SOLA Optical (UK) Limited

Annual report and accounts

for the year ended 31 March 2005

Registered number: 2838963

SOLA Optical (UK) Limited

Annual report and accounts for the year ended 31 March 2005

SOLA Optical (UK) Limited

Directors' report
for the year ended 31 March 2005

The directors present their report and the accounts for the year ended 31 March 2005.

Principal activities

The activities of the Group are principally the manufacture, marketing and distribution 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 profit after taxation of £1,377,000 (2004: profit after taxation £2,965,000). The directors do not recommend the payment of a dividend for the year (2004: £nil).

Both the level of United Kingdom business and the year end financial position were satisfactory. However, European and Rest of the World sales were impacted following changes in their respective markets. The directors expect that the present level of activity will be sustained for the foreseeable future.

On 22 March 2005, Sola International Inc, the former ultimate parent company and controlling party, completed a merger with Sun Acquisition Inc, becoming an indirect, wholly owned subsidiary of Carl Zeiss Topco GmbH. This merger combines the Carl Zeiss Optical Lens division with Sola and will be named Carl Zeiss Vision.

Going concern

The directors have received confirmation of continued support from SERO Limited for a period of not less than one year from the date of approval of the financial statements. The accounts have been therefore been prepared on a going concern basis.

Directors

The directors of the company during the year ended 31 March 2005, and to the date of this report, were:

M Ashcroft (resigned 30 November 2005)
J C Rosser
D Cruddace

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 Carl Zeiss Vision, a body incorporated outside Great Britain, directors' interests in the shares of the parent company are not required to be disclosed.

During the year, no director (2004: none) exercised share options in the ultimate parent company Carl Zeiss Vision. As part of the merger with Sun Acquisition Inc on 22 March 2005, outstanding share options held by the directors in the former ultimate parent company, Sola International Inc were settled for a cash payment.

Directors' report
for the year ended 31 March 2005 (continued)

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.

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.

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.

Political and charitable contributions

During the year, the company did not make any political contributions and charitable contributions of £1,013 to various registered charities.

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 and the Company 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.

SOLA Optical (UK) Limited

Directors' report
for the year ended 31 March 2005 (continued)

Auditors

Following the change of ownership of the company in the year, PricewaterhouseCoopers LLP will resign as auditors of the company. KPMG's appointment as auditors will be proposed at the Annual General Meeting.

By order of the board

A Murray
Secretary
Date : 5 | 4 | 06

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, the cash flow statement 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 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.

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 2005, of the profit of the Group and of the cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
Date : 12 April 2006

SOLA Optical (UK) Limited

Group profit and loss account
for the year ended 31 March 2005

	Note	2005	2004
		£'000	£'000
Turnover	2	**58,677**	61,652
Cost of sales		**(46,085)**	(49,962)
Gross profit		**12,592**	11,690
Distribution costs		**(2,538)**	(3,546)
Administrative expenses		**(8,143)**	(5,330)
Operating profit	3	**1,911**	2,814
Loss on disposal of operations	4	**-**	(159)
Net interest receivable/(payable)	7	**141**	(277)
Profit on ordinary activities before taxation		**2,052**	2,378
Tax on profit on ordinary activities	8	**(675)**	587
Profit retained for the year	19	**1,377**	2,965

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

All activities above relate to continuing operations.

SOLA Optical (UK) Limited

Statement of total recognised gains and losses for the year ended 31 March 2005

	2005	2004
	£'000	£'000
Profit retained for the financial year	**1,377**	2,965
Exchange difference on retranslation of net assets of subsidiary undertakings	-	(573)
Total recognised gains for the year	**1,377**	2,392

SOLA Optical (UK) Limited

Group balance sheet
as at 31 March 2005

	Notes	2005	2004
		£'000	£'000
Fixed assets			
Intangible assets	9	**-**	-
Tangible assets	10	**2,113**	1,819
		2,113	1,819
Current assets			
Stocks	12	**10,925**	11,365
Debtors	13	**22,048**	22,800
Cash at bank and in hand		**1,488**	1,042
		34,461	35,207
Creditors: amounts falling due within one year	14	**(21,058)**	(22,859)
Net current assets		**13,403**	12,348
Total assets less current liabilities		**15,516**	14,167
Creditors: amounts falling due after more than one year	15	**(41)**	(92)
Provisions for liabilities and charges	16	**(101)**	(78)
Net assets		**15,374**	13,997
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	**8,549**	7,172
Equity shareholders' funds	19	**15,374**	13,997

The financial statements on pages 5 to 32 were approved by the board of directors and were signed on its behalf by:

John Rosser.
J C Rosser
Director
Date: 5|4|06

SOLA Optical (UK) Limited

Company balance sheet
as at 31 March 2005

	Notes	2005	2004
		£'000	£'000
Fixed assets			
Tangible assets	10	**1,407**	1,136
Investments	11	**8,801**	8,801
		10,208	9,937
Current assets			
Stocks	12	**1,098**	801
Debtors	13	**5,582**	3,342
Cash at bank and in hand		**864**	336
		7,544	4,479
Creditors: amounts falling due within one year	14	**(19,367)**	(13,656)
Net current liabilities		**(11,823)**	(9,177)
Total assets less current liabilities		**(1,615)**	760
Provision for liabilities and charges	16	**-**	(27)
Net (liabilities)/assets		**(1,615)**	733
Capital and reserves			
Called up share capital	18	**3,378**	3,378
Profit and loss account	19	**(8,440)**	(6,092)
Capital redemption reserve	19	**3,447**	3,447
Equity shareholders' (deficit)/funds	19	**(1,615)**	733

The financial statements on pages 5 to 32 were approved by the board of directors and were signed on its behalf by:

John Rosser

J C Rosser
Director
Date : 5/4/06

SOLA Optical (UK) Limited

Group cash flow statement
for the year ended 31 March 2005

	Notes	2005	2004
		£'000	£'000
Net cash inflow/(outflow) from operating activities	20	**1,128**	(1,208)
Returns on investment and servicing of finance			
Interest received		**149**	39
Interest paid		**-**	(288)
Interest element of finance lease payments		**(8)**	(28)
Net cash inflow/(outflow) from returns on investment and servicing of finance		**141**	(277)
Taxation		**(8)**	(243)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(764)**	(302)
Disposal of tangible fixed assets		**-**	-
Net outflow from capital expenditure and financial investment		**(764)**	(302)
Acquisitions and disposals			
Disposal of subsidiary undertaking	4	**-**	-
Net cash outflow from acquisitions and disposals		**-**	-
Net cash inflow/(outflow) before financing		**497**	(2,030)
Financing			
Capital element of finance lease payments		(51)	(40)
Net cash outflow from financing		**(51)**	(40)
Increase/(decrease) in net cash	21	**446**	(2,070)

Notes to the financial statements for the year ended 31 March 2005

Accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of preparation

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

Going concern

The accounts have been prepared under the going concern concept which assumes the company will have sufficient funds to pay its debts as they fall due and thus continue to trade. This assumption is based on the continued support from SERO Limited. The directors have received confirmation of continued support from SERO Limited for a period of not less than one year from the date of approval of the financial statements.

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, marketing and distribution 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 were 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 were 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.

Notes to the financial statements for the year ended 31 March 2005 (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. All differences are taken to the profit and loss account.

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.

Notes to the financial statements for the year ended 31 March 2005 (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 25 to the accounts. The pension cost 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.

Impairment of assets

The group undertakes a review for impairment of assets if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the asset is written down to its recoverable amount.

Investments

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

Notes to the financial statements for the year ended 31 March 2005 (continued)

2 Turnover

	2005	2004
	£'000	£'000
By geographical market:		
United Kingdom	**28,629**	24,756
Rest of Europe	**26,586**	31,581
Rest of the world	**3,462**	5,315
	58,677	61,652

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, marketing and distribution of opthalmic lenses.

3 Operating profit

Operating profit is stated after charging/(crediting):

	2005	2004
	£'000	£'000
Auditors' remuneration – audit services (company £22,000; 2004: £19,000)	**56**	57
Auditors' remuneration – non-audit services	**47**	-
Depreciation of tangible fixed assets – owned	**439**	325
Depreciation of tangible fixed assets – leased	**29**	5
Operating lease rentals:		
– plant and machinery	**81**	146
– land and buildings	**437**	505
Foreign exchange gains	**(321)**	(142)
Loss on disposal of fixed assets	**2**	8
Change of control	**2,129**	-

Notes to the financial statements for the year ended 31 March 2005 (continued)

3 Operating profit (continued)

The change of control cost above largely relates to payments made to the directors following the completion of a merger between Sola International Inc, the former ultimate parent company and controlling party and Sun Acquisition Inc. The cost largely reflects contractual payments to the directors and amounts paid in lieu of outstanding share options.

4 Exceptional items

A loss on disposal of £159,000 was recorded in the year ended 31 March 2004 in respect of the disposal of M Wiseman & Company (Zimbabwe) Limited. Assets to the value of £192,000 (fixed assets of £52,000, cash at bank and in hand of £27,000, stocks of £82,000 and debtors of £31,000) and liabilities to the value of £41,000 (creditors : amounts falling within one year of £25,000 and provisions for liabilities and charges of £16,000) were disposed of for which no consideration was received. Professional fees in relation to this transaction amounted to £8,000.

5 Directors' emoluments

	2005	2004
	£'000	£'000
Total emoluments (excluding pension costs)	**2,284**	295
The emoluments, excluding pension costs of:		
Highest paid director	**1,693**	126

In addition, pension contributions of £13,049 (2004: £12,663) were paid into a defined contribution scheme on behalf of the highest paid director in the period. The highest paid director did not exercise any share options in the year.

Total pension contributions paid into a defined contribution scheme on behalf of directors in the period amounted to £33,449 (2004: £12,663). At the year end retirements benefits are accruing to one (2004: one) director under the company's defined contribution pension scheme and one director under a subsidiary company's defined benefit scheme (2004: one).

Included within the aggregate emoluments balance disclosed above are payments made to directors of £1,503,940 in respect of the settlement of outstanding share options in Sola International Inc and other contractual payments following the change in ownership in the year. Of this balance, £1,286,015 was in respect of the highest paid director. Other than this, during the year, no director (2004: none) exercised share options in the ultimate parent company Sola International Inc.

SOLA Optical (UK) Limited

Notes to the financial statements
for the year ended 31 March 2005 (continued)

6 Staff costs

Employee costs	**2005**	2004
	£'000	£'000
Wages and salaries	**7,513**	6,097
Social security costs	**787**	504
Other pension costs (see note 25)	**212**	283
	8,512	6,884

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

	2005	2004
	Number	Number
United Kingdom	**305**	301
Zimbabwe	**-**	21
	305	322

7 Net interest receivable/(payable)

	2005	2004
	£'000	£'000
Interest receivable/(payable) on inter-group loans wholly repayable within five years	**92**	(230)
Short term deposits	**57**	39
Interest payable on external loans	**-**	(58)
Finance lease interest	**(8)**	(28)
	141	(277)

Notes to the financial statements for the year ended 31 March 2005 (continued)

8 Tax on profit on ordinary activities

	2005	2004
	£'000	£'000
The tax charge comprises :		
UK corporation tax at 30% (2004: 30%)	-	-
UK prior year corporation tax charge/(credit)	-	3
Overseas taxation	-	30
	-	33
Deferred taxation - current year	**675**	(620)
Deferred taxation - prior year	-	-
	675	(620)
	675	(587)

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:

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	**2,052**	2,378
Tax on profit in ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	**615**	714
Effects of :		
Expenses not deductible for tax purposes	**41**	95
Capital allowances in excess of depreciation	**13**	(11)
Taxation losses carried forward	**238**	279
Other timing differences	**4**	(15)
Utilisation of tax losses brought forward	**(911)**	(1,074)
Overseas taxation	-	42
UK prior year corporation tax charge	-	3
	-	33

Notes to the financial statements for the year ended 31 March 2005 (continued)

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 was amortised over 20 years. Prior to 1 April 1998 the goodwill on this acquisition was being amortised over 40 years.

	2005	2004
	£'000	£'000
Cost at 31 March	**1,945**	1,945
Amortisation at 31 March	**1,945**	1,945
Net book value at 31 March	**-**	-

10 Tangible fixed assets

Group	**Short leasehold mprovements £'000**	**Owned plant machinery & equipment £'000**	**Leased plant machinery & equipment £'000**	**Total £'000**
Cost				
At 1 April 2004	68	4,382	342	4,792
Additions	-	764	-	764
Disposals	-	(9)	-	(9)
At 31 March 2005	**68**	**5,137**	**342**	**5,547**
Depreciation				
At 1 April 2004	59	2,772	142	2,973
Provided during the year	2	437	29	468
Disposals	-	(7)	-	(7)
At 31 March 2005	**61**	**3,202**	**171**	**3,434**
Net book value				
At 31 March 2004	9	1,610	200	1,819
At 31 March 2005	**7**	**1,935**	**171**	**2,113**

At 31 March 2005, the Group had placed contracts for £Nil (2004: £Nil) on capital expenditure which had not been provided for in the accounts.

Notes to the financial statements for the year ended 31 March 2005 (continued)

10 Tangible fixed assets (continued)

Company*	**Plant, machinery and equipment £'000**
Cost	
At 1 April 2004	3,506
Additions	596
At 31 March 2005	**4,102**
Depreciation	
At 1 April 2004	2,370
Provided during the year	325
At 31 March 2005	**2,695**
Net book value	
At 31 March 2004	1,136
At 31 March 2005	**1,407**

* The Company has no short leasehold property

The group has plant, machinery and vehicles held under finance leases with cost of £342,000 (2004: £342,000) and accumulated depreciation of £171,000 (2004: £142,000). The company has no assets held under finance leases.

Notes to the financial statements for the year ended 31 March 2005 (continued)

11 Investments

Company	**2005** **£'000**	2004 £'000
Subsidiary undertakings :		
Cost at 31 March	10,204	10,204
Amount written off at 31 March	(1,403)	(1,403)
Net book value at 31 March	**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.

Subsidiary undertakings	**Nature of business**
SERO Limited	Dormant
American Optical (UK) Limited*	Distributor of ophthalmic lenses
SILS Limited	Distributor of ophthalmic lenses
UKO International Limited	Holding company
UKO International (Overseas Holdings) Limited*	Holding company
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 undertakings are registered in England and Wales.

Notes to the financial statements for the year ended 31 March 2005 (continued)

12 Stocks

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Raw materials and consumables	27	27	29	29
Work in progress	18	17	37	37
Finished goods and goods for resale	10,880	1,054	11,299	735
	10,925	1,098	11,365	801

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

13 Debtors

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Amounts falling due within one year:				
Trade debtors	5,611	3,398	5,923	3,018
Amounts owed by parent undertaking and fellow subsidiary undertakings	15,496	2,017	15,353	140
Corporation tax	287	-	279	23
Other debtors	154	111	174	161
Prepayments and accrued income	207	56	103	-
	21,755	5,582	21,832	3,342
Amounts falling due after more than one year:				
Deferred tax (see note 16)	293	-	968	-
	293	-	968	-
	22,048	5,582	22,800	3,342

Trading amounts owed by parent and fellow subsidiary undertakings are payable on strictly 60 day terms.

Notes to the financial statements for the year ended 31 March 2005 (continued)

14 Creditors: amounts falling due within one year

	Group 2005 £'000	**Company 2005 £'000**	Group 2004 £'000	Company 2004 £'000
Trade creditors	**3,884**	**1,156**	4,233	1,200
Amounts owed to parent undertaking and fellow subsidiary undertakings	**14,205**	**14,041**	16,843	9,419
Amounts owing to subsidiary undertaking	**-**	**2,091**	-	2,091
Other taxes and social security costs	**1,934**	**1,524**	586	324
Other creditors	**209**	**213**	405	409
Finance leases	**53**	**-**	53	-
Accruals and deferred income	**773**	**342**	739	213
	21,058	**19,367**	22,859	13,656

The loan of £2,091,000 from American Optical (UK) Limited is repayable on 31 March 2006. There is no interest accruing on this loan. One subsidiary company's bank facilities (American Optical (UK) Limited) are secured by a debenture entered into on 2 January 1996.

15 Creditors: amounts falling due after more than one year

Group	**2005 £'000**	2004 £'000
Finance lease creditors due after more than one year	**41**	92
The maturity of total finance leases is as follows:		
Within one year (note 14)	**53**	53
Within two to five years	**41**	92
	94	145

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

Notes to the financial statements for the year ended 31 March 2005 (continued)

16 Provisions for liabilities and charges

Group	Restructuring provisions £'000	Other provisions £'000	Total provisions £'000
At 1 April 2004	27	51	78
Provided/(released) in the year	(27)	50	23
At 31 March 2005	**-**	**101**	**101**

Other provisions relating to the group are in respect of dilapidations for leasehold premises. Any expenditure is likely to be incurred at the end of the lease. This provision has not been discounted.

Company	Restructuring provisions £'000
At 1 April 2004	27
Released in the year	(27)
At 31 March 2005	**-**

Deferred tax

A deferred tax asset is being recognised to the extent that trading losses carried forward are expected to be utilised in the foreseeable future. For these purposes, the forecast results for the ensuing 12 months are considered.

A deferred tax asset of £293,000 is being recognised as at 31 March 2005 (2004 : £968,000) on the basis of the expected utilisation of losses over the ensuing 12 months, as there is less certainty over utilisation of these losses beyond this period.

Notes to the financial statements for the year ended 31 March 2005 (continued)

16 Provisions for liabilities and charges (continued)

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

Group	**2005** **£'000**	2004 £'000
At 1 April 2004	**968**	331
Profit and loss account	**(675)**	620
Disposal of subsidiary company	**-**	17
At 31 March 2005	**293**	968

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

	2005 **£'000**	2004 £'000
Accelerated capital allowances	**(7)**	21
Losses	**270**	947
Other timing differences	**30**	-
At 31 March 2005	**293**	968

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 assets is set out below:

	Group 2005 £'000	**Company 2005 £'000**	Group 2004 £'000	Company 2004 £'000
Accelerated capital allowances	**(302)**	**(118)**	(280)	(36)
Losses	**(2,084)**	**(1,250)**	(1,945)	(893)
Other timing differences	**(89)**	**(14)**	(99)	(20)
	(2,475)	**(1,382)**	(2,324)	(949)

Notes to the financial statements for the year ended 31 March 2005 (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
	2005	**2005**	**2005**	2004	2004	2004
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	**21**	**21**	-	-	-
Within two to five years	**180**	**75**	**255**	180	96	276
In over five years	**248**	-	**248**	288	-	288
	428	**96**	**524**	468	96	564

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

	Land and buildings	**Other**	**Total**	Land and buildings	Other	Total
	2005	**2005**	**2005**	2004	2004	2004
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	**4**	**4**	-	-	-
Within two to five years	-	**47**	**47**	-	51	51
In over five years	**248**	-	**248**	288	-	288
	248	**51**	**299**	288	51	339

On 8 July 2005, the company entered into certain documents in order to guarantee and secure the obligations of each group borrower under the Senior Facilities Agreement, entered into by, among others, Carl Zeiss Vision Holding GmbH as parent, and various financial institutions as lenders and arrangers.

Notes to the financial statements for the year ended 31 March 2005 (continued)

18 Share capital

	Authorised		Allotted and fully paid	
	2005 & 2004	2005 & 2004	2005 & 2004	2005 & 2004
	Number	£'000	Number	£'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

				2005	2004
	Share capital	Capital reserve	Profit and loss account	**Total shareholders funds**	Total shareholders funds
Group	£'000	£'000	£'000	**£'000**	£'000
At 31 March 2004	3,378	3,447	7,172	**13,997**	11,605
Profit for the year	-	-	1,377	**1,377**	2,965
Exchange movement	-	-	-	-	(573)
At 31 March 2005	3,378	3,447	8,549	**15,374**	13,997

Goodwill of £1,614,000 (2004: £1,614,000) has been written off directly to reserves arising from the acquisition of UKO International Limited which was made prior to 1 April 1998.

				2005	2004
	Share capital	Capital reserve	Profit and loss account	**Total shareholders funds**	Total shareholders funds
Company	£'000	£'000	£'000	**£'000**	£'000
At 31 March 2004	3,378	3,447	(6,092)	**733**	2,253
Loss for the year	-	-	(2,348)	**(2,348)**	(1,520)
At 31 March 2005	3,378	3,447	(8,440)	**(1,615)**	733

Notes to the financial statements for the year ended 31 March 2005 (continued)

20 Cash flow from operating activities

	2005	2004
Continuing operations	£'000	£'000
Operating profit	1,911	2,814
Depreciation charge	468	330
Loss on disposal of tangible fixed assets	2	8
Decrease in stock	440	3,271
Decrease/(increase) in debtors	85	(1,312)
Decrease in creditors	(1,778)	(5,746)
Other non cash movements	-	(573)
Net cash inflow/(outflow) from operating activities	1,128	(1,208)

No cash proceeds were received in respect of the exceptional item recognised in 2004, being the loss on disposal of a subsidiary undertaking (see note 4 for further details).

21 Reconciliation of net cash flow to movement in net funds

	2005	2004
	£'000	£'000
Increase/(decrease) in cash for the year	446	(2,043)
Cash outflow from decrease in finance leases	51	40
Reduction in net funds due to disposal of subsidiary undertaking	-	(27)
Movement in net funds in the year	497	(2,030)
Opening net funds	897	2,927
Closing net funds	1,394	897

Notes to the financial statements for the year ended 31 March 2005 (continued)

22 Reconciliation of movement in net debt

	At 1 April 2004	Cash flows	Other non-cash changes	At 31 March 2005
	£'000	£'000	£'000	£'000
Cash in hand and at bank	1,042	446	-	1,488
Finance leases due within one year	(53)	51	(51)	(53)
Finance leases due after one year	(92)	-	51	(41)
Total	1,042	446	-	1,394

Other non cash movements consist of transfers between categories of finance leases.

23 Ultimate parent company and controlling party

The immediate parent company was Sola International Inc, incorporated in the United States. On 23 May 2005, the shareholding was transferred to Sola Optical Holdings SARL, a company incorporated in Luxembourg. Sola Optical Holdings SARL is now the immediate parent company of Sola Optical (UK) Limited.

In March 2005, Sola International Inc., the former ultimate parent company and controlling party, completed a merger with Sun Acqusition Inc., becoming an indirect, wholly owned subsidiary of Carl Zeiss Topco GmbH, a company incorporated in Germany. This merger combines the Carl Zeiss Opthalmic Lens division with Sola, and will be named Carl Zeiss Vision. The newly formed company Carl Zeiss Vision Holding GmbH is owned 50:50 by Carl Zeiss AG and EQT, a private equity group in northern Europe.

With effect from this date, Carl Zeiss Topco GmbH is the ultimate parent company and controlling party.

24 Related party transactions

The Group has taken advantage of the exemption available to 90% owned subsidiary undertakings under FRS8 not to disclose transactions with other investees of the group by virtue of being a wholly owned subsidiary of Carl Zeiss Topco GmbH. The Group has entered into no other related party transactions.

25 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 £102,000 (2004: £82,000).

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

Notes to the financial statements
for the year ended 31 March 2005 (continued)

25 Pension commitments (continued)

The contributions to the scheme are determined on the basis of triennial valuations. The most recent funding valuation is that conducted as at 31 March 2003 which used the attained age method. The assumptions used in that actuarial valuations were:

Rate of return on investments	6.5%pa
Rate of return on investments post-retirement	5.5%pa
Increase in pensionable earnings	4.0%pa or 5.0%pa depending on category of membership
Pension increases (where applicable)	2.5%

The market value of the assets of the scheme at 31 March 2003, as shown in the scheme accounts, is £2,804,000, and the value of those assets represented 84% 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 ended 31 March 2005 was £110,000 (2004: £201,000). An accrual of £174,000 (2004: accrual of £186,000) 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 Financial Reporting Standard 17 ("Retirement Benefits") disclosure requirements, the Scheme has a deficit of £739,000 (2004: £504,000) at 31 March 2005.

The major assumptions used by the actuary for the purposes of the Financial Reporting Standard 17 transitional disclosures were (in nominal terms) as follows:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Rate of increase in salaries (Staff)	**3.5%**	3.5%	4.1%
Rate of increase in salaries (Executives)	**3.5%**	3.5%	5.1%
Rate of increase of pensions in payment	**3.0%**	3.0%	2.6%
Discount rate	**5.5%**	5.5%	5.4%
Inflation assumption	**3.0%**	3.0%	2.6%

Notes to the financial statements for the year ended 31 March 2005 (continued)

25 *Pension commitments (continued)*

The assets in the scheme were:

	Value at 31 March 2005	Value at 31 March 2004	Value at 31 March 2003
	£'000	£'000	£'000
Equities	**2,184**	2,041	2,201
Bonds	**1,456**	1,360	443
Property	**-**	-	104
Cash	**14**	13	66
Total market value of assets	**3,654**	3,414	2,814
Actuarial value of liability	**(4,393)**	(3,918)	(3,647)
Pension deficit in the scheme	**(739)**	(504)	(833)
Deferred tax asset/(liability)	**-**	-	-
Net pension deficit	**(739)**	(504)	(833)

The expected rates of return in the scheme were:

	Expected return at 31 March 2005	Expected return at 31 March 2004	Expected return at 31 March 2003
Equities	**7.0%**	7.0%	7.0%
Bonds	**5.5%**	5.5%	5.4%
Property	**7.0%**	7.0%	7.0%
Cash	**4.0%**	4.0%	3.75%

SOLA Optical (UK) Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

25 Pension commitments (continued)

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

	2005	2004	2003
	£'000	£'000	£'000
Net assets excluding pension liability	**15,548**	14,183	10,910
Pension deficit	**(739)**	(504)	(833)
Net assets including pension deficit	**14,809**	13,679	10,077
Profit and loss reserve excluding pension liability	**8,723**	7,358	4,085
Pension deficit	**(739)**	(504)	(833)
Profit and loss reserve including pension deficit	**7,984**	6,854	3,252

Analysis of the amount charged to operating profit:

	2005	2004
	£'000	£'000
Service cost	**142**	201
Past service cost	-	-
Total operating charge	**142**	201

Analysis of net return on pension scheme:

	2005	2004
	£'000	£'000
Expected return on pension scheme assets	**218**	185
Interest on pension liabilities	**(216)**	(198)
Net return	**2**	(13)

Notes to the financial statements for the year ended 31 March 2005 (continued)

25 Pension commitments (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2005	2004
	£'000	£'000
Actual return less expected return on assets	**24**	564
Experience gains and losses on liabilities	**(241)**	40
Changes in assumptions	**-**	(61)
Actuarial (loss)/gain recognised in STRGL	**(217)**	543
Net gain (loss)/gain recognised	**(217)**	543

Movement in deficit during the year:

	2005	2004
	£'000	£'000
Deficit in scheme at beginning of year	**(504)**	(833)
Movement in year:		
Current service cost	**(142)**	(201)
Contributions	**122**	-
Net return on assets	**2**	(13)
Actuarial (loss)/gain	**(217)**	543
Deficit in scheme at end of year	**(739)**	(504)

Notes to the financial statements for the year ended 31 March 2005 (continued)

25 Pension commitments (continued)

History of experience gains and losses:

	2005	2004
	£'000	£'000
Difference between expected and actual returns on scheme assets	24	564
Percentage of scheme assets	1%	17%
Experience gains and losses on scheme liabilities	(241)	40
Percentage of scheme assets	(5%)	1%
Total amount recognised in statement of total recognised gains and losses	(217)	543
Percentage of scheme liabilities	(5%)	14%