

CV Manufacturing and Supply (UK) Limited
Annual Report for the year ended 31 December 2008

Registered number: 1966514



CV Manufacturing and Supply (UK) Limited

Annual Report for the year ended 31 December 2008

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Directors and advisers

Directors

S Saxena
R J Brazier
R Rees
G Melendez

Company Secretary

H Roberts

Registered office

Frimley Business Park
Frimley
Camberley
Surrey
GU16 7SR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Savannah House
3 Ocean Way
Ocean Village
Southampton
Hampshire
SO14 3TJ

Directors' report for the year ended 31 December 2008

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2008.

Principal activities

The principal activity of the Company is the manufacture and distribution of optical contact lenses.

The Company is a limited company, domiciled and incorporated in the United Kingdom. The registered office, as set out on page 1, differs from the principal place of business which is the manufacturing site in Farnham.

Principal risks and uncertainties

The principal risk to the business remains the decline in conventional made to order (MTO) lenses of the type manufactured at the site. 2008 was a difficult year for the Company as it moved from manufacturing a mix of soft and rigid spheres and toric lenses to rigid spheres only. Volumes declined by 9% on 2007, but mainly as a result of the transfer. However, with the transfer now complete production forecasts for 2009, look set to return to normal and even show volumes increasing by 15% over 2007.

Financial Risk Management

The Company's activities expose it to a variety of financial risks: currency risk, price risk, credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Foreign exchange risk

The Company has limited foreign exchange risk due to invoicing all third-party sales in sterling. All inventory purchased from fellow group undertakings is also invoiced in sterling. Foreign cash balances are monitored and controlled by the immediate parent of the Company to limit exchange rate exposure on cash balances. As at 31 December 2008, there would be no material impact, with all other variables held constant, on the Company of movements of 10% of foreign currency denominated cash balances.

Price risk

This is not material for the Company as it holds no assets or receivables that vary with market price change other than the retirement benefit obligations which are managed by the Trustees with the key assumptions set out in note 15.

Credit risk

The directors do not consider that credit risk is a significant risk facing the company as all trade is intercompany.

Directors' report for the year ended 31 December 2008 (continued)

Financial Risk Management (continued)

Liquidity risk

The Company's liquidity is managed by the immediate parent by adjusting inter-Company loan balances in line with cash-flow requirements of the Company monitored on a regular basis. It is the immediate parent that manages the interest rate risk profile of the Company. As at 31 December 2008, the Company did not hold any non-interest-bearing borrowings (2007: nil). Other than cash, the Company has no significant interest-bearing assets.

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is a wholly owned subsidiary, and its borrowing is controlled by its immediate parent.

Key performance indicators (KPIs)

The Company uses the following KPIs to help assess its long term performance

	<u>2008</u>	<u>2007</u>
Delivery times:		
Spheres	99.5%	99.5%
Torics	99.0%	99.5%

These figures represent the % of lenses delivered within the agreed time frame.

	<u>2008</u>	<u>2007</u>
Yield:		
Spheres	92.8%	90.7%
Torics	88.3%	87.3%

The Company uses this KPI to monitor manufacturing efficiency. Yields have improved as the company moved away from a mix of rigid and soft lenses to rigid lenses only.

	<u>2008</u>	<u>2007</u>
Product mix:		
Spheres	65%	45%
Torics	35%	55%

The Company uses this measure to assess the relative demand for the types of lenses it manufactures. The change in emphasis this year is as a result of the decision taken to transfer out our range of soft lenses and replace them with rigid spheres. All figures shown above are taken from the year end management accounts.

Directors' report for the year ended 31 December 2008 (continued)

Review of business and future developments

The profit for the year amounts to £983,000 (2007: £1,070,000).

The year has seen a change in the mix of products being made at Farnham with the changeover from rigid and soft lenses to rigid only lenses. Generally it was a successful transfer but with some disruption to production in quarter 3. Total volumes and profitability in 2009 should settle and actually exceed 2007 now that the transfer has been completed.

Dividends

No dividends were paid or proposed in the year (2007 - £nil).

Directors

The directors who held office during the year and up to the date of approving the financial statements were as follows:

S Saxena
R J Brazier
R Rees
C Lynch (resigned 17 December 2008)
G Melendez (appointed 9 February 2009)

Political and charitable donations

No political or charitable donations (2007: £nil) were made during the year.

Employees

The Company gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities and wherever possible the Company continues the employment of, and arranges for the appropriate training of, employees who become disabled persons whilst employed by the Company. Disabled employees are treated no differently from other employees as regards training, career development and promotion opportunities. This policy was operated by the Company, where appropriate, throughout the year.

The Company recognises the importance of keeping employees informed of the progress of the business. During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of the Company and on other matters of concern to them as employees.

**Directors' report for the year ended 31 December 2008
(continued)****Employees (continued)**

Regular consultations take place with employee representatives. The employee share scheme introduced in 2002 continued to be available in 2008 to encourage employee involvement in the Company's performance. The share scheme relates to shares in Novartis AG, the ultimate parent Company of CV Manufacturing and Supply (UK) Limited.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 period.

In preparing these 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 that the financial statements comply with IFRS as adopted for use in the European Union; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

Directors' statement on disclosure of information to auditors

At the date the annual report is approved, all directors have confirmed the following:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- Each director has taken all of the steps he ought to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Directors' report for the year ended 31 December 2008
(continued)**

Independent auditors

An elective resolution has been passed to maintain PricewaterhouseCoopers LLP as auditors until such time as the board decides otherwise.

On behalf of the Board

Director

A handwritten signature in black ink, consisting of a large loop at the top and several vertical strokes below it.

11 June 2009

Independent auditors' report to the members of CV Manufacturing and Supply (UK) Limited

We have audited the financial statements of CV Manufacturing and Supply (UK) Limited for the year ended 31 December 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' 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 directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with 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 judgments made by the directors 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.

**Independent auditors' report to the members of CV
Manufacturing and Supply (UK) Limited (continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

Date: *11 June 2009*

Income statement for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Revenues	2	1,606	1,728
Cost of sales before exceptional item		(1,130)	(1,312)
Exceptional item	3	(124)	-
Cost of sales		(1,254)	(1,312)
Gross profit		352	416
Other operating income		809	731
Operating profit	3	1,161	1,147
Finance income	4	268	295
Finance costs	4	(1)	(2)
Profit before income tax		1,428	1,440
Income tax expense	5	(445)	(370)
Profit for the year attributable to equity holders of the Company		983	1,070

Statement of recognised income and expense for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Actuarial (loss)/gain on pension obligation	15	(679)	2,277
Deferred tax on actuarial (loss)/profit	5	189	(638)
Net (loss)/income recognized directly in equity		(490)	1,639
Profit for the financial year		983	1,070
Total recognised income for the year attributable to equity holders of the Company		493	2,709

Cumulative actuarial gains on the pension scheme amount to £1,377,000 (2007: gain of £2,056,000), recognised directly in the statement of recognised income and expense.

Balance Sheet at 31 December 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	126	78
Deferred income tax assets	11	33	11
Retirement benefit asset	15	290	641
		449	730
Current assets			
Inventories	7	223	103
Receivables	8	7,629	7,008
Cash and cash equivalents	19	314	281
		8,166	7,392
Total assets		8,615	8,122
Liabilities			
Current liabilities			
Financial liabilities: borrowings	10	57	-
Trade and other payables	9	2,053	2,092
Current tax liabilities		292	310
		2,402	2,402
Net current assets		5,764	4,990
Net assets		6,213	5,720
Shareholders' equity			
Ordinary shares	12	850	850
Share option reserve	13	(5)	(5)
Retained earnings	13	5,368	4,875
Total equity	13	6,213	5,720

The financial statements on pages 9 to 33 were approved by the Board of Directors on
11 June 2009 and were signed on its behalf by:

Director



Cash Flow Statement for the year end 31 December 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	19	554	765
Income tax paid		(295)	(304)
Net cash generated from operating activities		259	461
Cash flows from investing activities			
Purchase of property, plant and equipment		(98)	(11)
Loans to group undertakings		(500)	(1,000)
Interest paid		(1)	(2)
Interest received		268	295
Net cash used in investing activities		(331)	(718)
Net decrease in cash , bank overdrafts and cash equivalents			
		(72)	(257)
Cash, bank overdrafts and cash equivalents at 1 January		281	535
Effects of exchange rate changes		48	3
Cash, bank overdrafts and cash equivalents at 31 December	19	257	281

Notes to the financial statements for the year ended 31 December 2008**1 Principal accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These separate financial statements contain information about CV Manufacturing and Supply (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under section 228 (for EEA immediate parents) of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Novartis AG.

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting policies for CV Manufacturing and Supply (UK) Limited pertain primarily to revenue recognition, pension and provisions which are described in further detail below.

a) Standards, amendments and interpretations effective in 2008 and relevant to the Company are detailed below:

- IFRIC 11, 'IFRS 2 - Group and treasury share transactions' (effective from 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts.
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

Notes to the financial statements for the year ended 31 December 2008

1 Principal accounting policies (continued)

These interpretations were both early adopted by the Company in 2007 and had no direct impact on the balances reported in the financial statements.

b) Standards, amendment and interpretations effective in 2008 but not relevant to the Company are detailed below:

· IFRIC 12, 'Service concession arrangements'

c) Standards, amendments and interpretations to existing standards that have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them are detailed below:

· IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner change in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', (effective from 1 January 2009). The revised standard is still subject to endorsement by the EU. The IFRS 1 amendment will not have an impact on the Company's financial statements which are already prepared under IFRS. The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply the amendment to IAS 27 from 1 January 2009.

IAS 36 (amendment), 'Impairment of assets', (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in use calculation should be made. The Company will apply the IAS 26 (amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009, subject to endorsement by the EU.

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Principal accounting policies (continued)

IAS 19 (amendment), 'Employee benefits', (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has also been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. In addition, the amendment has made the standard consistent with the IAS 37 disclosure requirements for contingent liabilities and clarifies that the distinction between short and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of the employee services being rendered. The Company will apply the IAS 19 (amendment) from 1 January 2009, subject to endorsement by the EU. The amendment is not expected to have a significant impact on the Company's financial statements.

d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations are given below:

- IAS 16 (amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'), (effective from 1 January 2009). The amendment will not have an impact on the Company's operations because none of the Company's ordinary activities comprise renting and subsequently selling assets.

- IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance', (effective from 1 January 2009). The amendment will not have an impact on the Company's operations as there are no loans received or other grants from the government

- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The Company will apply IAS 23 (amendment) retrospectively from 1 January 2009 but it is not currently applicable to the Company as there are no qualifying assets.

- IAS 27 (amendment), 'Consolidated and separate financial statements', (effective from 1 January 2009). The amendment will not have an impact on the Company's operations because its policy is to account for an investment in subsidiary at cost.

- IAS 29 (amendment), 'Financial reporting in hyperinflationary economies', (effective 1 January 2009). The amendment will not have an impact on the company's operations as it does not operate in hyperinflationary economies.

- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). It is not expected to have any impact on the Company's financial statements as the Company does not currently have such instruments.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Principal accounting policies (continued)**

- IAS 38 (amendment), 'Intangible assets', (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. The amendment is not currently applicable to the Company as it does not have intangible assets.
 - IAS 39 (amendment), 'Financial instruments: Recognition and measurement (effective 1 January 2009). The amendment is not expected to have an impact on the Company's income statement as the Company does not account for items using hedge accounting or at fair value through profit or loss.
 - IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16), (effective from 1 January 2009). The amendment will not have any impact on the Company's operations as it does not hold any investment properties.
 - IAS 41 (amendment), 'Agriculture', (effective 1 January 2009). The amendment will not have any impact on the Company's operations as it does not undertake any agricultural activities.
 - IFRS 8, 'Operating segments', (effective 1 January 2009). This standard will not impact the Company as it does not fall within the scope of the standard.
 - IFRIC 13, 'Customer loyalty programmes', (effective from 1 July 2008). This interpretation is not relevant to the Company's operations because it does not operate any loyalty programmes.
 - IFRIC 15, 'Agreements for construction of real estates', (effective from 1 January 2009). The interpretation is still subject to endorsement by the EU. The interpretation will not impact the Company as it does not have transactions in relation to real estate.
 - IFRIC 16; 'Hedges of a net investment in a foreign operation', (effective from 1 October 2008). The amendment to the interpretation is still subject to endorsement by the EU. The amendment is not currently applicable to the Company as it does not have foreign operations.
 - There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue', and IAS 34, 'Interim financial reporting', which are still subject to endorsement by the EU. These are not expected to have an impact on the Company's accounts.
- In addition, the following interpretations and amendments impact the accounting in consolidated accounts and are therefore not applicable to the Company's financial statements:
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the EU.

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Principal accounting policies (continued)

- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU.
- IAS 31 (amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'), (effective from 1 January 2009).
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard is still subject to endorsement by the EU.
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the EU.
- IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009). It deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (amendment) from 1 January 2009. It is not expected to have a material impact on the Company's financial statements.

Revenue recognition

Revenue represents the fair value of amounts receivable for goods invoiced to the UK and overseas net of VAT and other related taxes. All revenue is recognised at the date of despatch, as this is the point where title and the risks and rewards of ownership passes.

Property, plant and equipment

All property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the net asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost less estimated residual value of assets on a straight line basis over the expected economic useful lives, commencing when the assets are first brought into use. The principal annual rates used for this purpose are:

Leasehold building improvements	- period of the lease
Plant and machinery and vehicles	- 3 to 10 years

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Principal accounting policies (continued)****Property, plant and equipment (continued)**

The residual values and the remaining economic useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Assets are tested for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Profit or loss on the disposal of property, plant and equipment is to be recognised in the income statement in the year of sale.

Inventories

Inventory and work in progress are valued at the lower of cost and net realisable value.

Costs include expenditure which is incurred in the normal course of business in bringing the product or service to its present location and condition and a due proportion of overhead expenses. Net realisable value is the estimated selling price less all further costs to completion and estimated selling costs.

Provision is made for obsolescent, slow moving and defective inventory.

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and bank and cash balances. For the purpose of the cash flow statement cash and cash equivalents include bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings within current liabilities.

Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within cost of sales.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Principal accounting policies (continued)****Leases**

Costs in respect of operating leases, that is those where the risks and rewards of ownership remain with the lessor, are charged on a straight line basis over the term of the lease in arriving at the operating profit for the year.

Employee benefit costs

The Company contributes to the group defined contribution and defined benefit pension schemes which are operated by Novartis UK Limited.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for any actuarial gains or losses and unrecognised past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The Company recognises in accordance with IAS 19, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in full as they arise, outside of the income statement. They are presented in the statement of recognised income and expense, with the exception of gains and losses arising from changes in the benefits regarding past services, which are recognised in the income statement.

Past service costs are recognised immediately in the income statement unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight line basis over the vesting period.

The contributions to defined contribution plans are recognised as an expense as the costs are incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Principal accounting policies (continued)****Deferred taxation**

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with IAS 12. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the 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.

Share-based payments

In accordance with IFRS 2 the fair value of the equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the estimate of shares and options that will eventually vest. In the case of options granted, fair value is measured by use of the trinomial model. Further details are set out in note 14.

Dividends

Dividends are recorded in the financial statements once they have been authorised and the Company is committed to making the payment.

Foreign currencies

Foreign currency transactions during the year are translated into sterling at the rates of exchange in force at the time they arise. Both the functional and presentational currency is sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences are taken to the income statement.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Principal accounting policies (continued)****Related party disclosures**

The Company is a wholly owned subsidiary of Wesley-Jessen Limited. The ultimate parent undertaking and controlling party is Novartis AG, a Company incorporated in Switzerland. All intra group and other related party disclosure as required under IAS 24 is included in note 18.

Exceptional items

Where items of income or expense, either individually, or if similar, in aggregate are considered material, their nature and amount are separately disclosed in the income statement.

2 Revenue

The directors consider that the operations of the Company fall into one business class, being the manufacture and distribution of optical contact lenses.

The analysis of revenue by geographical destination is as follows:

	2008 £'000	2007 £'000
Continental Europe	1,606	1,728

Notes to the financial statements for the year ended 31 December 2008 (continued)

3 Operating profit

	2008 £'000	2007 £'000
The following items have been charged/(credited) in arriving at operating profit:		
Royalty income	(809)	(731)
Employee benefit expenses (note 14)	604	985
Depreciation of property, plant and equipment (note 6)	28	41
Loss on disposal of fixed asset	23	-
Other operating lease rentals payable:		
- plant and machinery	9	10
- other	50	52
Repairs and maintenance expenditure on property, plant and equipment	41	44
Exchange gains	(48)	(3)
Services provided by the Company's auditors		
- fees payable for the audit	19	24

Current year exceptional item

Included in cost of sales for 2008 is an amount of £124,000 (2007 £nil) relating to the transfer out of soft lens production and transfer in of a new line of rigid lenses to Farnham. The costs include obsolete inventory written off, fixed assets written off, training, travel and other employee related costs.

4 Finance income (costs)

	2008 £'000	2007 £'000
Interest income on bank deposits	26	35
Interest payable on bank overdrafts	(1)	(2)
Interest receivable on other loans	242	260
Total interest receivable	267	293

Notes to the financial statements for the year ended 31 December 2008 (continued)

5 Income tax expense

Analysis of charge/(credit) in the year	2008 £'000	2007 £'000
Current tax		
- UK corporation tax on profits of the year	278	310
- Adjustment in respect of prior years	-	(105)
Total current tax	278	205
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	168	165
Adjustment in respect of prior years	(1)	-
Tax charge	445	370

Tax on items (credited)/charged to equity	2008 £'000	2007 £'000
Deferred tax (credit)/charge on actuarial gains	(189)	638

The charge for the year can be reconciled as follows:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	1,428	1,440
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28.5% (2007: 30%)	407	432
Effects of:		
Industrial building allowance lost	52	-
Non-taxable income	(9)	-
Adjustments in respect of prior periods – deferred tax	(1)	-
Adjustments in respect of prior periods – current tax	-	(105)
Adjustment in respect of tax rate change from 30% to 28%	(4)	43
Tax charge for the year	445	370

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 Property, plant and equipment

	Leasehold improvements	Plant, machinery and vehicles	Total
	£'000	£'000	£'000
Cost			
At January 2007	23	1,001	1,024
Additions at cost	-	11	11
At 31 December 2007	23	1,012	1,035
Additions at cost	-	48	48
Transfers		51	51
Disposals at cost	-	(23)	(23)
At 31 December 2008	23	1,088	1,111
Accumulated depreciation			
At 1 January 2007	13	903	916
Charge for the year	4	37	41
At 31 December 2007	17	940	957
Charge for the year	4	24	28
Disposals	0	0	0
At 31 December 2008	21	964	985
Net book amount			
31 December 2008	2	124	126
31 December 2007	6	72	78

Included in property, plant and equipment are assets with an original cost of £921,000 (2007: £781,000) which are now fully depreciated but still in use.

7 Inventories

All trade and other receivables are stated at fair value which approximate to book value and are denominated in pounds.

	2008 £'000	2007 £'000
Raw materials	194	56
Materials and consumables	29	37
Finished goods	-	10
	223	103

The Company consumed £256,000 (2007: £298,000) of inventories during the year. There are no finished goods held at a net realisable value lower than cost (2007: £nil).

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Receivables

	2008 £'000	2007 £'000
Amounts owed by fellow group undertakings	605	476
Loans to group undertakings	7,000	6,500
Other receivables	10	16
Prepayments and accrued income	14	16
	<u>7,629</u>	<u>7,008</u>

9 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	21	41
Amounts owed to fellow group undertakings	1,939	1,946
Other tax and social security payable	18	17
Accruals and deferred income	75	88
	<u>2,053</u>	<u>2,092</u>

No security has been given by the Company in respect of the creditors detailed above.

10 Financial liabilities: borrowings

Current	2008 £'000	2007 £'000
Unsecured bank overdrafts due within one year or on demand (note 19)	57	-
	<u>57</u>	<u>-</u>

The Company is party to a composite cross guarantee arrangement in relation to the bank overdrafts, as referred to in note 17. This overdraft bears interest at the HSBC base rate plus 1%.

The effective interest rates at the balance sheet dates were as follows:

	2008	2007
Bank overdraft	1.0%	4.5%

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Deferred income tax assets

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%)

Movement on deferred taxation balance in the year	2008 £'000	2007 £'000
At 1 January	11	814
Income statement	(167)	(165)
Retained earnings - retirement benefit obligations	189	(638)
At 31 December	33	11
	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	116	193
Retirement benefit obligations	(80)	(179)
Share based payments	(3)	(3)
Total deferred tax	33	11
	2008 £'000	2007 £'000
Deferred tax assets	116	193
Deferred tax liability	(83)	(182)
Net deferred tax asset	33	11

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 31 December 2008 was £33,000 (2007: £11,000).

12 Ordinary shares

Authorised	2008 £'000	2007 £'000
2,000,000 ordinary shares of £1 each	2,000	2,000
Issued and fully paid	2008 £'000	2007 £'000
Shares	Shares	£'000
Ordinary shares of £1 each		
At 31 December	850,000	850

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Statement of changes in shareholder's equity

	Share capital £'000	Share option recharge £'000	Retained earnings £'000	Total £'000
At 1 January 2008	850	(5)	4,875	5,720
Profit for the year			983	983
Actuarial loss on pension scheme			(679)	(679)
Deferred tax on actuarial loss on pension scheme			189	189
At 31 December 2008	850	(5)	5,368	6,213

The share option reserve represents shares and options purchased on behalf of qualifying employees, from either the open market or the ultimate parent Company, which are still to vest in future years.

14 Employees and directors

Employee benefit expenses during the year	2008 £'000	2007 £'000
Wages and salaries	783	764
Share based payments	2	3
Social security costs	59	55
Other pension credits (note 15)	(240)	(163)
	604	659

Average monthly number of people employed (including executive directors)	2008 Number	2007 Number
Production	30	31
Administration	3	3
	33	34

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Employees and directors (continued)

Directors	2008 £'000	2007 £'000
Aggregate emoluments	67	64
Company contributions to defined benefit pension schemes	25	24
	92	88

The emoluments of one director are paid by CV Manufacturing & Supply (UK) Limited. The emoluments of all other directors are paid by the immediate parent for their services in the Novartis Group and no recharge is made to the Company. Their remuneration is therefore not included in the above figures.

No director (2007: none) who is remunerated in the UK exercised options and no director (2007: none) received shares under a long term incentive scheme in 2008.

There is one director accruing benefits under the defined benefit scheme. The accrued pension was £80,000 (2007: £62,000) per annum as at 31 December 2008.

Key management compensation	2008 £'000	2007 £'000
Salaries and short-term employee benefits	92	88

The key management figures given above relates to the directors. A number of identified key management are remunerated by the ultimate parent Company with no recharge to the Company. The disclosure above therefore excludes these amounts.

Employee share participation plans

Employee and management share participation plans can be separated into share option plans and share plans.

Share plans

The Novartis Share Incentive Plan ("SIP") is an HMRC approved plan open to all UK permanent employees. Eligible employees may contribute up to £125 each month and the trustee of the plan uses the money to buy shares on their behalf. For every two shares purchased the Company purchases another matching share at market price on grant date. The shares received under this plan have a three year vesting period. UK based directors are eligible to participate in the SIP.

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Employees and directors (continued)

Movements in Novartis AG shares held in trust for employee participation were as follows:

	2008 Number of shares	2007 Number of shares
At 1 January	794	694
Shares bought during year	114	100
At 31 December	908	794

The market value of the shares held in trust at year end was £27,589 (2007: £24,081).

15 Retirement benefits

The Company participates in defined benefit and defined contribution pension schemes operated by Novartis UK Limited for its UK employees, with assets held in a separately administered fund. Watson Wyatt are the advising actuaries for the Company scheme. All actuarial gains and losses are recognised through the statement of recognised income and expense, with the exception of gains and losses arising from changes in the benefits regarding past services, which are recognised in the income statement.

In the defined benefit plan (final salary scheme) contributions over the year ended 31 December 2008 were paid by members at a rate of 4% (minimum) or 6% (voluntary) of pensionable pay per annum (2007: 4% minimum 6% voluntary) and by the Company of 15% of pensionable pay per annum (2007: 15%).

Pension costs for the defined contribution scheme were as follows:

	2008 £'000	2007 £'000
Defined contribution schemes	4	4

Defined benefit plans

In calculating the liabilities of the defined benefit scheme, the following financial assumptions have been used:

	2008	2007	2006	2005
Discount rate	6.25% pa	5.70% pa	5.00% pa	4.75% pa
Salary growth	4.10% pa	4.30% pa	4.40% pa	4.20% pa
RPI	3.10% pa	3.30% pa	2.90% pa	2.70% pa
Pension-in payment increases	3.10% pa	3.30% pa	2.90% pa	2.70% pa
Post retirement mortality assumption	PNMA00/P NFA00(1)	PNMA00/P NFA00	PA92B85/P A92B45*	PA92B85/ PA92B45*
Expected return on assets	7.2% pa	7.00% pa	6.50% pa	6.30% pa

(1) These are updated versions of the PA92 standard mortality tables to allow for more recent mortality experience. The standard table has been projected forward in line with the medium cohort projection from 2000 onwards based on each members' year of birth.

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Retirement benefits (continued)

The expected return on plan assets is a blended average of projected long term returns for the various asset classes. Asset classes are based on the forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the plan's holdings of these instruments.

Under the current pension scheme rules employees are allowed to take up a maximum of 25% of the value of their pension fund as a lump sum. The scheme valuation has assumed a 15% (2007:15%) conversion rate since it is not expected that all employees will take the maximum cash lump sum.

The expected return on assets for 2009 is 7.2%.

The major categories of assets as a percentage of total plan assets are as follows:

Asset category	2008	2007	2006	2005
Equities and hedge funds	66%	70%	70%	75%
Bonds	26%	25%	30%	23%
Other	8%	5%	-	2%
Total	100%	100%	100%	100%

The amounts recognised in the balance sheet are determined as follows:

	2008	2007
	£'000	£'000
Fair value of plan assets	22,328	26,370
Present value of defined benefit obligation	(22,038)	(25,729)
Surplus	290	641

The amounts recognised in the income statement are as follows:

	2008	2007
	£'000	£'000
Gross service cost	134	147
Interest cost	1,462	1,336
Expected return on plan assets	(1,804)	(1,614)
Plan participants contributions	(32)	(32)
Total included within employee benefit expenses (note 14)	(240)	(163)

The total credit is included in cost of sales.

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Retirement benefits (continued)

Change in the defined benefit obligation:

	2008 £'000	2007 £'000
Present value of defined benefit obligation at start of year	25,729	26,786
Current service cost	134	147
Interest cost	1,462	1,336
Actuarial gain	(5,074)	(2,372)
Benefits paid	(213)	(168)
Present value of defined benefit obligation at end of year	22,038	25,729

Change in plan assets:

	2008 £'000	2007 £'000
Fair value of plan assets at start of year	26,370	24,901
Expected return on plan assets	1,804	1,614
Actuarial (loss) on plan assets	(5,753)	(95)
Employer contributions	88	86
Employee contributions	32	32
Benefit paid	(213)	(168)
Fair value of plan assets at end of year	22,328	26,370

The actual return on plan assets was £(3,949,000) (2007: £1,519,000).

Amount recognised in the statement of recognised income and expense ("SORIE")

	2008 £'000	2007 £'000
Actuarial gain on defined benefit obligation	(5,074)	(2,372)
Actual return less expected return on plan assets	5,753	95
Actuarial loss/(gain)	679	(2,277)
Deferred tax on actuarial losses/(gains)	(189)	638
Net actuarial losses/(gains) recognised in the SORIE	490	(1,639)

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Retirement benefits (continued)

The history of experience (gains)/ losses:

	2008	2007	2006	2005
Experience adjustments on plan assets (£'000)	(5,753)	(95)	(1,598)	(1,568)
Percentage of plan assets	25.8%	0.4%	6%	7%
Experience adjustments on plan obligation (£'000)	(5,074)	(2,372)	(738)	3,067
Percentage of plan obligation	23%	9%	3%	12%
Fair value of plan assets (£'000)	22,327	26,370	24,901	21,948
Present value of plan obligation (£'000)	22,037	25,729	26,785	26,460
(Surplus)/deficit (£'000)	(290)	(641)	1,884	4,513

The Directors have recognised the pension asset at the year end of £290,000 (2007: £641,000), as it has a future economic benefit as a result of a right to a refund during the life of the plan or by a reduction in employer's contributions.

The Company expects to contribute £88,000 to the group pension scheme in 2009.

16 Operating lease commitments – minimum lease payments

Commitments under non-cancellable operating leases expiring	2008 £'000	2007 £'000
Land and buildings		
- within one year	50	46
- two to five years	198	184
- five years and more	210	235
	458	465
Other		
- within one year	9	8
- two to five years	11	12
	20	20

The lease agreements have various terms, escalation clauses and renewal rights.

The Company also leases various plant and machinery under cancellable operating lease agreements. The Company is required to give a notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 3.

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Contingent liabilities

The Company is party to a composite cross-undertaking to its principal banker (HSBC plc) to secure the liabilities to the bank of its fellow UK group companies. The contingent liability is limited to the net cash position of the Company's own bank accounts of £279,000 (2007: £284,000), to the extent that it is required to cover the total liabilities of the group companies who are party to the cross guarantee.

The maximum potential liability for the total UK group is limited to the net loan and overdraft position of the UK companies bank accounts, calculated on cleared funds. As at 31 December 2008 the net deposit and cash position of the UK companies was £8,975,000 (2007: net loan and overdraft £24,354,000).

The total facility for the total UK group is £65million (2007: £65million)

18 Related party transactions

	2008 £'000	2007 £'000
Sales of goods to related parties		
Fellow group undertakings	1,606	1,726
Sales of services to related parties		
Fellow group undertakings	809	731
Purchase of goods from related parties		
Fellow group undertakings	294	104
Purchase of services from related parties		
Fellow group undertakings	82	68

Sales and purchases to and from fellow group undertakings were carried out on commercial terms and at market prices.

Year end balances arising from sales, purchases of goods and services and financing activities are as follows:

	2008 £'000	2007 £'000
Receivables from related parties		
Fellow group undertakings	605	476
Payables to related parties		
Fellow group undertakings	26	39
Financing from/(to) related parties		
Immediate parent	1,908	1,908
Fellow group undertakings	(7,000)	(6,500)

Key management compensation is disclosed in note 14.

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Cash flow from operating activities

Cash flow from operating activities	2008 £'000	2007 £'000
Net profit	983	1,070
Adjustments for:		
Tax	445	370
Depreciation	28	41
Loss on disposal of assets	23	-
Interest income	(268)	(295)
Interest expense	1	2
Foreign exchange gain	(48)	(3)
Non cash pension credit in the year	(330)	(248)
Changes in working capital:		
(Increase) in inventories	(120)	(13)
(Increase)/decrease in trade and other receivables	(121)	78
Decrease in payables	(39)	(237)
Cash generated from continuing operations	554	765
Analysis of cash and cash equivalents	2008 £'000	2007 £'000
Bank balances and other liquid funds	314	281
Bank overdrafts (note 10)	(57)	-
	257	281

20 Parent undertakings

Wesley-Jessen Limited, incorporated in Great Britain, is the immediate parent undertaking of CV Manufacturing and Supply (UK) Limited.

The directors regard Novartis AG, a Company incorporated in Switzerland, as the Company's ultimate parent undertaking and controlling party. Copies of the group accounts can be obtained from Novartis AG, Building S-210, CH-4002, Basle, Switzerland.

Novartis AG is the parent undertaking of the largest and smallest group of which CV Manufacturing and Supply (UK) Limited is a member and for which consolidated group accounts are drawn up.