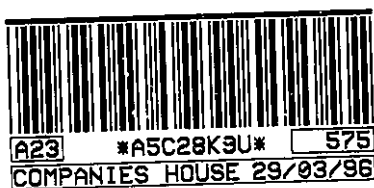


**SPECIALEYES PLC**

Report and Financial Statements

25 November 1995



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**FINANCIAL HIGHLIGHTS**

	52 weeks to 25 November 1995 Before Exceptional Items	52 weeks to 25 November 1995 After Exceptional Items	52 weeks to 26 November 1994
	£'000	£'000	£'000
Turnover	21,798	21,798	20,421
Profit / (Loss) on ordinary activities before taxation	312	7,839	( 788 )
Earnings / (Loss) per share		33.45p	( 5.09p )

**CHAIRMAN'S STATEMENT**

I am delighted to be able to report that the result for the year ending on the 25th November 1995 was a profit before tax of £7,839,000 (1994 loss of £788,000). Before exceptional items the profit before tax was £312,000 on turnover of £21,798,000 (1994 £20,421,000). After taking account of the conversion of £436,561 of Loan Stock during the year, earnings per share were 33.45p (1994 loss 5.09p).

At the time of the Interim Report we had not concluded our discussions with Customs & Excise over our claim for overpaid VAT on the dispensing of spectacles and the method of VAT apportionment we would now apply. I can now inform Shareholders that we have satisfactorily concluded both these matters and the accounts have been prepared and audited on the basis of the agreed refund and level of exempt apportionment. Shareholders will be pleased to know that since the year end we have received payment of the overpaid VAT, and are awaiting payment of statutory interest. The Group is currently examining, with its advisers, the possibility of a further claim for overpaid VAT on the dispensing of contact lenses, as well as reimbursement for the costs incurred in pursuance of its successful claim. Shareholders can be assured we will strenuously pursue these claims.

A key policy of the Board is to ensure the Group provides Shareholders with an adequate return on their investment, as well as achieving dividend growth over the coming years. Our first step towards these aims is to recommend a final dividend of 0.75p a share which will be paid on the 26th April 1996.

The Board considers that Shareholders should be offered a Scrip Dividend alternative and is seeking approval for this at the AGM. A Scrip Dividend enables Shareholders to acquire additional Ordinary Shares in a simple manner without incurring dealing expenses. The Group, and therefore Shareholders, benefits from the retention of funds and from a reduction in Advance Corporation Tax (ACT).

For the first time in many years the Group has the financial resources to develop its existing optical stores whilst at the same time expand by opening new stores. The development of the Group into better located and more cost effective stores is especially important as competition in the High Street continues to be intense. The reduction in interest rates over the past year, whilst welcomed, has not yet brought back the so-called "feel-good factor" to consumer spending, although the tax cuts announced in the November Budget will help improve the level of retail sales.

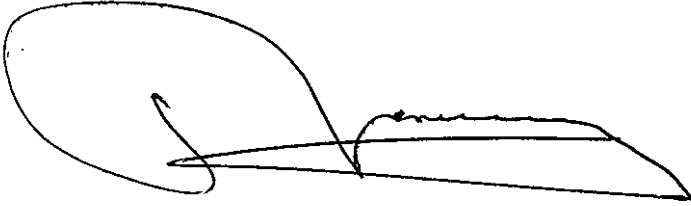
Since the year end we have completed the total refurbishment of our premier store in the Sheffield Meadowhall shopping centre and doubled its size. However the major refurbishment of a large part of our chain of stores cannot be carried out without a certain amount of disruption and a consequential reduction in sales. The loss of sales will be felt mostly during the first half of the year, with the benefits of the major refurbishments and new stores coming through in the second half. In his accompanying Managing Director's Statement, Mark Raines reports in more detail about the actions the Group has taken during the year to develop our chain of stores and to promote the Specialeyes brand.

Brian Smith, who was appointed a Director in 1992, has taken the decision to retire from the Board on 31 March 1996. Brian's contribution has been invaluable as he has been responsible for the successful implementation of our retail computer system, as well as over-seeing the improvements in our product range. We wish him well in his retirement. Shareholders may like to know I am reviewing the composition of the Board with the intention of appointing another Non-Executive Director, as well as strengthening the Executive team.

At the end of 1996 the Unlisted Securities Market will no longer exist, and after careful consideration of the alternatives, we have decided to apply for both the Ordinary Shares and the Unsecured Convertible Loan Stock to be admitted to the Official List of The London Stock Exchange. We are of the opinion that a full listing will help the Group in its development and that we should take advantage of the special transfer arrangements available at this time for USM companies to move to a full listing at a greatly reduced cost.

**CHAIRMAN'S STATEMENT**

On behalf of the Directors I would like to thank our staff for their dedication, hard work and professionalism, which enables us to look forward to a promising future for the Group.

A handwritten signature in black ink, appearing to read 'Tim Franey', with a large, sweeping loop at the beginning and a horizontal stroke extending to the right.

Tim Franey  
CHAIRMAN  
29 February 1996

## **MANAGING DIRECTOR'S STATEMENT**

I would like to take this opportunity to explain some of the actions we have taken during 1995 which will allow the Group to prosper in the coming years. I believe there are three key areas to our retail operation which can be headed: People, Product and Presentation.

### **People**

We consider our staff to be the most important asset of our business. Optical retail requires all our staff, both professionally qualified and non-qualified, to be trained to the highest standards. In Specialeyes we have a team who are dedicated, highly professional in their approach and, most importantly, customer orientated. Our staff training is built around the two central elements of providing professional eye care, with the very best in customer service. Our Human Resources department has a structured and rigorous training programme in which all our employees participate. To ensure that communication with our staff is rapid and up to date, we send weekly news bulletins to all the stores, as well as producing a quarterly in-house magazine. The photos of our staff, in this annual report, show them wearing the newly designed staff uniforms, which are being introduced into all our stores during the next few months. This is one aspect of our commitment to ensure our staff are the best in optical retailing.

We are keen to provide our employees with opportunities for promotion whilst providing a worthwhile career in optics. Three of our managers, at Milton Keynes, Birmingham and Ayr, have been selected for our Partnership Programme. This is the first step towards our aim of having Specialeyes franchises, which will allow ambitious members of our team to have an investment in our growing business.

### **Product**

Under the direction of our Merchandising Director Brian Smith and Manager David Hinds, we have been working hard to expand our product range, especially in the variety of frames we offer, as well as developing our contact lens customer base. For contact lens wearers, our Frequent Lens Replacement Scheme, where payment is by monthly standing order or direct debit, is one of the most competitive in the market place. Last summer we introduced a new range of sunglasses which were very popular and this year we are extending the range to cater especially for the design conscious customer.

Our central warehouse, under Mike Williamson and our laboratory under Les Coote, provide our stores with a highly efficient stocking and lens manufacturing service. As both these operations are totally under our control we are able to provide our stores with a reliable and rapid re-stocking service of frames and lenses as well as individual customer orders for specialist products such as bifocals and varifocals.

### **Presentation**

In October Clive Copeman, our Northern Regional Director, was promoted to Group Operations Director. He has been responsible for overseeing the programme, which started during 1995, to refurbish the entire chain of stores. At the same time the IT function, headed by Tim Daniels, has continued to roll out our computer system, which has enabled us to centralise many of our operations. We now mail all of our customers from Head Office, and from our very large database we can quickly communicate with our customers to inform them of their eye test requirements as well as letting them know about any special promotions and offers. By the middle of this year we intend to have completed the computerisation of the stores as well as the majority of store refurbishments.

Now that computerisation of the chain is nearly complete the IT team, and the Financial Department under the direction of Roger Price, are working on system developments to improve stock and margin control, and to move towards electronic trading with our suppliers.

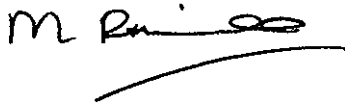
## MANAGING DIRECTOR'S STATEMENT

During the last financial year we opened a new store, in Wimbledon, South London. Two stores moved into prime high street locations in Hull and Chester, and in December we moved our Brighton store to a much larger site in Western Road. We intend to open several more new stores in the next few months, but only when we can site them in prime locations at an acceptable level of rent. Reading and High Wycombe, which are due to open in March, satisfy these criteria.

Our Marketing Department, headed by Keith Willis, has produced highly individual and eye-catching point-of-sale display material which, combined with the up-grading of our stores, has resulted in a brighter and more welcoming environment for our customers. During the year we started to introduce a complete range of technical information literature to help our customers understand optics and the benefits gained from regular eye testing.

### The Future

1995 has been a year of considerable change and development. We have laid the foundations which will enable us to develop the Group as our Shareholders would wish. The refurbishment and new store programmes combined with our dedicated and professional staff allows us to look to the future with confidence. 1996 will be a challenging year in Optical retailing. I am sure Specialeyes will rise to the challenge.

A handwritten signature in dark ink, appearing to read 'M Raines', with a long horizontal flourish extending to the right.

Mark Raines  
Managing Director  
29 February 1996

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

T Franey FIMI	(Chairman)
M Raines BSc(Hons) FBCO	(Managing)
R C Price FCA	(Finance)
B D Smith	(Buying and Marketing)

**MEMBERS OF THE MANAGEMENT BOARD**

C Copeman FBDO	(Operations Director)
T Daniels	(Head of Systems)
D Hinds BSc(Hons)	(Product Controller)
K Willis BSc(Hons)	(Marketing Manager)

**SECRETARY**

R C Price FCA

**REGIONAL OPERATIONAL DIRECTORS**

N McLeod  
D Markham  
R Mulholland  
A Paterson

**REGISTERED OFFICE**

Lyon Way  
Greenford  
Middlesex UB6 0BN

**BANKERS**

Barclays Bank PLC  
Strand Business Centre  
Burleigh House  
P.O. Box No 90  
357 Strand  
London WC2R 0NX

**REGISTRARS**

Barclays Registrars Group  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**SOLICITORS**

Lawrence Graham  
190 Strand  
London WC2R 1JN

Barnett Alexander Chart  
60 Grays Inn Road  
London WC1X 8LT

**BROKERS**

Charles Stanley & Co Ltd  
25 Luke Street  
London EC2R 4AR

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR



## **THE BOARD OF DIRECTORS**

**Tim Franey** (Chairman, and Chairman of the Audit and Remuneration Committees), aged 49, was appointed a Director on 23 June 1993. Amongst his current activities he is a Non-Executive Director of Quicks Group PLC.

**Mark Raines** (Managing Director), aged 38, a qualified Ophthalmic Optician, was appointed a Director on 4 March 1992. Previously he was Operations Director of George Davis Opticians Limited from 1982 to 1987. Thereafter, he held the same position with First Sight Opticians, a subsidiary of Dolland & Aitchison. On 18 May 1993 he was appointed Managing Director.

**Brian Smith** (Buying and Marketing Director), aged 55, was appointed as a Director on 21 October 1992. Previously he was Buying Director of Mothercare Limited and BHS Ltd. He has spent all of his career in high street retailing, including 18 years with the Littlewoods Organisation. He will be retiring from the Board on 31 March 1996.

**Roger Price** (Finance Director, and member of the Audit Committee), aged 48, was appointed a Director on 3 May 1994. For the last nine years he has been Finance Director of various retail organisations, and has a career background in retailing including 17 years with Burton Group plc.

## DIRECTORS' REPORT

The Directors submit their report and the financial statements of the Company and of the Group for the 52 weeks ended 25 November 1995.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Group is that of optical retailers. A review of the business and its prospects is set out in the Chairman's Statement on pages 2 and 3. The results of the Group for the 52 weeks ended 25 November 1995 were as follows:

	52 weeks to 25 November 1995 Before Exceptional Items £'000	52 weeks to 25 November 1995 After Exceptional Items £'000	52 weeks to 26 November 1994 £'000
Turnover	21,798	21,798	20,421
Operating profit/(loss)	190	6,154	( 593 )
Interest receivable	275	1,838	19
Interest payable	( 153 )	( 153 )	( 214 )
Profit/(Loss) on ordinary activities	312	7,839	( 788 )
Taxation charge		( 1,902 )	( 5 )
Profit after taxation		5,937	( 793 )
Dividend		( 150 )	-
Retained profit/(loss)		5,787	( 793 )

### DIVIDENDS

The Directors propose to pay a dividend of 0.75p a share, payable on 26th April 1996.

### GOING CONCERN

The Directors consider that, after making enquiries, the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in the current accounts.

### SHARE CAPITAL

During the year 4,365,610 2 pence ordinary shares were issued as a result of holders of £436,561 of 10 per cent convertible loan stock exercising their option to convert into ordinary shares at the rate of 10 ordinary shares per 100 pence nominal value of loan stock. Further details are included in note 14.

### FIXED ASSETS

Movements in tangible fixed assets are shown in note 9 to the financial statements.

### CHAIRMAN AND DIRECTORS

The current Directors of the Company are shown on page 6. The only change during the year was as a result of the death on 10 May 1995 of Mr J.F.Power. Mr B D Smith retires by rotation but has decided not to stand for re-election.

**DIRECTORS' REPORT (Continued)****DIRECTORS' INTERESTS**

The interests in the shares of the Company of the Directors and their families are shown below:

	At 25 November 1995			At 26 November 1994		
	Number of ordinary shares	Number of share options	Loan stock £	Number of ordinary shares	Number of share options	Loan stock £
T Franey	4,845,000	-	-	1,710,000	-	313,500
T Franey (as trustee)	500,000	-	-	-	-	50,000
M Raines	300,000	175,000	-	-	175,000	30,000
R C Price	-	175,000	-	-	175,000	-
B D Smith	300,000	175,000	-	-	175,000	30,000

None of the Directors had any interests in any other Group companies.

Since the year end there have been no changes in the above interests.

Further details of the Directors' share options are given in note 17.

**SUBSTANTIAL INTERESTS**

At the date of this report, the only holdings which amount to more than three per cent of the ordinary share capital of the Company, other than those interests stated in the paragraph above headed "Director's Interests" are as follows:

	No. of ordinary shares	Percentage of issued share capital
The Marquis of Northampton	2,051,872	10.27
M Goldstone	1,521,572	7.61
Mars UK Pension Fund	629,551	3.15

**SERVICE AGREEMENTS**

The following Directors have service agreements with the Company:

	Commencement date	Expiry date
M Raines	4 March 1992	31 March 1997, thereafter on 12 months' notice
B D Smith	21 October 1992	On 12 months' notice
R C Price	3 May 1994	On 12 months' notice

**DIRECTORS' INTEREST IN CONTRACTS**

No director had, directly or indirectly, any material interest in any contract significant to the Group's business during the year under review.

**DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE**

The Group has in place Directors' and Officers' indemnity insurance.

**DIRECTORS' REPORT (Continued)****EMPLOYEES**

The weekly average number of employees (excluding Directors but including part time staff) of the Group (in the United Kingdom) during the year was 433 (1994 - 467) and their aggregate remuneration was £5,417,000 (1994 - £5,656,000). Employees are encouraged to become aware of, and involve themselves in, the performance of the Group. Communications with employees individually is achieved through a weekly in-house newsletter, a quarterly magazine, and regular training sessions. Employees' views are taken into account when making decisions that affect their interests, and they are encouraged to be associated with the Group's performance through various incentive schemes.

**EMPLOYMENT OF DISABLED PERSONS**

Suitable procedures are in place to support the Group's policy that disabled persons (whether registered or not) shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities, and this policy also applies to employees who become disabled.

**DONATIONS**

The Group made no charitable donations in 1995 (1994 - £nil). There were no donations for political purposes (1994 - £nil).

**TAX STATUS**

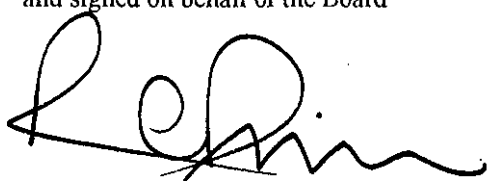
The Directors are advised that the Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

**AUDITORS**

On 1 February 1996 our Auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name.

A resolution for the re-appointment of Deloitte & Touche as auditors of the Company and the Group is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



R C Price  
Secretary  
29 February 1996

## CORPORATE GOVERNANCE

### STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Group complied with all the operative provisions of 'The Code of Best Practice' issued by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) during the year, to the extent that the relevant guidance for Directors has come into effect, with the exception of the composition of the audit committee.

Paragraph 4.3 of The Code of Best Practice requires that the Board should establish an audit committee of at least three non-executive Directors but at the current time the Group only has one non-executive director, subsequent to the death of Jim Power. The Board believes that for a Group of this size, the requirement for there to be a strong independent element on the Board would be satisfied by two non-executives who should comprise the audit committee, and steps are in hand to appoint a suitable second non-executive director. This will comply with the recommendations set out in 'The Financial Aspects of Corporate Governance: Guidance for Smaller Companies' issued by the City Group for Smaller Companies. During 1995 the Audit Committee has met as necessary during the year.

The composition of the Board will be reviewed on an annual basis in the light of any change in circumstances of the Group that may warrant further non-executive representation.

### THE BOARD OF DIRECTORS

The Board comprises three executive Directors and one non-executive director, with a clear separation of the roles of Chairman and Managing Director. The Board meets at least twelve times a year to approve the long-term objectives and strategies and to provide overall financial and organisational control. The implementation of Board policy and the day-to-day management of the Group is delegated to the Managing Director, supported by the Executive Committee.

The non-executive chairman performs an essential role by monitoring the performance of the Group and the executive management, and chairs the Audit and Remuneration Committees.

The Audit Committee co-opts financial executives of the Group and meets at least three times a year and carries out its roles and duties broadly in line with the terms of reference suggested by the Committee on the Financial Aspects of Corporate Governance. The Company's auditors also attend for part or the whole of each meeting.

The Remuneration Committee meets to consider the remuneration packages of the executive Directors.

### INTERNAL CONTROL

The guidance for Directors on reporting on internal control was issued in December 1994 and applies to accounting periods beginning on or after 1 January 1995. The Directors acknowledge that they are responsible for the Group's system of internal control but note that a system can provide only reasonable and not absolute assurance against misstatement or loss. The Directors will report in full on compliance with the guidance on internal financial control next year.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the Group as at the end of the financial year and of the profit or loss of the the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a 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 Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **AUDITORS' REPORT TO THE MEMBERS OF SPECIALEYES PLC**

We have audited the financial statements on pages 14 to 29 which have been prepared under the accounting policies set out on pages 18 and 19.

### **Respective responsibilities of Directors and Auditors**

As described on page 12 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 25 November 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche  
Chartered Accountants and  
Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR

29 February 1996

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	52 weeks to 25 November 1995 Before Exceptional Items £'000	52 weeks to 25 November 1995 Exceptional Items (Note 3) £'000	52 weeks to 25 November 1995 After Exceptional Items £'000	52 weeks to 26 November 1994 £'000
<b>TURNOVER</b>	<b>1</b>	<b>21,798</b>		<b>21,798</b>	<b>20,421</b>
Cost of sales		( 19,887 )	6,479	( 13,408 )	( 19,402 )
Gross profit		1,911	6,479	8,390	1,019
Administrative expenses		( 1,721 )	( 515 )	( 2,236 )	( 1,612 )
<b>OPERATING PROFIT/(LOSS)</b>		<b>190</b>	<b>5,964</b>	<b>6,154</b>	<b>( 593 )</b>
Interest receivable		275	1,563	1,838	19
Interest payable	<b>4</b>	( 153 )	-	( 153 )	( 214 )
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2</b>	<b>312</b>	<b>7,527</b>	<b>7,839</b>	<b>( 788 )</b>
Tax on profit on ordinary activities	<b>7</b>			( 1,902 )	( 5 )
				5,937	( 793 )
Dividend	<b>8</b>			( 150 )	-
<b>Retained profit/(loss) for the financial year</b>				<b>5,787</b>	<b>( 793 )</b>
Earnings/(Loss) per share	<b>19</b>			<b>33.45p</b>	<b>( 5.09p )</b>
Earnings per share - fully diluted				<b>19.93p</b>	

The results in the profit and loss account relate solely to continuing operations.

A note of historical cost profit or loss for the year is not presented as there is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

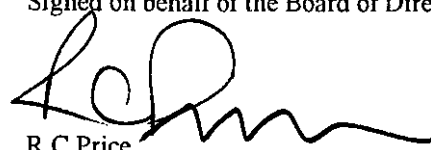


## BALANCE SHEETS

	Note	GROUP		COMPANY	
		25 November 1995	26 November 1994	25 November 1995	26 November 1994
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	9	2,267	2,224	2,267	2,224
Investments	10	-	-	150	150
		<u>2,267</u>	<u>2,224</u>	<u>2,417</u>	<u>2,374</u>
<b>CURRENT ASSETS</b>					
Stocks	1	1,244	1,404	1,244	1,404
Debtors	11	5,776	1,478	7,481	1,470
Cash at bank and in hand		<u>1,309</u>	<u>650</u>	<u>1,301</u>	<u>641</u>
		8,329	3,532	10,026	3,515
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	12	<u>( 4,189 )</u>	<u>( 5,574 )</u>	<u>( 6,341 )</u>	<u>( 7,192 )</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		4,140	( 2,042 )	3,685	( 3,677 )
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,407	182	6,102	( 1,303 )
<b>CREDITORS: amounts falling due after more than one year:</b>					
10% Convertible unsecured loan stock	12	( 1,001 )	( 1,414 )	( 1,001 )	( 1,414 )
Other	12	( 108 )	( 414 )	( 108 )	( 414 )
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>( 673 )</u>	<u>-</u>	<u>( 673 )</u>	<u>-</u>
		<u>4,625</u>	<u>( 1,646 )</u>	<u>4,320</u>	<u>( 3,131 )</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16	400	312	400	312
Share premium account	18	3,452	3,127	3,452	3,127
Profit and loss account	18	<u>773</u>	<u>( 5,085 )</u>	<u>468</u>	<u>( 6,570 )</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>4,625</u>	<u>( 1,646 )</u>	<u>4,320</u>	<u>( 3,131 )</u>

These financial statements were approved by the Board of Directors on 29 February 1996.

Signed on behalf of the Board of Directors

  
R C Price  
Director

## CONSOLIDATED CASH FLOW STATEMENT

		52 weeks to 25 November 1995		52 weeks to 26 November 1994	
	Note	£'000	£'000	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21		1,679		1,168
<b>Returns on investment and servicing of finance</b>					
Interest received		57		19	
Interest paid		<u>( 176 )</u>		<u>( 202 )</u>	
<b>Net cash outflow from returns on investment and servicing of finance</b>			( 119 )		( 183 )
<b>Taxation</b>					
Corporation tax paid			( 7 )		( 5 )
<b>Investing activities</b>					
Payments to acquire tangible fixed assets		( 966 )		( 587 )	
Receipts from disposal of tangible fixed assets		<u>31</u>		<u>-</u>	
<b>Net cash outflow from investing activities</b>			<u>( 935 )</u>		<u>( 587 )</u>
<b>Net cash inflow before financing</b>			618		393
<b>Financing</b>					
Finance lease payments	24		<u>( 56 )</u>		<u>( 138 )</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	22.23		<u>562</u>		<u>255</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>52 weeks to 25 November 1995</b>	<b>52 weeks to 26 November 1994</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(Loss) for the financial year	<b>5,937</b>	<b>( 793 )</b>
Currency translation differences on foreign currency net investment	<b>47</b>	<b>17</b>
Total recognised gains and losses for the financial year	<b><u>5,984</u></b>	<b><u>( 776 )</u></b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>52 weeks to 25 November 1995</b>	<b>52 weeks to 26 November 1994</b>
	<b>£'000</b>	<b>£'000</b>
Total recognised gains and losses for the financial year	<b>5,984</b>	<b>( 776 )</b>
Dividends paid	<b>( 150 )</b>	<b>-</b>
Conversion of loan stock into ordinary shares	<b>437</b>	<b>6</b>
Net movements to Shareholders' funds	<b>6,271</b>	<b>( 770 )</b>
Opening Shareholders' funds	<b>( 1,646 )</b>	<b>( 876 )</b>
Closing Shareholders' funds	<b><u>4,625</u></b>	<b><u>( 1646 )</u></b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. The financial statements of the Group companies are made up to 25 November 1995.

#### Turnover

Turnover is the value of sales (excluding VAT) of spectacles, contact lenses and accessories and eye examination revenue.

All turnover is generated from the principal activity of optical retailing in the United Kingdom.

#### Depreciation

Depreciation on the cost of tangible fixed assets is provided at the following annual rates on a straight line basis intended to write the assets down to their estimated residual value over their useful lives from the date on which they are brought into use to the date of disposal:

Short leasehold properties	-	over the life of the lease
Shopfitting	-	20% to 33.3%
Optical equipment	-	10% to 20%
Fixtures and fittings and office equipment	-	10% to 33.3%

The professional costs relating to the acquisition of leasehold properties are capitalised and written off over three years.

Contributions to the cost of shopfitting receivable from landlords are treated as deferred income and released over the useful lives of the relevant assets from the date on which they are brought into use.

#### Leasing commitments

The rentals on operating leases due in each accounting period are charged to the profit and loss account in the period in which they are incurred.

Assets held under finance leases are capitalised in the balance sheet. The interest due in each accounting period is charged to the profit and loss account on a straight line basis.

#### Stocks

Stocks are valued at the lower of cost and net realisable value and consist of goods for resale.

#### Foreign currency

##### Company

Transactions denominated in foreign currencies are translated at the actual exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange ruling at the balance sheet date. Any gains or losses arising from exchange differences are reflected in the results for the period.

## NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES (continued)

## Group

The balance sheet and profit and loss account of the Group's foreign subsidiary have been translated at the rate of exchange ruling at the balance sheet date. Exchange differences, arising from the retranslation of opening net investment in the foreign subsidiary, at the closing rate of exchange, are taken to reserves.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Pensions**

The Company operates a money purchase scheme for the Group. The amount of contributions payable to the scheme in respect of the accounting period is charged to the profit and loss account.

**Debt issuance expenses**

Expenses incurred on the issue of debt are deducted from the proceeds of issue and charged to the profit and loss account over the term of the debt.

## 2. PROFIT / (LOSS) ON ORDINARY ACTIVITIES

The profit / (loss) on ordinary activities is arrived at after charging the following items:

	52 weeks to 25 November 1995 £'000	52 weeks to 26 November 1994 £'000
Depreciation (including depreciation on finance leases)	890	1,011
Loss on disposal of fixed assets	2	-
Rentals under operating leases: Hire of equipment	351	266
Other operating leases	3,665	3,776
Auditors' remuneration: Audit	44	44
Other services	77	20
	<u>7,527</u>	<u>7,527</u>

## 3. EXCEPTIONAL ITEMS

In accordance with FRS 3 exceptional items are included in the Profit and Loss Account for the 52 weeks to 25 November 1995, being the prior periods' impact of VAT recoverable, less associated costs. These are:-

	£000
Cost of Sales	6,479
Net Operating Expenses, including professional fees	( 515 )
Interest Receivable	1,563
	<u>7,527</u>
Taxation Payable	( 1,656 )
Net Profit Effect	<u>5,871</u>

## NOTES TO THE ACCOUNTS

## 4. INTEREST PAYABLE

	52 weeks to 25 November 1995 £'000	52 weeks to 26 November 1994 £'000
Bank and other interest on borrowings repayable within 5 years	2	6
Finance lease interest	18	53
Loan stock interest	133	155
	<u>153</u>	<u>214</u>

## 5. DIRECTORS' REMUNERATION

Total Directors' emoluments for the year were as follows:

	52 weeks to 25 November 1995 £'000	52 weeks to 26 November 1994 £'000
Fees	12	12
Other emoluments including pension contributions	253	286
	<u>265</u>	<u>298</u>

For the year under review, the remuneration of J.F.Power, who was Chairman until May 1995, excluding pension contributions, amounted to £13,952 (1994 - £26,000) and the remuneration of T.Francy as Chairman for the remainder of the year, was £6,542. The highest paid director received £81,428 (1994 - £64,362).

The remuneration of other Directors during the year, excluding pension contributions, was within the scales shown below:

	52 weeks to 25 November 1995 Number	52 weeks to 26 November 1994 Number
£ 10,001 - £ 15,000	-	1
£ 30,001 - £ 35,000	-	1
£ 35,001 - £ 40,000	-	1
£ 55,001 - £ 60,000	-	2
£ 70,001 - £ 75,000	2	-
	<u>2</u>	<u>-</u>

Details of share options held by the Directors are given in note 17. Performance related elements included within the above emoluments amounted to £19,000 (1994 - Nil).

## NOTES TO THE ACCOUNTS

## 6. EMPLOYEES

Information regarding Group employee costs including Directors is as follows:

	52 weeks to 25 November 1995 £'000	52 weeks to 26 November 1994 £'000
Wages and salaries	5,682	5,656
Social security costs	493	508
Pension costs	60	58
Total costs	<u>6,235</u>	<u>6,222</u>
	Number	Number
Average number of employees during the year	<u>437</u>	<u>467</u>

**Pension arrangements**

The Company operates a contributory pension scheme for certain eligible employees of the Group which is fully insured by the Guardian Royal Exchange Assurance plc. The scheme is a money purchase scheme and therefore no unfunded liability can arise.

**Group health care scheme**

A Group health care scheme is available for certain employees. The premiums payable are charged to the profit and loss account. There is no further liability to the Group.

## 7. TAXATION

	52 weeks to 25 November 1995 £'000	52 weeks to 26 November 1994 £'000
The charge in the profit and loss account is made up as follows:		
UK Corporation Tax at 33% (1994: 33%) based on profit / (loss) for the period	1,307	-
Deferred taxation	673	-
Overseas taxation payable	7	5
	<u>1,987</u>	<u>5</u>
Adjustment in respect of prior years	( 85 )	-
	<u>1,902</u>	<u>5</u>

The tax charge is disproportionately low due to the utilisation of brought forward losses. The adjustment in respect of prior years relates to the write back of ACT previously written off.

## 8. DIVIDEND

	52 weeks to 25 November 1995 £'000	52 weeks to 26 November 1994 £'000
Proposed dividend of 0.75p per Ordinary Share	<u>150</u>	<u>-</u>

## NOTES TO THE ACCOUNTS

## 9. TANGIBLE FIXED ASSETS

Group and Company	Short-term leasehold properties £'000	Shopfitting £'000	Optical equipment £'000	Fixtures, fittings, and office equipment £'000	Total £'000
<b>Cost</b>					
At 27 November 1994	717	3,992	2,491	869	8,069
Purchased during the year	23	481	408	54	966
Disposals	( 29 )	( 102 )	( 54 )	( 12 )	( 197 )
	<u>711</u>	<u>4,371</u>	<u>2,845</u>	<u>911</u>	<u>8,838</u>
<b>At 25 November 1995</b>					
<b>Accumulated depreciation</b>					
At 27 November 1994	( 653 )	( 2,910 )	( 1,795 )	( 487 )	( 5,845 )
Charge for the year	( 42 )	( 458 )	( 308 )	( 82 )	( 890 )
Disposals	27	87	43	7	164
	<u>( 668 )</u>	<u>( 3,281 )</u>	<u>( 2,060 )</u>	<u>( 562 )</u>	<u>( 6,571 )</u>
<b>At 25 November 1995</b>					
<b>Net book value</b>					
At 25 November 1995	<u>43</u>	<u>1,090</u>	<u>785</u>	<u>349</u>	<u>2,267</u>
At 26 November 1994	<u>64</u>	<u>1,082</u>	<u>696</u>	<u>382</u>	<u>2,224</u>

Included in the net book value of tangible assets is £61,000 (1994 - £146,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £85,000 (1994 - £212,000).

## 10. INVESTMENTS

The investment of the Company in wholly owned subsidiary undertakings at cost was as follows:

	25 November 1995 £	26 November 1994 £
Specialeyes (Optical Services) Limited (2 Ordinary Shares of £1 each)	2	2
Specialeyes Holdings B.V. (500 shares of DFL 1 each)	<u>150,150</u>	<u>150,150</u>
	<u>150,152</u>	<u>150,152</u>

Specialeyes (Optical Services) Limited is incorporated in Great Britain and registered in England and Wales and provides an eye examination and contact lens dispensing service, operating in the United Kingdom. Specialeyes Holdings BV is a non-trading company, incorporated in the Netherlands. The results of both of these subsidiaries are included in the consolidated Group accounts.



## NOTES TO THE ACCOUNTS

## 11. DEBTORS

	GROUP		COMPANY	
	25 November 1995 £'000	26 November 1994 £'000	25 November 1995 £'000	26 November 1994 £'000
Trade debtors	939	744	924	744
Other debtors	4,008	103	4,008	103
Prepayments and accrued income	788	620	788	620
Taxation and social security	4	11	4	3
Dividend Receivable	-	-	1,720	-
Advanced Corporation Tax recoverable	37	-	37	-
	<u>5,776</u>	<u>1,478</u>	<u>7,481</u>	<u>1,470</u>

There are no amounts falling due after more than one year.

## 12. CREDITORS

	GROUP		COMPANY	
	25 November 1995 £'000	26 November 1994 £'000	25 November 1995 £'000	26 November 1994 £'000
<b>Amounts falling due within one year</b>				
Bank overdraft	141	44	141	-
Trade creditors	1,489	1,462	1,489	1,178
Amounts due to subsidiary undertakings	-	-	2,589	2,124
Corporation Tax	1,222	-	983	-
Advanced Corporation Tax	37	-	37	-
Other taxation and social security	221	3,050	141	2,988
Pension contributions	12	27	12	27
Other creditors	46	75	46	75
Accruals and deferred income	871	916	753	800
Dividends	150	-	150	-
	<u>4,189</u>	<u>5,574</u>	<u>6,341</u>	<u>7,192</u>
<b>Amounts falling due between the second to fifth years inclusive</b>				
10% convertible unsecured loan stock 2000 (see note 14)	1,001	1,414	1,001	1,414
Deferred income	107	377	107	377
Other creditors	1	37	1	37
	<u>1,109</u>	<u>1,828</u>	<u>1,109</u>	<u>1,828</u>

As security for overdraft facilities, Barclays Bank PLC holds a debenture by way of a fixed and floating charge over assets of the Group.

## NOTES TO THE ACCOUNTS

**12. CREDITORS (continued)**

Deferred income represents contributions to shopfitting costs receivable from landlords. These are released over the estimated useful lives of the relevant assets acquired.

**13. VAT**

In relation to the matter of VAT on the dispensing of spectacles, the previous year's financial statements treated withheld amounts of VAT as being due to Customs and Excise. The VAT Tribunal case considering this matter (relating to Leightons Opticians and Eye-tech) has now been heard in the High Court. On 13 March 1995 the Court ruled in favour of the tax payers and accordingly, the Company's position on the resolution of its own VAT case was further strengthened.

As at 26 November 1994 the withheld amount of VAT which the Company continued to treat in its accounts as due to Customs and Excise totalled £2.83 million. In the year to 25 November 1995, the Company made a claim to recover VAT which the Directors believe the Company overpaid to Customs and Excise for the period 1 September 1988 to 25 November 1995.

Customs & Excise recognised the validity of the claim and made an interim payment of £1.0m, which was received during the year. However, the negotiations to agree the final amount of the claim and the basis for apportionment going forward were protracted, and this final agreement was not reached until February 1996. Subsequent to the year end, Customs paid the balance of refund of VAT, and the statutory interest payment is expected to be received in the near future. Both these amounts are included in other debtors at the year end. The amount credited to the profit and loss account in respect of prior periods has been treated as an exceptional item (see note 3).

**14. 10% CONVERTIBLE UNSECURED LOAN STOCK 2000**

The par value of the outstanding debt amounted to £1,111,000 (1994 - £1,548,000), the difference between par value and balance sheet value being unamortised issue expenses of £110,000 (1994 - £134,000). The 10 per cent convertible unsecured loan stock 2000 may be converted, at the option of the holder, into 10 ordinary shares per 100p nominal of loan stock in any of the years 1994 to 1999 inclusive. Full conversion of the outstanding rights will result in the issue of 11,113,960 ordinary shares. Any outstanding loan stock will be redeemed at par on 31 May 2000.

**15. PROVISIONS FOR LIABILITIES AND CHARGES****Deferred Taxation**

	Provided		Unprovided	
	25 November 1995 £'000	26 November 1994 £'000	25 November 1995 £'000	26 November 1994 £'000
<b>Group and Company</b>				
Capital allowances in excess of depreciation	111	-	-	171
Other losses	562	-	-	( 171 )
	<u>673</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO THE ACCOUNTS

## 16. CALLED UP SHARE CAPITAL

	25 November 1995	26 November 1994	25 November 1995	26 November 1994
	No. of 2p ordinary shares		£'000	£'000
Authorised	<u>37,500,000</u>	<u>37,500,000</u>	<u>750</u>	<u>750</u>
Issued	<u>19,985,105</u>	<u>15,619,495</u>	<u>400</u>	<u>312</u>

4,365,610 2 pence ordinary shares were issued in the year as a result of the conversion of £436,561 of 10% Convertible Unsecured Loan Stock 2000. The nominal value of the shares issued was £87,312.

## 17. SHARE OPTIONS

An executive share option scheme, approved by the Board of the Inland Revenue, was adopted by the Company on 11 November 1986. The options, which are exercisable between the third and the tenth anniversary of the grant of such option, are as follows:

Date of grant of option	Number of Executives (past and present)	Shares under option 25 November 1995	Subscription price in pence
11 November 1986	2	200,000	15.5
3 March 1987	1	75,000	16.5
9 December 1987	19	254,000	36.0
5 November 1990	1	125,000	16.0
1 September 1993	2	150,000	14.0
17 September 1993	2	150,000	14.0
20 September 1993	5	110,000	14.5
20 September 1994	1	175,000	10.0
31 March 1995	3	60,000	10.0
		<u>1,299,000</u>	

Included within the above are the following options held by Directors of the Company.

	Number of options					
	At 26 November 1994	Granted in the year	At 25 November 1995	Exercise price in pence	Date from which exercisable	Expiry date
M Raines	75,000	-	75,000	14.0	1.9.96	1.9.03
	75,000	-	75,000	14.0	17.9.96	17.9.03
	25,000	-	25,000	14.5	20.9.96	20.9.03
B D Smith	75,000	-	75,000	14.0	1.9.96	1.9.03
	75,000	-	75,000	14.0	17.9.96	17.9.03
	25,000	-	25,000	14.5	20.9.96	20.9.03
R C Price	175,000	-	175,000	10.0	20.9.97	20.9.04

At the date of this report two employees, neither of whom was a director, held options over 22,499 ordinary shares under the SAYE share option scheme.

The mid-market price of the shares at 25 November 1995 was 17.0p.

## NOTES TO THE ACCOUNTS

## 18. RESERVES

As permitted by Section 228 of the Companies Act 1985, the profit and loss account of Specialeyes plc has not been separately presented in these financial statements. The consolidated retained profit for the financial year includes £7,014,000 (1994 - loss £1,183,000) for the Company.

<b>GROUP</b>	<b>Profit and loss account £'000</b>	<b>Share premium account £'000</b>
Brought forward at 27 November 1994	( 5.085 )	3.127
Result for the financial period	5.787	-
Currency translation differences on foreign currency net investment	47	-
Premium on conversion of loan stock	-	349
Transfer of issue costs charged to profit in the year	24	( 24 )
Carried forward at 25 November 1995	<u>773</u>	<u>3.452</u>

<b>COMPANY</b>	<b>Profit and loss account £'000</b>	<b>Share premium account £'000</b>
Brought forward at 27 November 1994	( 6.570 )	3.127
Result for the financial period	7,014	-
Premium on conversion of loan stock	-	349
Transfer of issue costs charged to profit in the year	24	( 24 )
Carried forward at 25 November 1995	<u>468</u>	<u>3.452</u>

## 19. EARNINGS/(LOSS) PER SHARE

The calculation is based on the weighted average of 17,748,477 (1994 - 15,582,593) ordinary shares in issue during the year and the profit of £5,937,000 (1994 - loss £793,000).

The fully diluted calculation is based on the conversion of the remaining 10% Unsecured Loan Stock and the exercising of all the issued executive share options, giving a total of 30,161,437 ordinary shares in issue, and the profits for the year adjusted for loan stock interest, notional interest on share issue proceeds, less notional taxation.

## NOTES TO THE ACCOUNTS

## 20. FINANCIAL COMMITMENTS OF THE GROUP AND COMPANY

	25 November 1995 £'000	26 November 1994 £'000
Contracted but not provided for	62	17
Authorised by the Directors but not contracted	251	35
	<u>313</u>	<u>52</u>

**Other**

- (a) The Company has guaranteed to Barclays Bank PLC a bond to HM Customs and Excise for £40,000.
- (b) The Company has guaranteed an overdraft facility of up to £50,000 with Barclays Bank PLC in respect of Specialeyes (Optical Services) Limited.
- (c) The Company has outstanding documentary credits at 25 November 1995 of £39,634 (1994 - £121,654).
- (d) Barclays Bank PLC have a deed of charge over credit balances in discharge of the Company's liabilities relating to outstanding documentary credits.

**Lease commitments**

The Group and Company has net obligations under finance leases at 25 November 1995 included in other creditors as follows:

	25 November 1995 £'000	26 November 1994 £'000
Payable in the first year	36	56
Payable in the second to fifth years inclusive	1	37
	<u>37</u>	<u>93</u>

**Operating leases**

The Company and the Group have commitments under operating leases to make payments during the next financial year as follows:

	Land and buildings 25 November 1995 £'000	Other 25 November 1995 £'000
Expiring in the first year	17	50
Expiring in the second to fifth years inclusive	222	260
Expiring after the fifth year	3,420	-
	<u>3,659</u>	<u>310</u>

In addition, in the normal course of business, there are short term commitments for occupancy costs for the in-store locations.

## NOTES TO THE ACCOUNTS

## 21. RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks to 25 November 1995	52 weeks to 26 November 1994
	£'000	£'000
Operating profit/(loss)	6,154	( 593 )
Depreciation charges	890	1,011
Amortisation of loan stock issue expenses	24	24
Loss on sale of fixed assets	2	-
Decrease / (increase) in stocks	160	( 6 )
Increase in debtors	( 4,261 )	( 215 )
(Decrease) / increase in creditors and deferred income	( 1,290 )	947
Net cash inflow from operating activities	<u>1,679</u>	<u>1,168</u>

## 22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	52 weeks to 25 November 1995	52 weeks to 26 November 1994
	£'000	£'000
Balances brought forward	606	351
Net cash inflow	<u>562</u>	<u>255</u>
Balances carried forward	<u>1,168</u>	<u>606</u>

## 23. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	26 November 1993	Change in year	26 November 1994	Change in year	25 November 1995
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	412	238	650	659	1,309
Bank overdrafts	( 61 )	17	( 44 )	( 97 )	( 141 )
	<u>351</u>	<u>255</u>	<u>606</u>	<u>562</u>	<u>1,168</u>

## NOTES TO THE ACCOUNTS

## 24. ANALYSIS OF CHANGES IN FINANCING DURING YEAR

	Share capital £'000	Share premium account £'000	Loan stock £'000	Finance leases £'000
Balance at 26 November 1994	312	3,127	1,414	93
Net cash outflow from financing	-	-	-	( 56)
Amortisation of issue expenses in the year	-	( 24)	24	-
Conversion of loan stock in the year	88	349	( 437)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 25 November 1995	400	3,452	1,001	37
	<hr/>	<hr/>	<hr/>	<hr/>

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Specialeyes plc will be held at 14, Lyon Way, Greenford, Middlesex, UB6 0BN on 10 April 1996 at 10.00 am. for the following purposes:

**Ordinary business**

1. To receive and adopt the financial statements, together with the Directors' and Auditors' reports for the 52 weeks ended 25 November 1995.
2. To declare a dividend.
3. To re-appoint Deloitte & Touche as Auditors to the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

**Special Business**

To consider, and if thought fit, pass the following resolutions, of which resolutions 4, 5 & 6 will be proposed as Ordinary Resolutions and resolution 7 will be proposed as a Special Resolution.

4. To increase the limit on the aggregate number of Ordinary Shares which may be issued pursuant to the exercise of options granted under the Specialeyes plc Executive Share Option Scheme ("the scheme") as stated in clause 6 of the rules of the scheme be increased from "1,476,600" to "1,998,510" (Note 4)
5. To authorise the Directors to determine and announce that, in respect of the dividend proposed in Resolution 2, and any dividend that may be proposed before the next Annual General Meeting, Shareholders may, in lieu of dividend, elect to receive an allotment of ordinary shares fully paid. (Note 5)
6. That the Directors be and they are hereby generally and unconditionally authorised (in substitution for all previous authorities which are hereby revoked) in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all of the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) of the Company up to an aggregate nominal amount of £350,298 provided that this authority (unless previously revoked or varied by the Company in General Meeting) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1997 save that the Directors may allot relevant securities pursuant to this authority after that date pursuant to an offer or an agreement made by the Company on or before that date (Note 6)
7. That pursuant to Section 95 of the Companies Act 1985 (the "Act") the Directors be and are hereby empowered (in substitution for all previous authorities which are hereby revoked) to allot equity securities (as defined by Section 94 of the Act) for cash pursuant to the authority conferred by resolution 6 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer by way of rights in favour of the holders of equity securities in proportion (as nearly as may be reasonably practicable) to their respective holdings but subject to such other exclusions or other arrangements as the Directors deem necessary or expedient to deal with fractional entitlements or legal or practical problems or requirements of any regulatory body, stock exchange or similar authority in any territory or otherwise; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £19,985; and

this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1997 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. (Note 6)

8. To transact any other business which may be dealt with at the Annual General Meeting.

Registered Office  
14 Lyon Way  
Greenford  
Middlesex UB6 0BN

By Order of the Board  
Roger Price  
Secretary  
Dated 29 February 1996



**Explanatory Notes:**

1. A member entitled to attend and vote at the Meeting convened by the above notice may appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is attached. Completion of a form of proxy does not preclude a member from attending and voting at the meeting in person.
2. To be valid, the instrument appointing a proxy and any power of attorney or other written authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited at the office of the Company's Registrars, Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the Meeting or any adjournment of such meeting.
3. Copies of all the Directors service contracts (unless expiring or determinable by the Company within one year without payment or compensation ) will be available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
4. Rule 6 of the Specialeyes plc Executive Option Scheme allows for a maximum of 10% of the issued share capital of the Company to be granted in options at any one time, subject to the approval by the Shareholders of the maximum amount. Currently 1,299,000 share options have been granted, and approval was last granted at the 1990 Annual General Meeting for a maximum of 1,476,600, which means that the ability to issue options to current or future executives is restricted. The maximum under the articles could be 1,998,510 based on 10% of the current issued ordinary shares, but as more of the remaining 10% Unsecured Loan Stock becomes converted to ordinary shares, this proportion will reduce.
5. Article 131 of the Company's Articles of Association allows the Directors to offer Shareholders the opportunity to take dividends in the form of fully paid ordinary shares, rather than in the form of cash, subject to approval by the Company. The Directors consider that it would be in the Company's interest for this authority to be available to them, and propose to offer Shareholders this option in respect of the final dividend proposed in Resolution no. 2, and any dividend that may be declared before the Annual General Meeting in 1997.
6. At present the Company has an authorised share capital of £750,000, of which £350,298 has not been issued. Resolution no. 6 will enable the Directors to allot shares, in accordance with the general requirements of the Company.

The provisions of the Companies Act 1985 are such that if the Company wants to issue shares for cash it must in the first instance offer them to existing Shareholders, in proportion to the number of shares each person holds, in such a way that every shareholder is offered the chance to increase his or her shareholding by the same percentage. This is known as a rights issue.

However, the Companies Act 1985 further provides that the Shareholders of a company may authorise new shares to be issued for cash otherwise than to existing Shareholders in proportion to their holdings, and Resolution No 7 seeks that authority. This will allow the Directors some flexibility when considering how best to finance new business opportunities, and is normal practice for public limited companies, subject to the restriction that the number of shares which can be allotted for cash other than to existing holders is 5% of the existing issued ordinary share capital, and this is the sum £19,985 mentioned in Resolution No 7. This is in line with the agreement reached in October 1987 between the The Stock Exchange and the Investment Protection Committee of the Association of British Insurers and the National Association of Pension Funds. By setting this limit the interests of existing Shareholders are reasonably protected as their stake in the Company cannot, without their agreement, be substantially reduced by the issue of new shares to new Shareholders for cash.

## LIST OF SPECIAL EYES BRANCHES

<input type="checkbox"/> Ayr ..... Tel: 01292 284082	<input type="checkbox"/> Leicester ..... Tel: 01162 513191
<input type="checkbox"/> Barnsley ..... Tel: 01226 249485	<input type="checkbox"/> Lewisham ..... Tel: 0181 318 3134
● Basildon ..... Tel: 01268 280849	<input type="checkbox"/> Lincoln ..... Tel: 01522 530736
<input type="checkbox"/> Bexleyheath ..... Tel: 0181 298 1112	<input type="checkbox"/> Liverpool ..... Tel: 0151 708 0668
<input type="checkbox"/> Birmingham ..... Tel: 0121 236 3736	<input type="checkbox"/> Maidstone ..... Tel: 01622 765450
<input type="checkbox"/> Blackburn ..... Tel: 01254 699622	<input type="checkbox"/> Manchester ..... Tel: 0161 835 3909
<input type="checkbox"/> Brighton ..... Tel: 01273 324717	○ Merton ..... Tel: 0181 543 8026
<input type="checkbox"/> Bromley ..... Tel: 0181 464 4858	<input type="checkbox"/> Milton Keynes ..... Tel: 01908 661808
<input type="checkbox"/> Burton-Upon-Trent ..... Tel: 01283 538477	<input type="checkbox"/> Northampton ..... Tel: 01604 234099
● Chatham ..... Tel: 01634 828769	<input type="checkbox"/> Portsmouth ..... Tel: 01705 295043
<input type="checkbox"/> Chester ..... Tel: 01244 312571	<input type="checkbox"/> Reading (Open Mar 96) ..... Tel: 01734 597557
<input type="checkbox"/> Chesterfield ..... Tel: 01246 558428	<input type="checkbox"/> Rochdale ..... Tel: 01706 525629
► Crawley Super ..... Tel: 01293 551001	<input type="checkbox"/> Romford ..... Tel: 01708 731069
● Croydon ..... Tel: 0181 681 2876	► Sheffield (Meadowhall) ..... Tel: 0114 256 8094
<input type="checkbox"/> Derby ..... Tel: 01332 380106	<input type="checkbox"/> Slough ..... Tel: 01753 512912
<input type="checkbox"/> Doncaster ..... Tel: 01302 329988	<input type="checkbox"/> Southampton ..... Tel: 01703 631583
<input type="checkbox"/> Dudley ..... Tel: 01384 481083	<input type="checkbox"/> Southend ..... Tel: 01702 351136
<input type="checkbox"/> East Ham ..... Tel: 0181 552 5500	<input type="checkbox"/> Stockport ..... Tel: 0161 480 1606
<input type="checkbox"/> East Kilbride ..... Tel: 01355 241221	<input type="checkbox"/> Sutton ..... Tel: 0181 643 6243
<input type="checkbox"/> Edinburgh ..... Tel: 0131 558 3306	<input type="checkbox"/> Thurrock ..... Tel: 01708 869888
● Eltham ..... Tel: 0181 859 8432	<input type="checkbox"/> Tooting ..... Tel: 0181 767 5112
<input type="checkbox"/> Glasgow - St Enoch ..... Tel: 0141 204 3343	<input type="checkbox"/> Tunbridge Wells ..... Tel: 01892 545503
<input type="checkbox"/> Glasgow - Sauchiehall St ..... Tel: 0141 353 3669	<input type="checkbox"/> Uxbridge ..... Tel: 01895 253779
<input type="checkbox"/> Gloucester ..... Tel: 01452 309633	<input type="checkbox"/> Wakefield ..... Tel: 01924 362522
<input type="checkbox"/> Harlow ..... Tel: 01279 421907	<input type="checkbox"/> Walsall ..... Tel: 01922 31464
<input type="checkbox"/> Harrow ..... Tel: 0181 861 3725	<input type="checkbox"/> Walthamstow ..... Tel: 0181 521 6381
<input type="checkbox"/> High Wycombe (Open Mar 96) ..... Tel: 01494 447227	<input type="checkbox"/> Watford ..... Tel: 01923 254275
<input type="checkbox"/> Hounslow ..... Tel: 0181 570 2829	<input type="checkbox"/> West Ealing ..... Tel: 0181 840 7025
<input type="checkbox"/> Huddersfield ..... Tel: 01484 530743	▲ Wimbledon ..... Tel: 0181 944 0525
<input type="checkbox"/> Hull ..... Tel: 01482 212244	<input type="checkbox"/> Wood Green ..... Tel: 0181 881 6907
<input type="checkbox"/> Kingston-Upon-Thames ..... Tel: 0181 547 1320	<input type="checkbox"/> Wolverhampton ..... Tel: 01902 23737
<input type="checkbox"/> Leeds ..... Tel: 01132 422007	<input type="checkbox"/> Worthing ..... Tel: 01903 213819
	<input type="checkbox"/> York ..... Tel: 01904 621628

☐ High Street      ● Allders      ► SuperOpticals      ○ Savacentre      ▲ Elys Department Store

Shareholders are entitled to discount consisting of 10% off the selling price of one pair of spectacles and contact lenses, and will find a discount voucher inserted in their copy of this report. Please contact the Company Secretary before taking the voucher to the store of your choice.