

# DCM (Optical Holdings) Limited and Subsidiaries

## FINANCIAL STATEMENTS

for the year ended

27 March 2004



# DCM (Optical Holdings) Limited and Subsidiaries

## OFFICERS AND PROFESSIONAL ADVISERS

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### DIRECTORS

D Mouldsdaie  
G Mouldsdaie  
J Stewart  
G Murdoch

### SECRETARY

G Murdoch

### REGISTERED OFFICE

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

### AUDITORS

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

# DCM (Optical Holdings) Limited and Subsidiaries

## DIRECTORS' REPORT

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The directors submit their report and financial statements of DCM (Optical Holdings) Limited and Subsidiaries for the year ended 27 March 2004.

### PRINCIPAL ACTIVITIES

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

Subsidiary	Principal activity
Optical Express (Holdings) Limited	Holding company
Optical Express (Southern) Limited	Opticians
Optical Express Limited	Opticians
Optical Express (Gyle) Limited	Opticians
DCM Optical Clinic Plc	Opticians
The Frame Zone Limited	Opticians
Optical Express (Westfield) Limited	Central buying agent
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

### REVIEW OF THE BUSINESS

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

The Optical Express business continues to make profits in line with previous years.

### 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

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### 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 27 March 2004	At 30 March 2003
D Mouldsdale	9,500	9,500
G Mouldsdale	—	—
J Stewart	—	—
G Murdoch	—	—

### FIXED ASSETS

In the opinion of the director's there is no significant difference between the present market value of the group's leasehold properties and the amounts at which they are stated in the accounts. Details are set out in note 10.

### DISABLED EMPLOYEES

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

### EMPLOYEES

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

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

### POLICY ON THE PAYMENT OF CREDITORS

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

### DONATIONS

During the year the company made the following contributions:

	2004	2003
	£	£
Charitable	<u>73,133</u>	<u>67,402</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## DIRECTORS' REPORT

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

On behalf of the board



D Moulds

Director

30/1/05

# DCM (Optical Holdings) Limited and Subsidiaries

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

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

We have audited the financial statements on pages 8 to 29

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 group's circumstances, consistently applied and adequately disclosed.

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 27 March 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

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

3. January 2005



# DCM (Optical Holdings) Limited and Subsidiaries

## GROUP PROFIT AND LOSS ACCOUNT

for the year ended 27 March 2004

	Notes	2004 £	2003 £
TURNOVER			
Continuing operations		76,237,662	60,886,393
Discontinued operations		–	3,314,057
GROUP TURNOVER		76,237,662	64,200,450
Cost of sales	1	(16,336,726)	(11,617,176)
Gross profit		59,900,936	52,583,274
Other operating expenses (net)	1	56,246,244	51,224,033
OPERATING PROFIT:	3		
Continuing operations		3,654,692	1,240,728
Discontinued operations		–	118,513
GROUP OPERATING PROFIT		3,654,692	1,359,241
Provision for cost of restructuring the company acquisitions		(958,082)	(655,934)
		2,696,610	703,307
Interest receivable		6,269	68,225
Interest payable and similar charges	6	(688,749)	(600,675)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,014,130	170,857
Taxation	7	784,526	182,410
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	8	1,229,604	(11,553)

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

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

**DCM (Optical Holdings) Limited and Subsidiaries**  
**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 27 March 2004

	2004 £	2003 £
Profit/(loss) for the financial year attributable to the shareholder of the parent company	1,229,604	(11,553)
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>1,229,604</u>	<u>12,395,238</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
for the year ended 27 March 2004

	2004 £	2003 £
Profit on ordinary activities before taxation	2,014,130	170,857
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>198,292</u>	<u>224,045</u>
Historical cost profit on ordinary activities before taxation	<u>2,212,442</u>	<u>394,902</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,427,896</u>	<u>212,492</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## GROUP BALANCE SHEET

27 March 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Intangible assets	9	(475,555)	(1,619,576)
Tangible assets	10	21,606,773	22,939,819
Investments	11	23,128	—
		<u>21,154,346</u>	<u>21,320,243</u>
<b>CURRENT ASSETS</b>			
Stocks	12	4,886,007	4,848,076
Debtors	13	16,784,983	12,183,500
Cash in hand		21,963	20,536
		<u>21,692,953</u>	<u>17,052,112</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	23,166,691	19,058,081
<b>NET CURRENT LIABILITIES</b>			
		<u>(1,473,738)</u>	<u>(2,005,969)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>19,680,608</u>	<u>19,314,274</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	9,587,498	10,654,188
		<u>10,093,110</u>	<u>8,660,086</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	19	648,833	445,413
		<u>9,444,277</u>	<u>8,214,673</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	23	10,000	10,000
Share premium account		442,424	442,424
Revaluation reserve	24	1,451,410	1,650,847
Profit and loss account	24	7,540,443	6,111,402
<b>SHAREHOLDERS FUNDS</b>			
	25	<u>9,444,277</u>	<u>8,214,673</u>

These financial statements were approved by the directors on the 30/1/05..... and are signed on their behalf by:



.....  
D Mouldsdales

# DCM (Optical Holdings) Limited

## BALANCE SHEET

27 March 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Intangible assets	9	28,000	29,750
Investments	11	98,083	74,955
		<u>126,083</u>	<u>104,705</u>
<b>CURRENT ASSETS</b>			
Debtors	13	7,989,812	6,919,756
Cash at bank		4,999,285	6,548,446
		<u>12,989,097</u>	<u>13,468,202</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	2,933,029	2,492,110
<b>NET CURRENT ASSETS</b>		<u>10,056,068</u>	<u>10,976,092</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,182,151</u>	<u>11,080,797</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	9,294,559	10,241,922
		<u>887,592</u>	<u>838,875</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	23	10,000	10,000
Share premium account		442,424	442,424
Profit and loss account	24	435,168	386,451
<b>SHAREHOLDERS FUNDS</b>		<u>887,592</u>	<u>838,875</u>

These financial statements were approved by the directors on the 30/1/05 and are signed on their behalf by:



.....  
D Moulds

# DCM (Optical Holdings) Limited and Subsidiaries

## GROUP CASH FLOW

for the year ended 27 March 2004

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	<i>Notes</i>	2004 £	2003 £
Net cash flow from operating activities	26	1,562,110	1,010,523
Returns on investments and servicing of finance	26	(682,480)	(532,450)
Taxation	26	(307,621)	(40,528)
Capital expenditure and financial investment	26	(1,979,247)	(9,676,092)
CASH OUTFLOW BEFORE FINANCING		<u>(1,407,238)</u>	<u>(9,238,547)</u>
Financing	26	(932,280)	7,930,760
DECREASE IN CASH IN THE PERIOD	26	<u>(2,339,518)</u>	<u>(1,307,787)</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## ACCOUNTING POLICIES

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### 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

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### 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 groups 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.

# DCM (Optical Holdings) Limited and Subsidiaries

## ACCOUNTING POLICIES

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### 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 27 March 2004

### 1 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations £	Discontinued Operations £	Total £
Year ended 27 March 2004			
Cost of sales	<u>16,336,726</u>	<u>-</u>	<u>16,336,726</u>
Administrative expenses	56,426,459	-	56,426,459
Other operating income (Note 2)	<u>(180,215)</u>	<u>-</u>	<u>(180,215)</u>
Net operating expenses	<u>56,246,244</u>	<u>-</u>	<u>56,246,244</u>
Year ended 29 March 2003			
Cost of sales	<u>11,471,035</u>	<u>146,141</u>	<u>11,617,176</u>
Administrative expenses	48,298,065	3,049,403	51,347,468
Other operating income (Note 2)	<u>(123,435)</u>	<u>-</u>	<u>(123,435)</u>
Net operating expenses	<u>48,174,630</u>	<u>3,049,403</u>	<u>51,224,033</u>

### 2 OTHER OPERATING INCOME

	2004 £	2003 £
Rent receivable	<u>180,215</u>	<u>123,435</u>

### 3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Amortisation	(1,144,021)	449,537
Depreciation of owned fixed assets	3,083,243	1,205,029
Depreciation of assets held under hire purchase agreements	151,626	81,363
Loss/(Profit) on disposal of fixed assets	54,296	(4,028)
Auditors' remuneration		
- as auditors	49,722	55,726
Operating lease costs:		
Land and buildings	11,021,138	9,235,179
Plant and equipment	107,497	313,622
Exceptional items - Dilapidation costs	156,564	-
Exceptional Items - Redundancy costs	<u>58,034</u>	<u>-</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 4 PARTICULARS OF EMPLOYEES

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

	2004	2003
	No	No
Production staff	139	159
Office and management	198	163
Other	1,235	1,377
	<u>1,572</u>	<u>1,699</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	26,684,580	25,353,906
Social security costs	2,434,723	1,664,504
Other pension costs	72,385	138,651
	<u>29,191,688</u>	<u>27,157,061</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:

	2004	2003
	£	£
Emoluments receivable	<u>346,287</u>	<u>436,301</u>

Emoluments of highest paid director:

	2004	2003
	£	£
Total emoluments (excluding pension contributions):	<u>256,450</u>	<u>222,047</u>

Emoluments receivable, as above, include Benefits In Kind.

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank borrowing	573,342	550,370
Finance charges	48,635	28,467
Other similar charges payable	66,772	21,838
	<u>688,749</u>	<u>600,675</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 -30%)	590,205	131,012
(Over) provision in prior year	(9,099)	(27,470)
Total current tax	581,106	103,542
Deferred tax:		
Increase in deferred tax provision (note 19)		
Originating and reversal of timing differences	203,420	78,868
Tax on profit on ordinary activities	784,526	182,410

#### (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 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	2,014,130	170,857
Add back : Goodwill amortised (on consolidation)	242,910	242,910
	2,257,040	413,767
Profit on ordinary activities multiplied by rate of tax	677,112	124,141
Expenses not deductible for tax purposes	143,125	95,606
Depreciation in excess of capital allowances	(164,652)	(208,305)
Other timing differences	(2,182)	11,412
Others	5,067	(229)
Adjustments in respect of previous periods	(9,099)	(27,470)
Tax losses	(68,265)	40,043
Accounting loss on chargeable assets	—	68,344
Total current tax	581,106	103,542

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 £287,425 (2003: £196,781).

### 8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £48,717 (2003 - £(15,700)).

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 9 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Negative Goodwill £	Customer Database & Lease Premiums £	Total £
Cost				
At 30 March 2003 and 27 March 2004	<u>5,372,707</u>	<u>(12,406,791)</u>	<u>7,162,500</u>	<u>128,416</u>
Amortisation				
At 30 March 2003	1,564,199	-	183,793	1,747,992
Charge for the year	<u>270,841</u>	<u>(1,773,060)</u>	<u>358,198</u>	<u>(1,144,021)</u>
At 27 March 2004	<u>1,835,040</u>	<u>(1,773,060)</u>	<u>541,991</u>	<u>603,971</u>
Net book value				
At 27 March 2004	<u>3,537,667</u>	<u>(10,633,731)</u>	<u>6,620,509</u>	<u>(475,555)</u>
At 29 March 2003	<u>3,808,508</u>	<u>(12,406,791)</u>	<u>6,978,707</u>	<u>(1,619,576)</u>
Company				Goodwill £
Cost				
At 30 March 2003 and 27 March 2004				<u>35,000</u>
Amortisation				
At 30 March 2003				5,250
Charge for the year				<u>1,750</u>
At 27 March 2004				<u>7,000</u>
Net book value				
At 27 March 2004				<u>28,000</u>
At 29 March 2003				<u>29,750</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 10 TANGIBLE FIXED ASSETS

Group	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Short Leasehold Properties & Improvements £	Total £
Cost or valuation					
At 30 March 2003	10,284,645	15,615,516	900,335	2,615,244	29,415,740
Additions	897,724	729,877	348,282	153,654	2,129,537
Disposals	(11,427)	(100,220)	(237,198)	(18,402)	(367,247)
Transfers	(95,000)	95,000	—	—	—
At 27 March 2004	<u>11,075,942</u>	<u>16,340,173</u>	<u>1,011,419</u>	<u>2,750,496</u>	<u>31,178,030</u>
Depreciation					
At 30 March 2003	2,721,270	2,497,299	412,126	845,226	6,475,921
Charge for the year	847,077	2,051,214	123,846	212,732	3,234,869
On disposals	(2,593)	(46,046)	(75,165)	(15,729)	(139,533)
At 27 March 2004	<u>3,565,754</u>	<u>4,502,467</u>	<u>460,807</u>	<u>1,042,229</u>	<u>9,571,257</u>
Net book value					
At 27 March 2004	<u>7,510,188</u>	<u>11,837,706</u>	<u>550,612</u>	<u>1,708,267</u>	<u>21,606,773</u>
At 29 March 2003	<u>7,563,375</u>	<u>13,118,217</u>	<u>488,209</u>	<u>1,770,018</u>	<u>22,939,819</u>

#### Hire purchase agreements

Included within the net book value of £21,606,773 is £1,238,770 (2003 - £860,247) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £151,626 (2003 - £81,363).

#### Assets held at valuation

The leasehold properties were revalued to £2,552,481 in March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the short leasehold properties is £859,293 (2003 - £831,853). The directors have not updated the valuation on the basis that there has been no material change in value.

#### Capital commitments

	2004 £	2003 £
Contracted but not provided for in the financial statements	<u>458,313</u>	<u>—</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 11 INVESTMENTS

Group	Listed Investments
	£
Cost	
Additions	23,128
At 27 March 2004	<u>23,128</u>
Net book value	
At 27 March 2004	<u>23,128</u>

Company	Group companies	Listed Investments	Total
	£	£	£
Cost			
At 30 March 2003	74,955	—	74,955
Additions	—	23,128	23,128
At 27 March 2004	<u>74,955</u>	<u>23,128</u>	<u>98,083</u>
Net book value			
At 27 March 2004	<u>74,955</u>	<u>23,128</u>	<u>98,083</u>
At 29 March 2003	<u>74,955</u>	—	<u>74,955</u>

### 12 STOCKS

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Stock	<u>4,886,007</u>	<u>4,848,076</u>	—	—

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 13 DEBTORS

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Trade debtors	8,676,605	5,905,516	–	–
Amounts owed by group undertakings	–	–	7,816,267	6,898,608
VAT recoverable	2,545,166	1,731,484	21,146	21,146
Other debtors	1,497,107	885,085	152,399	2
Prepayments and accrued income	4,066,105	3,661,415	–	–
	<u>16,784,983</u>	<u>12,183,500</u>	<u>7,989,812</u>	<u>6,919,756</u>

### 14 CREDITORS amounts falling due within one year

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Bank loans and overdrafts	5,406,834	3,065,889	1,941,649	1,941,649
Trade creditors	10,292,824	8,603,032	–	–
Amounts owed to group undertakings	–	–	976,082	525,731
Hire purchase agreements	486,862	352,452	–	–
Corporation tax	720,665	447,170	–	–
PAYE and social security	1,611,609	2,144,996	–	–
Other creditors	2,493,690	2,120,751	3,998	12,556
Accruals and deferred income	2,154,207	2,323,791	11,300	12,174
	<u>23,166,691</u>	<u>19,058,081</u>	<u>2,933,029</u>	<u>2,492,110</u>

### 15 CREDITORS amounts falling due after more than one year

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Bank loans and overdrafts	8,534,559	9,481,922	8,534,559	9,481,922
Hire purchase agreements	292,939	412,266	–	–
Other creditors	760,000	760,000	760,000	760,000
	<u>9,587,498</u>	<u>10,654,188</u>	<u>9,294,559</u>	<u>10,241,922</u>

The Bank of Scotland holds a bond, floating charge and debenture over the assets of each group company, an assignation of Keyman Insurance and a personal guarantee by D Mouldsle in its favour on account of the obligations of each group company supported by equity in properties.

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 16 CREDITORS - CAPITAL INSTRUMENTS

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

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	1,941,649	1,941,649	1,941,649	1,941,649
In more than one year but not more than two years	1,941,649	1,941,649	1,941,649	1,941,649
In more than two years but not more than five years	5,172,849	5,514,947	5,172,849	5,514,947
In more than five years	1,420,061	2,025,326	1,420,061	2,025,326
	<u>10,476,208</u>	<u>11,423,571</u>	<u>10,476,208</u>	<u>11,423,571</u>

### 17 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Amounts payable within 1 year	531,220	385,459	-	-
Amounts payable between 1 and 2 years	267,477	350,573	-	-
Amounts payable between 3 and 5 years	52,928	96,533	-	-
	<u>851,625</u>	<u>832,565</u>	<u>-</u>	<u>-</u>
Less interest and finance charges relating to future periods	(71,824)	(67,847)	-	-
	<u>779,801</u>	<u>764,718</u>	<u>-</u>	<u>-</u>

### 18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN FIVE YEARS

Included within creditors are Bank loans amounting to £1,420,061 (2003 - £2,025,326) 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.



# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 19 DEFERRED TAXATION

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Provision brought forward	445,413	366,545	—	—
Increase in provision	203,420	78,868	—	—
Provision carried forward	<u>648,833</u>	<u>445,413</u>	<u>—</u>	<u>—</u>

  

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	711,534	579,338	—	—
Other timing differences	(62,701)	(133,925)	—	—
	<u>648,833</u>	<u>445,413</u>	<u>—</u>	<u>—</u>

If the revalued assets were sold at the values stated in note 7 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.

### 20 COMMITMENTS UNDER OPERATING LEASES

At 27 March 2004 the group had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land and buildings	Other items	Land and Buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	110,604	—	472,643	4,288
Within 2 to 5 years	1,742,742	646,584	1,287,002	10,084
After more than 5 years	9,121,030	3,800	8,876,634	5,000
	<u>10,974,376</u>	<u>650,384</u>	<u>10,636,279</u>	<u>19,372</u>

### 21 CONTINGENCIES

Employee share participation plan

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

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

The potential awards are limited to 2% of the potential value of the company at the outcome of these events subject to that value being greater than £40 million. The liability is not quantifiable at this time.

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 22 RELATED PARTY TRANSACTIONS

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

Related Party	Relationship	Transaction	Amount	Balance due from/(to) at 27/3/04
			£	£
Moulsdale Properties	Common control	Rents payable on properties owned personally	(372,000)	Nil
		Rents paid on properties owned personally	375,417	Nil
DCM Laser Clinic Ltd	Common Control	Expenses paid on behalf of	3,696,921	3,696,921
Matland Ltd	Common Control	Expenses paid on behalf of	298,061	246,548
		Management charges levied	120,000	Nil
		Monies received by	(268,371)	Nil
Only Kids Ltd	Common Control	Expenses paid on behalf of	180,143	180,143
D Moulsdale	Director	Payments on behalf of director	97,876	(670,682)
Cruach Capital Limited	Common control	Rents payable on equipment owned by	44,650	Nil

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

Moulsdale Properties	Common control	Rents payable on properties owned personally	(420,000)	(3,417)
		Rents paid on properties owned personally	419,208	Nil
Matland Ltd Ltd	Common Control	Expenses paid on behalf of	266,758	96,950
		Monies received by	(169,808)	Nil
D Moulsdale	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	

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 23 SHARE CAPITAL

	2004 £	2003 £
Authorised:		
11,000 Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>
	2004 £	2003 £
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.

### 24 RESERVES

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	442,424	1,650,847	6,111,402
Retained profit for the year	–	–	1,229,604
Other movements			
- transfer from revaluation reserve	–	(199,437)	199,437
Balance carried forward	<u>442,424</u>	<u>1,451,410</u>	<u>7,540,443</u>
Company		Share premium account £	Profit and loss account £
Balance brought forward		442,424	386,451
Retained profit for the year		–	48,717
Balance carried forward		<u>442,424</u>	<u>435,168</u>

### 25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2004 £	2003 £
Profit/(loss) for the financial year	1,229,604	(11,553)
Opening shareholders equity funds	<u>8,214,673</u>	<u>8,226,226</u>
Closing shareholders equity funds	<u>9,444,277</u>	<u>8,214,673</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 26 CASH FLOWS

Reconciliation of operating profit to net cash inflow from operating activities

	2004	2003
	£	£
Operating profit including exceptional items	2,696,610	703,307
Amortisation	(1,144,021)	449,537
Depreciation	3,234,869	1,286,392
Loss/(profit) on disposal of fixed assets	54,296	(4,028)
Increase in stocks	(37,931)	(1,717,810)
Increase in debtors	(4,601,483)	(6,831,398)
Increase in creditors	1,359,760	7,124,523
Net cash inflow from operating activities	<u>1,562,110</u>	<u>1,010,523</u>

### ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW

Returns on investment and servicing of finance

	2004	2003
	£	£
Interest received	6,269	68,225
Interest paid	(640,114)	(572,208)
Interest element of hire purchase	(48,635)	(28,467)
Net cash outflow from returns on investments and servicing of finance	<u>(682,480)</u>	<u>(532,450)</u>

Taxation

	2004	2003
	£	£
Taxation	<u>(307,621)</u>	<u>(40,528)</u>

Capital expenditure and financial investment

	2004	2003
	£	£
Payments to acquire intangible fixed assets	–	(7,170,948)
Payments to acquire tangible fixed assets	(2,129,537)	(2,768,269)
Receipts from sale of fixed assets	173,418	263,125
Acquisition of investments	(23,128)	–
Net cash outflow for capital expenditure and financial investment	<u>(1,979,247)</u>	<u>(9,676,092)</u>

Financing

	2004	2003
	£	£
Repayment of bank loans	(947,363)	6,776,195
Capital element of hire purchase	15,083	394,565
Net inflow from other long-term creditors	–	760,000
Net cash (outflow)/inflow from financing	<u>(932,280)</u>	<u>7,930,760</u>

# DCM (Optical Holdings) Limited and Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 March 2004

### 26 CASH FLOWS *(continued)*

#### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004	2003
	£	£
Decrease in cash in the period	(2,339,518)	(1,307,787)
Net cash outflow/(inflow) from bank loans	947,363	(6,776,195)
Cash inflow in respect of hire purchase	(15,083)	(394,565)
Net cash inflow from other long-term creditors	—	(760,000)
CHANGE IN NET DEBT	(1,407,238)	(9,238,547)
NET DEBT AT 30 March 2003	(14,051,993)	(4,813,446)
NET DEBT AT 27 March 2004	(15,459,231)	(14,051,993)

#### ANALYSIS OF NET DEBT

	At 30 Mar 2003	Cash flows	At 27 Mar 2004
	£	£	£
Cash in hand and at bank	9,616,654	(2,462,047)	7,154,607
Overdrafts	(10,720,358)	122,529	(10,597,829)
	(1,103,704)	(2,339,518)	(3,443,222)
Debt due within 1 year	(1,941,649)	—	(1,941,649)
Debt due after 1 year	(10,241,922)	947,363	(9,294,559)
Hire purchase agreements	(764,718)	(15,083)	(779,801)
	(12,948,289)	932,280	(12,016,009)
Total	(14,051,993)	(1,407,238)	(15,459,231)

### 27 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Bank of Scotland hold an unlimited inter company cross guarantee between the company, Optical Express Limited, 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, The Frame Zone Limited, DCM Optical Clinic plc and DCM Laser Clinic 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 27 March 2004

### 28 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	Scotland	Ordinary Shares	100%
DCM Optical Clinic Plc	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	Scotland	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 Framezone Limited	Scotland	Ordinary Shares	100%

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

### 29 POST BALANCE SHEET EVENTS

In November 2004 the group acquired the trade and assets of the Boots Laser Eye Correction Business.