
In the next year - see note 16	448,447	224,087
In the second to fifth years	571,754	339,875
	<u>1,020,201</u>	<u>563,962</u>

The groups bank loans and overdrafts are secured by a bond and floating charge and a debenture over the whole group assets. The group has three bank loans. The first loan is being repaid by monthly instalments of £1,747 and bears interest at thirteen and one third percent. This loan will be repaid by August 1999. The second loan is being repaid at quarterly instalments of £7,500 and bears interest at base plus two percent. This loan will be repaid by December 2005. The third loan is being repaid in quarterly instalments of £125,000 and bears interest at base plus one and three quarters percent. This loan will be repaid will be repaid by June 2001.

19 Provision for liabilities and charges

Group	1996 £	Profit and loss account £	Other movements £	1997 £
Deferred taxation (notes 9 and 20)	-	248,701	-	248,701

NOTES ON FINANCIAL STATEMENTS

31 December 1997

20 Deferred taxation
Group

	1997		1996	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by				
Excess capital allowances	248,279	248,279	137,926	-
Other timing differences	422	422	-	-
	<u>248,701</u>	<u>248,701</u>	<u>137,926</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 31% (1996 - 24%).

At the 31 December 1997 Optical Express (Southern) Limited had a deferred asset of £196,698 (1996 £159,720). This has not been netted off against the potential liability.

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Profit for the financial year	1,606,618	659,483	-	35,000
Dividends	-	(35,000)	-	(35,000)
	<u>1,606,618</u>	<u>624,483</u>	<u>-</u>	<u>-</u>
Other recognised gains relating to the year (net)	1,222,500	-	-	-
	<u>2,829,118</u>	<u>624,483</u>	<u>-</u>	<u>-</u>
Net addition to shareholders' funds	2,829,118	624,483	-	-
Opening shareholders' funds	887,409	262,926	2	2
Closing shareholders' funds	<u>3,716,527</u>	<u>887,409</u>	<u>2</u>	<u>2</u>

NOTES ON FINANCIAL STATEMENTS

31 December 1997

22 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary share capital of £1	100	100	100	100
Allotted called up and fully paid				
Ordinary share capital of £1	2	2	2	2

23 Revaluation reserve
Group

	Group 1997 £	Company 1997 £
1 January 1997	-	-
Surplus on revaluation	1,222,500	-
31 December 1997	1,222,500	-

24 Profit and loss account

	Group 1997 £	Company 1997 £
1 January 1997	887,407	-
Retained profit for the year	1,606,618	-
31 December 1997	2,494,025	-

25 Guarantees and other financial commitments
Group

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 1998.

	1997 Land and Buildings £	1997 Plant & Other £	1996 Land and Buildings £	1996 Plant & Other £
Expiring				
Within one year	373,850	97,263	-	-
Within two to five years	518,434	71,568	8,000	-
After five years	3,811,240	-	437,675	-
	4,703,524	168,831	445,675	-

The company has given an unlimited inter company cross guarantee between Optical Express (Southern) Limited, Optical Express (Westfield) Limited, Optical Express (Central) Limited, Optical Express (Northern) Limited, Optical Express (Gyle) Limited, Optical Express (Ayr) Limited, Optical Express (Aberdeen) Limited, Optical Express (Forge) Limited, Optical Express (Leith) Limited, Optical Express (Holdings) Limited and Total Eyecare Limited which is supported by a bond and floating charge and debenture over the whole assets of the company.

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

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26 Investment in subsidiary companies

Name of Company	Country of Registration	Holding	Proportion Held
Optical Express Ltd	Scotland	Ordinary Shares	100%
Optical Express (Southern) Ltd	England	Ordinary Shares	100%
Optical Express (Northern) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Aberdeen) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Ayr) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Central) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Forge) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Gyle) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Leith) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Westfield) Ltd	Scotland	Ordinary Shares	100%
Optical Express (Holdings) Ltd	Scotland	Ordinary Shares	100%
Specialeyes (Optical Services) Ltd	England	Ordinary Shares	100%
Specialeyes Holding B.V.	Netherlands	Ordinary Shares	100%
Total Eyecare Ltd	England	Ordinary Shares	100%

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

31 December 1997

27 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

	1997 £	1996 £
Operating profit	1,984,024	881,715
Depreciation charges	553,240	180,017
Amortisation	246,598	845
Profit on sale of fixed assets	-	(1,277)
Increase in stocks	(2,509,050)	(527,774)
Increase in debtors	(781,145)	(181,071)
Increase in creditors	1,588,597	413,863
Net cash inflow from operating activities	1,082,264	766,318

28 Notes the cash flow statement

Analysis of changes in net debt

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash in hand, at bank	9,985	(3,045)	-	6,940
Overdrafts	(645,971)	(2,505,944)	-	(3,151,915)
		<u>(2,508,989)</u>		
Debt due within 1 year	(44,748)	(1,856)	(500,000)	(546,604)
Debt due after 1 year	(226,191)	(1,701,540)	500,000	(1,427,731)
Finance leases	(563,962)	242,741	(698,980)	(1,020,201)
		<u>(1,460,655)</u>		
Total	(1,470,887)	(3,969,644)	(698,980)	(6,139,511)

Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
Decrease in cash in the year	(2,508,989)	(381,731)
Cash inflow from increase in debt and lease financing	(1,460,655)	(58,551)
Change in net debt resulting from cash flows	(3,969,644)	(440,282)
New finance leases	(698,980)	(550,230)
Movement in net debt in the year	(4,668,624)	(990,512)
Net debt at 1 January 1997	(1,470,887)	(480,375)
Net debt at 31 December 1997	(6,139,511)	(1,470,887)

DAVID MOULSDALE (HOLDINGS) LIMITED AND SUBSIDIARIES

NOTES ON FINANCIAL STATEMENTS

31 December 1997

28 Notes to the cash flow statement(continued)

	Total £
Tangible fixed assets	1,063,000
Stocks	812,000
Debtors	1,953,000
Cash and bank	433,000
Creditors	(6,579,565)
	<hr/> (2,318,565)
Goodwill	4,645,066
	<hr/> 2,326,501 <hr/>
Satisfied by	
Cash	<hr/> 2,326,501 <hr/>

The subsidiary undertakings acquired during the year contributed £768,407 to the group's net operating cash flows, paid £10,892 in respect of net returns on investments and servicing of finance, received £39,338 in respect of taxation, utilised £1,470,748 for capital expenditure and paid £68,275 in respect of financing.

29 Related Parties

The groups related party transactions during the year were as follows:-

Related Party	Relationship	Transaction	Amount £	Balance due (to)/ from at 31/12/97 £
David Mouldale	Director	Rents payable on properties owned personally	91,000	118,814
		Payments to director	90,522	
		Payments for company	51,140	
		Payments on behalf of director	244,016	
		Salary not drawn	90,600	