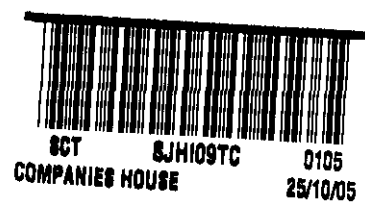


Optical Express (Southern) Limited

FINANCIAL STATEMENTS

for the year ended

26 March 2005



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

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 26 March 2005.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The director is satisfied with the results for the year and continues to seek increases in both turnover and profitability.

The company's balance sheet as detailed on page 9 shows a surplus of shareholders' funds amounting to £5,584,144.

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.

The director has not recommended a dividend.

DIRECTOR

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

D Mouldsdales

The company is a wholly owned subsidiary and the interests of the group director are disclosed in the financial statements of the parent company.

FIXED ASSETS

In the opinion of the director there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 8.

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

Optical Express 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.

Optical Express 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

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:
12 York Place
Leeds
LS1 2DS

Signed by



G Murdoch

Company Secretary

01/07/05
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Optical Express (Southern) Limited

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the director 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 profit or loss of the company for that period. 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 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.

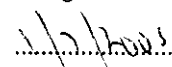
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 of the state of the company's affairs at 26 March 2005 and of its profit 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


1/2/2005

Optical Express (Southern) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 26 March 2005

	Notes	2005 £	2004 £
TURNOVER	1	36,343,999	35,624,743
Cost of sales		6,734,431	6,811,351
Gross profit		29,609,568	28,813,392
Administrative expenses		28,890,385	28,018,974
Other operating income	2	(108,119)	(62,934)
OPERATING PROFIT	3	827,302	857,352
Interest receivable		121,000	421
		948,302	857,773
Interest payable and similar charges	5	(37,908)	(54,487)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		910,394	803,286
Taxation	6	378,821	295,701
RETAINED PROFIT FOR THE FINANCIAL YEAR		531,573	507,585

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 26 March 2005

	2005 £	2004 £
Profit on ordinary activities before taxation	910,394	803,286
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	164,032	184,095
Historical cost profit on ordinary activities before taxation	<u>1,074,426</u>	<u>987,381</u>
Historical cost profit for the year retained after taxation and dividends	<u>695,605</u>	<u>691,680</u>


Optical Express (Southern) Limited

BALANCE SHEET

26 March 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Intangible assets	7	282,290	18,749
Tangible assets	8	4,756,243	4,358,479
		<u>5,038,533</u>	<u>4,377,228</u>
CURRENT ASSETS			
Stocks	9	2,107,954	1,675,892
Debtors	10	8,561,638	6,220,630
Cash at bank and in hand		4,979,028	891,328
		<u>15,648,620</u>	<u>8,787,850</u>
CREDITORS			
Amounts falling due within one year	11	14,792,025	7,863,133
NET CURRENT ASSETS		<u>856,595</u>	<u>924,717</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,895,128</u>	<u>5,301,945</u>
CREDITORS			
Amounts falling due after more than one year	12	5,614	13,099
		<u>5,889,514</u>	<u>5,288,846</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	305,370	236,275
		<u>5,584,144</u>	<u>5,052,571</u>
CAPITAL AND RESERVES			
Called up equity share capital	17	642,705	642,705
Share premium account		5,969,037	5,969,037
Revaluation reserve	18	1,101,500	1,265,532
Profit and loss account	19	(2,129,098)	(2,824,703)
SHAREHOLDERS' FUNDS	20	<u>5,584,144</u>	<u>5,052,571</u>

These financial statements were approved and signed by the director on 1/7/05.....


D Mouldsdales
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 in accordance with applicable accounting standards.

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

The turnover shown in the 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	-20 years straight line
----------	-------------------------

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.

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.

PENSIONS

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.

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

1 TURNOVER

The turnover for the period was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

2 OTHER OPERATING INCOME

	2005	2004
	£	£
Rent receivable	75,619	62,934
Other operating income	32,500	—
	<u>108,119</u>	<u>62,934</u>

3 OPERATING PROFIT

Operating profit is stated after charging:

	2005	2004
	£	£
Director's emoluments	—	—
Amortisation	10,473	1,000
Depreciation of owned fixed assets	581,278	572,678
Depreciation of assets held under hire purchase agreements	3,330	27,721
Loss on disposal of fixed assets	18,357	25,128
Auditors' remuneration		
- as auditors	24,846	21,100
Operating lease costs:		
Land and buildings	5,809,918	5,424,939
Plant and equipment	<u>30,904</u>	<u>36,330</u>

4 PARTICULARS OF EMPLOYEES

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

	2005	2004
	No	No
Production staff	54	53
Other	623	579
	<u>677</u>	<u>632</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	13,844,281	13,306,586
Social security costs	912,715	859,338
Other pension costs	65,725	30,913
	<u>14,822,721</u>	<u>14,196,837</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest payable on bank borrowing	27,046	26,912
Finance charges	3,589	4,539
Other similar charges payable	7,273	23,036
	<u>37,908</u>	<u>54,487</u>

6 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	299,707	255,657
Over/under provision in prior year	10,019	2,112
Total current tax	<u>309,726</u>	<u>257,769</u>
Deferred tax:		
Origination and reversal of timing differences	69,095	37,932
Tax on profit on ordinary activities	<u>378,821</u>	<u>295,701</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005	2004
	£	£
Profit on ordinary activities before taxation	<u>910,394</u>	<u>803,286</u>
Profit/(loss) on ord actvs by rate of tax	273,118	240,986
Expenses not deductible for tax purposes	96,446	78,251
Capital allowances in excess of depreciation	(72,176)	(62,168)
Other timing differences	2,319	(1,412)
Adjustments in respect of previous periods	10,019	2,112
Total current tax (note 6(a))	<u>309,726</u>	<u>257,769</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

7 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 28 March 2004	19,999
Additions	274,014
At 26 March 2005	<u>294,013</u>
Amortisation	
At 28 March 2004	1,250
Charge for the year	10,473
At 26 March 2005	<u>11,723</u>
Net book value	
At 26 March 2005	<u>282,290</u>
At 27 March 2004	<u>18,749</u>

8 TANGIBLE FIXED ASSETS

	Short Leasehold Properties £	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation					
At 28 March 2004	2,197,523	3,032,730	2,368,586	323,108	7,921,947
Additions	82,601	93,492	845,186	—	1,021,279
Disposals	—	(11,277)	(32,077)	(29,940)	(73,294)
Transfers	—	(448)	—	—	(448)
At 26 March 2005	<u>2,280,124</u>	<u>3,114,497</u>	<u>3,181,695</u>	<u>293,168</u>	<u>8,869,484</u>
Depreciation					
At 28 March 2004	857,832	1,319,467	1,209,846	176,323	3,563,468
Charge for the year	178,855	175,244	202,898	27,611	584,608
On disposals	—	(2,550)	(15,235)	(16,971)	(34,756)
Transfers	—	(79)	—	—	(79)
At 26 March 2005	<u>1,036,687</u>	<u>1,492,082</u>	<u>1,397,509</u>	<u>186,963</u>	<u>4,113,241</u>
Net book value					
At 26 March 2005	<u>1,243,437</u>	<u>1,622,415</u>	<u>1,784,186</u>	<u>106,205</u>	<u>4,756,243</u>
At 27 March 2004	<u>1,339,691</u>	<u>1,713,263</u>	<u>1,158,740</u>	<u>146,785</u>	<u>4,358,479</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 (2003 - £657,875).

Hire purchase agreements

Included within the net book value of £4,756,243 is £46,768 (2004 - £155,455) 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 £3,330 (2004 - £27,721).

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

9 STOCKS

	2005	2004
	£	£
Stock	<u>2,107,954</u>	<u>1,675,892</u>

10 DEBTORS

	2005	2004
	£	£
Trade debtors	1,188,690	1,676,313
Amounts owed by group undertakings	4,466,327	2,453,244
Other debtors	124,397	450,743
Prepayments and accrued income	2,782,224	1,640,330
	<u>8,561,638</u>	<u>6,220,630</u>

11 CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	1,526,646	1,339,234
Amounts owed to group undertakings	9,526,443	4,753,490
Corporation tax	615,291	350,211
Other taxation and social security	2,028,633	762,197
Hire purchase agreements	7,485	43,645
Other creditors	127,684	154,368
Accruals and deferred income	959,843	459,988
	<u>14,792,025</u>	<u>7,863,133</u>

12 CREDITORS: Amounts falling due after more than one year

	2005	2004
	£	£
Hire purchase agreements	<u>5,614</u>	<u>13,099</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

13 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2005	2004
	£	£
Amounts payable within 1 year	8,407	46,964
Amounts payable between 1 and 2 years	6,306	8,407
Amounts payable between 3 and 5 years	–	6,305
	<u>14,713</u>	<u>61,676</u>
Less interest and finance charges relating to future periods	(1,614)	(4,932)
	<u>13,099</u>	<u>56,744</u>
Hire purchase agreements are analysed as follows:		
Current obligations	7,485	43,645
Non-current obligations	5,614	13,099
	<u>13,099</u>	<u>56,744</u>

14 DEFERRED TAXATION

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

	2005	2004
	£	£
Provision brought forward	236,275	198,343
Profit and loss account movement arising during the year	69,095	37,932
Provision carried forward	<u>305,370</u>	<u>236,275</u>

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	299,947	240,172
Other timing differences	5,423	(3,897)
	<u>305,370</u>	<u>236,275</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.

15 COMMITMENTS UNDER OPERATING LEASES

At 26 March 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 1 year	127,367	92,979
Within 2 to 5 years	1,073,060	862,806
After more than 5 years	3,969,765	4,049,645
	<u>5,170,192</u>	<u>5,005,430</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

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

	2005 £	2004 £
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>
	2005 £	2004 £
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 REVALUATION RESERVE

	2005 £	2004 £
At 28 March 2004	1,265,532	1,449,627
Transfer to the profit and loss account on realisation	(164,032)	(184,095)
At 26 March 2005	<u>1,101,500</u>	<u>1,265,532</u>

19 PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
At 28 March 2004	(2,824,703)	(3,516,383)
Retained profit for the financial year	531,573	507,585
Transfer from revaluation reserve	164,032	184,095
At 26 March 2005	<u>(2,129,098)</u>	<u>(2,824,703)</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 March 2005

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	531,573	507,585
Opening shareholders' equity funds	5,052,571	4,544,986
Closing shareholders' equity funds	<u>5,584,144</u>	<u>5,052,571</u>

21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The bank holds an unlimited inter company cross guarantee between the company and the other group companies which is supported by a bond and floating charge and debenture over the whole company assets.

At the 26 March 2005 the groups loans and overdrafts totalled £15,155,334 (2004 £15,025,330), excluding those of the company.

22 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 the companies' accounts is available from Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB. These companies are controlled by D Mouldsdaie.