Company Registration No 05780113

CAMBRIDGE EYE LASER CLINIC LIMITED

Report and Financial Statements

31 December 2010

CAMBRIDGE EYE LASER CLINIC LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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CAMBRIDGE EYE LASER CLINIC LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

A Veverka
M Korolkiewicz
R Nevins

SECRETARY

R Nevins

REGISTERED OFFICE

3 The Embankment
Sovereign Street
Leeds
West Yorkshire
LS1 4BJ

BANKERS

Natwest Bank plc
10 Benett Street
Cambridge
CB2 3PU

AUDITOR

Deloitte LLP
Chartered Accountants and Registered Auditor
Leeds

DIRECTORS' REPORT

The directors present their report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 December 2010

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

PRINCIPAL ACTIVITIES

The principal activity of the company is the provision of vision correction surgery

On 18 February 2010 Ultralase Acquisitions Limited, the immediate parent company, was sold to CLVC Group Limited, which is jointly owned by the existing banking syndicate and management

CURRENT TRADING AND OUTLOOK

Economic conditions continue to be challenging in our core markets Procedure volume in our industry is highly correlated with consumer confidence and with this index at low levels the demand for our core services has stabilised but not recovered to previous levels This is a global reality for our industry, although the Directors are pleased to report the Company has seen year on year growth in revenue and treatment numbers

The directors are taking appropriate action to mitigate the effects of the poor market conditions as outlined above and ensure that the Company has adequate liquidity and financing to support its projected level of trading and related funding requirements Action has been taken to rationalise the Company's cost base appropriately in line with the prevailing market conditions Further details regarding the going concern basis of preparation and Company's funding position, as well as the ongoing process of working with the parent company's bankers to put in place appropriate debt facilities to meet the Company's funding requirements for a period of at least 12 months are set out in note 1

Trading for the first quarter in 2012 has been in line with expectations The brand strategy of the group remains unchanged as we continue to drive value by strengthening the core business through operational improvement, developing a broader range of ophthalmic services and entering new markets where profitable growth opportunities exist To execute this strategy we continue to invest in our brand, in our clinical leadership and in our people

DIVIDENDS

Dividends of £nil per equity share have been paid in respect of the year (31 December 2009 £nil per equity share)

DIRECTORS

The directors who served during the year and subsequently were

A Veverka
J Hughes (resigned 30 June 2011)
M Korolkiewicz
R Nevins (appointed 18 March 2010)

CAMBRIDGE EYE LASER CLINIC LIMITED

DIRECTORS' REPORT

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

R Nevins
Secretary
19th April 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE EYE LASER CLINIC LIMITED

We have audited the financial statements of Cambridge Eye Laser Clinic Limited for the year ended 31 December 2010, which comprise the profit and loss account, the balance sheet and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern The company is party to cross guarantees in respect of the immediate parent company's debt facility which is used to fund the Group's activities These facilities include several financial covenants which have been breached Waivers have been received to date for these covenant breaches and discussions with lenders regarding revised covenants and any additional facilities in line with the Group's updated financial position are progressing but have not yet been concluded These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE EYE LASER CLINIC LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report

Simon Manning

Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
19 April 2012

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2010

	Note	2010 £	2009 £
TURNOVER	2	1,228,605	1,026,765
Cost of sales		(512,157)	(450,963)
GROSS PROFIT		716,448	575,802
Administrative expenses		(234,928)	(212,654)
OPERATING PROFIT	3	481,520	363,148
Interest payable		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		481,520	363,148
Tax on profit on ordinary activities	4	(60,817)	(10,395)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	420,703	352,753

All activities derive from continuing operations

There are no recognised gains or losses for the current and preceding financial year other than as stated in the profit and loss account Therefore, no statement of total recognised gains and losses has been presented

CAMBRIDGE EYE LASER CLINIC LIMITED

BALANCE SHEET
Year ended 31 December 2010

	Note	2010 £	2010 £	2009 £	2009 £
FIXED ASSETS					
Tangible fixed assets	5		181,502		270,371
CURRENT ASSETS					
Stocks	6	10,608		8,777	
Debtors	7	1,080,161		382,101	
Cash at bank and in hand		28,263		142,473	
		1,119,032		533,351	
CREDITORS: amounts falling due within one year	8	(158,187)		(113,000)	
NET CURRENT ASSETS			960,845		420,351
TOTAL ASSETS LESS CURRENT LIABILITIES			1,142,347		690,722
PROVISIONS FOR LIABILITIES AND CHARGES	9		(30,922)		-
NET ASSETS			1,111,425		690,722
CAPITAL AND RESERVES					
Called up share capital	10		2		2
Profit and loss account	11		1,111,423		690,720
EQUITY SHAREHOLDERS' FUNDS			1,111,425		690,722

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements of Cambridge Eye Laser Clinic Limited, registered number 05780113, were approved by the Board of Directors on 19 APRIL 2012

Signed on behalf of the Board of Directors

A Veverka
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

1. ACCOUNTING POLICIES

The principal accounting policies adopted are summarised below and have been applied consistently throughout the current year and preceding period

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Preparation of accounts – going concern basis

The Company meets its day to day working capital requirements through its own cash reserves, the cash flow generated from its principal activities and funding from its intermediate parent company, Ultralase Acquisitions Limited Comments regarding trading conditions since 31 December 2009 are set out in the directors' report on pages 2 to 3

The Company, along with other Group subsidiaries, are guarantors of their immediate parent company's debt facility The debt facility consists of a term loan of £61m, a revolving credit facility of £4m and accrued interest The debt facilities are due for renewal on 30 June 2013 The debt facility includes certain financial covenants relating to earnings, interest cover and capital expenditure for the combined CLVC Group Limited The lenders receive regular financial updates

At 31 December 2010 lenders formally waived a covenant default and the covenants were reset in February 2011 The Group was in breach of certain covenants at 30 September 2011, 31 December 2011 and 31 March 2012, however these breaches were again waived by lenders Discussions with lenders regarding revised covenants and any additional facilities in line with the Group's updated financial position are progressing

In light of the difficult trading conditions, explained in the Directors Report, and the Group not meeting certain covenant measures as above, tighter operational control, close cash management and forecasting by the Directors have enabled early discussions to take place with the Group and Company's lenders regarding covenants and future cash requirements

The lenders have agreed to defer certain hedge termination costs and accrued interest payments to 30 April 2012 and the Directors believe it is not the present intention of the lenders to accelerate repayment of these amounts or any other indebtedness under the Facilities Agreement on the expiry of the current waivers

The Directors have prepared trading and cashflow forecasts for a period in excess of one year from the date of these financial statements for the Group and Company The forecasts allow for reasonable sensitivity scenarios, which include assumptions based on the information available to the Directors at the time of approval of the financial statements regarding future trading conditions, operational improvements, the timing of future cash flows and the total financing level available to the Group Under these forecasts the Group and company are able to operate within current facilities for a period in excess of one year from signing the accounts

The discussions with lenders regarding the continued financing of the Group and company are progressing positively On the basis of the discussions to date, the Directors are confident that appropriate facilities and revised covenants will be available to the Company, therefore the Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

In the event of a change in the current stated intentions of the Group's bankers or adverse trading conditions significantly different to that forecasted, such that the negotiations did not conclude satisfactorily, the Directors would need to replace the previous bank facilities with new funding facilities appropriate to the Group's on going requirements and the availability of such alternative facilities remains uncertain

The Directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the company's and the Group's ability to continue as a going concern, but given the current nature of discussions with lenders, the Directors have a reasonable belief that a solution will be procured In the event circumstances changed, these financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

1. **ACCOUNTING POLICIES (continued)**

Tangible fixed assets

Depreciation is provided on cost over the estimated useful lives of the assets The rates of depreciation are as follows

Ophthalmic equipment	20% pa on a straight line basis
Leasehold improvements	10-20% pa on a straight line basis
Office equipment	20-33% pa on a straight line basis

Stocks

Stocks are stated at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items where appropriate

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively 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 to the extent that, 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 the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non discounted basis

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term Benefits received and receivable as an incentive to sign an operating lease are spread on a straight line basis over the period to the first rent review date, on which the rent is first expected to be adjusted to the prevailing market rate

Deferred income

Income, including the estimated gross profit element, relating to post surgery aftercare provided by the company is deferred until the course of follow up appointments has been completed The fair value of the income deferred is based upon the proportion of time taken for aftercare treatment compared to the initial consultation and treatment

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the date of the transactions Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date These translation differences are dealt with in the profit and loss account

CAMBRIDGE EYE LASER CLINIC LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

2. TURNOVER

Turnover represents amounts invoiced by the company in respect of goods sold during the year, excluding value added tax and trade discounts Turnover principally arises in the United Kingdom Turnover is recognised at the point of treatment

3. OPERATING PROFIT

The operating profit is stated after charging

	2010 £	2009 £
Depreciation of tangible fixed assets		
Owned by the company	117,048	94,532
Directors' emoluments	-	-
Auditor's remuneration	3,600	-
Operating lease rentals		
Land and buildings	44,640	44,771
Pension costs	-	355

The audit fee for the prior year was borne by Ultralase Limited, a fellow subsidiary of CLVC Group Limited The directors were employed by and received remuneration for their services from Ultralase Group Limited up to 14 February 2010 and thereafter from CLVC Group Limited

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£	£
Current taxation		
United Kingdom corporation tax charge	-	-
Total current tax	-	-
Deferred taxation		
Deferred tax	(39,709)	12,473
Adjustment in respect of prior years	100,526	(2,078)
Tax on profit on ordinary activities	60,817	10,395

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 28%) The actual tax charge for the current year is different from the standard rate for the reasons set out in the reconciliations below

	2010	2009
	£	£
Profit on ordinary activities before tax	481,520	363,148
Profit on ordinary activities at standard rate	134,826	101,681
Factors affecting the tax charge for the year		
Capital allowances for year in excess of depreciation	39,268	(4,681)
Expense not deductible for corporation tax purposes	1,539	-
Utilisation of tax losses	-	(7,792)
Group relief	(175,633)	(89,208)
Total current tax charge for the year	-	-

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

5. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Ophthalmic equipment £	Office equipment £	Total £
Cost				
At 1 January 2010	-	488,430	5,258	493,688
Additions	27,474	-	705	28,179
At 31 December 2010	27,474	488,430	5,963	521,867
Accumulated depreciation				
At 1 January 2010	-	220,631	2,686	223,317
Charge for the year	-	115,380	1,668	117,048
At 31 December 2010	-	336,011	4,354	340,365
Net book value				
At 31 December 2010	27,474	152,419	1,609	181,502
At 31 December 2009	-	267,799	2,572	270,371

6 STOCKS

	2010 £	2009 £
Surgical consumables	10,608	8,777

7. DEBTORS

	2010 £	2009 £
Trade debtors	21,222	13,530
Other debtors	35,943	18,830
Deferred tax asset	-	48,895
Amounts owed by fellow subsidiaries	1,022,996	300,846
	1,080,161	382,101

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

8. CREDITORS amounts falling due within one year

	2010 £	2009 £
Trade creditors	33,652	10,269
Amounts owed to fellow subsidiary undertaking	79,889	45,876
Accruals and Deferred Income	44,646	56,855
	158,187	113,000

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £	Product warranties £	Total £
At 1 January 2010	(48,895)	-	(48,895)
Charged to profit and loss account	60,817	19,000	79,817
Utilisation of provision	-	-	-
At 31 December 2010	11,922	19,000	30,922

Product warranties
The provision of product warranties relates to the Company's Life Time Guarantee commitment It is expected that the expenditure will be incurred over a number of years with the largest element being spent within two years

The amounts of deferred tax provided and unprovided in the financial statements are

	Provided		Unprovided	
	2010 £	2009 £	2010 £	2009 £
Capital allowances in excess of depreciation	11,922	(48,895)	-	-
	11,922	(48,895)	-	-

10 SHARE CAPITAL

	2010 £	2009 £
Authorised		
Ordinary A shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
Ordinary A shares of £1 each	2	2

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

11 COMBINED STATEMENT OF MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share capital £	Profit and Loss account £	31 December 2010 £	31 December 2009 £
Profit for the financial year	-	420,703	420,703	352,753
Dividends	-	-	-	-
Opening balance	2	690,720	690,722	337,969
Closing balance	2	1,111,423	1,111,425	690,722

12. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Ultralase Acquisitions Limited, which in turn is a wholly owned subsidiary of CLVC Group Limited, a company incorporated in England and Wales, which is the ultimate parent company Copies of the group financial statements of CLVC Group Limited are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

13. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions granted by Financial Reporting Standard 8, not to disclose its transactions with entities that are part of the CLVC Group Limited group of companies

14. OPERATING LEASE COMMITMENTS

At 31 December 2010, the company was committed to making the following payments during the next year in respect of operating leases

	Land and Buildings 2010 £	Other 2010 £	Land and Buildings 2009 £	Other 2009 £
Leases which expire				
Less than one year	-	-	-	-
Within two to five years	44,640	-	44,640	-
More than five years	-	-	-	-

15. CONTINGENT LIABILITIES

The company, along with other companies in the CLVC Group Limited group of companies, has granted the bank a debenture dated 25 February 2010 for securing all monies due or to become due from the company to the group's bankers This created a first fixed charge over the Real Property, the Tangible Moveable Property, the Accounts, the Intellectual Property, any goodwill and rights in relation to the uncalled capital of the Company, the Investments, the Shares, all dividends, interest and other monies payable in respect of the Shares and all other Related Rights, and all Monetary Claims and all Related Rights other than any claims which are subject to a fixed charge or assignment All companies in the debenture also assigns absolutely rights over the proceeds of any Insurance Policy and Related Rights, all rights and claims in relation to any Assigned Accounts, and the Specific Contracts Each company in the debenture also grants a first floating charge over all its present and future assets and undertaking The guarantee relates to the availability of borrowing facilities up to an amount of £66 2m in respect of the whole group