

SOLA Optical (UK) Limited
Annual report and accounts
for the year ended 31 March 2002

Registered Number 2838963



SOLA Optical (UK) Limited
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for the year ended 31 March 2002

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SOLA Optical (UK) Limited

Directors' report for the year ended 31 March 2002

The directors present their report and the accounts for the year ended 31 March 2002.

Principal activities and review of business developments

The activities of the Group are principally the manufacture and marketing of ophthalmic lenses.

Results and dividends

The Group profit and loss account for the year is set out on page 5. The Group reports a loss after taxation of £18,000 (2001: restated profit after taxation £1,354,000). The directors do not recommend the payment of a dividend for the year (2001: £nil).

As the group has operations in Zimbabwe, a hyper-inflationary economy, the prior year comparatives for the Zimbabwe operations have been restated as disclosed in note 1 for the purposes of fair presentation in accordance with UITF Abstract 9, "Accounting for operations in hyper-inflationary economies".

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Directors

The directors of the company during the year ended 31 March 2002 were:

M Ashcroft	
B P Creagh	(resigned 26 June 2002)
J C Rosser	(appointed 22 November 2001)
D Cruddace	(appointed 26 June 2002)

Directors' interests

There are no directors interests requiring disclosure under the Companies Act 1985.

No director had any interest in the shares of the company or of other undertakings in the UK group at any time during the year. In accordance with the Companies (Disclosure of Director's Interests) (Exceptions) Regulations 1985, as the company is a wholly owned subsidiary of Sola International, Inc., a body incorporated outside Great Britain, directors' interests in the shares of the parent company are not required to be disclosed.

Employee involvement

The directors are committed to good communications throughout the organisation. Planned regular communication takes place at all levels through briefing meetings, video presentations and notice boards.

The Group agrees with and actively supports the principles and standards of practice on employee involvement published jointly by the Industrial Participation Association and the Institute for Personnel Management in 1983.

SOLA Optical (UK) Limited

Directors' report for the year ended 31 March 2002 (continued)

Health and safety

The increasing interests of the Group in high technology have coincided with legislation to emphasise the need for continuing developments in the areas of occupational health and preventative occupational medicine. This is reflected in the priority given in providing good working conditions and to the establishment of a satisfactory basis upon which future development may be built.

The Group's objective is to maintain, or exceed, in its statutory obligations to disabled persons. It endeavours to integrate disabled persons with other employees and their training, career development and promotion is handled under the Group's general policy covering these activities. When an employee becomes disabled every effort is made to ensure continuity of employer and appropriate training is given.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

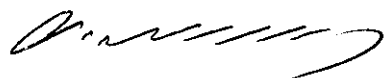
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability partnership from 1 January 2003, PricewaterhouseCoopers resigned on 10 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

By order of the board



A Murray
Secretary
7 May 2003

SOLA Optical (UK) Limited

Independent auditors' report to the members of SOLA Optical (UK) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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.

SOLA Optical (UK) Limited

Independent auditors' report to the members of SOLA Optical (UK) Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Birmingham

Date : 7/5/03

SOLA Optical (UK) Limited

Group profit and loss account for the year ended 31 March 2002

	Note	2002	2001
		£'000	Restated £'000
Turnover	2	29,855	27,584
Cost of sales		(23,818)	(20,693)
Gross profit		6,037	6,891
Distribution costs		(1,929)	(1,004)
Administrative expenses	4	(4,048)	(5,784)
Operating profit		60	103
Net interest receivable	7	532	564
Profit on ordinary activities before taxation	3	592	667
Tax on profit on ordinary activities	8	(610)	687
Retained (loss)/profit for the year	19	(18)	1,354

Statement of total recognised gains and losses

	2002	2001
	£'000	Restated £'000
(Loss)/profit for the financial year	(18)	1,354
Exchange difference on retranslation of net assets of subsidiary undertaking	(272)	(261)
Total recognised (losses)/gains for the year	(290)	1,093
Restatement (UITF Abstract 9 - note 1)	205	
Prior year adjustment (FRS19 - note 1)	1,458	
Total recognised gains since last annual report	1,373	

There is no difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

All activities above relate to continuing operations.

SOLA Optical (UK) Limited

Group balance sheet as at 31 March 2002

	Notes	2002 £'000	2001 Restated £'000
Fixed assets			
Intangible assets	9	1,385	1,472
Tangible assets	10	1,917	1,317
		3,302	2,789
Current assets			
Stocks	12	6,728	2,454
Debtors	13	20,075	17,114
Cash at bank and in hand		547	196
		27,350	19,764
Creditors: amounts falling due within one year	14	(13,871)	(5,330)
Net current assets		13,479	14,434
Total assets less current liabilities		16,781	17,223
Creditors – amounts falling due after more than one year	15	(201)	-
Provisions for liabilities and charges	16	(575)	(928)
Net assets		16,005	16,295
Capital and reserves			
Called up share capital	18	3,378	3,378
Capital redemption reserve	19	3,447	3,447
Profit and loss account	19	9,180	9,470
Equity shareholders' funds	19	16,005	16,295

The financial statements on pages 5 to 29 were approved by the board of directors on 7 May 2003 and were signed on its behalf by:


J C Rosser
Director

SOLA Optical (UK) Limited

Company balance sheet as at 31 March 2002

	Notes	2002 £'000	2001 Restated £'000
Fixed assets			
Tangible assets	10	1,186	1,097
Investments	11	8,801	8,801
		9,987	9,898
Current assets			
Stocks	12	986	1,104
Debtors	13	3,451	5,709
Cash at bank and in hand		501	-
		4,938	6,813
Creditors: amounts falling due within one year	14	(10,358)	(10,891)
Net current liabilities		(5,420)	(4,078)
Total assets less current liabilities		4,567	5,820
Provision for liabilities and charges	16	(549)	(893)
Net assets		4,018	4,927
Capital and reserves			
Called up share capital	18	3,378	3,378
Profit and loss account	19	(2,807)	(1,898)
Capital redemption reserve	19	3,447	3,447
Equity shareholders' funds	19	4,018	4,927

The financial statements on pages 5 to 29 were approved by the board of directors on 7 May 2003 and were signed on its behalf by:


 J C Rosser
 Director

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002

1 Accounting policies

A summary of the more important accounting policies, which have been applied consistently except for the accounting policy for deferred taxation, which has been amended following the adoption of FRS19 ("Deferred Tax") is set out below. The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of a change in accounting policy to adopt FRS19 was to increase tax on profit on ordinary activities by £548,000 (2001: decrease tax on profit by £870,000) and to decrease profit for the financial year by £548,000 (2001 : increase profit for the financial year by £870,000). The brought forward retained earnings figure as at 1 April 2001 has increased by £1,458,000.

Basis of preparation

(1) Non hyper-inflationary economies

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

(2) Hyper-inflationary economies

The accounts are based on the statutory records that are maintained under the historic cost convention. Appropriate adjustments and reclassifications including restatement for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in accordance with UITF Abstract 9, have been made in these financial statements to the historical cost financial information. Accordingly, the inflation adjusted financial statements represent the primary financial statements for the company.

UITF Abstract 9, "Accounting for operations in hyper-inflationary economies" requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for the previous periods be restated in the same terms. One characteristic that necessitates the application of UITF Abstract 9 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Zimbabwean consumer price index (cpi) issued by the Zimbabwean Central Statistical Office. The indices and the conversion factors used to restate the accompanying financial statements at 31 March are given below:

Dates	Indices	Conversion factors
31 March 2002	1,386.9	1.000
31 March 2001	650.2	2.133
31 March 2000	417.4	3.323

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

1 Accounting policies (continued)

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies.

Turnover is attributable to one continuing activity being the manufacture and marketing of spectacle lenses.

Significant estimation techniques

In accordance with Financial Reporting Standard 18 ('Accounting policies') the company has reviewed its accounting policies and determined that those using significant estimation techniques concern depreciation and provisions for slow moving stock. These policies are described below.

Fixed assets and depreciation

All fixed assets are initially recorded at cost. For hyper-inflationary economies, fixed assets are valued at an inflation adjusted cost by applying consumer price index to historic cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Leasehold property	-	the period of the lease
Vehicles, plant and machinery	-	over 3 to 20 years

Stocks

Stocks are stated at the lower of cost and net realisable value. For hyper-inflationary economies, stocks are stated at inflation adjusted costs in terms of UITF Abstract 9 by applying consumer price index to their costs. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average 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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date, after making appropriate adjustments for the effect of inflation in countries experiencing hyper-inflation.

All differences are taken to the profit and loss account other than exchange gains and losses in respect of a subsidiary whose principal activity is conducted overseas after making revaluation adjustments for the effects of inflation on appropriate assets in countries experiencing hyper-inflation. Assets and liabilities of this subsidiary in foreign currency are translated at rates of exchange ruling at the end of the financial period and the results of this subsidiary are translated at the average rate of exchange for the period. Differences on exchange arising from the retranslation of the opening net assets and from the translation of the results at a average rate are taken to reserves and are reported in the statement of total recognised gains and losses.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

1 Accounting policies (continued)

Basis of consolidation

The Group accounts include the Company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the group profit and loss account from date of acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

No profit and loss account is presented for SOLA Optical (UK) Limited, the company, as permitted by section 230 of the Companies Act 1985.

Pension costs

The group operates a defined contribution scheme and a defined benefit scheme. Details of the schemes are listed in note 22 to the accounts. The pension cost charge in respect of the defined contribution scheme represents contributions payable by the group to the scheme. In the case of the defined benefit scheme pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of any variations from regular cost are spread over the expected average remaining services lives of members of the schemes.

Goodwill

Goodwill arising in connection with the acquisition of shares in subsidiaries and associated undertaking is calculated as the excess of the purchase price over the fair value of the net tangible assets acquired.

Goodwill in respect of acquisitions made after 1 April 1998 is capitalised at cost and amortised over its estimated economic life. The period of amortisation, unless otherwise stated, is limited to 20 years. Goodwill arising on previous years' acquisitions is treated as follows:

- positive goodwill is capitalised at cost and amortised over its estimated economic life; and
- negative goodwill remains written off against reserves as a matter of accounting policy.

Cash flow statement

Under the revised FRS 1 'Cash flow statements', a cash flow statement is not required where a company is at least a 90% owned subsidiary of a company whose consolidated financial statements are publicly available. As disclosed in Note 20 the directors regard Sola International Inc. as its ultimate parent company. As the consolidated financial statements, including a cash flow statement, of Sola International Inc. are publicly available no cash flow statement has been prepared.

Investments

Investments held as fixed assets are stated at cost less provision for any diminution in value.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

2 Turnover

	2002	2001
		Restated
	£'000	£'000
By geographical market:		
United Kingdom	24,620	24,228
Rest of Europe	3,886	987
Rest of the world	1,349	2,369
	29,855	27,584

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies.

Turnover is attributable to one continuing activity being the manufacture and marketing of spectacle lenses.

3 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:

	2002	2001
		Restated
	£'000	£'000
Auditors' remuneration – audit services (company £18,000; 2001: £18,000)	44	44
Auditors' remuneration – non-audit services	5	-
Depreciation of tangible fixed assets – owned	330	299
Depreciation of tangible fixed assets – leased	26	-
Operating lease rentals :		
– plant and machinery	224	224
– land and buildings	342	414
Foreign exchange losses	24	173
Restructuring costs (see note 4)	(344)	893
Amortisation of goodwill (see note 9)	87	87

4 Exceptional - restructuring costs

2002: The group is undertaking a restructuring of its operations designed to reduce the cost base of Sola European subsidiaries of which the UK is a part. The utilisation of £344,000 principally relates to redundancy costs (2001: costs of £893,000 principally relate to redundancy costs).

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

5 Directors' emoluments

	2002	2001
	£'000	£'000
Total emoluments (including pension costs)	212	220
The emoluments, excluding pension costs of:		
Highest paid director	129	125

In addition, pension contributions of £5,724 (2001: £4,710) were paid into a defined contribution scheme on behalf of the highest paid director in the period. Total pension contributions paid into a defined contribution scheme on behalf of directors in the period amounted to £5,724 (2001: £4,710). At the year end retirements benefits are accruing to one (2001: one) director under the company's defined contribution pension scheme and one director under a subsidiary company's defined benefit scheme (2001 : nil).

The services of B P Creagh, prior to resignation on 26 June 2002, were discharged substantially outside the UK, and therefore, details of any remuneration are excluded from the above analysis.

6 Staff costs

Employee costs	2002	2001
	£'000	Restated £'000
Wages and salaries (including £73,000 of redundancy payments)	3,706	3,787
Social security costs	331	302
Other pension costs (see note 22)	235	161
	4,272	4,250

The average number of employees, including directors, for the group during the year was as follows:

	2002	2001
	Number	Number
United Kingdom	227	186
Zimbabwe	30	30
	257	216

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

7 Net interest receivable

	2002	2001
	£'000	Restated £'000
Interest received on inter-group loans wholly repayable within five years	470	503
Short term deposits	68	86
Interest payable on external loans	(5)	(24)
Finance lease interest	(1)	(1)
	532	564

8 Tax on profit on ordinary activities

	2002	2001
	£'000	Restated £'000
The tax charge comprises :		
UK Corporation tax at 30% (2001: 30%)	145	146
UK prior year corporation tax credit	(228)	-
Overseas taxation	75	107
Double taxation relief - prior year	70	-
Double taxation relief - current year	-	(70)
	62	183
Deferred taxation - current year	(415)	(870)
Deferred taxation - prior year	963	-
	610	(687)

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

8 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows :

	2002	2001
		Restated
	£'000	£'000
Profit on ordinary activities before tax	592	667
Tax on profit in ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	178	200
Effects of :		
Expenses not deductible for tax purposes	(5)	17
Capital allowances in excess of depreciation	(156)	(184)
Taxation losses carried forward	482	181
Other timing differences	(33)	97
Carry back of taxation losses	-	129
Utilisation of tax losses brought forward	(321)	(294)
Overseas taxation	75	107
Double taxation relief - current year	-	(70)
Double taxation relief - prior year	70	-
UK prior year corporation tax credit	(228)	-
	62	183

9 Intangible fixed assets

Group

Goodwill arising on the acquisition of SERO Limited of £1,945,000 has been capitalised and following the implementation of FRS 10 is amortised over 20 years. Prior to 1 April 1998 the goodwill on this acquisition was being amortised over 40 years.

At 31 March 2002 the accumulated amortisation totalled £560,000 (2001: £473,000) and the net book value was £1,385,000 (2001: £1,472,000).

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

10 Tangible fixed assets

	Leasehold improvements £'000	Owned plant machinery & equipment £'000	Leased plant machinery & equipment £'000	Total £'000
Group				
Cost				
At 31 March 2001	92	3,781	104	3,977
Restatement (UITF Abstract 9)	-	56	-	56
	92	3,837	104	4,033
Exchange adjustment	-	(67)	-	(67)
Additions	-	723	265	988
Disposals	(37)	(45)	(47)	(129)
At 31 March 2002	55	4,448	322	4,825
Depreciation				
At 31 March 2001	75	2,508	104	2,687
Restatement (UITF Abstract 9)	-	29	-	29
	75	2,537	104	2,716
Exchange adjustment	-	(35)	-	(35)
Provided during the year	3	327	26	356
Disposals	(37)	(45)	(47)	(129)
At 31 March 2002	41	2,784	83	2,908
Net book value				
At 31 March 2001 (restated)	17	1,300	-	1,317
At 31 March 2002	14	1,664	239	1,917

At 31 March 2002, the Group had placed contracts for £Nil (2001: £Nil) of capital expenditure which had not been provided for in the accounts.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

10 Tangible fixed assets (continued)

	Plant, machinery and equipment £'000	Total £'000
<i>Company*</i>		
Cost		
At 31 March 2001	2,881	2,881
Additions	341	341
At 31 March 2002	3,222	3,222
Depreciation		
At 31 March 2001	1,784	1,784
Provided during the year	252	252
At 31 March 2002	2,036	2,036
Net book value		
At 31 March 2001	1,097	1,097
At 31 March 2002	1,186	1,186

* The Company has no short leasehold property

The group has plant, machinery and vehicles held under finance leases with cost of £322,000 and accumulated depreciation of £83,000. The company has no assets held under finance leases.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

11 Investments

	2002	2001
Company	£'000	£'000
Subsidiary undertakings :		
Cost	10,204	10,204
Amount written off	(1,403)	(1,403)
Net book value	8,801	8,801

The company holds all of the share capital of SERO Limited, a spectacle lens manufacturer which became dormant on 1 April 1996, and UKO International Limited and its subsidiary undertakings.

Details of the investments in which the group and the company holds 20% or more of the nominal value of share capital are as follows. In all cases the holding represents 100% of the ordinary share capital of the company.

<i>Subsidiary undertakings</i>	<i>Nature of business</i>
SERO Limited	Dormant
American Optical (UK) Limited*	Manufacture of frames and distributor of ophthalmic lenses
SILS UK Limited	Distributor of ophthalmic lenses
UKO International Limited	Holding company
UKO International (Overseas Holdings) Limited*	Holding company
M Wiseman & Co (Zimbabwe) Limited*	Distributor of ophthalmic lenses and frames
United Kingdom Optical Company Limited*	Non-trading
Alpha Lens Company Limited*	Non-trading
Chadwick Taylor Limited*	Dormant
J & H Taylor Group Limited*	Dormant
The Hadley Company Limited*	Non-trading
Raphaels Limited*	Non-trading
Raphael Taylor Group Limited*	Dormant
UK Optical Limited*	Dormant
British American Optical Company Limited*	Dormant
UK Wiseman Limited*	Non-trading
AO European Services Limited*	Non-trading
M Wiseman & Co Limited*	Dormant
M Wiseman & Co (South Africa) Limited*	Dormant

* Held through subsidiary undertakings

All subsidiary companies are registered in England Wales.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

12 Stocks

	Group	Company	Group	Company
			Restated	
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Raw materials and consumables	89	25	144	2
Work in progress	94	94	76	76
Finished goods and goods for resale	6,545	867	2,234	1,026
	6,728	986	2,454	1,104

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13 Debtors

Amounts falling due within one year:

	Group	Company	Group	Company
			Restated	
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Trade debtors	3,981	1,846	5,102	2,575
Amounts owed by parent undertaking and fellow subsidiary undertakings	14,658	878	10,102	1,869
Corporation tax	152	152	171	171
Other debtors	192	167	151	119
Prepayments and accrued income	222	32	64	24
	19,205	3,075	15,590	4,758

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

13 Debtors (continued)

Amounts falling due after more than one year:

	Group	Company	Group	Company
			Restated	
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Other debtors	-	-	1	3
Loans to employees	3	3	3	1
Pension prepayments	174	-	279	-
Deferred tax (note 16)	693	373	1,241	947
	870	376	1,524	951
Total debtors	20,075	3,451	17,114	5,709

The pension prepayment relates to the American Optical (UK) Limited's defined benefit pension scheme details of which are disclosed in note 22 of these accounts.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

14 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2002	2002	Restated	
	£'000	£'000	2001	2001
			£'000	£'000
Bank Overdraft	96	-	231	88
Trade creditors	1,997	1,335	1,648	1,081
Amounts owed to parent undertaking and fellow subsidiary undertakings	10,523	6,325	2,180	6,895
Amounts owing to subsidiary undertaking	-	2,091	-	2,091
Corporation tax	77	-	161	-
Other taxes and social security costs	619	395	443	407
Other creditors	61	54	145	127
Finance leases	53	-	-	-
Accruals and deferred income	445	158	522	202
	13,871	10,358	5,330	10,891

The loan of £2,091,000 from American Optical (UK) Limited is repayable on 31 December 2002. There is no interest accruing on this loan.

One subsidiary company's, American Optical (UK) Limited, bank facilities are secured by a debenture entered into on 2 January 1996.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

15 Creditors – amounts falling due after more than one year

Group

	2002 £'000	2001 £'000
Finance lease creditors due after more than one year	201	-
The maturity of total finance leases is as follows :		
Within one year (note 14)	53	-
Within two to five years	201	-
	254	-

The company has no creditors falling due after more than one year.

16 Provisions for liabilities and charges

Group

	Deferred tax £'000	Restructuring provisions £'000	Other provisions £'000	Total provisions £'000
At 31 March 2001	217	893	28	1,138
Reversal of prior year provision due to FRS 19 prior year adjustment Restatement (UITF Abstract 9 - note 1)	(217)	-	-	(217)
At 31 March 2001 (as restated)	7	-	-	7
	7	893	28	928
Currency adjustment	(7)	-	-	(7)
Utilised in the year	-	(344)	(2)	(346)
At 31 March 2002	-	549	26	575

Restructuring provisions relate principally to redundancy costs and will be incurred in the next two years.

Other provisions relating to the group are in respect of dilapidations for leasehold premises, which are to be incurred over the next six years.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

16 Provisions for liabilities and charges (continued)

Company

	Deferred tax £'000	Restructuring provisions £'000	Total provisions £'000
At 31 March 2001	212	893	1,105
Reversal of prior year provision due to FRS 19 prior year adjustment	(212)	-	(212)
At 31 March 2001 (as restated)	-	893	893
Utilised in the year	-	(344)	(344)
At 31 March 2002	-	549	549

Deferred tax

The company is required to adopt the new FRS19 from the year ended 31 March 2002 onwards. Under the standard there are new rules in respect of the recognition of deferred tax assets. See the accounting policy note for further details.

The movement on the provided deferred tax asset is analysed as follows :

Group

	2002 £'000	2001 £'000
Brought forward under SSAP 15	(217)	(1)
Prior year adjustment (FRS 19)	1,458	2,112
Brought forward under FRS 19	1,241	2,111
Profit and loss account	(548)	(870)
Carried forward	693	1,241

The amount of recognised deferred tax asset is analysed out as follows :

	2002 £'000	2001 £'000
Accumulated capital allowances	(99)	(212)
Losses	531	829
Other timing differences	261	624

SOLA Optical (UK) Limited

Carried forward

693

1,241

Notes to the financial statements for the year ended 31 March 2002 (continued)

16 Provisions for liabilities and charges (continued)

In a number of subsidiary companies, there are tax trading losses carried forward which are not expected to reverse in the near future. As such, no deferred taxation asset is being recognised in respect of these losses.

The amount of the unrecognised potential deferred tax liability/(assets) is set out below:

	Group	Company	Group	Company
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(450)	-	(581)	-
Losses	(2,261)	-	(2,256)	-
Other timing differences	5	-	51	-
	(2,706)	-	(2,786)	-

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

17 Obligations under leases and hire purchase contracts

The Group had annual commitments under non-cancellable operating leases as below:

	Land and buildings	Other	Total	Land and buildings	Other	Total
	2002	2002	2002	2001	2001	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	15	15	95	19	114
Within two to five years	124	196	320	-	93	93
In over five years	164	-	164	289	-	289
	288	211	499	384	112	496

The Company had annual commitments under non-cancellable operating leases as below:

	Land and buildings	Other	Total	Land and buildings	Other	Total
	2002	2002	2002	2001	2001	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	4	4	80	-	80
Within two to five years	124	128	252	-	-	-
In over five years	164	-	164	141	-	141
	288	132	420	221	-	221

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

18 Share capital

	Authorised		Allotted and fully paid	
	2002 & 2001 Number	2002 & 2001 £'000	2002 & 2001 Number	2002 & 2001 £'000
Ordinary shares of £1 each	5,000,000	5,000	3,378,000	3,378

19 Movement on reserves and reconciliation of movements in shareholders' funds

Group	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 31 March 2001 (as previously reported)	3,378	3,447	7,807	14,632
Restatement (UITF Abstract 9 - note 1)	-	-	205	205
Prior year adjustment (FRS19 - note 1)	-	-	1,458	1,458
At 31 March 2001 (as restated)	3,378	3,447	9,470	16,295
Loss for year	-	-	(18)	(18)
Exchange movement	-	-	(272)	(272)
At 31 March 2002	3,378	3,447	9,180	16,005

Goodwill of £1,614,000 (2001: £1,614,000) has been written off directly to reserves arises from the acquisition of UKO International Limited which was made prior to 1 April 1998.

Company	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 31 March 2001	3,378	3,447	(3,057)	3,768
Prior year adjustment (FRS19 - note 1)	-	-	1,159	1,159
At 31 March 2001 (as restated)	3,378	3,447	(1,898)	4,927
Loss for the year	-	-	(909)	(909)
At 31 March 2002	3,378	3,447	(2,807)	4,018

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

20 Ultimate holding company and controlling party

The company is a 100% owned subsidiary of Sola International Inc, a company incorporated in the USA. Sola International Inc. is the ultimate controlling party.

The parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up is Sola International Inc. Copies of the Sola International Inc's group financial statements are available to the public from 10590 West Ocean Drive, Suite 300, San Diego, California 92130, USA.

21 Related party transactions

The group has taken advantage of the exemption available to 90% owned subsidiary undertakings under FRS 8 not to disclose transactions with other investees of the group.

22 Pension commitments

The company and group operates two defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The group pension cost charge in respect of these schemes amounted to £130,000 (2001: £94,000).

The group also operates a defined benefit scheme, the American Optical UK Ltd Pension Scheme, which is funded by the payment of contributions to a separately administered trust fund.

The contributions to the scheme are determined on the basis of triennial valuations. The most recent funding valuation was that conducted as at 31 March 2000 which used the attained age method. The assumptions used in that actuarial valuations were :

Rate of return on investments	6%pa
Increase in pensionable earnings	4.5%pa or 5.5%pa depending on category of membership
Pension increases (where applicable)	3%

The market value of the assets of the scheme at 31 March 2000, as shown in the scheme accounts is £3,938,389, and the value of those assets represented more than 100% of the value of the benefits that had accrued to members, after allowing for future increases in earnings.

The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread these costs on a rational basis over employees' working lives with the employer.

The pension cost for the employer for the financial year ending 31 March 2002 was £105,000 (2001 : £67,000). A prepayment of £174,000 (2001 : £279,000) for pension costs is included in the employer's balance sheet at the year end arising from the accumulated difference between the contributions paid to the scheme and the corresponding pension costs.

Under the FRS17 ("Retirement Benefits") disclosure requirements, the Scheme has a surplus of £333,000 at 31 March 2002.

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

22 Pension commitments (continued)

The major assumptions used by the actuary for the purposes of the FRS17 transitional disclosures were (in nominal terms) as follows :

	At 31 March 2002
Rate of increase in salaries (Staff)	4.5%
Rate of increase in salaries (Executives)	5.5%
Rate of increase of pensions in payment	2.8%
Discount rate	6.0%
Inflation assumption	2.8%

The assets in the scheme and the expected rate of return were :

	Expected return	Value
	At 31 March 2002	£'000
Equities	7.0%	2,700
Bonds	6.0%	507
Property	7.0%	130
Cash	4.0%	<u>89</u>
Total market value of assets		3,426
Actuarial value of liability		<u>(3,093)</u>
Recoverable surplus in the scheme		<u>333</u>

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

22 Pension commitments (continued)

If the above pension surplus was recognised in the financial statements, the group's net assets and profit and loss reserve would be as follows :

	2002
	£'000
Net assets (excluding SSAP24 pension prepayment of £174,000)	15,831
FRS17 pension surplus	333
Deferred taxation liability	(100)
Net assets including pension surplus	16,064

	2002
	£'000
Profit and loss reserve (excluding SSAP24 pension prepayment of £174,000)	9,006
FRS17 pension surplus	333
Deferred taxation liability	(100)
Profit and loss reserve including pension surplus	9,239

23 Operating restrictions

The operations of one of the company's subsidiaries, M Wiseman and Company (Zimbabwe) Limited, and all of its assets are located in Zimbabwe. There are significant restrictions on the remittance of profits to the United Kingdom for this subsidiary.