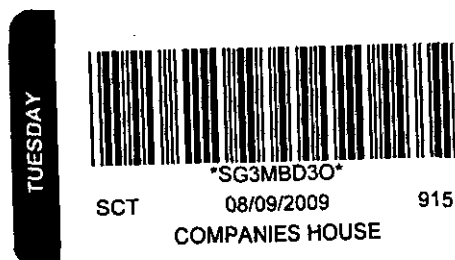


DCM (Optical Holdings) Limited and Subsidiaries

FINANCIAL STATEMENTS

for the year ended

27 December 2008



DCM (Optical Holdings) Limited and Subsidiaries

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Mouldsdaie
G Mouldsdaie
J Stewart
G Murdoch
S Mein

SECRETARY

G Murdoch

REGISTERED OFFICE

The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' REPORT

The directors submit their report and financial statements of DCM (Optical Holdings) Limited and Subsidiaries for the year ended 27 December 2008.

PRINCIPAL ACTIVITIES

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

Subsidiary	Principal activity
Optical Express (Holdings) Limited	Holding company
Optical Express (Southern) Limited	Opticians
Optical Express Limited	Opticians
Optical Express (Gyle) Limited	Opticians
DCM Optical Clinic Plc	Opticians
The Frame Zone Limited	Opticians
Optical Express (Westfield) Limited	Central buying agent
Cruach Capital Limited	Equipment lessor
Matland Limited	Dentistry
DCM Optical BV	Refractive surgery
VisuMed AG	Refractive surgery
Bridgewater Hospital (Manchester) Limited	Hospital services
DCM 590 Limited	Equipment lessor
Amexc SA	Refractive surgery
DCM Optical (US) Inc	Refractive surgery

REVIEW OF THE BUSINESS

The Optical Express group is a global leader of selected healthcare services. The group trades in 10 countries from over 200 locations offering services such as refractive surgery, private dentistry, healthcare services, surgical and non surgical cosmetic treatments as well as optometry services of sight tests, spectacles and contact lenses.

The group's strategy is to grow turnover, market share and ultimately profitability in all areas of its business. The directors believe that the group's continued investment programme during 2008 and the new locations opened in previous years coming to maturity has been the main reason for the growth in turnover from £175M in 2007 to £207M in 2008. The keys areas for investment during the year have been:

- new store openings and existing store refurbishments
- purchase of the most technologically advanced equipment
- employee recruitment, training and retention
- direct marketing expenditure to acquire new customers and targeted communication with existing customers to emphasise the Optical Express brand and values

In 2009 the group has continued with its investment programme and is planning the launch of a number of Shared Venture Partnerships. The directors are confident that the investment from previous years and the current initiatives in place will enable the business to continue its growth strategy.

Competition and the decline in consumer confidence and the economic climate in the countries which the company operates continues to be the main risk facing the business. The directors are confident that by constantly monitoring and reviewing business performance and actively managing its competitive strategy it will continue to be proactive in mitigating these risks.

FUTURE DEVELOPMENTS

The Group proposes to continue its growth organically and through acquisition.

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2008	2007
	£	£
Dividend on ordinary shares	<u>-</u>	<u>300,000</u>

DIRECTORS

The directors who served the company during the year were as follows:

D Mouldsdales
G Mouldsdales
J Stewart
G Murdoch
S Mein

DISABLED EMPLOYEES

The policies and training programmes operated by the Group 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 disability the same opportunities for training and career progression as other employees.

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.

The Group values diversity in the workplace and is committed to providing the equality of opportunity to all employees and potential employees. It actively encourages training and skills development throughout the Group.

POLICY ON THE PAYMENT OF CREDITORS

The Group's policy regarding the payment of suppliers is either to agree terms of payment in the course of business with each supplier or to make suppliers aware of the payment terms, and in either case pay in accordance with the agreed terms.

DONATIONS

During the year the company made the following contributions:

	Year to 27 December 2008	Year to 29 December 2007
	£	£
Charitable	<u>34,863</u>	<u>91,107</u>

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. Each of the directors have confirmed that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

DCM (Optical Holdings) Limited and Subsidiaries


DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the Annual General Meeting.

Registered office:
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

By order of the board



S Mein

Director

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF 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 company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF DCM (OPTICAL HOLDINGS) LIMITED AND SUBSIDIARIES

We have audited the financial statements on pages 8 to 29 of DCM (Optical Holdings) Limited and Subsidiaries for the year ended 27 December 2008. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and 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 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

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's 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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

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 company's affairs and of the group as at 27 December 2008 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF DCM (OPTICAL HOLDINGS) LIMITED AND SUBSIDIARIES

Emphasis of Matter – Possible Outcome of Dispute with HM Revenue and Customs

In forming our opinion which is not qualified we have considered the adequacy of the disclosures made in note 14 in the financial statements concerning the possible outcome of the dispute in relation to the proportion of recoverable input tax as a result of the partial exemption method adopted by the Group. Following a successful appeal in the Court of Session the case has been remitted back to the Tribunal to reconsider the original appeal. The ultimate outcome of the matter cannot presently be determined and no provision for any irrecoverable VAT that may result has been made in the financial statements.

Baker Tilly UK Audit Ltd
BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

22/7/24

DCM (Optical Holdings) Limited and Subsidiaries
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 27 December 2008

		2008	2007
	Notes	£	£
GROUP TURNOVER	1	207,194,589	174,761,599
Cost of sales		33,819,939	29,715,403
Gross profit		173,374,650	145,046,196
Administrative expenses		160,373,459	131,677,840
OPERATING PROFIT	3	13,001,191	13,368,356
Interest receivable		125,355	53,609
		13,126,546	13,421,965
Interest payable and similar charges	6	(3,802,903)	(4,249,084)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,323,643	9,172,881
Taxation	7	3,565,179	2,945,452
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,758,464	6,227,429
Minority interest		298,587	74,786
PROFIT attributable to the members of the parent company	8	5,459,877	6,152,643
PROFIT FOR THE FINANCIAL YEAR	8	5,459,877	6,152,643

The operating profit for the year arises from the group's continuing operations.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account.

DCM (Optical Holdings) Limited and Subsidiaries
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 27 December 2008

	2008	2007
	£	£
Profit for the financial year attributable to the shareholder of the parent company	<u>5,459,877</u>	<u>6,152,643</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 27 December 2008

	2008	2007
	£	£
Profit on ordinary activities before taxation	9,323,643	9,172,881
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>116,432</u>	<u>136,227</u>
Historical cost profit on ordinary activities before taxation	<u>9,440,075</u>	<u>9,309,108</u>
Historical cost profit for the year after taxation and minority interests	<u>5,576,309</u>	<u>6,288,870</u>


DCM (Optical Holdings) Limited and Subsidiaries

GROUP BALANCE SHEET

27 December 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Intangible assets			
Negative goodwill	10	(1,057,691)	(2,057,691)
Goodwill	10	11,461,934	8,584,949
		<u>10,404,243</u>	<u>6,527,258</u>
Tangible assets	11	70,537,268	53,187,332
Investments	12	127,349	128,349
		<u>81,068,860</u>	<u>59,842,939</u>
CURRENT ASSETS			
Stocks	13	11,026,201	12,137,856
Debtors	14	51,413,394	40,713,435
Cash at bank and in hand		12,110,200	45,304
		<u>74,549,795</u>	<u>52,896,595</u>
CREDITORS			
Amounts falling due within one year	15	77,161,208	56,189,974
NET CURRENT LIABILITIES		<u>(2,611,413)</u>	<u>(3,293,379)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>78,457,447</u>	<u>56,549,560</u>
CREDITORS			
Amounts falling due after more than one year	16	45,861,466	30,322,416
		<u>32,595,981</u>	<u>26,227,144</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	19	3,616,190	3,010,991
		<u>28,979,791</u>	<u>23,216,153</u>
MINORITY INTERESTS			
		<u>474,907</u>	<u>214,778</u>
		<u>28,504,884</u>	<u>23,001,375</u>
CAPITAL AND RESERVES			
Called up equity share capital	22	10,000	10,000
Share premium account	23	442,424	442,424
Revaluation reserve	23	732,668	849,100
Foreign exchange reserve	23	43,632	—
Profit and loss account	23	27,276,160	21,699,851
SHAREHOLDER'S FUNDS	24	<u>28,504,884</u>	<u>23,001,375</u>

The financial statements on pages 8 to 29 were approved by the board of directors and authorised for issue on 22 July 2009 and are signed on their behalf by:



 S Mein
 Director

DCM (Optical Holdings) Limited and Subsidiaries

BALANCE SHEET

27 December 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Intangible assets	10	19,650	21,400
Tangible assets	11	114,438	134,628
Investments	12	1,135,733	437,031
		<u>1,269,821</u>	<u>593,059</u>
CURRENT ASSETS			
Debtors	14	52,229,848	46,513,668
Cash at bank		2,761,687	7,248,452
		<u>54,991,535</u>	<u>53,762,120</u>
CREDITORS			
Amounts falling due within one year	15	22,167,639	23,848,621
NET CURRENT ASSETS		<u>32,823,896</u>	<u>29,913,499</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,093,717</u>	<u>30,506,558</u>
CREDITORS			
Amounts falling due after more than one year	16	33,468,815	30,021,660
		<u>624,902</u>	<u>484,898</u>
CAPITAL AND RESERVES			
Called up equity share capital	22	10,000	10,000
Share premium account	23	442,424	442,424
Profit and loss account	23	172,478	32,474
SHAREHOLDER'S FUNDS		<u>624,902</u>	<u>484,898</u>

The financial statements on pages 8 to 29 were approved by the board of directors and authorised for issue on 22 July 2009 and are signed on their behalf by:



S Mein
Director

DCM (Optical Holdings) Limited and Subsidiaries

GROUP CASH FLOW

for the year ended 27 December 2008

	Notes	2008 £	2007 £
Net cash flow from operating activities	25.a	18,888,376	18,701,006
Returns on investments and servicing of finance	25.b	(3,677,548)	(4,195,475)
Taxation	25.b	(2,685,411)	(522,766)
Capital expenditure and financial investment	25.b	(27,047,869)	(15,081,198)
Acquisitions and disposals	25.b	(553,527)	(3,974,517)
Equity dividends paid		–	(300,000)
CASH OUTFLOW BEFORE FINANCING		(15,075,979)	(5,372,950)
Financing	25.b	15,291,837	8,006,423
INCREASE IN CASH IN THE PERIOD		215,858	2,633,473

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2008 £	2007 £
Increase in cash in the year		215,858	2,633,473
Net cash (inflow) from bank loans		(10,218,977)	(7,974,802)
Cash (inflow) in respect of hire purchase		(5,072,860)	(31,621)
CHANGE IN NET DEBT	25.c	(15,075,979)	(5,372,950)
NET DEBT AT 30 DECEMBER 2007	25.c	(40,247,284)	(34,874,334)
NET DEBT AT 27 DECEMBER 2008	25.c	(55,323,263)	(40,247,284)

DCM (Optical Holdings) Limited and Subsidiaries

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and on a going concern basis which is reliant on the continuing support of its banker and shareholder.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

TURNOVER

Turnover for the company's laser vision correction business represents amounts recognised on the completion of customer consultations before surgery is undertaken and on completion of surgery. For the other optical and dental business, turnover represents amounts invoiced during the year, exclusive of Value Added Tax.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill arising on acquisitions is being amortised over a period of 20 years. Negative goodwill is being amortised over the period in which the non-monetary assets are released.

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short Leasehold Properties	- Over the term of the lease
Leasehold Improvements	- 15% reducing balance
Fixtures and Fittings	- 15% & 25% reducing balance
Equipment	- 5%, 10% & 15% reducing balance and over 4 years
Motor Vehicles	- 20% reducing balance
Lease Premium	- Period of lease

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.

Software development costs which have been capitalised are included within Equipment. It is anticipated that they have an estimated useful life of 4 years and accordingly will be written off over this term.

DCM (Optical Holdings) Limited and Subsidiaries

ACCOUNTING POLICIES

STOCKS

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

HIRE PURCHASE AGREEMENTS

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account on a straight line basis.

FINANCE LEASE AGREEMENTS

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the group profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

DEFERRED TAXATION

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TREATMENT OF TRANSLATION OF FOREIGN ENTERPRISES

At each Balance Sheet date, the monetary assets and liabilities of the Group's entities that do not use UK Sterling as their functional currency are translated into UK Sterling at exchange rates prevailing on the Balance Sheet date and rates at the date of transactions for income statement accounts.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction except where a transaction is hedged. Transactions that are hedged are translated at the hedged rate. Exchange differences are taken to the profit and loss account.

DCM (Optical Holdings) Limited and Subsidiaries

ACCOUNTING POLICIES

GOODWILL

Positive and negative goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. 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.

Where the fair value of separable net assets exceeds the fair value of the consideration for an acquired business the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in which the non monetary assets are recovered. In the case of fixed assets this is the period over which they are depreciated and in the case of current assets, the period over which they are sold or otherwise realised.

INTANGIBLES

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

PENSIONS

The group made contributions into employees private pension schemes during the year. The assets of these schemes are held separately from those of the group. The contributions are charged to the profit and loss.

The group also operates a defined contribution pension scheme for the directors. The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the profit and loss account.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

1 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	183,675,916	161,361,162
Europe	23,373,750	13,400,437
Rest of world	144,923	–
	<u>207,194,589</u>	<u>174,761,599</u>

2 OTHER OPERATING INCOME

	2008	2007
	£	£
Rent receivable	<u>281,524</u>	<u>331,052</u>

3 OPERATING PROFIT

Operating profit is stated after charging:

	2008	2007
	£	£
Amortisation	(326,526)	(603,016)
Depreciation of owned fixed assets	8,555,059	6,783,286
Depreciation of assets held under hire purchase agreements	1,033,826	145,000
Loss on disposal of fixed assets	1,824	39,071
Auditor's remuneration		
- as auditor	131,376	92,160
Operating lease costs:		
Plant and equipment	1,440,582	958,930
Land and buildings	22,455,122	18,529,509
Exceptional Items – Business restructure	70,000	58,159
Exceptional Items – Operational set up	1,396,510	1,136,417
	<u> </u>	<u> </u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial period amounted to:

	2008	2007
	No	No
Production staff	190	176
Office and management	319	271
Hospital clinical	60	51
Other	2,113	1,963
	<u>2,682</u>	<u>2,461</u>

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	51,722,696	42,445,731
Social security costs	4,926,769	3,762,089
Other pension costs	348,674	182,207
	<u>56,998,139</u>	<u>46,390,027</u>

5 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2008	2007
	£	£
Emoluments receivable	<u>847,140</u>	<u>785,544</u>

Emoluments of highest paid director:

	£	£
Total emoluments (excluding pension contributions)	<u>505,626</u>	<u>504,523</u>

Emoluments receivable, as above, include Benefits In Kind.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Interest payable on bank borrowing	2,884,186	2,452,331
Finance charges	301,178	112,784
Other similar charges payable	617,539	1,683,969
	<u>3,802,903</u>	<u>4,249,084</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2008 £	2007 £
Current tax:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	2,570,223	2,051,524
Adjustment in respect of previous periods – corporation tax	374,211	(147,032)
Overseas Taxation	15,546	71,335
Total current tax	2,959,980	1,975,827
Deferred tax:		
Origination and reversal of timing differences	605,199	969,625
Total deferred tax (note 19)	605,199	969,625
Tax on profit on ordinary activities	3,565,179	2,945,452

(b) Factors affecting current tax charge

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 28% (2007 - 30%).

	2008 £	2007 £
Profit on ordinary activities before taxation	9,323,643	9,172,881
Profit on ordinary activities by rate of tax	2,610,620	2,751,864
Expenses not deductible for tax purposes	193,909	68,380
Depreciation in excess of capital allowances	11,345	(452,516)
Non taxable income	(280,000)	(245,801)
Other timing differences	3,798	(30)
Others	–	962
Adjustments in respect of previous periods	374,211	(147,032)
Rate differences	46,097	–
Total current tax (note 7(a))	2,959,980	1,975,827

8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £140,004 (2007 – £270,288).

9 DIVIDENDS

The following dividends have been declared in respect of the year:

	2008 £	2007 £
Dividend on ordinary shares	–	300,000

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

10 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Negative Goodwill £	Total £
Cost			
At 29 December 2007	12,139,313	(10,506,791)	1,632,522
Additions	2,544,265	—	2,544,265
Foreign exchange adjustments	1,079,440	—	1,079,440
At 27 December 2008	<u>15,763,018</u>	<u>(10,506,791)</u>	<u>5,256,227</u>
Amortisation			
At 29 December 2007	3,554,364	(8,449,100)	(4,894,736)
Charge for the period	673,474	(1,000,000)	(326,526)
Foreign exchange adjustments	73,246	—	73,246
At 27 December 2008	<u>4,301,084</u>	<u>(9,449,100)</u>	<u>(5,148,016)</u>
Net book value			
At 27 December 2008	<u>11,461,934</u>	<u>(1,057,691)</u>	<u>10,404,243</u>
At 29 December 2007	<u>8,584,949</u>	<u>(2,057,691)</u>	<u>6,527,258</u>

In May 2008 the company acquired the entire share capital of Amexc SA using the acquisition method.

The book value of the assets at that date were taken to be fair values for the assets and goodwill of £1,861,290 arose on this acquisition. The assets values are noted below.

	£	£
Acquisition cost		582,751
Less assets acquired:		
Tangible fixed assets	(504,782)	
Stocks	(68,454)	
Debtors	(374,611)	
Cash at bank	(29,224)	
Creditors < 1 year	2,230,764	
Taxation	24,846	
		<u>1,278,539</u>
Goodwill on acquisition		<u>1,861,290</u>
Company		Goodwill £
Cost		
At 29 December 2007 and 27 December 2008		<u>35,000</u>
Amortisation		
At 29 December 2007		13,600
Charge for the year		1,750
At 27 December 2008		<u>15,350</u>
Net book value		
At 27 December 2008		<u>19,650</u>
At 29 December 2007		<u>21,400</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

11 TANGIBLE FIXED ASSETS

Group	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Short Leasehold Properties & Improvements £	Total £
Cost or valuation					
At 29 December 2007	44,349,906	34,581,081	1,313,721	3,671,145	83,915,853
Acquisitions	1,095,961	1,512,676	19,832	150,916	2,779,385
Additions	17,168,903	8,411,971	384,609	402,406	26,367,889
Disposals	(65,541)	(2,855)	(18,252)	(29,628)	(116,276)
Foreign exchange adjustments	627,915	20,973	-	-	648,888
Transfers	(484,036)	403,362	80,674	-	-
At 27 December 2008	<u>62,693,108</u>	<u>44,927,208</u>	<u>1,780,584</u>	<u>4,194,839</u>	<u>113,595,739</u>
Depreciation					
At 29 December 2007	14,121,451	14,201,462	652,889	1,752,719	30,728,521
Acquisitions	1,046,895	1,101,294	9,309	117,104	2,274,602
Charge for the year	5,352,003	3,732,678	197,678	306,526	9,588,885
On disposals	(64,845)	(2,311)	(15,672)	(29,628)	(112,456)
Foreign exchange adjustments	517,626	56,290	5,003	-	578,919
Transfers	(264,748)	260,677	4,071	-	-
At 27 December 2008	<u>20,708,382</u>	<u>19,350,090</u>	<u>853,278</u>	<u>2,146,721</u>	<u>43,058,471</u>
Net book value					
At 27 December 2008	<u>41,984,726</u>	<u>25,577,118</u>	<u>927,306</u>	<u>2,048,118</u>	<u>70,537,268</u>
At 29 December 2007	<u>30,228,455</u>	<u>20,379,619</u>	<u>660,832</u>	<u>1,918,426</u>	<u>53,187,332</u>

Assets held at valuation

The leasehold properties were revalued to £2,552,481 in March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the short leasehold properties is £859,293 (2007 - £859,293). The directors have not updated the valuation on the basis that there has been no material change in value.

Hire purchase agreements

Included within the net book value of £70,537,268 is £7,347,350 (2007 - £1,391,991) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1,033,826 (2007 - £145,000).

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

Company	Equipment £
Cost or valuation	
At 29 December 2007 and 27 December 2008	<u>244,390</u>
Depreciation	
At 29 December 2007	109,762
Charge for the year	<u>20,190</u>
At 27 December 2008	<u>129,952</u>
Net book value	
At 27 December 2008	<u>114,438</u>
At 29 December 2007	<u>134,628</u>

12 INVESTMENTS

Group	Listed investments £
Cost	
At 29 December 2007	128,349
Disposals	<u>(1,000)</u>
At 27 December 2008	<u>127,349</u>
Net book value	
At 27 December 2008	<u>127,349</u>
At 29 December 2007	<u>128,349</u>

Company	Group companies £	Listed Investments £	Total £
Cost			
At 29 December 2007	309,682	127,349	437,031
Additions	<u>698,702</u>	<u>—</u>	<u>698,702</u>
At 27 December 2008	<u>1,008,384</u>	<u>127,349</u>	<u>1,135,733</u>
Net book value			
At 27 December 2008	<u>1,008,384</u>	<u>127,349</u>	<u>1,135,733</u>
At 29 December 2007	<u>309,682</u>	<u>127,349</u>	<u>437,031</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

13 STOCKS

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Stock	<u>11,026,201</u>	<u>12,137,856</u>	<u>—</u>	<u>—</u>

14 DEBTORS

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Trade debtors	4,215,535	3,812,523	—	—
Amounts owed by group undertakings	—	—	48,954,916	44,980,480
VAT recoverable	21,587,203	15,545,385	102,673	102,673
Other debtors	4,129,120	3,009,692	3,038,581	1,430,515
Prepayments and accrued income	<u>21,481,536</u>	<u>18,345,835</u>	<u>133,678</u>	<u>—</u>
	<u>51,413,394</u>	<u>40,713,435</u>	<u>52,229,848</u>	<u>46,513,668</u>

The Group is currently in dispute with HM Revenue and Customs in relation to the proportion of recoverable input tax as a result of the partial exemption method adopted by the Group. Following a VAT tribunal in February 2006, despite the tribunal being sympathetic to the Group's stance, it refused the Group's appeal. As a result of this decision the Group appealed to the Court of Session. This appeal was heard in June 2007 and the Court of Session remitted the case back to the Tribunal with the direction to reconsider the original appeal. At the date of approval of the accounts the Group has had its appeal heard at a VAT Tribunal however it has yet to receive the tribunal's decision. Due to the dispute, HM Revenue and Customs have stopped making any repayments of VAT due to the Group and the above amount of £21,570,551 (2007 £15,545,385) is regarded as fully recoverable by the Directors based on the advice they have received from their external advisors.

15 CREDITORS amounts falling due within one year

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Bank loans and overdrafts	23,876,755	9,258,060	8,031,883	6,257,668
Trade creditors	29,726,518	28,881,382	—	—
Amounts owed to group undertakings	—	—	13,332,587	16,893,718
Hire purchase agreements	2,838,377	712,112	—	—
Corporation tax	4,968,002	4,668,587	61,946	—
PAYE and social security	1,595,408	1,338,448	—	—
Other creditors	6,174,620	6,464,311	18,510	19,817
Accruals and deferred income	<u>7,981,528</u>	<u>4,867,074</u>	<u>722,713</u>	<u>677,418</u>
	<u>77,161,208</u>	<u>56,189,974</u>	<u>22,167,639</u>	<u>23,848,621</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

16 CREDITORS amounts falling due after more than one year

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Bank loans and overdrafts	29,710,980	22,261,660	25,708,815	22,261,660
Hire purchase agreements	3,247,351	300,756	—	—
Deferred income	5,143,135	—	—	—
Other creditors	7,760,000	7,760,000	7,760,000	7,760,000
	<u>45,861,466</u>	<u>30,322,416</u>	<u>33,468,815</u>	<u>30,021,660</u>

The bank holds a bond, floating charge and debenture over the assets of each group company.

Included in Other creditors are loans from D Mouldsdale of £7,760,000 (2007 - £7,760,000) which bear interest at bank base rate plus a margin. There are no fixed repayment dates and it will not be repaid within the next year.

17 CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	10,199,173	6,324,077	9,553,686	6,324,077
In more than one year but not more than two years	9,996,877	6,835,654	9,553,686	6,835,654
In more than two years but not more than five years	18,797,549	15,682,884	14,888,622	15,682,884
In more than five years	—	—	—	—
	<u>38,993,600</u>	<u>28,842,615</u>	<u>33,995,994</u>	<u>28,842,615</u>
Less finance fee relating to future periods	(255,296)	(323,287)	(255,296)	(323,287)
	<u>38,738,304</u>	<u>28,519,328</u>	<u>33,740,698</u>	<u>28,519,328</u>

In 2008, the loans were repayable in quarterly instalments of £1,426,250. Interest is charged in arrears based on the bank base rate plus a margin.

18 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Amounts payable within 1 year	3,167,998	798,211	—	—
Amounts payable between 1 and 2 years	2,596,569	227,045	—	—
Amounts payable between 3 and 5 years	997,138	104,160	—	—
	<u>6,761,705</u>	<u>1,129,416</u>	<u>—</u>	<u>—</u>
Less interest and finance charges relating to future periods	(675,977)	(116,548)	—	—
	<u>6,085,728</u>	<u>1,012,868</u>	<u>—</u>	<u>—</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

19 DEFERRED TAXATION

The movement in the deferred taxation provision during the period was:

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Provision brought forward	3,010,991	2,041,366	–	2,712
Increase/(decrease) in provision	605,199	969,625	–	(2,712)
Provision carried forward	<u>3,616,190</u>	<u>3,010,991</u>	<u>–</u>	<u>–</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2008		2007	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>3,616,190</u>	<u>–</u>	<u>3,010,991</u>	<u>–</u>

If the revalued assets were sold at the values stated in note 11 the estimated tax payable on that individual transaction would amount to £413,000. It is unlikely that any amount will become payable in the foreseeable future given the current intentions of the group.

20 COMMITMENTS UNDER OPERATING LEASES

At 27 December 2008 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2008		2007	
	Land and buildings	Other items	Land and Buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	1,443,878	5,773	789,975	57,708
Within 2 to 5 years	2,562,938	541,859	2,367,465	492,281
After more than 5 years	17,261,289	–	15,812,285	130,500
	<u>21,268,105</u>	<u>547,632</u>	<u>18,969,725</u>	<u>680,489</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

21 RELATED PARTY TRANSACTIONS

The related party transactions during the year were as follows:

Related Party	Relationship	Transaction	Amount	Balance due (to) from at 27/12/08
			£	£
Moulsdale Properties	Common control	Rents paid on properties owned	1,803,700	Nil
D Moulsdale	Director	Long term loan received	Nil	(7,760,000)
		Interest thereon	510,264	Nil
		Payments on behalf of director	1,553,589	2,917,373

The group's related party transactions during the prior year were as follows:

Related Party	Relationship	Transaction	Amount	Balance due (to) from at 29/12/07
			£	£
Moulsdale Properties	Common control	Rents paid on properties owned	1,619,787	Nil
D Moulsdale	Director	Long term loan received	Nil	(7,760,000)
		Interest thereon	665,742	Nil
		Payments on behalf of director	386,944	1,363,784

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

22 SHARE CAPITAL

	2008 £	2007 £
Authorised:		
11,000 Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>
	2008 £	2007 £
Allotted, called up and fully paid:		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

The authorised share capital of the company is divided into 500 'A' Ordinary Shares (fully issued), 9,500 'B' Ordinary Shares (fully issued) and 1,000 Ordinary Shares. The 'A' Ordinary Shares, the 'B' Ordinary Shares and the Ordinary Shares constitute one class of shares for income, capital and voting rights subject to certain provisions. Each holder of the 'A' Ordinary Shares, will on a poll, duly demanded be entitled to two votes for each 'A' Ordinary Share which they respectively hold.

DCM (Optical Holdings) Limited (formerly David Mouldsdales (Holdings) Limited) entered into an Employee Share Participation Plan for senior managers to award cash bonuses for past performance on the outcome of one of three qualifying events :-

- flotation of the company
- sale of the business of the company
- cash sale of more than 50% of the share capital held by D Mouldsdales.

The potential awards are limited to 2% of the potential value of the company at the outcome of these events.

23 RESERVES

Group	Foreign exchange reserve £	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	—	442,424	849,100	21,699,851
Profit for the year	—	—	—	5,459,877
Movement in year	43,632	—	—	—
Other movements				
- transfer from revaluation reserve	—	—	(116,432)	116,432
Balance carried forward	<u>43,632</u>	<u>442,424</u>	<u>732,668</u>	<u>27,276,160</u>
Company			Share premium account £	Profit and loss account £
Balance brought forward			442,424	32,474
Profit for the year			—	140,004
Balance carried forward			<u>442,424</u>	<u>172,478</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2008

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2008	2007
	£	£
Profit for the financial year	5,459,877	6,152,643
Movement in foreign exchange reserve	43,632	—
Equity dividends	—	(300,000)
Net addition to shareholder's funds	5,503,509	5,852,643
Opening shareholder's funds	23,001,375	17,148,732
Closing shareholder's funds	<u>28,504,884</u>	<u>23,001,375</u>

25 CASH FLOWS

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

	2008	2007
	£	£
Operating profit	13,001,191	13,368,356
Amortisation	(326,526)	(603,016)
Depreciation	9,588,885	6,928,286
Loss on disposal of fixed assets	1,824	39,071
Decrease/(increase) in stocks	1,180,109	(2,235,087)
Increase in debtors	(10,325,348)	(8,805,969)
Increase in creditors	6,839,230	10,028,778
Foreign exchange adjustments	(1,070,989)	(19,413)
Net cash inflow/(outflow) from operating activities	<u>18,888,376</u>	<u>18,701,006</u>

b Analysis of cash flows for headings netted in the cash flow

Returns on investment and servicing of finance

	2008	2007
	£	£
Interest received	125,355	53,609
Interest paid	(3,501,725)	(4,136,300)
Interest element of hire purchase	(301,178)	(112,784)
Net cash outflow from returns on investments and servicing of finance	<u>(3,677,548)</u>	<u>(4,195,475)</u>

Taxation

	2008	2007
	£	£
Taxation	<u>(2,685,411)</u>	<u>(522,766)</u>

DCM (Optical Holdings) Limited and Subsidiaries

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25 CASH FLOWS (b) (continued)

Capital expenditure and financial investment

	2008	2007
	£	£
Payments to acquire tangible fixed assets	(26,367,890)	(14,825,065)
Payments to acquire intangible fixed assets	(682,975)	(227,534)
Receipts from sale of fixed assets	1,996	65,010
Acquisition of fixed asset investments	-	(104,222)
Receipts from sale of fixed asset investments	1,000	10,613
Net cash outflow for capital expenditure and financial investment	(27,047,869)	(15,081,198)

Acquisitions and disposals

	2008	2007
	£	£
Payments to acquire business	(582,751)	(5,094,743)
Cash at bank acquired with division	29,224	1,120,226
Net cash outflow from acquisitions and disposals	(553,527)	(3,974,517)

Financing

	2008	2007
	£	£
Increase in bank loans	10,218,977	7,974,802
Capital element of hire purchase	5,072,860	31,621
Net outflow from other long-term creditors	-	-
Net cash inflow from financing	15,291,837	8,006,423

c Analysis of net debt

	At 29 Dec 2007	Cash flows	At 27 Dec 2008
	£	£	£
Cash in hand and at bank	45,304	12,064,896	12,110,200
Overdrafts	(3,000,392)	(11,849,038)	(14,849,430)
	<u>(2,955,088)</u>	<u>215,858</u>	<u>(2,739,230)</u>
Debt due within 1 year	(6,257,668)	(2,769,657)	(9,027,325)
Debt due after 1 year	(30,021,660)	(7,449,320)	(37,470,980)
Hire purchase agreements	(1,012,868)	(5,072,860)	(6,085,728)
	<u>(37,292,196)</u>	<u>(15,291,837)</u>	<u>(52,584,033)</u>
Total	(40,247,284)	(15,075,979)	(55,323,263)

DCM (Optical Holdings) Limited and Subsidiaries

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26 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The bank holds an unlimited inter company cross guarantee between the company and the other members of the group which is supported by a bond and floating charge and debenture over the whole group assets

27 INVESTMENT IN SUBSIDIARY COMPANIES

NAME OF COMPANY	COUNTRY OF REGISTRATION	HOLDING	PROPORTION HELD
Optical Express Limited	Scotland	Ordinary Shares	100%
Optical Express (Gyle) Limited	Scotland	Ordinary Shares	100%
Optical Express (Westfield) Limited	Scotland	Ordinary Shares	100%
Optical Express (Holdings) Limited	Scotland	Ordinary Shares	100%
The Frame Zone Limited	Scotland	Ordinary Shares	100%
DCM Optical Clinic Plc	England	Ordinary Shares	100%
Cruach Capital Limited	Scotland	Ordinary Shares	100%
Bridgewater Hospital (Manchester) Limited	Scotland	Ordinary Shares	100%
VisuMed AG	Germany	Ordinary Shares	100%
DCM 590 Limited	England	Ordinary Shares	100%
Amexc SA	France	Ordinary Shares	100%
DCM Optical (US) Inc	USA	Ordinary Shares	100%

In addition to the above, Optical Express (Holdings) Limited holds 100% of the ordinary share capital of Optical Express (Southern) Limited, a company incorporated in England. Cruach Capital Limited holds 100% of the ordinary share capital of Matland Limited a company incorporated in England, DCM Laser Clinic Limited a company incorporated in Scotland and DCM Optical BV a company incorporated in the Netherlands. All subsidiaries have been consolidated in these financial statements.

28 ULTIMATE CONTROLLING PARTY

The directors consider D Mouldsdales to be the ultimate controlling party.