

DCM (Optical Holdings) Limited and Subsidiaries

FINANCIAL STATEMENTS

for the year ended

27 December 2014



DCM (Optical Holdings) Limited and Subsidiaries

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Mouldsdaie
S Mein

SECRETARY

G Murdoch

REGISTERED OFFICE

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

AUDITORS

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

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 whilst being 100% committed to delivering the highest level of patient satisfaction, safety and well-being.

Although trading conditions remained challenging during the year the Group continued its investment program opening new refractive surgery centres for laser vision correction and Intra Ocular lens procedures, refractive consultation centres and optical stores.

At the same time the Directors reviewed all trading locations where the leases were approaching a break option/end of lease and either renewed on more favourable terms or closed the store where the location was not optimal for future trading and profitability.

A depressed economy and store closures as noted above resulted in Group turnover reducing to £134M from £143M.

The Group incurred exceptional costs totalling £4.4M in the year. These exceptional costs related mainly to the closure of stores and the write off of assets associated with these locations.

OUTLOOK

As the No 1 refractive surgery Group in the UK and Ireland with an extensive clinic network covering the major conurbations, the business is well placed to maximise its return as economic conditions improve and discretionary spending increases.

Market conditions have remained challenging and losses are anticipated to increase in 2015. However the directors are confident that with current growth trends and trading the Group will return to profit in 2016.

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 not recommended a dividend for the current year (2013 - £nil).

By order of the board



G Murdoch

Company Secretary

10/12/15

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 2014.

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

DIRECTORS

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

D Mouldsdales
G Mouldsdales (resigned 10 September 2015)
J Mouldsdales (resigned 10 September 2015)
G Murdoch (resigned 10 September 2015)
S Mein
R McKenzie (resigned 10 September 2015)
Lord J McConnell (resigned 10 September 2015)
F Blin (resigned 10 September 2015)

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:

	27 December 2014	28 December 2013
	£'000	£'000
Charitable	<u>18</u>	<u>27</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

RSM UK Audit LLP (formerly 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 Mouldsdaile

Director

18/12/15
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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 27 December 2014 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

ALAN AITCHISON (Senior Statutory Auditor)

For and behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor
Chartered Accountants

Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 18/12/15

DCM (Optical Holdings) Limited and Subsidiaries

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 27 December 2014

		27 December 2014 £'000	28 December 2013 £'000
	Notes		
GROUP TURNOVER	1	133,986	143,198
Cost of sales		32,762	34,960
Gross profit		101,224	108,238
Administrative expenses		114,286	113,312
Other operating income	2	(87)	(225)
OPERATING LOSS	3 a)	(12,975)	(4,849)
Analysed as:			
Before exceptional items		(8,581)	(5,371)
Exceptional items	3 b)	(4,394)	522
The net operating loss for the year before exceptional items arose from:			
Continuing operations		(7,394)	(4,726)
Discontinuing operations	3 c)	(1,187)	(645)
Interest receivable		10	6
		(12,965)	(4,843)
Interest payable and similar charges	6	(2,423)	(1,415)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(15,388)	(6,258)
Taxation	7	(208)	(256)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(15,180)	(6,002)
Minority interest		42	53
LOSS attributable to the members of the parent company	8	(15,222)	(6,055)
LOSS FOR THE FINANCIAL YEAR	8	(15,222)	(6,055)

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 27 December 2014

	27 December 2014 £'000	28 December 2013 £'000
Loss on ordinary activities before taxation	(15,388)	(6,258)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	8	9
Historical cost loss on ordinary activities before taxation	<u>(15,380)</u>	<u>(6,249)</u>
Historical cost loss for the year after taxation and minority interests	<u>(15,214)</u>	<u>(6,046)</u>

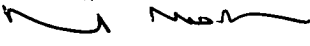
DCM (Optical Holdings) Limited and Subsidiaries

GROUP BALANCE SHEET

27 December 2014

		27 December 2014 £'000	28 December 2013 £'000
	Notes		
FIXED ASSETS			
Intangible assets			
Goodwill	9	4,279	6,531
Tangible assets			
Investments	10 11	25,168 23	30,472 23
		<u>29,470</u>	<u>37,026</u>
CURRENT ASSETS			
Stocks	12	6,430	7,042
Debtors	13	12,625	18,690
Cash at bank and in hand		1,821	971
		<u>20,876</u>	<u>26,703</u>
CREDITORS			
Amounts falling due within one year	14	32,089	31,809
NET CURRENT LIABILITIES			
		<u>(11,213)</u>	<u>(5,106)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>18,257</u>	<u>31,920</u>
CREDITORS			
Amounts falling due after more than one year	15	11,065	40,157
		<u>7,192</u>	<u>(8,237)</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	18	1	278
Other provisions	19	1,592	2,054
		<u>5,599</u>	<u>(10,569)</u>
MINORITY INTERESTS			
		<u>159</u>	<u>168</u>
		<u>5,440</u>	<u>(10,737)</u>
CAPITAL AND RESERVES			
Called up equity share capital	22	40	10
Share premium account	23	31,512	442
Revaluation reserve	23	40	48
Foreign exchange reserve	23	741	442
Profit and loss account	23	(26,893)	(11,679)
SHAREHOLDER'S FUNDS/(DEFICIT)			
	24	<u>5,440</u>	<u>(10,737)</u>

The financial statements on pages 7 to 28 were approved by the board of directors and authorised for issue on 18/12/15 and are signed on their behalf by:


D Moulds
Director

DCM (Optical Holdings) Limited and Subsidiaries

COMPANY BALANCE SHEET

27 December 2014

		27 December 2014 £'000	28 December 2013 £'000
	Notes		
FIXED ASSETS			
Intangible assets	9	9	11
Tangible assets	10	41	48
Investments	11	165	364
		<u>215</u>	<u>423</u>
CURRENT ASSETS			
Debtors	13	45,486	43,627
Cash at bank		1,000	-
		<u>46,486</u>	<u>43,627</u>
CREDITORS			
Amounts falling due within one year	14	6,122	5,679
NET CURRENT ASSETS		<u>40,364</u>	<u>37,948</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>40,579</u>	<u>38,371</u>
CREDITORS			
Amounts falling due after more than one year	15	8,860	37,884
		<u>31,719</u>	<u>487</u>
CAPITAL AND RESERVES			
Called up equity share capital	22	40	10
Share premium account	23	31,512	442
Profit and loss account	23	167	35
SHAREHOLDER'S FUNDS		<u>31,719</u>	<u>487</u>

The financial statements on pages 7 to 28 were approved by the board of directors and authorised for issue on 18/12/15 and are signed on their behalf by:



D Mouldsdales
Director

DCM (Optical Holdings) Limited and Subsidiaries

GROUP CASH FLOW

for the year ended 27 December 2014

		27 December 2014 £'000	28 December 2013 £'000
	Notes		
Net cash flow from operating activities	25.a	6,845	3,140
Returns on investments and servicing of finance	25.b	(2,413)	(1,409)
Taxation	25.b	244	(1,561)
Capital expenditure and financial investment	25.b	(3,560)	(3,168)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		1,116	(2,998)
Financing	25.b	(266)	10,190
INCREASE/(DECREASE) IN CASH IN THE PERIOD		850	7,192

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		27 December 2014 £'000	28 December 2013 £'000
Increase/(decrease) in cash in the year		850	7,192
Net cash inflow/(outflow) from loans		32,024	(10,652)
Cash (outflow)/inflow in respect of hire purchase		(658)	462
CHANGE IN NET DEBT	25.c	32,216	(2,998)
NET DEBT AT 28 DECEMBER 2013	25.c	(41,588)	(38,590)
NET DEBT AT 27 DECEMBER 2014	25.c	(9,372)	(41,588)

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 shareholders and Group companies.

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 27 December 2014

1 TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the Company.

An analysis of turnover is given below:

	27 December 2014 £'000	28 December 2013 £'000
United Kingdom	121,168	127,895
Europe	12,818	15,303
	<u>133,986</u>	<u>143,198</u>

2 OTHER OPERATING INCOME

	27 December 2014 £'000	28 December 2013 £'000
Rent receivable	78	224
Miscellaneous income	9	1
	<u>87</u>	<u>225</u>

3 OPERATING LOSS

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

	27 December 2014 £'000	28 December 2013 £'000
Amortisation	2,107	895
Depreciation of owned fixed assets	5,019	5,855
Depreciation of assets held under hire purchase agreements	257	479
(Profit)/loss on disposal of fixed assets	(450)	7
Auditor's remuneration		
- statutory audit of parent and consolidated accounts	68	170
- audit of subsidiaries where such services are provided by RSM or its associates	29	73
Operating lease costs:		
Plant and equipment	1,638	1,288
Land and buildings	<u>14,350</u>	<u>16,142</u>

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

c) During the year the Group sold its trading dental clinics to third parties and closed a number of unprofitable optical stores. In the prior year 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 27 December 2014

4 PARTICULARS OF EMPLOYEES

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

	27 December 2014 No	28 December 2013 No
Production staff	57	72
Office and management	404	465
Other	896	1,015
	<u>1,357</u>	<u>1,552</u>

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

	27 December 2014 £'000	28 December 2013 £'000
Wages and salaries	35,352	38,252
Social security costs	3,747	4,034
Pension costs	472	288
	<u>39,571</u>	<u>42,574</u>

5 DIRECTORS' EMOLUMENTS

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

	27 December 2014 £'000	28 December 2013 £'000
Emoluments receivable	<u>917</u>	<u>927</u>

Emoluments of highest paid director:

	£'000	£'000
Total emoluments (excluding pension contributions)	<u>500</u>	<u>501</u>

Emoluments receivable, as above, include Benefits In Kind.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	27 December 2014 £'000	28 December 2013 £'000
Interest payable on bank borrowing	5	569
Finance charges	139	166
Other interest and similar charges payable	2,279	680
	<u>2,423</u>	<u>1,415</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	27 December 2014 £'000	28 December 2013 £'000
Current tax:		
UK Corporation tax based on the results for the year at 21.49% (2013 – 23.25%)	-	-
Adjustment in respect of previous periods – corporation tax	(5)	(100)
Adjustment in respect of previous periods – overseas tax	-	-
Overseas Taxation	44	142
Group relief	30	-
Total current tax	69	42
Deferred tax:		
Origination and reversal of timing differences	(175)	101
Adjustment in respect of previous periods – deferred tax	(102)	(399)
Total deferred tax (note 18)	(277)	(298)
Tax on loss on ordinary activities	(208)	(256)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%).

	27 December 2014 £'000	28 December 2013 £'000
Loss on ordinary activities before taxation	(15,388)	(6,258)
Loss on ordinary activities by rate of tax	(3,316)	(1,455)
Expenses not deductible for tax purposes	418	566
Depreciation in excess of capital allowances	1,014	739
Non taxable income	-	(521)
Losses carried back	-	-
Others	80	88
Adjustments in respect of previous periods	25	(100)
Unutilised losses carried forward	1,856	527
Unutilised losses eliminated	9	150
Utilisation of losses brought forward	(19)	-
Foreign taxation	-	59
Other taxes	1	-
Group relief	(48)	-
Exchange rate differences	53	1
Difference in corporation tax rates	(4)	(12)
Total current tax (note 7(a))	69	42

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent Company was £132K (2013 – £61K loss).

9 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost	
At 28 December 2013	14,677
Additions	-
Disposals	-
Foreign exchange adjustments	(230)
At 27 December 2014	<u>14,447</u>
Amortisation	
At 28 December 2013	8,146
Charge for the period	2,107
Disposals	-
Foreign exchange adjustments	(85)
At 27 December 2014	<u>10,168</u>
Net book value	
At 27 December 2014	<u>4,279</u>
At 28 December 2013	<u>6,531</u>
Company	Goodwill £'000
Cost	
At 28 December 2013 and 27 December 2014	<u>35</u>
Amortisation	
At 28 December 2013	24
Charge for the year	2
At 27 December 2014	<u>26</u>
Net book value	
At 27 December 2014	<u>9</u>
At 28 December 2013	<u>11</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

10 TANGIBLE FIXED ASSETS

Group	Equipment £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Short Leasehold Properties & Improvements £'000	Total £'000
Cost or valuation					
At 28 December 2013	59,726	36,564	1,343	2,243	99,876
Additions	2,539	1,396	-	149	4,084
Disposals	(9,086)	(6,416)	(163)	(124)	(15,789)
Foreign exchange adjustments	(150)	(144)	(2)	(2)	(298)
Transfers/Adjustments	(6)	6	-	3	3
At 27 December 2014	<u>53,023</u>	<u>31,406</u>	<u>1,178</u>	<u>2,269</u>	<u>87,876</u>
Depreciation					
At 28 December 2013	42,110	24,837	1,087	1,370	69,404
Charge for the year	3,159	1,879	51	187	5,276
On disposals	(6,184)	(5,272)	(158)	(97)	(11,711)
Foreign exchange adjustments	(141)	(117)	(1)	(2)	(261)
At 27 December 2014	<u>38,944</u>	<u>21,327</u>	<u>979</u>	<u>1,458</u>	<u>62,708</u>
Net book value					
At 27 December 2014	<u>14,079</u>	<u>10,079</u>	<u>199</u>	<u>811</u>	<u>25,168</u>
At 28 December 2013	<u>17,616</u>	<u>11,727</u>	<u>256</u>	<u>873</u>	<u>30,472</u>

Assets held at valuation

The leasehold properties were revalued to £329K in March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the short leasehold properties is £64K (2013 - £68K). 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 £25,168K is £1,869K (2013 - £1,044K) 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 £257K (2013 - £479K).

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

10 TANGIBLE FIXED ASSETS (cont.)

Company	Equipment £'000
Cost or valuation At 28 December 2013 & 27 December 2014	<u>238</u>
Depreciation	
At 28 December 2013	190
Charge for the year	7
At 27 December 2014	<u>197</u>
Net book value	
At 27 December 2014	<u>41</u>
At 28 December 2013	<u>48</u>

11 INVESTMENTS

Group	Listed investments £'000
Cost	
At 28 December 2013	23
Additions	-
Disposals	-
Foreign Exchange	-
At 27 December 2014	<u>23</u>
Net book value	
At 27 December 2014	<u>23</u>
At 28 December 2013	<u>23</u>

Company	Group companies £'000	Listed Investments £'000	Total £'000
Cost			
At 28 December 2013	341	23	364
At 27 December 2014	<u>341</u>	<u>23</u>	<u>364</u>
Impairment			
At 28 December 2013	-	-	-
Impairment during the year	199	-	199
At 27 December 2014	<u>199</u>	<u>-</u>	<u>199</u>
Net book value			
At 27 December 2014	<u>142</u>	<u>23</u>	<u>165</u>
At 28 December 2013	<u>341</u>	<u>23</u>	<u>364</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

12 STOCKS

	Group		Company	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Stock	6,430	7,042	-	-

13 DEBTORS

	Group		Company	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	289	1,864	-	-
Amounts owed by group undertakings	-	-	44,524	40,627
VAT recoverable	1,047	2,677	-	41
Other debtors	2,403	5,032	957	2,933
Prepayments and accrued income	8,343	8,261	-	21
Corporation Tax	543	856	5	5
	12,625	18,690	45,486	43,627

Included within other debtors is an amount of £151K (2013: £2,128K) in relation to overdrawn directors loan accounts. No interest is being accrued on this balance.

Post year end HM Revenue and Customs withdrew assessments for a number of VAT quarters resulting in the Group receiving a substantial repayment and gain to the profit and loss account. HM Revenue and Customs also agreed post year end to release all other funds due to the Group.

The Optical Express Group of companies continues to be in dispute with HM Revenue and Customs in relation to a number of issues regarding VAT.

In April 2015 HM Revenue and Customs and the Group attended a case management hearing at the Tax Tribunal in Edinburgh regarding outstanding appeals. The Tax Tribunal has since directed that the 6 appeals should be heard together. It is expected that the hearing will take place in the third quarter of 2016.

In 2009 the directors provided in full for any potential additional tax that would be payable should the appeals noted above be unsuccessful.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

14 CREDITORS amounts falling due within one year

	Group		Company	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	131	127	-	-
Other loans	-	3,000	-	3,000
Trade creditors	15,593	13,636	-	-
Amounts owed to group undertakings	-	-	3,254	223
Hire purchase and finance lease agreements	915	488	-	-
Other taxation and social security	1,661	924	-	-
Other creditors	4,317	4,838	13	13
Accruals and deferred income	9,472	8,796	2,855	2,443
	<u>32,089</u>	<u>31,809</u>	<u>6,122</u>	<u>5,679</u>

15 CREDITORS amounts falling due after more than one year

	Group		Company	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	63	67	-	-
Hire purchase and finance lease agreements	1,224	993	-	-
Other creditors	9,778	39,097	8,860	37,884
	<u>11,065</u>	<u>40,157</u>	<u>8,860</u>	<u>37,884</u>

Included in Other creditors are loans from D Mouldsdales of £7,060K (2013 - £7,760K) 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	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts repayable:				
In one year or less or on demand	-	3,000	-	3,000
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	8,923	8,627	8,860	8,560
In more than five years	-	29,324	-	29,324
	<u>8,923</u>	<u>40,951</u>	<u>8,860</u>	<u>40,884</u>
Less finance fee relating to future periods	-	-	-	-
	<u>8,923</u>	<u>40,951</u>	<u>8,860</u>	<u>40,884</u>

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

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

17 COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

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

	Group		Company	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts payable within 1 year	1,049	606	-	-
Amounts payable between 1 and 2 years	995	575	-	-
Amounts payable between 3 and 5 years	360	510	-	-
	<u>2,404</u>	<u>1,691</u>	<u>-</u>	<u>-</u>
Less interest and finance charges relating to future periods	(265)	(210)	-	-
	<u>2,139</u>	<u>1,481</u>	<u>-</u>	<u>-</u>

18 DEFERRED TAXATION

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

	Group		Company	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Provision brought forward	278	576	-	-
Decrease in provision	(277)	(298)	-	-
Provision carried forward	<u>1</u>	<u>278</u>	<u>-</u>	<u>-</u>

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

Group	27 December 2014		28 December 2013	
	Provided / (Recognised)	Unprovided	Provided/ (Recognised)	Unprovided
	£'000	£'000	£'000	£'000
Excess of taxation allowances over depreciation on fixed assets	1	(455)	282	(507)
Other timing differences	-	(318)	-	(243)
Losses carried forward	-	(1,231)	(4)	(274)
	<u>1</u>	<u>(2,004)</u>	<u>278</u>	<u>(1,024)</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 £66K. 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 27 December 2014

19 PROVISIONS FOR LIABILITIES AND CHARGES

Onerous contract	27 December 2014 £'000	28 December 2013 £'000
At 28 December 2013	2,054	4,063
Reversed in year	(251)	(1,762)
Utilised in the year	(211)	(247)
At 27 December 2014	<u>1,592</u>	<u>2,054</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 27 December 2014 the Group had annual commitments under non-cancellable operating leases as set out below:

Group	27 December 2014		28 December 2013	
	Land and buildings £'000	Other items £'000	Buildings £'000	Other items £'000
Operating leases which expire:				
Within 1 year	1,438	-	1,404	-
Within 2 to 5 years	4,621	659	4,316	489
After more than 5 years	6,359	-	7,491	-
	<u>12,418</u>	<u>659</u>	<u>13,211</u>	<u>489</u>

21 RELATED PARTY TRANSACTIONS

The related party transactions during the year were as follows:

Related Party	Relationship	Transaction	Amount £'000	Balance due (to)/from at 27/12/14 £'000
Moulsdale Properties	Common Control	Rents paid on properties owned	1,555	143
D Moulsdale	Director	Long term loan repaid	700	(7,060)
		Interest accrued but unpaid	374	(1,765)
		Payments on behalf of director	427	
		Repaid in the period	(2,404)	151
Precision Optical B.V.	Common Control	Purchases	1,007	(3,630)
		Sale and leaseback repaid	35	(1,019)
RB. B.V.	Common Control	Loans received	(1,000)	(1,800)
		Interest accrued but unpaid	3	(55)

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

21 RELATED PARTY TRANSACTIONS (cont.)

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

Related Party	Relationship	Transaction	Amount £'000	Balance due (to)/from at 28/12/13 £'000
Moulsdale Properties	Common Control	Rents paid on properties owned	1,792	Nil
D Moulsdale	Director	Long term loan received	Nil	(7,760)
		Interest accrued but unpaid	377	1,391
		Payments on behalf of director	Nil	2,128

22 SHARE CAPITAL

	27 December 2014 £'000	28 December 2013 £'000
Allotted, called up and fully paid: 40,000 Ordinary shares of £1 each	40	10

On 28th November 2014 Lorena Investments Limited exchanged the debt book of £31,100K for 30,000 ordinary shares in the Company.

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 £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Balance brought forward	442	442	48	(11,679)
Loss for the year	-	-	-	(15,222)
Movement in year	299	31,070	-	-
Other movements				
- transfer (to)/from revaluation reserve	-	-	(8)	8
Balance carried forward	741	31,512	40	(26,893)

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

23 RESERVES (cont.)

Company	Share premium account £'000	Profit and loss account £'000
Balance brought forward	442	35
Profit for the year	-	132
Movement for the year	31,070	-
Balance carried forward	<u>31,512</u>	<u>167</u>

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	27 December 2014 £'000	28 December 2013 £'000
Loss for the financial year	(15,222)	(6,055)
Movement in foreign exchange reserve	299	(5)
Share premium account on new shares issued	31,070	-
Share capital issued	30	-
Net reduction in shareholder's funds	<u>16,177</u>	<u>(6,060)</u>
Opening shareholder's funds	(10,737)	(4,677)
Closing shareholder's funds	<u>5,440</u>	<u>(10,737)</u>

25 CASH FLOWS

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

	27 December 2014 £'000	28 December 2013 £'000
Operating loss	(12,975)	(4,849)
Amortisation	2,107	895
Depreciation	5,276	6,334
Decrease in other provisions	(462)	(2,009)
Disposal of tangible fixed assets on discontinued operations	3,488	1,530
Disposal of tangible fixed assets on continued operations	63	7
Decrease in stocks	612	1,667
Decrease/(increase) in debtors	5,752	(516)
Increase/(decrease) in creditors	2,554	211
Decrease in minority interest	(51)	(39)
Foreign exchange adjustments	481	(91)
Net cash inflow from operating activities	<u>6,845</u>	<u>3,140</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

25 CASH FLOWS (cont.)

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

Returns on investment and servicing of finance

	27 December 2014 £'000	28 December 2013 £'000
Interest received	10	6
Interest paid	(2,423)	(1,415)
Net cash outflow from returns on investments and servicing of finance	(2,413)	(1,409)

Taxation

	27 December 2014 £'000	28 December 2013 £'000
Taxation	244	(1,561)

Capital expenditure and financial investment

	27 December 2014 £'000	28 December 2013 £'000
Payments to acquire tangible fixed assets	(4,087)	(3,637)
Receipts from sale of fixed assets	527	469
Net cash outflow for capital expenditure and financial investment	(3,560)	(3,168)

Financing

	27 December 2014 £'000	28 December 2013 £'000
(Decrease)/increase in loans	(32,024)	10,652
Net new / (repayment) of hire purchase	658	(462)
Increase in share capital	30	-
Increase in share premium	31,070	-
Net cash inflow / (outflow) from financing	(266)	10,190

c Analysis of net debt

	28 December 2013 £'000	Cash flows £'000	27 December 2014 £'000
Cash in hand and at bank	971	850	1,821
Overdrafts	(127)	(4)	(131)
	<u>844</u>	<u>846</u>	<u>1,690</u>
Debt due within 1 year	(3,000)	3,000	-
Debt due after 1 year	(37,951)	29,028	(8,923)
Hire purchase agreements	(1,481)	(658)	(2,139)
	<u>(42,432)</u>	<u>31,370</u>	<u>(11,062)</u>
Total	(41,588)	32,216	(9,372)

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 2014

26 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	Ordinary Shares	100%
Optical Express (Deutschland Holdings) GmbH	Germany	Ordinary Shares	100%
VisuMed AG	Germany	Ordinary Shares	100%
DCM 590 Limited	England	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.

27 ULTIMATE CONTROLLING PARTY

The immediate controlling party is Lorena Investments Limited, a company incorporated in Scotland.

The ultimate parent company is Insight Global Holding, a company registered out with the UK. Group financial statements are not prepared.

28 POST BALANCE SHEET EVENTS

On 27 June 2015, the Group's interest in Optical Express (Gyle) Limited was transferred to the new immediate parent undertaking of DCM (Optical Holdings) Limited at book value.

Post year end the Directors continued to review the performance of each of the trading subsidiaries. Two of these subsidiaries, Bridgewater Hospital (Manchester) Limited and DCM Optical BV continued to make significant losses and after exploring all options it was regrettably agreed to place both businesses into liquidation in May 2015.