

COMPANIES
HOUSE

Optical Express (Southern) Limited

FINANCIAL STATEMENTS

for the year ended

29 March 2003



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 29 March 2003.

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 shareholder's funds amounting to £4,544,986

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 Mouldsdale

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 6.

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



D Moulds
Director

29 JANUARY / 2004

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.

Optical Express (Southern) Limited

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

We have audited the financial statements on pages 7 to 18.

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

Respective responsibilities of 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.

Optical Express (Southern) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OPTICAL EXPRESS (SOUTHERN) LIMITED (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 March 2003 and of the profit of the company 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

23.01.04

Optical Express (Southern) Limited
 PROFIT AND LOSS ACCOUNT
 for the year ended 29 March 2003

	<i>Notes</i>	2003 £	2002 £
TURNOVER		33,943,033	32,181,700
Cost of sales		6,090,931	6,150,068
Gross profit		27,852,102	26,031,632
Net operating expenses		26,976,622	24,842,352
OPERATING PROFIT	1	875,480	1,189,280
Interest receivable		(40,110)	(1,842)
Interest payable and similar charges	3	39,808	43,300
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		875,782	1,147,822
Tax on profit on ordinary activities	4	216,818	202,305
RETAINED PROFIT FOR THE FINANCIAL YEAR		658,964	945,517

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 March 2003

	2003	2002
	£	£
Profit on ordinary activities before taxation	875,782	1,147,822
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	214,171	217,532
Historical cost profit on ordinary activities before taxation	<u>1,089,953</u>	<u>1,365,354</u>
Historical cost profit for the year retained after taxation and dividends	<u>873,135</u>	<u>1,163,049</u>

Optical Express (Southern) Limited

BALANCE SHEET

29 March 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible assets	5	19,749	—
Tangible assets	6	4,603,439	4,735,787
		<u>4,623,188</u>	<u>4,735,787</u>
CURRENT ASSETS			
Stocks	7	1,621,681	1,619,232
Debtors	8	5,645,015	5,160,444
Cash at bank and in hand		1,383,116	16,876
		<u>8,649,812</u>	<u>6,796,552</u>
CREDITORS			
Amounts falling due within one year	9	8,493,510	7,471,299
NET CURRENT ASSETS/(LIABILITIES)		<u>156,302</u>	<u>(674,747)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,779,490</u>	<u>4,061,040</u>
CREDITORS			
Amounts falling due after more than one year	10	36,161	88,346
		<u>4,743,329</u>	<u>3,972,694</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	198,343	86,672
		<u>4,544,986</u>	<u>3,886,022</u>
CAPITAL AND RESERVES			
Called-up equity share capital	15	642,705	642,705
Share premium account		5,969,037	5,969,037
Revaluation reserve	16	1,449,627	1,663,798
Profit and loss account	17	(3,516,383)	(4,389,518)
SHAREHOLDER'S FUNDS	18	<u>4,544,986</u>	<u>3,886,022</u>

These financial statements were approved and signed by the director on 29 JANUARY 2004



D Moulds
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) 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	- Over 20 years
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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.

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.

Optical Express (Southern) Limited

ACCOUNTING POLICIES

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.

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 29 March 2003

1 OPERATING PROFIT

Operating profit is stated after charging:

	2003	2002
	£	£
Director's emoluments	—	—
Amortisation	250	—
Depreciation	620,023	600,097
Loss on disposal of fixed assets	35,416	8,239
Auditors' remuneration		
- as auditors	26,434	42,213
Operating lease costs:		
Land and buildings	5,312,608	5,043,612
Plant and equipment	30,617	20,153

2 PARTICULARS OF EMPLOYEES

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

	2003	2002
	No	No
Production staff	63	64
Other	597	590
	<u>660</u>	<u>654</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	12,933,425	11,581,876
Social security costs	712,726	716,475
Other pension costs	39,023	36,315
	<u>13,685,174</u>	<u>12,334,666</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable on bank borrowing	33,345	21,892
Finance charges	5,414	15,044
Other similar charges payable	1,049	6,364
	<u>39,808</u>	<u>43,300</u>

Optical Express (Southern) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 March 2003

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the profits for the year	94,315	183,620
Adjustments in respect of previous periods	10,832	(1,009)
ACT recoverable	-	(66,978)
Total current tax	<u>105,147</u>	<u>115,633</u>
Deferred tax:		
Originating and reversal of timing differences	111,671	86,672
Total deferred tax	<u>111,671</u>	<u>86,672</u>
Tax on profit on ordinary activities	<u>216,818</u>	<u>202,305</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% (2002 - 30%).

	2003 £	2002 £
Profit on ordinary activities before tax	<u>875,782</u>	<u>1,147,822</u>
Profit on ordinary activities multiplied by a standard rate of corporation tax in the UK of 30% (2002: 30%)	262,735	344,222
Effect of:		
Expenses not deductible for tax purposes	43,814	86,794
Depreciation in excess of capital allowances	(112,631)	(126,414)
Other timing differences	1,382	392
Group relief	(100,985)	(70,847)
Adjustments in respect of previous periods	10,832	(1,009)
ACT written back	-	(66,978)
Utilisation of tax losses	(68,344)	(50,527)
Accounting (profit)/loss on chargeable assets	68,344	-
Total current tax	<u>105,147</u>	<u>115,633</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

5 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
Additions	19,999
At 29 March 2003	<u>19,999</u>
Amortisation	
Charge for the year	250
At 29 March 2003	<u>250</u>
Net book value	
At 29 March 2003	<u>19,749</u>
At 31 March 2002	<u>-</u>

6 TANGIBLE FIXED ASSETS

	Short Leasehold Properties £	Equipment £	Fixtures and fittings £	Motor Vehicles £	Total £
Cost or valuation					
At 1 April 2002	2,178,228	2,885,525	1,747,021	392,197	7,202,971
Additions	8,723	129,055	429,482	12,089	579,349
Disposals	(30,613)	(65,889)	(4,517)	(64,401)	(165,420)
At 29 March 2003	<u>2,156,338</u>	<u>2,948,691</u>	<u>2,171,986</u>	<u>339,885</u>	<u>7,616,900</u>
Depreciation					
At 1 April 2002	464,674	960,318	898,128	144,064	2,467,184
Charge for the year	220,420	197,558	155,048	46,997	620,023
On disposals	(6,942)	(25,451)	(2,194)	(39,159)	(73,746)
At 29 March 2003	<u>678,152</u>	<u>1,132,425</u>	<u>1,050,982</u>	<u>151,902</u>	<u>3,013,461</u>
Net book value					
At 29 March 2003	<u>1,478,186</u>	<u>1,816,266</u>	<u>1,121,004</u>	<u>187,983</u>	<u>4,603,439</u>
At 31 March 2002	<u>1,713,554</u>	<u>1,925,207</u>	<u>848,893</u>	<u>248,133</u>	<u>4,735,787</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 £657,875 (2002 - £657,875).

Hire purchase agreements

Included within the net book value of £4,603,439 is £127,608 (2002 - £159,529) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £31,920 (2002 - £14,479).

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

7 STOCKS

	2003	2002
	£	£
Stock	<u>1,621,681</u>	<u>1,619,232</u>

8 DEBTORS

	2003	2002
	£	£
Trade debtors	1,056,838	1,093,510
Amounts owed by group undertakings	2,639,500	2,456,081
Other debtors	448,843	353,480
Prepayments and accrued income	<u>1,499,834</u>	<u>1,257,373</u>
	<u>5,645,015</u>	<u>5,160,444</u>

9 CREDITORS amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	—	513,003
Trade creditors	901,347	649,339
Amounts owed to group undertakings	3,975,421	3,528,771
Corporation tax	221,243	114,888
Other taxation and social security	2,674,018	1,861,122
Hire purchase agreements	52,186	52,187
Other creditors	166,335	53,940
Accruals and deferred income	<u>502,960</u>	<u>698,049</u>
	<u>8,493,510</u>	<u>7,471,299</u>

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

10 CREDITORS amounts falling due after more than one year

	2003	2002
	£	£
Hire purchase agreements	<u>36,161</u>	<u>88,346</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

11 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	55,382	55,384
Amounts payable between 1 and 2 years	38,558	55,384
Amounts payable between 3 and 5 years	—	38,555
	<u>93,940</u>	<u>149,323</u>
Less interest and finance charges relating to future periods	(5,593)	(8,790)
	<u>88,347</u>	<u>140,533</u>
Hire purchase agreements are analysed as follows:		
Current obligations	52,186	52,187
Non-current obligations	36,161	88,346
	<u>88,347</u>	<u>140,533</u>

12 DEFERRED TAXATION

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	86,672	—
Profit and Loss Account movement arising during the year	111,671	86,672
Provision carried forward	<u>198,343</u>	<u>86,672</u>

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

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	205,257	92,204
Other timing differences	(6,914)	(5,532)
	<u>198,343</u>	<u>86,672</u>

If the revalued assets were sold at the values stated in note 6 the estimated tax payable on the 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 March 2003

13 COMMITMENTS UNDER OPERATING LEASES

At 29 March 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	317,318	261,468
Within 2 to 5 years	674,207	523,057
After more than 5 years	3,816,281	3,931,781
	<u>4,807,806</u>	<u>4,716,306</u>

14 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. The company had no other related party transactions during the period.

15 SHARE CAPITAL

	2003	2002
	£	£
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>
	2003	2002
	£	£
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.

16 REVALUATION RESERVE

	2003	2002
	£	£
Balance brought forward	1,663,798	1,881,330
Transfer to the profit and loss account	(214,171)	(217,532)
Balance carried forward	<u>1,449,627</u>	<u>1,663,798</u>

Optical Express (Southern) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 March 2003

17 PROFIT AND LOSS ACCOUNT

	2003 £	2002 £
Balance at 1 April 2002	(4,389,518)	(5,552,567)
Retained profit for the financial year	658,964	945,517
Transfer from revaluation reserve	214,171	217,532
Balance at 29 March 2003	<u>(3,516,383)</u>	<u>(4,389,518)</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2003 £	2002 £
Profit for the financial year	658,964	945,517
Premium on new share capital subscribed	—	(3,904)
Net addition to funds	658,964	941,613
Opening shareholder's equity funds	3,886,022	2,944,409
Closing shareholder's equity funds	<u>4,544,986</u>	<u>3,886,022</u>

19 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

At 29 March 2003 the above companies' loans and overdrafts totalled £13,918,292 (2002 £3,954,366), excluding those of the company.

20 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 Mouldsdale.