

DCM (Optical Holdings) Limited and Subsidiaries

FINANCIAL STATEMENTS

for the year ended

28 December 2013

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19/09/2014
COMPANIES HOUSE

DCM (Optical Holdings) Limited and Subsidiaries

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Mouldsdaie
G Mouldsdaie
J Mouldsdaie
G Murdoch
S Mein
R McKenzie
Lord J McConnell
F Blin

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

STRATEGIC REPORT

REVIEW OF THE BUSINESS

The Optical Express Group is a global leader of selected healthcare services. The Group offers services such as refractive surgery, healthcare services, surgical and non-surgical treatments as well as optometry services of sight tests, spectacles and contact lenses.

Our strategy is to grow turnover, market share and ultimately profitability in all areas of the business while remaining committed to the highest level of patient satisfaction, safety and well-being.

The last 2 years has seen significant restructuring of the Optical Express Group combined with the opening of 52 refractive consultation clinics across the UK during the year to support patient referrals. The Directors continue to believe that this strategy, combined with ongoing mitigation of risk, will yield a return to profitability within the short term. Whilst costly, this restructuring places the Group in a very positive position going forward.

During the year the Group restructured its funding in order to provide a more stable financial platform to support the future strategy. This has resulted in a significant improvement in the Group's financial position and the removal of its need to service a significant debt burden.

As a result of the consolidation of the store portfolio during the year and the continued significant economic slowdown on the high street and in consumer confidence Group turnover reduced to £143M with EBITDA of £2.6M.

OUTLOOK

The outlook for the Group remains very positive. The restructured business combined with the additional refractive consultation clinics finds it best placed to maximise its return going forward from its broad spectrum of clientele, including an ever ageing population.

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:

	28 December 2013 £	29 December 2012 £
Dividend on ordinary shares	-	-

By order of the board



G Murdoch

Company Secretary

1/9/14

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 28 December 2013.

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 Limited	Opticians
Optical Express (Gyle) Limited	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
Optical Express (Deutschland Holdings) GmbH	Holding company
VisuMed AG	Refractive surgery
Bridgewater Hospital (Manchester) Limited	Hospital services
Amexc SA	Refractive surgery

DIRECTORS

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

D Mouldsdales
G Mouldsdales
J Mouldsdales
G Murdoch
S Mein
R McKenzie
Lord J McConnell
F Blin

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.

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' REPORT

DONATIONS

During the year the Group made the following contributions:

	28 December 2013	29 December 2012
	£	£
Charitable	<u>27,417</u>	<u>47,491</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.

AUDITORS

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

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

By order of the board



D Moulds

Director

1/9/14

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 of the profit or loss of the Group for that period. 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 adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the group and parent company financial statements (the "financial statements") on pages 7 to 28. 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, 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 and express an opinion on 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 28 December 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



ALAN AITCHISON (Senior Statutory Auditor)

For and behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Breckenridge House

274 Sauchiehall Street

Glasgow G2 3EH

Date 29/12/14

DCM (Optical Holdings) Limited and Subsidiaries
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 28 December 2013

	Notes	28 December 2013 £	29 December 2012 £
GROUP TURNOVER	1	143,197,816	169,395,954
Cost of sales		34,959,947	38,381,063
Gross profit		108,237,869	131,014,891
Administrative expenses		113,311,412	144,542,128
Other operating income	2	(224,832)	(274,007)
OPERATING LOSS	3 a)	(4,848,711)	(13,253,230)
Analysed as:			
Before exceptional items		(5,370,346)	(6,768,000)
Exceptional items	3 b)	521,635	(6,485,230)
The net operating loss for the year before exceptional items arose from:			
Continuing operations		(4,725,340)	(2,822,463)
Discontinuing operations	3 c)	(645,006)	(3,945,537)
Interest receivable		6,170	6,346
		(4,842,541)	(13,246,884)
Interest payable and similar charges	6	(1,415,275)	(1,851,566)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,257,816)	(15,098,450)
Taxation	7	(256,333)	(143,063)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(6,001,483)	(14,955,387)
Minority interest		53,315	7,936
LOSS attributable to the members of the parent company	8	(6,054,798)	(14,963,323)
LOSS FOR THE FINANCIAL YEAR	8	(6,054,798)	(14,963,323)

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

DCM (Optical Holdings) Limited and Subsidiaries
NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 28 December 2013

	28 December 2013 £	29 December 2012 £
Loss on ordinary activities before taxation	(6,257,816)	(15,098,450)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	9,229	314,057
Historical cost loss on ordinary activities before taxation	<u>(6,248,587)</u>	<u>(14,784,393)</u>
Historical cost loss for the year after taxation and minority interests	<u>(6,045,569)</u>	<u>(14,649,266)</u>

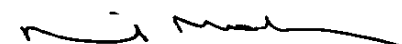
DCM (Optical Holdings) Limited and Subsidiaries

GROUP BALANCE SHEET

28 December 2013

	Notes	28 December 2013 £	29 December 2012 £
FIXED ASSETS			
Intangible assets			
Goodwill	9	6,531,101	7,360,889
Tangible assets	10	30,471,972	35,155,172
Investments	11	23,166	23,159
		<u>37,026,239</u>	<u>42,539,220</u>
CURRENT ASSETS			
Stocks	12	7,042,304	8,709,651
Debtors	13	18,689,689	17,318,021
Cash at bank and in hand		970,817	839,930
		<u>26,702,810</u>	<u>26,867,602</u>
CREDITORS			
Amounts falling due within one year	14	32,609,242	41,184,003
NET CURRENT LIABILITIES		<u>(5,906,432)</u>	<u>(14,316,401)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>31,119,807</u>	<u>28,222,819</u>
CREDITORS			
Amounts falling due after more than one year	15	39,356,535	28,106,554
		<u>(8,236,728)</u>	<u>116,265</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	18	278,349	576,236
Other provisions	19	2,054,104	4,063,280
		<u>(10,569,181)</u>	<u>(4,523,251)</u>
MINORITY INTERESTS		<u>167,732</u>	<u>153,444</u>
		<u>(10,736,913)</u>	<u>(4,676,695)</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	47,923	57,152
Foreign exchange reserve	23	442,202	447,622
Profit and loss account	23	(11,679,462)	(5,633,893)
SHAREHOLDER'S DEFICIT	24	<u>(10,736,913)</u>	<u>(4,676,695)</u>

The financial statements on pages 7 to 28 were approved by the board of directors and authorised for issue on 11/9/14 and are signed on their behalf by:



D Moulds
Director

DCM (Optical Holdings) Limited and Subsidiaries

BALANCE SHEET

28 December 2013

	Notes	28 December 2013 £	29 December 2012 £
FIXED ASSETS			
Intangible assets	9	10,904	12,654
Tangible assets	10	47,646	56,055
Investments	11	363,750	1,058,233
		<u>422,300</u>	<u>1,126,942</u>
CURRENT ASSETS			
Debtors	13	43,627,935	32,771,514
Cash at bank		121	-
		<u>43,628,056</u>	<u>32,771,514</u>
CREDITORS			
Amounts falling due within one year	14	6,479,142	6,981,051
NET CURRENT ASSETS			
		<u>37,148,914</u>	<u>25,790,463</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>37,571,214</u>	<u>26,917,405</u>
CREDITORS			
Amounts falling due after more than one year	15	37,084,221	26,369,670
		<u>486,993</u>	<u>547,735</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	34,569	95,311
SHAREHOLDER'S FUNDS			
		<u>486,993</u>	<u>547,735</u>

The financial statements on pages 7 to 28 were approved by the board of directors and authorised for issue on/19/14 and are signed on their behalf by:



D Mouldsdales
Director

DCM (Optical Holdings) Limited and Subsidiaries

GROUP CASH FLOW

for the year ended 28 December 2013

		28 December 2013 £	29 December 2012 £
	Notes		
Net cash flow from operating activities	25.a	3,140,855	2,603,967
Returns on investments and servicing of finance	25.b	(1,409,105)	(1,845,220)
Taxation	25.b	(1,561,491)	(2,319,739)
Capital expenditure and financial investment	25.b	(3,168,616)	(2,742,856)
Equity dividends paid		-	-
CASH OUTFLOW BEFORE FINANCING		(2,998,357)	(4,303,848)
Financing	25.b	10,189,418	2,422,478
INCREASE/(DECREASE) IN CASH IN THE PERIOD		<u>7,191,061</u>	<u>(1,881,370)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		28 December 2013 £	29 December 2012 £
Increase/(decrease) in cash in the year		7,191,061	(1,881,370)
Net cash outflow from loans		(10,651,617)	(887,515)
Cash inflow/(outflow) in respect of hire purchase		462,199	(1,534,963)
CHANGE IN NET DEBT	25.c	<u>(2,998,357)</u>	<u>(4,303,848)</u>
NET DEBT AT 30 DECEMBER 2012	25.c	<u>(38,590,097)</u>	<u>(34,286,249)</u>
NET DEBT AT 28 DECEMBER 2013	25.c	<u>(41,588,454)</u>	<u>(38,590,097)</u>

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 lender 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 Group'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

IMPAIRMENTS

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairments of revalued assets, except those caused by a clear consumption of economic benefit, are recognised in the statement of total recognised gains and losses until the carrying amount reaches depreciated historic cost. All other impairment losses are recognised in the profit and loss account

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.

DCM (Optical Holdings) Limited and Subsidiaries

ACCOUNTING POLICIES

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.

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 Group after deducting all of its liabilities.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

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:

	28 December 2013	29 December 2012
	£	£
United Kingdom	127,895,147	153,918,836
Europe	15,302,669	15,477,118
	<u>143,197,816</u>	<u>169,395,954</u>

2 OTHER OPERATING INCOME

	28 December 2013	29 December 2012
	£	£
Rent receivable	224,034	274,007
Miscellaneous income	798	-
	<u>224,832</u>	<u>274,007</u>

3 OPERATING LOSS

a) Operating loss, excluding exceptional costs, is stated after charging:

	28 December 2013	29 December 2012
	£	£
Amortisation	895,387	754,500
Depreciation of owned fixed assets	5,855,425	7,357,640
Depreciation of assets held under hire purchase agreements	478,827	898,168
Loss on disposal of fixed assets	6,918	8,637
Auditor's remuneration		
- statutory audit of parent and consolidated accounts	169,924	103,476
- audit of subsidiaries where such services are provided by Baker Tilly or its associates	72,541	64,190
Operating lease costs:		
Plant and equipment	1,288,351	1,181,948
Land and buildings	<u>16,141,652</u>	<u>21,869,301</u>

b) Exceptional costs in the year related to the restructuring of the retail store portfolio, refinancing and VAT costs at the year end.

c) A scheme of arrangements was put in place to dispose of a number of unprofitable stores from the Group.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

4 PARTICULARS OF EMPLOYEES

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

	28 December 2013	29 December 2012
	No	No
Production staff	72	92
Office and management	465	472
Other	1,015	1,230
	<u>1,552</u>	<u>1,794</u>

The aggregate payroll costs, excluding exceptional costs, of the above were:

	28 December 2013	29 December 2012
	£	£
Wages and salaries	38,251,949	46,027,019
Social security costs	4,034,162	4,749,764
Pension costs	287,922	332,324
	<u>42,574,033</u>	<u>51,109,107</u>

5 DIRECTORS' EMOLUMENTS

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

	28 December 2013	29 December 2012
	£	£
Emoluments receivable	<u>868,038</u>	<u>846,548</u>

Emoluments of highest paid director:

	£	£
Total emoluments (excluding pension contributions)	<u>500,737</u>	<u>500,798</u>

Emoluments receivable, as above, include Benefits In Kind.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	28 December 2013	29 December 2012
	£	£
Interest payable on bank borrowing	568,862	1,257,284
Finance charges	166,274	265,173
Other interest and similar charges payable	680,139	329,009
	<u>1,415,275</u>	<u>1,851,566</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	28 December 2013 £	29 December 2012 £
Current tax:		
UK Corporation tax based on the results for the year at 23.25% (2012 – 24.5%)	-	-
Adjustment in respect of previous periods – corporation tax	(99,598)	(220,395)
Adjustment in respect of previous periods – overseas tax	-	-
Overseas Taxation	141,152	78,105
Total current tax	41,554	(142,290)
Deferred tax:		
Origination and reversal of timing differences	101,142	(773)
Adjustment in respect of previous periods – deferred tax	(399,029)	-
Total deferred tax (note 18)	(297,887)	(773)
Tax on profit on ordinary activities	(256,333)	(143,063)

(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 23.25% (2012 – 24.5%).

	28 December 2013 £	29 December 2012 £
Profit on ordinary activities before taxation	(6,257,816)	(15,098,450)
Profit on ordinary activities by rate of tax	(1,454,837)	(3,698,705)
Expenses not deductible for tax purposes	565,901	(207,391)
Depreciation in excess of capital allowances	739,065	1,982,031
Non taxable income	(520,806)	-
Losses carried back	-	214,930
Others	88,049	38,331
Adjustments in respect of previous periods	(99,599)	(568,584)
Unutilised losses carried forward	526,771	1,181,546
Unutilised losses eliminated	149,815	595,149
Utilisation of losses brought forward	-	(764)
Foreign taxation	59,183	-
Exchange rate differences	874	(496)
Difference in corporation tax rates	(12,862)	(26,524)
Disposal of group company	-	348,187
Total current tax (note 7(a))	41,554	(142,290)

8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent Company was £60,742 (2012 – £400,400 profit).

DCM (Optical Holdings) Limited and Subsidiaries
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 28 December 2013

9 INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost	
At 30 December 2012	14,596,469
Additions	-
Disposals	-
Foreign exchange adjustments	80,427
At 28 December 2013	<u>14,676,896</u>
Amortisation	
At 30 December 2012	7,235,580
Charge for the period	895,387
Disposals	-
Foreign exchange adjustments	14,828
At 28 December 2013	<u>8,145,795</u>
Net book value	
At 28 December 2013	<u>6,531,101</u>
At 29 December 2012	<u>7,360,889</u>
Company	Goodwill £
Cost	
At 30 December 2012 and 28 December 2013	<u>35,000</u>
Amortisation	
At 30 December 2012	22,346
Charge for the year	1,750
At 28 December 2013	<u>24,096</u>
Net book value	
At 28 December 2013	<u>10,904</u>
At 29 December 2012	<u>12,654</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

10 TANGIBLE FIXED ASSETS

Group	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Short Leasehold Properties & Improvements £	Total £
Cost or valuation					
At 30 December 2012	58,619,349	39,412,893	1,517,983	2,331,084	101,881,309
Additions	1,107,400	2,267,351	20,170	263,203	3,658,124
Disposals	(72,203)	(5,114,889)	(195,114)	(353,042)	(5,735,248)
Foreign exchange adjustments	45,021	46,687	(274)	804	92,238
Transfers/Adjustments	26,677	(47,575)	1	569	(20,328)
At 28 December 2013	<u>59,726,244</u>	<u>36,564,467</u>	<u>1,342,766</u>	<u>2,242,618</u>	<u>99,876,095</u>
Depreciation					
At 30 December 2012	38,052,331	26,071,141	1,171,432	1,431,233	66,726,137
Charge for the year	4,051,461	2,027,027	69,482	186,282	6,334,252
On disposals	(37,386)	(3,289,425)	(153,345)	(249,239)	(3,729,395)
Foreign exchange adjustments	35,958	35,941	(203)	804	72,500
Transfers/Adjustments	7,650	(7,180)	(408)	567	629
At 28 December 2013	<u>42,110,014</u>	<u>24,837,504</u>	<u>1,086,958</u>	<u>1,369,647</u>	<u>69,404,123</u>
Net book value					
At 28 December 2013	<u>17,616,230</u>	<u>11,726,963</u>	<u>255,808</u>	<u>872,971</u>	<u>30,471,972</u>
At 29 December 2012	<u>20,567,018</u>	<u>13,341,752</u>	<u>346,551</u>	<u>899,851</u>	<u>35,155,172</u>

Assets held at valuation

The leasehold properties were revalued to £522,650 in March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the short leasehold properties is £67,650 (2012 - £859,293). The directors have not updated the valuation on the basis that there has been no material change in value.

Hire purchase and finance lease agreements

Included within the net book value of £30,471,972 is £1,043,818 (2012 - £1,522,100) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £478,827 (2012 - £898,168).

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

10 TANGIBLE FIXED ASSETS (cont.)

Company	Equipment £
Cost or valuation At 30 December 2012 & 28 December 2013	<u>237,786</u>
Depreciation	
At 30 December 2012	181,731
Charge for the year	<u>8,409</u>
At 28 December 2013	<u>190,140</u>
Net book value	
At 28 December 2013	<u>47,646</u>
At 29 December 2012	<u>56,055</u>

11 INVESTMENTS

Group	Listed investments £
Cost	
At 30 December 2012	23,159
Additions	-
Disposals	-
Foreign Exchange	<u>7</u>
At 28 December 2013	<u>23,166</u>
Net book value	
At 28 December 2013	<u>23,166</u>
At 29 December 2012	<u>23,159</u>

Company	Group companies £	Listed Investments £	Total £
Cost			
At 30 December 2012	1,035,105	23,128	1,058,233
Additions	-	-	-
Disposals	(50,000)	-	(50,000)
Impairment	(644,483)	-	(644,483)
At 28 December 2013	<u>340,622</u>	<u>23,128</u>	<u>363,750</u>
Net book value			
At 28 December 2013	<u>342,622</u>	<u>23,128</u>	<u>363,750</u>
At 29 December 2012	<u>1,035,105</u>	<u>23,128</u>	<u>1,058,233</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

12 STOCKS

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Stock	<u>7,042,304</u>	<u>8,709,651</u>	<u>-</u>	<u>-</u>

13 DEBTORS

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Trade debtors	1,864,372	2,067,561	-	-
Amounts owed by group undertakings	-	-	40,627,785	29,607,418
VAT recoverable	2,676,894	1,451,483	41,047	37,047
Other debtors	5,031,019	4,323,726	2,933,246	3,127,049
Prepayments and accrued income	8,261,295	9,475,251	20,542	-
Corporation Tax	856,109	-	5,315	-
	<u>18,689,689</u>	<u>17,318,021</u>	<u>43,627,935</u>	<u>32,771,514</u>

Included within other debtors is an amount of £2,127,632 (2012: £2,127,632) in relation to overdrawn directors loan accounts. No interest is being accrued on this balance.

The Optical Express Group of companies continues to be in dispute with HM Revenue and Customs in relation to the recoverability of input tax and to the Group's tax treatment of sales discounts, however the Directors are of the view this will be settled positively.

Input Tax

In 2010 the Group received a written decision from the tribunal hearing agreeing a revised version of our proposed special method. HM Revenue and Customs have since appealed this decision. The Group have also appealed the tribunal decision not to agree the full special method proposed. The appeals are currently postponed to allow discussions to take place between both parties. These discussions have resulted in both parties informally agreeing to a new special method for the recovery of input tax. The Group expects to have formal agreement to the new special method in the short term. This new method has been reflected in the accounts at the year end and has resulted in HM Revenue and Customs repaying input tax to the Group in 2014.

Discounts

The Group was due to attend a tribunal hearing in relation to this dispute in September 2010. Both parties agreed to postpone the hearing to allow further time to discuss the Groups tax treatment of sales discounts. Those discussions are still ongoing and have led to an agreement in principle as to the Group's VAT liability for the periods in question, although the parties have yet to reach agreement on the disposal of the tribunal process. A further hearing has now been fixed for September 2014 which will lead to the disposal of the tribunal proceedings in the event that parties cannot agree disposal before then. In 2009 the Directors provided in full for any potential additional tax that would be payable should the discussions not result in a settlement and a later tribunal decision goes in the favour of HM Revenue and Customs.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

14 CREDITORS amounts falling due within one year

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Bank loans and overdrafts	127,301	11,117,086	-	4,034,816
Other Loans	3,800,000	-	3,800,000	-
Trade creditors	13,636,331	16,120,738	-	-
Amounts owed to group undertakings	-	-	223,039	1,513,421
Hire purchase and finance lease agreements	487,665	462,556	-	-
Corporation tax	-	663,828	-	6,638
Other taxation and social security	923,870	1,326,128	-	-
Other creditors	4,838,102	4,997,796	13,220	13,222
Accruals and deferred income	8,795,973	6,495,871	2,442,883	1,412,954
	<u>32,609,242</u>	<u>41,184,003</u>	<u>6,479,142</u>	<u>6,981,051</u>

15 CREDITORS amounts falling due after more than one year

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Bank loans and overdrafts	66,678	18,609,670	-	18,609,670
Hire purchase and finance lease agreements	993,407	1,480,715	-	-
Other creditors	38,296,450	8,016,169	37,084,221	7,760,000
	<u>39,356,535</u>	<u>28,106,554</u>	<u>37,084,221</u>	<u>26,369,670</u>

Pacific Shelf 1741 Limited holds a bond, floating charge and debenture over the assets of each group company.

Included in Other creditors are loans from D Mouldsdales of £7,760,000 (2012 - £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.

16 CREDITORS - CAPITAL INSTRUMENTS

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

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	3,800,000	4,046,278	3,800,000	4,000,000
In more than one year but not more than two years	-	5,000,000	-	5,000,000
In more than two years but not more than five years	7,826,678	13,833,280	7,760,000	13,833,280
In more than five years	29,324,000	-	29,324,000	-
	<u>40,950,678</u>	<u>22,879,558</u>	<u>40,884,000</u>	<u>22,833,280</u>
Less finance fee relating to future periods	-	(340,277)	-	(340,277)
	<u>40,950,678</u>	<u>22,539,281</u>	<u>40,884,000</u>	<u>22,493,003</u>

During the year the Group restructured its funding with £29,324,000 being reclassified as due in greater than 5 years.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

17 COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

Future commitments under hire purchase and finance lease agreements are as follows:

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Amounts payable within 1 year	605,917	630,426	-	-
Amounts payable between 1 and 2 years	574,566	611,851	-	-
Amounts payable between 3 and 5 years	510,000	1,078,253	-	-
	<u>1,690,483</u>	<u>2,320,530</u>	<u>-</u>	<u>-</u>
Less interest and finance charges relating to future periods	(209,411)	(377,259)	-	-
	<u>1,481,072</u>	<u>1,943,271</u>	<u>-</u>	<u>-</u>

18 DEFERRED TAXATION

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

	Group		Company	
	28 December 2013	29 December 2012	28 December 2013	29 December 2012
	£	£	£	£
Provision brought forward	576,236	577,009	-	-
Decrease in provision	(297,887)	(773)	-	-
Provision carried forward	<u>278,349</u>	<u>576,236</u>	<u>-</u>	<u>-</u>

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

Group	28 December 2013		29 December 2012	
	Provided / (Recognised)	Unprovided	Provided/ (Recognised)	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	281,938	(507,493)	576,236	(681,323)
Other timing differences	-	(242,982)	-	-
Losses carried forward	(3,589)	(274,493)	-	(1,232,971)
	<u>278,349</u>	<u>(1,024,968)</u>	<u>576,236</u>	<u>(1,914,294)</u>

If the revalued assets were sold at the values stated in note 10 the estimated tax payable on that individual transaction would amount to £104,530. It is unlikely that any amount will become payable in the foreseeable future given the current intentions of the Group.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

19 PROVISIONS FOR LIABILITIES AND CHARGES

Onerous contract	28 December 2013 £	29 December 2012 £
At 30 December 2012	4,063,280	6,403,089
Transfer from profit & loss	-	-
Reversed in year	(1,762,204)	(1,668,763)
Utilised in the year	(246,972)	(671,046)
At 28 December 2013	<u>2,054,104</u>	<u>4,063,280</u>

The Onerous Contract provision represents the remaining obligations in respect of property leases which the company is no longer deriving benefit from, net of any anticipated rental income to be received from sub-letting or assigning this lease to a third party.

20 COMMITMENTS UNDER OPERATING LEASES

At 28 December 2013 the Group had annual commitments under non-cancellable operating leases as set out below:

Group	28 December 2013		29 December 2012	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 1 year	1,403,726	-	1,524,551	-
Within 2 to 5 years	4,315,696	488,913	4,025,184	488,913
After more than 5 years	7,491,354	-	8,288,905	-
	<u>13,210,776</u>	<u>488,913</u>	<u>13,838,640</u>	<u>488,913</u>

21 RELATED PARTY TRANSACTIONS

The related party transactions during the year were as follows:

Related Party	Relationship	Transaction	Amount £	Balance due (to)/from at 28/12/13 £
Moulsdale Properties	Common control	Rents paid on properties owned	1,791,728	Nil
D Moulsdale	Director	Long term loan received	Nil	(7,760,000)
		Interest accrued but unpaid	376,761	1,390,938
		Payments on behalf of director	Nil	2,127,632

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

21 RELATED PARTY TRANSACTIONS (cont.)

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

Related Party	Relationship	Transaction	Amount £	Balance due (to)/from at 29/12/12 £
Moulsdale Properties	Common control	Rents paid on properties owned	1,798,547	Nil
D Moulsdale	Director	Long term loan received	Nil	(7,760,000)
		Interest accrued but unpaid	402,104	1,012,176
		Payments on behalf of director	Nil	2,127,632

22 SHARE CAPITAL

	28 December 2013 £	29 December 2012 £
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 Moulsdale (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 Moulsdale.

The potential awards are limited to 2% of the potential value of the Company at the outcome of these events subject to that value being greater than £40 million

23 RESERVES

Group	Foreign exchange reserve £	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	447,622	442,424	57,152	(5,633,893)
Loss for the year	-	-	-	(6,054,798)
Movement in year	(5,420)	-	-	-
Other movements				
- transfer (to)/from revaluation reserve	-	-	(9,229)	9,229
Balance carried forward	<u>442,202</u>	<u>442,424</u>	<u>47,923</u>	<u>(11,679,462)</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

23 RESERVES (cont.)

Company	Share premium account £	Profit and loss account £
Balance brought forward	442,424	95,311
Loss for the year	-	(60,742)
Balance carried forward	<u>442,424</u>	<u>34,569</u>

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	28 December 2013 £	29 December 2012 £
Loss for the financial year	(6,054,798)	(14,963,323)
Movement in foreign exchange reserve	(5,420)	144,542
Equity dividends	-	-
Net reduction in shareholder's funds	(6,060,218)	(14,818,781)
Opening shareholder's funds	(4,676,695)	10,142,086
Closing shareholder's funds	<u>(10,736,913)</u>	<u>(4,676,695)</u>

25 CASH FLOWS

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

	28 December 2013 £	29 December 2012 £
Operating loss	(4,848,711)	(13,253,230)
Amortisation	895,387	754,500
Depreciation	6,334,252	8,255,808
Loss on disposal of fixed assets	-	-
Decrease in other provisions	(2,009,176)	(2,339,809)
Disposal of intangible fixed assets on discontinued operations	-	257,943
Disposal of tangible fixed assets on discontinued operations	1,530,384	6,095,895
Disposal of tangible fixed assets on continued operations	6,918	8,637
Decrease in investments	-	130,775
Decrease in stocks	1,667,347	2,036,033
(Increase)/decrease in debtors	(515,559)	2,920,604
Increase/(decrease) in creditors	209,804	(2,452,884)
Decrease in minority interest	(39,027)	(54,276)
Foreign exchange adjustments	(90,764)	243,971
Net cash inflow from operating activities	<u>3,140,855</u>	<u>2,603,967</u>

DCM (Optical Holdings) Limited and Subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 28 December 2013

25 CASH FLOWS (cont.)

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

Returns on investment and servicing of finance

	28 December 2013	29 December 2012
	£	£
Interest received	6,170	6,346
Interest paid	(1,415,275)	(1,851,566)
Net cash outflow from returns on investments and servicing of finance	(1,409,105)	(1,845,220)

Taxation

	28 December 2013	29 December 2012
	£	£
Taxation	(1,561,491)	(2,319,739)

Capital expenditure and financial investment

	28 December 2013	29 December 2012
	£	£
Payments to acquire tangible fixed assets	(3,637,167)	(2,824,822)
Payments to acquire intangible fixed assets	-	(16,474)
Receipts from sale of fixed assets	468,551	98,440
Acquisition of fixed asset investments	-	-
Net cash outflow for capital expenditure and financial investment	(3,168,616)	(2,742,856)

Financing

	28 December 2013	29 December 2012
	£	£
Increase / (decrease) in loans	10,651,617	887,515
Net new / (repayment) of hire purchase	(462,199)	1,534,963
Net cash inflow / (outflow) from financing	10,189,418	2,422,478

c Analysis of net debt

	30 December 2012	Cash flows	28 December 2013
	£	£	£
Cash in hand and at bank	839,930	130,887	970,817
Overdrafts	(7,187,475)	7,060,174	(127,301)
	<u>(6,347,545)</u>	<u>7,191,061</u>	<u>843,516</u>
Debt due within 1 year	(3,929,611)	129,611	(3,800,000)
Debt due after 1 year	(26,369,670)	(10,781,228)	(37,150,898)
Hire purchase agreements	(1,943,271)	462,199	(1,481,072)
	<u>(32,242,552)</u>	<u>(10,189,418)</u>	<u>(42,431,970)</u>
Total	(38,590,097)	(2,998,357)	(41,588,454)

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 December 2013

26 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Pacific Shelf 1741 Limited 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%
Cruach Capital Limited	Scotland	Ordinary Shares	100%
Bridgewater Hospital (Manchester) Limited	Scotland Shares	Ordinary	100%
Optical Express (Deutschland Holdings) GmbH	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%

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.