

**SOLA Optical (UK) Limited**  
**Annual report and accounts**  
**for the year ended 31 March 2003**

**Registered Number 2838963**



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for the year ended 31 March 2003

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# **SOLA Optical (UK) Limited**

## **Directors' report for the year ended 31 March 2003**

The directors present their report and the accounts for the year ended 31 March 2003.

### **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 £4,988,000 (2002: restated profit after taxation £145,000). The directors do not recommend the payment of a dividend for the year (2002: £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 given a number of mitigating circumstances. The directors expect both of these to improve significantly during the forthcoming financial year and for the foreseeable future.

### **Post balance sheet event**

The share capital of M Wiseman & Company (Zimbabwe) Limited was sold to Lombard Trust S.A. on 18 December 2003 for a nominal fee of £10. The company ceased to constitute part of the Sola Optical (UK) group effective from that date.

### **Directors**

The directors of the company during the year ended 31 March 2003 were:

M Ashcroft	
B P Creagh	(resigned 26 June 2002)
J C Rosser	
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.

**Directors' report for the year ended 31 March 2003 (continued)**

**Employee involvement (continued)**

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.

**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:

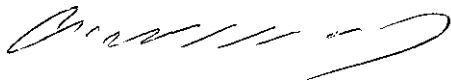
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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**

A resolution that PricewaterhouseCoopers LLP be reappointed will be proposed at the Annual General Meeting.

By order of the board



A Murray  
Secretary

Date: 22/4/04

## **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.

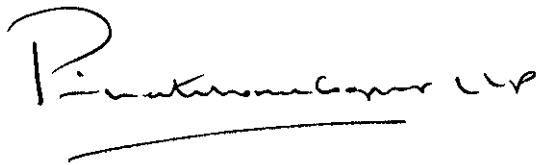
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', with a horizontal line underneath.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
Birmingham

Date : 22/4/04

# **SOLA Optical (UK) Limited**

## **Group profit and loss account for the year ended 31 March 2003**

	Note	2003	2002
		£'000	Restated £'000
<b>Turnover</b>	2	<b>49,640</b>	31,292
Cost of sales		(44,295)	(24,384)
Gross profit		5,345	6,908
Distribution costs		(4,334)	(2,017)
Administrative expenses			
- before exceptional impairment charge		(4,217)	(4,523)
- exceptional impairment charge	4	(1,298)	-
Total administrative expenses		(5,515)	(4,523)
<b>Operating (loss)/profit</b>	3	<b>(4,504)</b>	368
Net interest (payable)/receivable	7	(141)	558
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(4,645)</b>	926
Tax on (loss)/profit on ordinary activities	8	(343)	(781)
<b>(Loss)/retained profit for the year</b>	19	<b>(4,988)</b>	145

## **Statement of total recognised gains and losses**

	2003	2002
	£'000	Restated £'000
(Loss)/retained profit for the financial year	(4,988)	145
Exchange difference on retranslation of net assets of subsidiary undertakings	(520)	(7)
<b>Total recognised (losses)/gains for the year</b>	<b>(5,508)</b>	138
Restatement (UITF Abstract 9 - note 1)	428	
<b>Total recognised losses since last annual report</b>	<b>(5,080)</b>	

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.

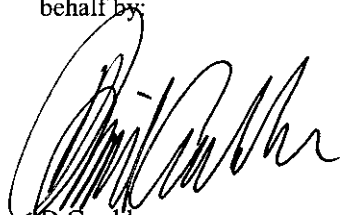
All activities above relate to continuing operations.

# **SOLA Optical (UK) Limited**

## **Group balance sheet as at 31 March 2003**

	Notes	2003 £'000	2002 Restated £'000
<b>Fixed assets</b>			
Intangible assets	9	-	1,385
Tangible assets	10	1,859	1,952
		<b>1,859</b>	<b>3,337</b>
<b>Current assets</b>			
Stocks	12	14,335	6,946
Debtors	13	20,301	20,334
Cash at bank and in hand		3,055	653
		<b>37,691</b>	<b>27,933</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(28,386)</b>	<b>(14,051)</b>
<b>Net current assets</b>		<b>9,305</b>	<b>13,882</b>
<b>Total assets less current liabilities</b>		<b>11,164</b>	<b>17,219</b>
<b>Creditors – amounts falling due after more than one year</b>	15	<b>(132)</b>	<b>(201)</b>
<b>Provisions for liabilities and charges</b>	16	<b>(107)</b>	<b>(585)</b>
<b>Net assets</b>		<b>10,925</b>	<b>16,433</b>
<b>Capital and reserves</b>			
Called up share capital	18	3,378	3,378
Capital redemption reserve	19	3,447	3,447
Profit and loss account	19	4,100	9,608
<b>Equity shareholders' funds</b>	19	<b>10,925</b>	<b>16,433</b>

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



D Cruddace  
Director

Date: 22/4/04

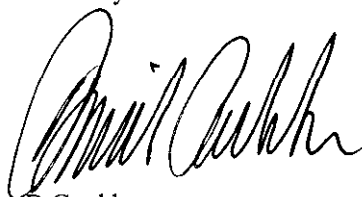


# SOLA Optical (UK) Limited

## Company balance sheet as at 31 March 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible assets	10	1,082	1,186
Investments	11	8,801	8,801
		<b>9,883</b>	<b>9,987</b>
<b>Current assets</b>			
Stocks	12	777	986
Debtors	13	3,835	3,451
Cash at bank and in hand		-	501
		<b>4,612</b>	<b>4,938</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(12,161)</b>	<b>(10,358)</b>
<b>Net current liabilities</b>		<b>(7,549)</b>	<b>(5,420)</b>
<b>Total assets less current liabilities</b>		<b>2,334</b>	<b>4,567</b>
<b>Provision for liabilities and charges</b>	16	<b>(81)</b>	<b>(549)</b>
<b>Net assets</b>		<b>2,253</b>	<b>4,018</b>
<b>Capital and reserves</b>			
Called up share capital	18	3,378	3,378
Profit and loss account	19	(4,572)	(2,807)
Capital redemption reserve	19	3,447	3,447
<b>Equity shareholders' funds</b>	19	<b>2,253</b>	<b>4,018</b>

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



D Cruddace  
Director

Date : 22.14.04

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003**

### **1 Accounting policies**

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

#### **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:

<b>Dates</b>	<b>Indices</b>	<b>Conversion factors</b>
31 March 2003	4,548.9	1.000
31 March 2002	1,386.9	3.280
31 March 2001	650.2	6.996

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003**

### **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 2003 (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 2003 (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.

#### **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.

#### **Cash flow statement**

Under the revised Financial Reporting Standard 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 2003 (continued)**

### **2 Turnover**

	2003	2002
		Restated
	£'000	£'000
By geographical market:		
United Kingdom	21,004	24,620
Rest of Europe	25,044	3,886
Rest of the world	3,592	2,786
	<b>49,640</b>	<b>31,292</b>

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 Operating (loss)/profit**

Operating (loss)/profit is stated after charging/(crediting):

	2003	2002
		Restated
	£'000	£'000
Auditors' remuneration – audit services (company £18,000; 2001: £18,000)	61	70
Auditors' remuneration – non-audit services	-	5
Depreciation of tangible fixed assets – owned	435	330
Depreciation of tangible fixed assets – leased	54	26
Operating lease rentals :		
– plant and machinery	232	224
– land and buildings	415	342
Foreign exchange (gains)/losses	(649)	24
Amortisation of goodwill (see note 9)	87	87
Impairment of goodwill (see note 4)	1,298	-

### **4 Exceptional item**

In accordance with Financial Reporting Standard No 11, the group has carried out an impairment review comparing the carrying value of intangible fixed assets in the group to the higher of value in use and net realisable value. The resulting impairment charge of £1,298,000 has been recognised as an exceptional item within operating costs.

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **5 Directors' emoluments**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Total emoluments (including pension costs)	<b>410</b>	<b>212</b>
The emoluments, excluding pension costs of:		
Highest paid director	<b>224</b>	<b>129</b>

In addition, pension contributions of £12,966 (2002: £5,724) 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 £12,966 (2002: £5,724). At the year end retirements benefits are accruing to one (2002: one) director under the company's defined contribution pension scheme and one director under a subsidiary company's defined benefit scheme (2002 : 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**

<b>Employee costs</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>Restated £'000</b>
Wages and salaries	<b>5,828</b>	<b>4,057</b>
Social security costs	<b>474</b>	<b>351</b>
Other pension costs (see note 22)	<b>241</b>	<b>235</b>
	<b>6,543</b>	<b>4,643</b>

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

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
United Kingdom	<b>250</b>	<b>227</b>
Zimbabwe	<b>29</b>	<b>30</b>
	<b>279</b>	<b>257</b>

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **7 Net interest (payable)/receivable**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>Restated £'000</b>
Interest (payable)/receivable on inter-group loans wholly repayable within five years	<b>(59)</b>	<b>470</b>
Short term deposits	<b>9</b>	<b>94</b>
Interest payable on external loans	<b>(90)</b>	<b>(5)</b>
Finance lease interest	<b>(1)</b>	<b>(1)</b>
	<b>(141)</b>	<b>558</b>

### **8 Tax on profit on ordinary activities**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>Restated £'000</b>
The tax charge comprises :		
UK Corporation tax at 30% (2002: 30%)	<b>23</b>	<b>145</b>
UK prior year corporation tax charge/(credit)	<b>(56)</b>	<b>(319)</b>
Overseas taxation	<b>53</b>	<b>246</b>
Double taxation relief - prior year	<b>-</b>	<b>161</b>
Double taxation relief - current year	<b>(22)</b>	<b>-</b>
	<b>(2)</b>	<b>233</b>
Deferred taxation - current year	<b>250</b>	<b>(415)</b>
Deferred taxation - prior year	<b>95</b>	<b>963</b>
	<b>343</b>	<b>781</b>



# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (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 :

	2003	2002
		Restated
	£'000	£'000
Profit on ordinary activities before tax	(4,645)	926
Tax on profit in ordinary activities at standard UK corporation tax rate of 30% (2002 – 30%)	(1,394)	278
Effects of :		
Expenses not deductible for tax purposes	495	(166)
Capital allowances in excess of depreciation	45	(186)
Taxation losses carried forward	1,274	688
Other timing differences	(153)	(33)
Utilisation of tax losses brought forward	(244)	(321)
Overseas taxation	31	131
Double taxation relief - prior year	-	161
UK prior year corporation tax charge/(credit)	(56)	(319)
	(2)	233

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (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 is amortised over 20 years. Prior to 1 April 1998 the goodwill on this acquisition was being amortised over 40 years.

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	<b>1,385</b>	1,945
Aggregate amortisation at 31 March 2001	-	(473)
Amortisation charge for the year	<b>(87)</b>	(87)
Impairment charge (see below)	<b>(1,298)</b>	-
Net book value	-	1,385

In accordance with Financial Reporting Standard No 11, the group has carried out an impairment review comparing the carrying value of intangible fixed assets in the group to the higher of value in use and net realisable value. The resulting impairment charge of £1,298,000 has been recognised as an exceptional item within operating costs.

# SOLA Optical (UK) Limited

## Notes to the financial statements for the year ended 31 March 2003 (continued)

### 10 Tangible fixed assets

	Leasehold improvements £'000	Owned plant machinery & equipment £'000	Leased plant machinery & equipment £'000	Total £'000
<b>Group</b>				
<b>Cost</b>				
At 31 March 2002	55	4,448	322	4,825
Restatement (UITF Abstract 9)	-	87	-	87
	55	4,535	322	4,912
Exchange adjustment	-	(105)	-	(105)
Additions	15	423	-	438
<b>At 31 March 2003</b>	<b>70</b>	<b>4,853</b>	<b>322</b>	<b>5,245</b>
<b>Depreciation</b>				
At 31 March 2002	41	2,784	83	2,908
Restatement (UITF Abstract 9)	-	52	-	52
	41	2,836	83	2,960
Exchange adjustment	-	(63)	-	(63)
Provided during the year	7	428	54	489
<b>At 31 March 2003</b>	<b>48</b>	<b>3,201</b>	<b>137</b>	<b>3,386</b>
<b>Net book value</b>				
At 31 March 2002 (restated)	14	1,699	239	1,952
<b>At 31 March 2003</b>	<b>22</b>	<b>1,652</b>	<b>185</b>	<b>1,859</b>

At 31 March 2003, the Group had placed contracts for £Nil (2002: £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 2003 (continued)**

### **10 Tangible fixed assets (continued)**

	<b>Plant, machinery and equipment £'000</b>	<b>Total £'000</b>
<i>Company*</i>		
<b>Cost</b>		
At 31 March 2002	3,222	3,222
Additions	205	205
<b>At 31 March 2003</b>	<b>3,427</b>	<b>3,427</b>
<b>Depreciation</b>		
At 31 March 2002	2,036	2,036
Provided during the year	309	309
<b>At 31 March 2003</b>	<b>2,345</b>	<b>2,345</b>
<b>Net book value</b>		
At 31 March 2002	1,186	1,186
<b>At 31 March 2003</b>	<b>1,082</b>	<b>1,082</b>

\* 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 £137,000. The company has no assets held under finance leases.

# SOLA Optical (UK) Limited

## Notes to the financial statements for the year ended 31 March 2003 (continued)

### 11 Investments

Company	2003 £'000	2002 £'000
Subsidiary undertakings :		
Cost	10,204	10,204
Amount written off	(1,403)	(1,403)
<b>Net book value</b>	<b>8,801</b>	<b>8,801</b>

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*	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 2003 (continued)**

### **12 Stocks**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
			Restated	
	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	<b>101</b>	<b>50</b>	235	25
Work in progress	<b>36</b>	<b>36</b>	94	94
Finished goods and goods for resale	<b>14,198</b>	<b>691</b>	6,617	867
	<b>14,335</b>	<b>777</b>	6,946	986

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:**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
			Restated	
	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>4,187</b>	<b>1,854</b>	4,300	1,846
Amounts owed by parent undertaking and fellow subsidiary undertakings	<b>15,052</b>	<b>1,475</b>	14,658	878
Corporation tax	<b>257</b>	<b>152</b>	152	152
Other debtors	<b>89</b>	<b>50</b>	132	167
Prepayments and accrued income	<b>355</b>	<b>304</b>	222	32
	<b>19,940</b>	<b>3,835</b>	19,464	3,075

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **13 Debtors (continued)**

Amounts falling due after more than one year:

	Group	Company	Group	Company
	2003	2003	Restated 2002	2002
	£'000	£'000	£'000	£'000
Other debtors	-	-	-	-
Loans to employees	-	-	3	3
Pension prepayments	15	-	174	-
Deferred tax (see note 16)	346	-	693	373
	361	-	870	376
	20,301	3,835	20,334	3,451

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 2003 (continued)**

### **14 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2003</b>	<b>2003</b>	<b>Restated</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank overdraft	17	17	96	-
Trade creditors	5,396	1,097	1,997	1,335
Amounts owed to parent undertaking and fellow subsidiary undertakings	21,949	8,605	10,591	6,325
Amounts owing to subsidiary undertaking	-	2,091	-	2,091
Corporation tax	28	-	172	-
Other taxes and social security costs	445	82	619	395
Other creditors	153	157	78	54
Finance leases	53	-	53	-
Accruals and deferred income	345	112	445	158
	<b>28,386</b>	<b>12,161</b>	<b>14,051</b>	<b>10,358</b>

The loan of £2,091,000 from American Optical (UK) Limited is repayable on 31 March 2005. 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 2003 (continued)**

### **15 Creditors – amounts falling due after more than one year**

#### **Group**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease creditors due after more than one year	<b>132</b>	201
The maturity of total finance leases is as follows :		
Within one year (note 14)	<b>53</b>	53
Within two to five years	<b>132</b>	201
	<b>185</b>	254

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

### **16 Provisions for liabilities and charges**

#### **Group**

	<b>Deferred tax</b>	<b>Restructuring provisions</b>	<b>Other provisions</b>	<b>Total provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 31 March 2002	5	544	26	575
Restatement (UITF Abstract 9 - note 1)	10	-	-	10
At 31 March 2002 (as restated)	15	544	26	585
Currency adjustment	(13)	-	-	(13)
Released in the year	-	(463)	-	(463)
Offset in debtors	(2)	-	-	(2)
<b>At 31 March 2003</b>	<b>-</b>	<b>81</b>	<b>26</b>	<b>107</b>

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.

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **16 Provisions for liabilities and charges (continued)**

#### **Company**

	Deferred tax £'000	Restructuring provisions £'000	Total provisions £'000
At 31 March 2002	-	544	544
Released in the year	-	(463)	(463)
At 31 March 2003	-	81	81

#### **Deferred tax**

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

#### **Group**

	2003 £'000	2002 £'000
Brought forward	693	1,241
Profit and loss account	(345)	(548)
Offset in debtors	(2)	-
Carried forward	346	693

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

	2003 £'000	2002 £'000
Accumulated capital allowances	(2)	(99)
Losses	348	531
Other timing differences	-	261
Carried forward	346	693

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (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:

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	(453)	(15)	(450)	-
Losses	(3,207)	(608)	(2,261)	-
Other timing differences	(112)	(46)	5	-
	<b>(3,772)</b>	<b>(669)</b>	<b>(2,706)</b>	<b>-</b>

# SOLA Optical (UK) Limited

## Notes to the financial statements for the year ended 31 March 2003 (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
	2003	2003	2003	2002	2002	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	46	46	-	15	15
Within two to five years	28	97	125	124	218	342
In over five years	462	-	462	345	-	345
	490	143	633	469	233	702

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

	Land and buildings	Other	Total	Land and buildings	Other	Total
	2003	2003	2003	2002	2002	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	4	4	-	4	4
Within two to five years	28	73	101	124	128	252
In over five years	282	-	282	164	-	164
	310	77	387	288	132	420

# SOLA Optical (UK) Limited

## Notes to the financial statements for the year ended 31 March 2003 (continued)

### 18 Share capital

	Authorised		Allotted and fully paid	
	2003 & 2002 Number	2003 & 2002 £'000	2003 & 2002 Number	2003 & 2002 £'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 2002 (as previously reported)	3,378	3,447	9,180	16,005
Restatement (UITF Abstract 9 - note 1)	-	-	428	428
At 31 March 2002 (as restated)	3,378	3,447	9,608	16,433
Loss for year	-	-	(4,988)	(4,988)
Exchange movement	-	-	(520)	(520)
<b>At 31 March 2003</b>	<b>3,378</b>	<b>3,447</b>	<b>4,100</b>	<b>10,925</b>

Goodwill of £1,614,000 (2002: £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 2002	3,378	3,447	(2,807)	4,018
Loss for the year	-	-	(1,765)	(1,765)
<b>At 31 March 2003</b>	<b>3,378</b>	<b>3,447</b>	<b>(4,572)</b>	<b>2,253</b>

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (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 £82,000 (2002: £130,000).

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 is 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 2003 was £159,000 (2002 : £105,000). A prepayment of £15,000 (2002 : £174,000) 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 £833,000 at 31 March 2003.

# SOLA Optical (UK) Limited

## Notes to the financial statements for the year ended 31 March 2003 (continued)

### 22 Pension commitments (continued)

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 2003	At 31 March 2002
Rate of increase in salaries (Staff)	4.1%	4.5%
Rate of increase in salaries (Executives)	5.1%	5.5%
Rate of increase of pensions in payment	2.6%	2.8%
Discount rate	5.4%	6.0%
Inflation assumption	2.6%	2.8%

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

	Expected return At 31 March 2003	Value £'000	Expected return At 31 March 2002	Value £'000
Equities	7.0%	2,201	7.0%	2,700
Bonds	5.4%	443	6.0%	507
Property	7.0%	104	7.0%	130
Cash	3.75%	<u>66</u>	4.0%	<u>89</u>
Total market value of assets		2,814		3,426
Actuarial value of liability		<u>(3,647)</u>		<u>(3,093)</u>
Pension (deficit)/surplus in the scheme		(833)		333
Deferred tax (deficit)/surplus		<u>-</u>		<u>-</u>
Net pension (deficit)/surplus		<u>(833)</u>		<u>333</u>

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

	2003 £'000	2002 £'000
Net assets excluding SSAP24 pension prepayment of £15,000 (2002 : £174,000)	10,910	16,259
Pension (deficit)/surplus	(833)	333
Net assets including pension (deficit)/surplus	10,077	16,592

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **22 Pension commitments (continued)**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Profit and loss reserve excluding SSAP24 pension prepayment of £15,000 (2002 : £174,000)	<b>4,085</b>	9,434
Pension (deficit)/surplus	<b>(833)</b>	333
Profit and loss reserve including pension (deficit)/surplus	<b>3,252</b>	9,767

#### Analysis of the amount charged to operating profit :

	<b>2003</b>
	<b>£'000</b>
Service cost	171
Past service cost	-
Total operating charge	<u>171</u>

#### Analysis of net return on pension scheme :

	<b>2003</b>
	<b>£'000</b>
Expected return on pension scheme assets	231
Interest on pension liabilities	<u>(190)</u>
Net return	<u>41</u>



# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **22 Pension commitments (continued)**

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

	<b>2003 £'000</b>
Actual return less expected return on assets	(804)
Experience gains and losses on liabilities	-
Changes in assumptions	<u>(232)</u>
Actuarial loss recognised in STRGL	<u>(1,036)</u>
Net loss recognised	<u>(1,036)</u>

Movement in surplus during the year :

	<b>2003 £'000</b>
Surplus in scheme at beginning of year	333
Movement in year :	
Current service cost	(171)
Contributions	-
Past service costs	-
Net return on assets	41
Actuarial loss	<u>(1,036)</u>
Deficit in scheme at end of year	<u>(833)</u>

The actuarial valuation at 31 March 2003 showed a change from a surplus of £333,000 to a deficit of £833,000. Over the year, the employer contribution holiday has continued, however, it is likely that employer contributions will resume following the completion of the full actuarial valuation as at 31 March 2003.

# **SOLA Optical (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2003 (continued)**

### **22 Pension commitments (continued)**

History of experience gains and losses :

	<b>2003 £'000</b>
Difference between expected and actual returns on scheme assets	(804)
Percentage of scheme assets	(29%)
Experience gains and losses on scheme liabilities	-
Percentage of scheme assets	-
Total amount recognised in statement of total recognised gains and losses	(1,036)
Percentage of scheme liabilities	(28%)

### **23 Operating restrictions**

The operations of one of the company's subsidiaries, M Wiseman & 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.

### **24 Post balance sheet event**

The share capital of M Wiseman & Company (Zimbabwe) Limited was sold to Lombard Trust S.A. on 18 December 2003 for a nominal fee of £10. The company ceased to constitute part of the Sola Optical (UK) group effective from that date.