

Optical Express (Southern) Limited

FINANCIAL STATEMENTS

for the year ended

29 December 2007

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COMPANIES HOUSE

Optical Express (Southern) Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

D Mouldsdaie

SECRETARY

G Murdoch

REGISTERED OFFICE

12 York Place
Leeds
LS1 2DS

AUDITORS

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

Optical Express (Southern) Limited

DIRECTOR'S REPORT

The director submits his report and financial statements of Optical Express (Southern) Limited for the year ended 29 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of opticians.

REVIEW OF THE BUSINESS

The company has continued its investment programme during the financial year, opening new locations and investing in the most technologically advanced equipment. Combined with an increase in staff training and marketing activity the company has again seen its turnover and pre-tax profit for the year increase.

The director is confident that this recent investment and initiatives planned for 2008 will allow the company to continue to grow its turnover and profitability.

Competition in the countries in which the company trades continues to be the main risk facing the business. The director is confident that by constantly monitoring and reviewing business performance and actively managing its competitive strategy it will continue to be proactive to the activities of its competitors and mitigate this risk.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

A dividend of £402,000 was paid during the year.

DIRECTOR

The director who served the company during the year was as follows:

D Mouldsdales

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

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

The company 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 company.

Optical Express (Southern) Limited

DIRECTOR'S REPORT

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The director who was in office on the date of approval of these financial statements has confirmed, as far as the director is aware, that there is no relevant information of which the auditors are unaware. The director has confirmed that he has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that it has been communicated to the auditors.

AUDITORS

The director, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board



G Murdoch

Company Secretary

26 March 08

Optical Express (Southern) Limited

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTICAL EXPRESS (SOUTHERN) LIMITED

We have audited the financial statements on pages 6 to 17.

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

Respective responsibilities of director 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Director's Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

Emphasis of Matter – Possible Outcome of Dispute with HM Revenue and Customs

In forming our opinion which is not qualified we have considered the adequacy of the disclosures made in note 10 in the financial statements concerning the possible outcome of the dispute in relation to the proportion of recoverable input tax as a result of the partial exemption method adopted by the Group. Following a successful appeal in the Court of Session the case has been remitted back to the Tribunal to reconsider the original appeal. The ultimate outcome of the matter cannot presently be determined and no provision for any irrecoverable VAT that may result has been made in the financial statements.

Baker Tilly UK Audit LLP
BAKER TILLY UK AUDIT LLP

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

26/3/08

Optical Express (Southern) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 29 December 2007

		2007	Period from 26 Mar 06 to 29 Dec 06
	Notes	£	£
TURNOVER	1	57,884,464	36,842,780
Cost of sales		10,417,784	6,898,890
Gross profit		47,466,680	29,943,890
Administrative expenses		44,456,243	28,060,791
Other operating income	2	(122,034)	(122,856)
OPERATING PROFIT	3	3,132,471	2,005,955
Interest receivable		4,465	623
		3,136,936	2,006,578
Interest payable and similar charges	5	(1,047,910)	(328,227)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,089,026	1,678,351
Taxation	6	1,797,145	619,857
PROFIT FOR THE FINANCIAL YEAR		291,881	1,058,494

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

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Optical Express (Southern) Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 29 December 2007

	2007 £	Period from 26 Mar 06 to 29 Dec 06 £
Profit on ordinary activities before taxation	2,089,026	1,678,351
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>121,443</u>	<u>101,848</u>
Historical cost profit on ordinary activities before taxation	<u>2,210,469</u>	<u>1,780,199</u>
Historical cost profit for the year after taxation	<u>413,324</u>	<u>1,160,342</u>

Optical Express (Southern) Limited

BALANCE SHEET

29 December 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Intangible assets	7	346,258	229,513
Tangible assets	8	15,277,551	11,794,300
		<u>15,623,809</u>	<u>12,023,813</u>
CURRENT ASSETS			
Stocks	9	4,321,946	3,399,821
Debtors	10	12,193,539	10,703,278
Cash at bank and in hand		16,885	20,428
		<u>16,532,370</u>	<u>14,123,527</u>
CREDITORS			
Amounts falling due within one year	11	24,454,649	18,592,784
NET CURRENT LIABILITIES		<u>(7,922,279)</u>	<u>(4,469,257)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,701,530</u>	<u>7,554,556</u>
CREDITORS			
Amounts falling due after more than one year	12	1,000	191,002
		<u>7,700,530</u>	<u>7,363,554</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	14	1,108,556	661,461
		<u>6,591,974</u>	<u>6,702,093</u>
CAPITAL AND RESERVES			
Called up equity share capital	17	642,705	642,705
Share premium account	18	5,969,037	5,969,037
Revaluation reserve	19	718,670	840,113
Profit and loss account	20	(738,438)	(749,762)
SHAREHOLDERS' FUNDS	21	<u>6,591,974</u>	<u>6,702,093</u>

The financial statements on pages 6 to 17 were approved by the director and authorised for issue on 26 March 08



D Mouldsdaie
Director

Optical Express (Southern) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and on a going concern basis which is reliant on the continuing support of the other group companies and the groups bankers.

CASH FLOW STATEMENT

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

TURNOVER

Turnover for the company's laser vision correction business represents amounts recognised on the completion of customer consultations before surgery is undertaken and on completion of surgery. For other optical business, turnover represents amounts invoiced during the year, exclusive of Value Added Tax.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-20 years straight line
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FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short Leasehold Properties/Revaluations	- Over the term of the lease
Leasehold Improvements	- 15% reducing balance
Fixtures and Fittings	- 15% & 25% reducing balance
Equipment	- 10% & 15% reducing balance
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.

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 profit and loss account on a straight line basis.

Optical Express (Southern) Limited

ACCOUNTING POLICIES

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.

PENSION COSTS

The company made contributions into employees private pension schemes during the year. The assets of these schemes are held separately from those of the company. The contributions are charged to the profit and loss account.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 December 2007

1 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
United Kingdom	54,634,223	36,842,780
Europe	3,250,241	-
	<u>57,884,464</u>	<u>36,842,780</u>

2 OTHER OPERATING INCOME

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Rent receivable	<u>122,034</u>	<u>122,856</u>

3 OPERATING PROFIT

Operating profit is stated after charging

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Amortisation	14,255	9,899
Depreciation of owned fixed assets	1,796,278	1,251,885
Depreciation of assets held under hire purchase agreements	10,192	42,782
Loss on disposal of fixed assets	19,912	2,090
Auditor's remuneration		
- as auditor	18,000	18,000
Operating lease costs:		
Plant and equipment	1,324,342	385,675
Land and Buildings	<u>8,548,709</u>	<u>6,194,112</u>

4 PARTICULARS OF EMPLOYEES

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

	2007	Period from 26 Mar 06 to 30 Dec 06
	No	No
Production staff	53	51
Other	<u>881</u>	<u>785</u>
	<u>934</u>	<u>836</u>

The aggregate payroll costs of the above were:

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Wages and salaries	19,787,339	13,364,825
Social security costs	1,459,058	977,277
Other pension costs	61,897	53,796
	<u>21,308,294</u>	<u>14,395,898</u>

Optical Express (Southern) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 December 2007

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Interest payable on bank borrowing	994,839	45,823
Finance charges	43,231	24,829
Other similar charges payable	9,840	914
Interest and late payment charges on overdue tax	–	256,661
	<u>1,047,910</u>	<u>328,227</u>

6 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	519,497	580,320
Adjustments in respect of previous periods- corporation tax	(317,789)	(156,222)
Adjustments in respect of previous periods – group relief	1,148,342	–
Total current tax	<u>1,350,050</u>	<u>424,098</u>
Deferred tax:		
Origination and reversal of timing differences	447,095	195,759
Tax on profit on ordinary activities	<u>1,797,145</u>	<u>619,857</u>

(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% (2006- 30%).

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Profit on ordinary activities before taxation	<u>2,089,026</u>	<u>1,678,351</u>
Profit/(loss) on ordinary activities by rate of tax	626,708	503,505
Expenses not deductible for tax purposes	4,930	272,574
Capital allowances in excess of depreciation	(112,141)	(195,759)
Adjustments in respect of previous periods	830,553	(156,222)
Total current tax (note 6(a))	<u>1,350,050</u>	<u>424,098</u>

Optical Express (Southern) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 December 2007

7 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 31 December 2006	264,013
Additions	131,000
At 29 December 2007	<u>395,013</u>
Amortisation	
At 31 December 2006	34,500
Charge for the year	14,255
At 29 December 2007	<u>48,755</u>
Net book value	
At 29 December 2007	<u>346,258</u>
At 30 December 2006	<u>229,513</u>

8 TANGIBLE FIXED ASSETS

	Short Leasehold Properties £	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation					
At 31 December 2006	2,586,510	4,397,153	11,130,021	293,168	18,406,852
Additions	273,279	1,271,017	2,658,917	–	4,203,213
Disposals	(10,000)	(2,902)	(30,970)	(25,200)	(69,072)
Intra-group transfers	–	1,162,155	–	–	1,162,155
At 29 December 2007	<u>2,849,789</u>	<u>6,827,423</u>	<u>13,757,968</u>	<u>267,968</u>	<u>23,703,148</u>
Depreciation					
At 31 December 2006	1,226,387	1,902,214	3,262,675	221,276	6,612,552
Charge for the year	178,650	307,513	1,306,115	14,192	1,806,470
On disposals	(5,214)	(601)	(17,730)	(21,283)	(44,828)
Intra-group transfers	–	51,403	–	–	51,403
At 29 December 2007	<u>1,399,823</u>	<u>2,260,529</u>	<u>4,551,060</u>	<u>214,185</u>	<u>8,425,597</u>
Net book value					
At 29 December 2007	<u>1,449,966</u>	<u>4,566,894</u>	<u>9,206,908</u>	<u>53,783</u>	<u>15,277,551</u>
At 30 December 2006	<u>1,360,123</u>	<u>2,494,939</u>	<u>7,867,346</u>	<u>71,892</u>	<u>11,794,300</u>

The leasehold properties were revalued on 7th March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the revalued short leasehold properties is £699,060 (2006 - £699,060).

Hire purchase agreements

Included within the net book value of £15,077,551 is £152,488 (2006 - £732,670) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £10,192 (2006 - £42,782).

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 December 2007

9 STOCKS

	2007 £	2006 £
Stock	<u>4,321,946</u>	<u>3,399,821</u>

10 DEBTORS

	2007 £	2006 £
Trade debtors	723,659	1,214,692
Amounts owed by group undertakings	3,248,970	4,139,765
Other debtors	576,730	123,065
VAT recoverable	2,221,655	1,377,996
Prepayments and accrued income	5,422,525	3,847,760
	<u>12,193,539</u>	<u>10,703,278</u>

The Group is currently in dispute with HM Revenue and Customs in relation to the proportion of recoverable input tax as a result of the partial exemption method adopted by the Group. Following a VAT tribunal in February 2006, despite the tribunal being sympathetic to the Group's stance, it refused the Group's appeal. As a result of this decision the Group appealed to the Court of Session. This appeal was heard in June 2007 and the Court of Session remitted the case back to the Tribunal with the direction to reconsider the original appeal. At the date of approval of the accounts the VAT Tribunal has yet to confirm a date to reconsider the appeal. Due to the dispute, HM Revenue and Customs have stopped making any repayments of VAT due to the Group and the above amount of £2,221,655 (2006 £1,377,996) is regarded as fully recoverable by the Director based on the advice he has received from his external advisors.

11 CREDITORS: Amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	9,384,068	6,674,495
Trade creditors	6,367,462	3,654,481
Amounts owed to group undertakings	2,770,796	2,799,533
Corporation tax	715,551	726,469
Other taxation and social security	364,426	1,133,386
Hire purchase agreements	125,530	247,157
Other creditors	3,830,972	2,288,025
Accruals and deferred income	895,844	1,069,238
	<u>24,454,649</u>	<u>18,592,784</u>

The bank holds a bond, floating charge and debenture over the assets of each group company.

12 CREDITORS: Amounts falling due after more than one year

	2007 £	2006 £
Hire purchase agreements	<u>1,000</u>	<u>191,002</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 December 2007

13 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2007	2006
	£	£
Amounts payable within 1 year	142,190	276,392
Amounts payable between 1 and 2 years	1,000	214,364
	<u>143,190</u>	<u>490,756</u>
Less interest and finance charges relating to future periods	(16,660)	(52,597)
	<u>126,530</u>	<u>438,159</u>
Hire purchase agreements are analysed as follows:		
Current obligations	125,530	247,157
Non-current obligations	1,000	191,002
	<u>126,530</u>	<u>438,159</u>

14 DEFERRED TAXATION

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

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
Provision brought forward	661,461	465,702
Profit and loss account movement arising during the year	447,095	195,759
Provision carried forward	<u>1,108,556</u>	<u>661,461</u>

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

	2007	2006
	£	£
Excess of taxation allowances over depreciation on fixed assets	1,108,556	661,461
	<u>1,108,556</u>	<u>661,461</u>

If the revalued assets were sold at the values stated in note 8 the estimated tax payable on that individual transaction would amount to £462,000. No provision has been made as it is unlikely that any amount will become payable in the foreseeable future given the company's current intentions.

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 December 2007

15 COMMITMENTS UNDER OPERATING LEASES

At 29 December 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within 1 year	234,250	-	292,815	-
Within 2 to 5 years	1,379,160	1,267,920	1,064,625	-
After more than 5 years	9,598,880	-	7,311,795	-
	<u>11,212,290</u>	<u>1,267,920</u>	<u>8,669,235</u>	<u>-</u>

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3c of Financial Reporting Standard 8 not to disclose transactions with other group companies.

17 SHARE CAPITAL

	2007 £	2006 £
Authorised:		
45,000,000 Ordinary shares of £0.02 each	900,000	900,000
1,000 Deferred shares of £1 each	1,000	1,000
	<u>901,000</u>	<u>901,000</u>
	2007 £	2006 £
Allotted, called up and fully paid:		
32,085,245 Ordinary shares of £0.02 each	641,705	641,705
1,000 Deferred shares of £1 each	1,000	1,000
	<u>642,705</u>	<u>642,705</u>

The rights attaching to the deferred shares are as follows:

On a return of assets in a liquidation or otherwise, the assets of the company remaining after the payment of its liabilities will be applied firstly, in paying the holders of the 2p Ordinary Shares a sum equal to the balance of such assets up to a maximum of £100,000,000 and secondly, in distributing the balance of such assets among the holders of the Deferred Shares.

The holders of the Deferred shares shall be entitled to receive notice of and attend at general meetings but shall not be entitled to vote.

18 SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial period.

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 December 2007

19 REVALUATION RESERVE

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
At 31 December 2006	840,113	941,961
Transfer to the profit and loss account on realisation	(121,443)	(101,848)
At 29 December 2007	<u>718,670</u>	<u>840,113</u>

20 PROFIT AND LOSS ACCOUNT

	2007	Period from 26 Mar 06 to 30 Dec 06
	£	£
At 31 December 2006	(749,762)	(1,910,104)
Retained profit for the financial year	291,881	1,058,494
Equity dividend paid	(402,000)	-
Transfer from revaluation reserve	121,443	101,848
At 29 December 2007	<u>(738,438)</u>	<u>(749,762)</u>

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	291,881	1,058,494
Equity dividend paid	(402,000)	-
Opening shareholders' funds	6,702,093	5,643,599
Closing shareholders' funds	<u>6,591,974</u>	<u>6,702,093</u>

22 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The bank holds an unlimited inter company cross guarantee between the company and the other group companies.

At the 29 December 2007 the above companies' loans and overdrafts totalled £23,598,854 (2006: £19,500,240).

23 ULTIMATE PARENT COMPANY

The company's holding company is Optical Express (Holdings) Limited and ultimate holding company is DCM (Optical Holdings) Limited. Both companies are incorporated in Scotland. A copy of these companies accounts are available from Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB. These companies are controlled by D Mouldsdales.