

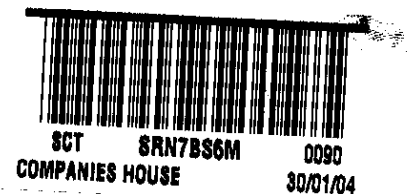
COMPANIES
HOUSE

DCM (Optical Holdings) Limited and
Subsidiaries

FINANCIAL STATEMENTS

for the year ended

29 March 2003



Company Registration Number 146610

DCM (Optical Holdings) Limited and Subsidiaries

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Mouldsdaie
G Mouldsdaie
J Stewart
G Murdoch
J Beardwood

SECRETARY

G Murdoch

REGISTERED OFFICE

9 Clairmont Gardens
Glasgow
G3 7LW

AUDITORS

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

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' REPORT

The directors submit their report and financial statements of DCM (Optical Holdings) Limited and Subsidiaries for the year ended 29 March 2003.

PRINCIPAL ACTIVITIES

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

Subsidiary	Principal activity
Optical Express (Holdings) Limited	Holding company
Optical Express (Southern) Limited	Opticians
Optical Express Limited	Opticians
Optical Express (Gyle) Limited	Opticians
The Frame Zone Limited	Opticians
Optical Express (Westfield) Limited	Central buying agent
Optical Express (Northern) Limited	Non trading
Optical Express (Ayr) Limited	Non trading
Optical Express (Aberdeen) Limited	Non trading
Optical Express (Forge) Limited	Non trading
Optical Express (Leith) Limited	Non trading
Optical Express (2001) Limited	Non trading
Optical Express (Aftercare) Limited	Non trading
Outclin Limited	Non trading
Specialeyes Limited	Non trading
DCM Optical Clinic PLC	Opticians

REVIEW OF THE BUSINESS

The directors are satisfied with the results for the year and continue to seek increases in both turnover and profitability.

During the year a new subsidiary of the Group purchased the business and assets of Health Clinic PLC/The Eye Clinic from Administration. Prior to the administration the Health Clinic PLC/The Eye Clinic business was making substantial losses.

FUTURE DEVELOPMENTS

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

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.

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' REPORT

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 29 March 2003	At 1 April 2002 or later date of appointment
D Mouldsdale	9,500	9,500
G Mouldsdale	—	—
J Stewart	—	—
G Murdoch	—	—
J Beardwood	—	—

G Mouldsdale was appointed as a director on 17 March 2003.

J Stewart was appointed as a director on 17 March 2003.

G Murdoch was appointed as a director on 17 March 2003.

J Beardwood was appointed as a director on 12 October 2002.

FIXED ASSETS

In the opinion of the directors there is no significant difference between the present market value of the group's leasehold property and the amounts at which they are stated in the accounts. Details are set out in note 11.

DISABLED EMPLOYEES

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

EMPLOYEES

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

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

POLICY ON THE PAYMENT OF CREDITORS

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

DONATIONS

During the year the group made the following contributions:

	2003 £	2002 £
Charitable	67,402	16,481

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Baker Tilly as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
9 Clairmont Gardens
Glasgow
G3 7LW

Signed by



D Moulds

Director

29 JANUARY 2004

DCM (Optical Holdings) Limited and Subsidiaries

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

DCM (Optical Holdings) Limited and Subsidiaries

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DCM (OPTICAL HOLDINGS) LIMITED AND SUBSIDIARIES

We have audited the financial statements on pages 7 to 29 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 March 2003 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly



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

29 JANUARY 2004

DCM (Optical Holdings) Limited and Subsidiaries

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 29 March 2003

	<i>Notes</i>	2003 £	2002 £
TURNOVER			
Continuing operations		48,862,242	45,597,372
Acquisitions		15,338,208	–
GROUP TURNOVER		64,200,450	45,597,372
Cost of sales	1	11,617,176	8,383,674
Gross profit		52,583,274	37,213,698
Net operating expenses	1	51,224,033	34,960,037
OPERATING PROFIT:	3		
Continuing operations		1,325,467	2,253,661
Acquisitions		33,774	–
GROUP OPERATING PROFIT		1,359,241	2,253,661
Exceptional costs of fundamental restructuring	6	655,934	–
Interest receivable		(68,225)	(27,635)
Interest payable and similar charges	7	600,675	440,132
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		170,857	1,841,164
Tax on profit on ordinary activities	8	182,410	609,014
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	9	(11,553)	1,232,150

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

DCM (Optical Holdings) Limited and Subsidiaries
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 29 March 2003

	2003 £	2002 £
Profit/(loss) for the financial year attributable to the shareholder's of the parent company	(11,553)	1,232,150
Unrealised surplus on revaluation of tangible fixed assets:		
Equipment	1,907,461	—
Fixtures & fittings	10,499,330	—
Total recognised gains and losses relating to the year	<u>12,395,238</u>	<u>1,232,150</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 29 March 2003

	2003 £	2002 £
Profit on ordinary activities before taxation	170,857	1,841,164
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	224,045	248,208
Historical cost profit on ordinary activities before taxation	<u>394,902</u>	<u>2,089,372</u>
Historical cost profit for the year retained after exceptional items, taxation and dividends	<u>212,492</u>	<u>1,480,358</u>

DCM (Optical Holdings) Limited and Subsidiaries

GROUP BALANCE SHEET

29 March 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible assets	10	6,978,707	8,153
Positive Goodwill	10	3,808,508	4,057,600
Negative Goodwill	10	(12,406,791)	-
Tangible assets	11	22,939,819	9,310,246
		<u>21,320,243</u>	<u>13,375,999</u>
CURRENT ASSETS			
Stocks	13	4,848,076	3,130,266
Debtors	14	12,183,500	5,352,102
Cash at bank and in hand		20,536	204,083
		<u>17,052,112</u>	<u>8,686,451</u>
CREDITORS			
Amounts due within one year	15	19,058,081	9,420,573
NET CURRENT LIABILITIES			
		<u>(2,005,969)</u>	<u>(734,122)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>19,314,274</u>	<u>12,641,877</u>
CREDITORS			
Amounts due after more than one year	16	10,654,188	4,049,106
		<u>8,660,086</u>	<u>8,592,771</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	20	445,413	366,545
		<u>8,214,673</u>	<u>8,226,226</u>
CAPITAL AND RESERVES			
Called-up equity share capital	25	10,000	10,000
Share premium account	26	442,424	442,424
Revaluation reserve	26	1,650,847	1,874,892
Profit and loss account	26	6,111,402	5,898,910
SHAREHOLDERS' FUNDS			
	27	<u>8,214,673</u>	<u>8,226,226</u>

These financial statements were approved by the directors on the 29/1/04 and are signed on their behalf by:



.....
D Moulds
Director

DCM (Optical Holdings) Limited and Subsidiaries

BALANCE SHEET

29 March 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible assets	10	29,750	31,500
Investments	12	74,955	24,955
		<u>104,705</u>	<u>56,455</u>
CURRENT ASSETS			
Debtors	14	6,919,756	688,530
Cash at bank		6,548,446	6,989,347
		<u>13,468,202</u>	<u>7,677,877</u>
CREDITORS			
Amounts due within one year	15	2,492,110	3,049,986
NET CURRENT ASSETS		<u>10,976,092</u>	<u>4,627,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,080,797</u>	<u>4,684,346</u>
CREDITORS			
Amounts due after more than one year	16	10,241,922	3,829,771
		<u>838,875</u>	<u>854,575</u>
CAPITAL AND RESERVES			
Called-up equity share capital	25	10,000	10,000
Share premium account	26	442,424	442,424
Profit and loss account	26	386,451	402,151
SHAREHOLDERS' FUNDS		<u>838,875</u>	<u>854,575</u>

These financial statements were approved by the directors on the 29/1/04 and are signed on their behalf by:



.....
D Mouldsdales
Director

DCM (Optical Holdings) Limited and Subsidiaries

GROUP CASH FLOW

for the year ended 29 March 2003

	<i>Notes</i>	2003 £	2002 £
Net cash flow from operating activities	28	1,010,523	2,550,547
Returns on investments and servicing of finance	28	(532,450)	(412,497)
Taxation	28	(40,528)	(11,889)
Capital expenditure and financial investment	28	(9,676,092)	(2,840,804)
CASH (OUTFLOW) BEFORE FINANCING		<u>(9,238,547)</u>	<u>(714,643)</u>
Financing	28	7,930,760	555,364
(DECREASE) IN CASH IN THE PERIOD	28	<u>(1,307,787)</u>	<u>(159,279)</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 in accordance with applicable accounting standards.

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

The turnover shown in the group profit and loss account 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	- 10 & 20 years
Lease premium	- 18 years
Customer database	- 20 years

Goodwill arising on acquisitions is being amortised over a period of 20 years. Purchased Goodwill is being amortised over a period of 10 years.

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	- 10% & 15% reducing balance and over 4 years
Motor Vehicles	- 20% reducing balance

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

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

DCM (Optical Holdings) Limited and Subsidiaries

ACCOUNTING POLICIES

STOCKS

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

HIRE PURCHASE AGREEMENTS

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

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 group taxable profits and its results as stated 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.

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.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

1 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations £	Acquired Operations £	Total £
Year ended 29 March 2003			
Cost of sales	<u>8,629,470</u>	<u>2,987,706</u>	<u>11,617,176</u>
Administrative expenses	38,969,131	12,378,337	51,347,468
Other operating income (Note 2)	<u>(61,826)</u>	<u>(61,609)</u>	<u>(123,435)</u>
Net operating expenses	<u>38,907,305</u>	<u>12,316,728</u>	<u>51,224,033</u>
Year ended 31 March 2002			
Cost of sales	<u>8,383,674</u>	<u>-</u>	<u>8,383,674</u>
Administrative expenses	35,001,151	-	35,001,151
Other operating income (Note 2)	<u>(41,114)</u>	<u>-</u>	<u>(41,114)</u>
Net operating expenses	<u>34,960,037</u>	<u>-</u>	<u>34,960,037</u>

2 OTHER OPERATING INCOME

	2003 £	2002 £
Rent receivable	<u>123,435</u>	<u>41,114</u>

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Amortisation	449,537	255,477
Depreciation	1,286,392	1,295,537
(Profit)/loss on disposal of fixed assets	(4,028)	1,542
Auditors' remuneration		
- as auditors	55,726	69,989
Operating lease costs:		
Land and buildings	9,235,179	6,537,916
Plant and equipment	<u>313,622</u>	<u>39,079</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

4 PARTICULARS OF EMPLOYEES

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

	2003	2002
	No	No
Production staff	159	131
Office and management	163	95
Other	1,377	827
	<u>1,699</u>	<u>1,053</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries (including exceptional items)	25,999,906	17,884,737
Social security costs	1,664,504	1,241,262
Other pension costs	138,651	84,883
	<u>27,803,061</u>	<u>19,210,882</u>

PENSION SCHEME

The group makes contributions into employees' private pension schemes.

5 DIRECTORS' EMOLUMENTS

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

	2003	2002
	£	£
Emoluments receivable	<u>436,301</u>	<u>525,346</u>

The aggregate emoluments of the highest paid director were:

	2003	2002
	£	£
Emoluments receivable	<u>222,047</u>	<u>525,346</u>

Emoluments receivable, as above, include Benefits In Kind.

6 EXCEPTIONAL COSTS OF FUNDAMENTAL RESTRUCTURING

	2003	2002
	£	£
Redundancy, wages and salaries	646,000	-
Legal and professional fees	9,934	-
	<u>655,934</u>	<u>-</u>

The exceptional items have been allowed for the purposes of corporation tax. The monetary effect of the allowable expenditure has been derived by multiplying such expenditure by the standard rate of corporation tax in the UK of 30%. The effect of such is £196,780 (2002: £ Nil).

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable on bank borrowing	550,370	308,616
Finance charges	28,467	44,230
Other similar charges payable	21,838	87,286
	<u>600,675</u>	<u>440,132</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the profits for the year	131,012	435,427
Adjustments in respect of previous periods	(27,470)	(959)
ACT recoverable	-	(66,978)
Total current tax	<u>103,542</u>	<u>367,490</u>
Deferred tax:		
Originating and reversal of timing differences	78,868	241,524
Total deferred tax	<u>78,868</u>	<u>241,524</u>
Tax on profit on ordinary activities	<u>182,410</u>	<u>609,014</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003	2002
	£	£
Profit on ordinary activities before tax	170,857	1,841,164
Add back : Goodwill amortised (on consolidation)	242,910	242,910
Proposed dividends (on consolidation)	-	500,000
Adjusted profit on ordinary activities before tax	<u>413,767</u>	<u>2,584,074</u>
Profit on ordinary activities multiplied by a standard rate of corporation tax in the UK of 30% (2002: 30%)	124,141	773,449
Effect of:		
Expenses not deductible for tax purposes	95,606	6,157
Depreciation in excess of capital allowances	(208,305)	(164,505)
Other timing differences	11,412	125
Adjustments in respect of previous periods	(27,470)	(959)
Others	(229)	(56,581)
Tax losses	40,043	(190,196)
Accounting loss on chargeable assets	68,344	-
Total current tax	<u>103,542</u>	<u>367,490</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

9 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £15,700 (2002 profit - £227,436).

10 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Negative Goodwill £	Customer Database & Lease Premiums £	Total £
Cost				
At 1 April 2002	5,351,708	-	12,500	5,364,208
Additions	20,999	(12,406,791)	7,150,000	(5,235,792)
At 29 March 2003	<u>5,372,707</u>	<u>(12,406,791)</u>	<u>7,162,500</u>	<u>128,416</u>
Amortisation				
At 1 April 2002	1,294,108	-	4,347	1,298,455
Charge for the year	270,091	-	179,446	449,537
At 29 March 2003	<u>1,564,199</u>	<u>-</u>	<u>183,793</u>	<u>1,747,992</u>
Net book value				
At 29 March 2003	<u>3,808,508</u>	<u>(12,406,791)</u>	<u>6,978,707</u>	<u>(1,619,576)</u>
At 31 March 2002	<u>4,057,600</u>	<u>-</u>	<u>8,153</u>	<u>4,065,753</u>

Company	Goodwill £
Cost	
At 1 April 2002 and 29 March 2003	<u>35,000</u>
Amortisation	
At 1 April 2002	3,500
Charge for the year	1,750
At 29 March 2003	<u>5,250</u>
Net book value	
At 29 March 2003	<u>29,750</u>
At 31 March 2002	<u>31,500</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

11 TANGIBLE FIXED ASSETS

Group	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Short Leasehold Property & Improvements £	Total £
Cost or valuation					
At 1 April 2002	6,662,387	4,405,316	965,887	2,613,854	14,647,444
Additions	1,806,720	716,802	226,679	23,245	2,773,446
Disposals	(69,795)	(17,703)	(292,231)	(30,611)	(410,340)
Revaluation	1,907,461	10,499,330	—	—	12,406,791
At 29 March 2003	<u>10,306,773</u>	<u>15,603,745</u>	<u>900,335</u>	<u>2,606,488</u>	<u>29,417,341</u>
Depreciation					
At 1 April 2002	2,208,953	2,096,729	427,928	603,588	5,337,198
Charge for the year	594,384	359,331	92,855	239,822	1,286,392
On disposals	(26,993)	(3,476)	(108,657)	(6,942)	(146,068)
At 29 March 2003	<u>2,776,344</u>	<u>2,452,584</u>	<u>412,126</u>	<u>836,468</u>	<u>6,477,522</u>
Net book value					
At 29 March 2003	<u>7,530,429</u>	<u>13,151,161</u>	<u>488,209</u>	<u>1,770,020</u>	<u>22,939,819</u>
At 31 March 2002	<u>4,453,434</u>	<u>2,308,587</u>	<u>537,959</u>	<u>2,010,266</u>	<u>9,310,246</u>

HIRE PURCHASE AGREEMENTS

Included within the net book value of £22,939,819 is £860,247 (2002 - £471,767) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £81,363 (2002 - £46,901).

ASSETS HELD AT VALUATION

Certain leasehold properties were revalued to £2,552,481 in March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the short leasehold properties is £831,853 (2002 - £808,608). The directors have not updated the valuation on the basis that there has been no material change in value.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

12 INVESTMENTS

Company	Group Companies
	£
Cost	
At 1 April 2002	24,955
Additions	50,000
At 29 March 2003	<u>74,955</u>
Net book value	
At 29 March 2003	<u>74,955</u>
At 31 March 2002	<u>24,955</u>

A list of investments can be found at note 30.

13 STOCKS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Stock	<u>4,848,076</u>	<u>3,130,266</u>	<u>-</u>	<u>-</u>

14 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	5,905,516	1,741,471	-	-
Amounts owed by group undertakings	-	-	6,898,608	7,329
VAT recoverable	1,731,484	789,360	21,146	21,146
Other debtors	885,085	690,147	2	660,055
Prepayments and accrued income	3,661,415	2,131,124	-	-
	<u>12,183,500</u>	<u>5,352,102</u>	<u>6,919,756</u>	<u>688,530</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

15 CREDITORS amounts due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	3,065,889	817,605	1,941,649	817,605
Trade creditors	8,603,032	5,500,934	–	–
Amounts owed to group undertakings	–	–	525,731	2,228,383
Hire purchase agreements	352,452	150,818	–	–
Corporation tax	447,170	384,103	–	–
PAYE and social security	2,144,996	537,454	–	–
Other creditors	2,120,751	149,815	12,556	3,998
Accruals and deferred income	2,323,791	1,879,844	12,174	–
	<u>19,058,081</u>	<u>9,420,573</u>	<u>2,492,110</u>	<u>3,049,986</u>

16 CREDITORS amounts due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	9,481,922	3,829,771	9,481,922	3,829,771
Hire purchase agreements	412,266	219,335	–	–
Other creditors	760,000	–	760,000	–
	<u>10,654,188</u>	<u>4,049,106</u>	<u>10,241,922</u>	<u>3,829,771</u>

The Bank of Scotland holds a bond, floating charge and debenture over the assets of each group company. The Bank of Scotland also holds an assignation, along with all related documentation, of Keyman Insurance on the life of D Mouldsdaie in respect of the existing policies. In addition the Bank of Scotland holds a personal guarantee by D Mouldsdaie for an amount of £1,000,000 in its favour on account of the obligations of each group company supported by equity in properties pledged to AIB Group (UK) PLC.

17 CREDITORS - CAPITAL INSTRUMENTS

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	1,941,649	817,605	1,941,649	817,605
In more than one year but not more than two years	1,941,649	817,605	1,941,649	817,605
In more than two years but not more than five years	5,514,947	2,452,815	5,514,947	2,452,815
In more than five years	2,025,326	559,351	2,025,326	559,351
	<u>11,423,571</u>	<u>4,647,376</u>	<u>11,423,571</u>	<u>4,647,376</u>
	2003	2002	2003	2002
	£	£	£	£
Less: included in creditors: amounts due within one year (note 15)	<u>3,065,889</u>	<u>817,605</u>	<u>1,941,649</u>	<u>817,605</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

18 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts payable within 1 year	211,669	164,375	-	-
Amounts payable between 1 and 2 years	176,783	155,678	-	-
Amounts payable between 3 and 5 years	56,060	83,350	-	-
	<u>444,512</u>	<u>403,403</u>	<u>-</u>	<u>-</u>
Less interest and finance charges relating to future periods	(67,847)	(33,250)	-	-
	<u>376,665</u>	<u>370,153</u>	<u>-</u>	<u>-</u>

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN FIVE YEARS

Included within creditors are Bank loans amounting to £2,025,326 (2002 - £559,351) relating to amounts due after five years. The loans are repayable in quarterly instalments of £497,142. Interest is charged in arrears based on bank base rate plus a margin.

20 DEFERRED TAXATION

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
As at 1 April 2002	366,545	125,021	-	-
Increase in provision	78,868	241,524	-	-
As at 29 March 2003	<u>445,413</u>	<u>366,545</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	579,338	375,224	-	-
Other timing differences	(133,925)	(8,679)	-	-
	<u>445,413</u>	<u>366,545</u>	<u>-</u>	<u>-</u>

If the revalued assets were sold at the values stated in note 11 the estimated tax payable on that individual transaction would amount to £531,000. 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 29 March 2003

23 ACQUISITIONS

During the financial year, the Group purchased The Eye Clinic business from administration.

The consideration paid is as follows:

- (i) a cash sum of £7,500,000
- (ii) buyout of operating leases of £724,515

The fair value of the net assets acquired is shown below:

	Book value of Assets acquired	Operating Lease Buyout	Revaluation Adjustments	Fair value
	£	£	£	£
Tangible Fixed Assets	100,000	724,515	12,406,791	13,231,306
Stocks	250,000	-	(250,000)	-
Intangible Fixed Assets	7,150,000	-	-	7,150,000
Net Assets Acquired	<u>7,500,000</u>	<u>724,515</u>	<u>12,156,791</u>	<u>20,381,306</u>
Negative Goodwill				(12,406,791)
Net Assets Acquired				<u><u>8,224,515</u></u>
Satisfied by:				
Cash				7,500,000
Lease buyout				<u>724,515</u>
				<u><u>8,224,515</u></u>

A breakdown of the net assets re-valued has been detailed in note 11. The revaluation adjustment relates to the revised valuations of fixtures and fittings and equipment held by DCM Optical Clinic PLC. The valuation of the fixtures and fittings was carried out by Colliers CRE, Chartered Surveyors. The operating lease buyout adjustment relates to the purchase of leased assets used by The Eye Clinic business prior to acquisition. On acquisition, the leased assets were purchased from the leasing companies at this cost. The net intangible asset figure is £5,256,791 and has been detailed in note 10.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

24 RELATED PARTY TRANSACTIONS

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

Related Party	Relationship	Transaction	Amount	Balance due (to)/from at 29/3/03
			£	£
Mouldsdale Properties	Common control	Rents payable on properties owned by	(420,000)	(95,446)
		Rents paid on properties owned by	415,271	
		Payment received	(3,000)	
D Mouldsdale	Director	Payments on behalf of director	205,097	(632,466)
		Net bonus paid to	(322,707)	
		Loan advanced to group	(760,000)	
Cruach Capital Limited	Common control	Rents payable on equipment owned by	(267,900)	(44,650)
		Rents paid on equipment owned by	223,250	

25 SHARE CAPITAL

	2003 £	2002 £
Authorised:		
11,000 Ordinary shares of £1 each	11,000	11,000
Allotted, called up and fully paid:		
Ordinary share capital	10,000	10,000

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.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

26 RESERVES

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
As at 1 April 2002	442,424	1,874,892	5,898,910
Retained loss for the year	—	—	(11,553)
Other movements			
- transfer (to)/from revaluation reserve	—	(224,045)	224,045
As at 29 March 2003	<u>442,424</u>	<u>1,650,847</u>	<u>6,111,402</u>

Company	Share premium account £	Profit and loss account £
As at 1 April 2002	442,424	402,151
Loss for the year	—	(15,700)
As at 29 March 2003	<u>442,424</u>	<u>386,451</u>

27 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
(Loss)/Profit for the financial year	(11,553)	1,232,150
Opening shareholders' equity funds	<u>8,226,226</u>	<u>6,994,076</u>
Closing shareholders' equity funds	<u>8,214,673</u>	<u>8,226,226</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

28 NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit (after exceptional costs)	703,307	2,253,661
Amortisation	449,537	255,144
Depreciation	1,286,392	1,295,870
(Profit)/loss on disposal of fixed assets	(4,028)	1,542
Increase in stocks	(1,717,810)	(1,148,280)
Increase in debtors	(6,831,398)	(1,577,748)
Increase in creditors	7,124,523	1,470,358
Net cash inflow from operating activities	<u>1,010,523</u>	<u>2,550,547</u>

ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003	2002
	£	£
Interest received	68,225	27,635
Interest paid	(572,208)	(379,222)
Interest element of hire purchase	(28,467)	(60,910)
Net cash outflow from returns on investments and servicing of finance	<u>(532,450)</u>	<u>(412,497)</u>

TAXATION

	2003	2002
	£	£
Taxation	<u>(40,528)</u>	<u>(11,889)</u>

CAPITAL EXPENDITURE

	2003	2002
	£	£
Payments to acquire intangible fixed assets	(7,170,948)	(410,500)
Payments to acquire tangible fixed assets	(2,768,269)	(2,517,595)
Receipts from sale of fixed assets	263,125	87,291
Net cash outflow from capital expenditure	<u>(9,676,092)</u>	<u>(2,840,804)</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

28 NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

FINANCING

	2003	2002
	£	£
Increase in bank loans	6,776,195	774,300
Capital element of hire purchase	394,565	66,397
Net inflow/(outflow) from other long-term creditors	760,000	(285,333)
Net cash inflow from financing	<u>7,930,760</u>	<u>555,364</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£	£
(Decrease) in cash in the period	(1,307,787)	(159,279)
Net cash inflow from bank loans	(6,776,195)	(774,300)
Cash inflow in respect of hire purchase	(394,565)	(66,397)
Net cash (inflow) outflow from other long-term creditors	(760,000)	285,333
Change in net debt	<u>(9,238,547)</u>	<u>(714,643)</u>
Net debt at 1 April 2002	<u>(4,813,446)</u>	<u>(4,098,803)</u>
Net debt at 29 March 2003	<u>(14,051,993)</u>	<u>(4,813,446)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2002	Cash flows	At 29 Mar 2003
	£	£	£
Net cash:			
Cash in hand and at bank	701,683	8,914,971	9,616,654
Overdrafts	(497,600)	(10,222,758)	(10,720,358)
	<u>204,083</u>	<u>(1,307,787)</u>	<u>(1,103,704)</u>
Debt:			
Debt due within 1 year	(817,605)	(1,124,044)	(1,941,649)
Debt due after 1 year	(3,829,771)	(6,412,151)	(10,241,922)
Hire purchase agreements	(370,153)	(394,565)	(764,718)
	<u>(5,017,529)</u>	<u>(7,930,760)</u>	<u>(12,948,289)</u>
Net debt	<u>(4,813,446)</u>	<u>(9,238,547)</u>	<u>(14,051,993)</u>

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Bank of Scotland hold an unlimited inter company cross guarantee between the company, Optical Express Limited, DCM Optical Clinic PLC, Optical Express (Westfield) Limited, Optical Express (Southern) Limited, Optical Express (Gyle) Limited, Optical Express (Northern) Limited, Optical Express (Ayr) Limited, Optical Express (Aberdeen) Limited, Optical Express (Forge) Limited, Optical Express (Leith) Limited, Optical Express (Holdings) Limited, Optical Express (2001) Limited, Outclin Limited, Optical Express (Aftercare) Limited, Specialeyes Limited and The Frame Zone Limited which is supported by a bond and floating charge and debenture over the whole company assets.

DCM (Optical Holdings) Limited and Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

30 INVESTMENT IN SUBSIDIARY COMPANIES

NAME OF COMPANY	COUNTRY OF REGISTRATION	HOLDING	PROPORTION HELD
Optical Express Limited	Scotland	Ordinary Shares	100%
Optical Express (Northern) Limited	Scotland	Ordinary Shares	100%
Optical Express (Aberdeen) Limited	Scotland	Ordinary Shares	100%
Optical Express (Ayr) Limited	Scotland	Ordinary Shares	100%
Optical Express (2001) Limited	England	Ordinary Shares	100%
Optical Express (Forge) Limited	Scotland	Ordinary Shares	100%
Optical Express (Gyle) Limited	Scotland	Ordinary Shares	100%
Optical Express (Leith) Limited	Scotland	Ordinary Shares	100%
Optical Express (Westfield) Limited	England	Ordinary Shares	100%
Optical Express (Holdings) Limited	Scotland	Ordinary Shares	100%
Specialeyes Limited	Scotland	Ordinary Shares	100%
Outclin Limited	Scotland	Ordinary Shares	100%
Optical Express (Aftercare) Limited	Scotland	Ordinary Shares	100%
The Frame Zone Limited	Scotland	Ordinary Shares	100%
DCM Optical Clinic PLC	England	Ordinary Shares	99.9%

In addition to the above, Optical Express (Holdings) Limited holds 100% of the ordinary share capital of Optical Express (Southern) Limited, a company incorporated in England. All subsidiaries have been consolidated in these financial statements.