

C.H.

OPTICAL EXPRESS (CENTRAL) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1998

Registered number: 161469

HLB KIDSONS

CHARTERED ACCOUNTANTS

Glasgow

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OPTICAL EXPRESS (CENTRAL) LIMITED

FINANCIAL STATEMENTS

for the year ended 31 December 1998

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OPTICAL EXPRESS (CENTRAL) LIMITED

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COMPANY INFORMATION

31 December 1998

DIRECTOR	D. Mouldsdaie
SECRETARY	G. Murdoch
REGISTERED OFFICE	9 Clairmont Gardens Glasgow G3 7LW
AUDITORS	HLB Kidsons Chartered Accountants Breckenridge House 274 Sauchiehall Street Glasgow G2 3EH

OPTICAL EXPRESS (CENTRAL) LIMITED

DIRECTORS' REPORT

31 December 1998

The director presents his report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The principal activity of the company during the year was that of opticians.

Optical Express (Northern) Limited ceased trading on 31 October 1998 and all trading assets and liabilities were transferred to Optical Express (Central) Limited at that date.

Business review

The company's balance sheet as detailed on page 7 shows a deficiency of shareholders' funds amounting to £255,255.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The director does not propose payment of an ordinary dividend.

Fixed assets

In the opinion of the director there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 9.

Director

The director of the company during the year and his interest in the shares of the company as recorded in the register of directors' interests were as follows

	31 December 1998 Ordinary shares	1 January 1998 Ordinary shares
D. Mouldsdaie	-	-

D. Mouldsdaie is also a director of the holding company, David Mouldsdaie (Holdings) Limited. The directors' interests in the shares of the holding company are disclosed in the directors' report of that entity.

Auditors

HLB Kidsons, formerly Kidsons Impey, have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the director



G. Murdoch
Secretary

9 Clairmont Gardens
Glasgow
G3 7LW

23 March 2000

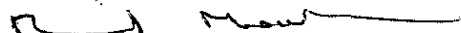
OPTICAL EXPRESS (CENTRAL) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which 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 those financial statements, the director is required to

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is 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.

On behalf of the director



D. Moulds
Director

23 March 2000

OPTICAL EXPRESS (CENTRAL) LIMITED**AUDITORS' REPORT****Auditors' report to the members of****Optical Express (Central) Limited**

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 error or other irregularity. 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 the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons

Glasgow

23 March 2000

HLB Kidsons
Registered Auditors
Chartered Accountants

OPTICAL EXPRESS (CENTRAL) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Note	1998 £	1997 £
Gross profit		7,056,208	6,206,643
Net operating expenses			
Administrative expenses		(8,012,641)	(5,840,264)
Operating (loss)/profit	3	(956,433)	366,379
Investment income	5	1,007	826
Interest payable	6	(66,090)	(80,166)
(Loss)/profit on ordinary activities before taxation		(1,021,516)	287,039
Taxation	7	205,205	(214,058)
(Loss)/profit on ordinary activities after taxation		(816,311)	72,981
retained for the year	20		

Movements in reserves are shown in the notes to the financial statements.

None of the company's activities were acquired or discontinued during the above two financial years.

OPTICAL EXPRESS (CENTRAL) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1998

	1998 £	1997 £
(Loss)/profit for the financial year	(816,311)	72,981
Unrealised surplus on revaluation	38,037	90,000
Total losses and gains recognised since last report	(778,274)	162,981

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1998

	1998 £	1997 £
Reported (loss)/profit on ordinary activities before taxation	(1,021,516)	287,039
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	6,892	-
Historical cost (loss)/profit on ordinary activities before taxation	(1,014,624)	287,039
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	(809,419)	72,981

OPTICAL EXPRESS (CENTRAL) LIMITED

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BALANCE SHEET

at 31 December 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Intangible assets	8		39,965		45,310
Tangible assets	9		2,551,285		2,312,026
			<u>2,591,250</u>		<u>2,357,336</u>
Current assets					
Stocks	11	474,925		819,818	
Debtors	12	1,247,685		503,552	
Cash at bank and in hand		3,276		1,210,978	
			<u>1,725,886</u>	<u>2,534,348</u>	
Creditors: amounts falling due within one year	13	(4,374,896)		(3,761,323)	
Net current liabilities			<u>(2,649,010)</u>	<u>(1,226,975)</u>	
Total assets less current liabilities			<u>(57,760)</u>	<u>1,130,361</u>	
Creditors: amounts falling due after more than one year	14		(197,495)		(422,165)
Provision for liabilities and charges	15		-		(185,177)
			<u>(255,255)</u>	<u>523,019</u>	
Capital and reserves					
Called up share capital	18		100		100
Revaluation reserve	19		121,145		90,000
Profit and loss account	20		(376,500)		432,919
Total shareholders' funds	17		<u>(255,255)</u>	<u>523,019</u>	

The financial statements on pages 5 to 17 were approved by the director on 23 March 2000 and signed by:


D. Moulds
Director

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as amended for revaluation of certain assets.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold properties	Nil
Leasehold revaluation	Over the term of the lease
Leasehold properties/improvements	25% & 15% - Reducing balance
Equipment	10% & 15% - Reducing balance
Motor vehicles	20% - Reducing balance
Fixtures and fittings	15% - Reducing balance
Goodwill	10 & 20 years
Lease premium	18 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability. Rentals paid under operating leases are charged to income as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

The company made contributions into employees private pension schemes during the year.

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

1 Accounting policies continued

Cash flow statement

The company has not prepared a cash flow statement in accordance with the exemption available to wholly owned subsidiaries of EC parent undertakings, where a statement of group cash flow is included in the consolidated financial statements of the parent company.

Going concern

These financial statements have been prepared on a going concern basis, which is reliant on the continuing support of the bank and other group companies.

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

3 Operating (loss)/profit

	1998 £	1997 £
Operating (loss)/profit is stated after charging:		
Staff costs (note 4)	3,664,207	3,294,294
Auditors' remuneration	34,362	16,500
Operating leases:		
Hire of equipment	4,725	7,271
Rent	793,441	533,998
Loss on sale of assets	3,292	-
	<hr/>	<hr/>
Depreciation of tangible fixed assets (note 9):		
Owned assets	223,056	175,856
Leased assets	106,159	97,158
Amortisation of intangible fixed assets (note 8)	5,345	14,345
	<hr/>	<hr/>
	334,560	287,359
	<hr/>	<hr/>
The total amount charged against profits in respect of finance leases and hire purchase contracts is	148,859	132,491
(of which part is shown as depreciation and the balance is shown as interest payable in note 6)	<hr/>	<hr/>

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

4 Directors and employees

	1998 £	1997 £
Staff costs including directors' emoluments		
Wages and salaries	3,625,310	3,250,859
Pension costs	38,897	43,435
	<u>3,664,207</u>	<u>3,294,294</u>
Average monthly number employed including executive directors:	Number	Number
Production staff	33	34
Other	217	166
	<u>250</u>	<u>200</u>

Defined contribution pension scheme

The company makes contributions into employees private pension schemes. The pension cost charge represents contributions payable by the company to the personal schemes and amounted to £38,897 (1997 £43,435).

5 Investment income

	1998 £	1997 £
Interest receivable	<u>1,007</u>	<u>826</u>

6 Interest payable

	1998 £	1997 £
Bank interest	3	29,827
Bank loan interest	23,387	15,006
Hire purchase interest	42,700	35,333
	<u>66,090</u>	<u>80,166</u>

7 Taxation

	1998 £	1997 £
Corporation tax on loss on ordinary activities at 31% (1997 31%)	(12,593)	28,778
Deferred taxation	(185,177)	185,177
	<u>(197,770)</u>	<u>213,955</u>
(Over)/under provision in earlier years	(7,435)	103
	<u>(205,205)</u>	<u>214,058</u>

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

8 Intangible fixed assets

	Goodwill £	Lease Premiums £	Total £
Cost			
1 January 1998	48,000	12,500	60,500
and 31 December 1998	<u> </u>	<u> </u>	<u> </u>
Amortisation			
1 January 1998	13,800	1,390	15,190
Charge for the year	4,650	695	5,345
31 December 1998	<u>18,450</u>	<u>2,085</u>	<u>20,535</u>
Net book amount			
31 December 1998	<u>29,550</u>	<u>10,415</u>	<u>39,965</u>
1 January 1998	<u>34,200</u>	<u>11,110</u>	<u>45,310</u>

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

9 Tangible fixed assets

Cost or valuation	Motor Vehicles £	Equipment £	Fixtures and Fittings £	Freehold & Leasehold Properties £	Total £
1 January 1998	158,222	1,299,960	1,096,632	225,265	2,780,079
Additions	88,162	361,486	143,130	61,245	654,023
Disposals	-	-	(1,149)	(84,961)	(86,110)
31 December 1998	<u>246,384</u>	<u>1,661,446</u>	<u>1,238,613</u>	<u>201,549</u>	<u>3,347,992</u>
Depreciation					
1 January 1998	39,501	191,417	226,436	10,699	468,053
Charge for year	33,941	126,203	148,195	20,876	329,215
Disposals	-	-	-	(561)	(561)
31 December 1998	<u>73,442</u>	<u>317,620</u>	<u>374,631</u>	<u>31,014</u>	<u>796,707</u>
Net book amount					
31 December 1998	<u>172,942</u>	<u>1,343,826</u>	<u>863,982</u>	<u>170,535</u>	<u>2,551,285</u>
1 January 1998	<u>118,721</u>	<u>1,108,543</u>	<u>870,196</u>	<u>214,566</u>	<u>2,312,026</u>

The net book amount of fixed assets includes £837,854 (1997 £828,732) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

The leasehold properties were revalued on the 31st December 1997 on an open market valuation by Whitelaw Baikie Figs, Chartered Surveyors. The historical cost is £50,304 and historical net book value is £30,116.

10 Leasehold and freehold properties

	1998 £	1997 £
Freehold	-	81,621
Short leasehold	<u>170,535</u>	<u>132,945</u>
	<u>170,535</u>	<u>214,566</u>

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

11 Stocks

	1998 £	1997 £
General stock	474,925	819,818
	<u>474,925</u>	<u>819,818</u>

12 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	165,416	166,645
Amounts owed by group undertakings	737,700	111,641
Other debtors	130,371	132,429
Prepayments and accrued income	214,198	92,837
	<u>1,247,685</u>	<u>503,552</u>

Other debtors includes balances in respect of a directors' overdrawn current account totalling £108,207 (1997 £122,304). This loan account has no fixed terms of repayment and is not liable to any interest.

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	1,110,267	46,604
Trade creditors	837,334	215,166
Amounts owed to group undertakings	1,428,618	2,875,548
Corporation tax	-	20,028
Other taxation and social security	478,351	191,911
Accruals and deferred income	267,156	177,140
Obligations under finance leases and hire purchase contracts - note 14	253,170	234,926
	<u>4,374,896</u>	<u>3,761,323</u>

The company's bank loan is secured by a bond and a floating charge over the whole company assets. The company has two bank loans. The first loan is being repaid by monthly instalments of £1,747 and bears interest at eleven and one third percent. This loan will be repaid by August 1999. The second loan is being repaid at quarterly instalments of £7,500. Interest is charged at base rate plus two percent. This loan will be repaid by 31 December 2005.

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

14 Creditors: amounts falling due
after more than one year

	1998 £	1997 £
Other liabilities		
Bank loans	134,019	177,731
Obligations under finance leases and hire purchase contracts	63,476	244,434
	<u>197,495</u>	<u>422,165</u>
Maturity of debt		
In one year or less, or on demand - see note 13	41,772	46,604
In more than one year but not more than two years	30,000	43,712
In more than two years but not more than five years	90,000	90,000
In more than five years	14,019	44,019
	<u>175,791</u>	<u>224,335</u>
Amounts falling due after more than five years:		
Bank loans	14,019	44,019
Obligations under finance leases and hire purchase contracts		
These are repayable over varying periods by monthly instalments as follows:		
In the next year - see note 13	253,170	234,926
In the second to fifth years	63,476	244,434
	<u>316,646</u>	<u>479,360</u>

15 Provision for liabilities and charges

	1997 £	Profit and loss account £	Other movements £	1998 £
Deferred taxation (notes 7 and 16)	185,177	(185,177)	-	-

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

16 Deferred taxation

	1998		1997	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by				
Capital allowances in excess	246,051	246,051	184,755	184,755
Other timing differences	(3,100)	(3,100)	422	422
Unrelieved taxation losses	(307,377)	(242,951)	-	-
	<u>(64,426)</u>	<u>-</u>	<u>185,177</u>	<u>185,177</u>

The potential liability and provision are based on a corporation tax rate of 31% (1997 31%).

17 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
(Loss)/profit for the financial year	(816,311)	72,981
Other recognised gains relating to the year (net)	<u>38,037</u>	<u>90,000</u>
Net (subtraction from)/addition to shareholders' funds	(778,274)	162,981
Opening shareholders' funds	<u>523,019</u>	<u>360,038</u>
Closing shareholders' funds	<u>(255,255)</u>	<u>523,019</u>

18 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary share capital of £1	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Allotted, called up and fully paid				
Ordinary share capital of £1	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

19 Revaluation reserve

	1998 £
1 January 1998	90,000
Transfer to profit and loss account	(6,892)
Transfer from Optical Express (Northern) Limited	38,037
31 December 1998	<u>121,145</u>

20 Profit and loss account

	1998 £
1 January 1998	432,919
Retained loss for the year	(816,311)
Transfer from revaluation reserve	6,892
31 December 1998	<u>(376,500)</u>

21 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 1999.

	1998 Land and Buildings £	1998 Plant & Other £	1997 Land and Buildings £	1997 Plant & Other £
Expiring				
Within one year	-	-	-	1,926
Within two to five years	41,500	-	41,500	-
After five years	843,758	-	843,600	-
	<u>885,258</u>	<u>-</u>	<u>885,100</u>	<u>1,926</u>

The company has given an unlimited inter company cross guarantee between David Mouldsdales (Holdings) Limited, Optical Express (Southern) Limited, Optical Express (Northern) Limited, Optical Express (Gyle) Limited, Optical Express (Westfield) Limited, Optical Express (Aberdeen) Limited, Optical Express (Leith) Limited, Optical Express (Ayr) Limited, Optical Express (Forge) Limited, Optical Express (Holdings) Limited and Optical Express Limited which is supported by a bond and floating charge and debenture over the whole company assets.

At the 31st December 1998 the above companies loans and overdrafts totalled £7,100,957 (1997 £6,111,350).

22 Ultimate parent undertaking

The company's ultimate parent company is David Mouldsdales (Holdings) Limited, a company incorporated in Scotland. A copy of that company's accounts are available from Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB. The company is controlled by David Mouldsdales.

OPTICAL EXPRESS (CENTRAL) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

23 Related parties

The company has taken advantage of the exemption granted by paragraph 3C of Financial Reporting Standard 8 not to disclose transactions with other group companies. The company's other related party transactions during the year were as follows:

RELATED PARTY	RELATIONSHIP	TRANSACTIONS	AMOUNT £	BALANCE DUE (TO)/ FROM AT 31/12/98 £
David Mouldsdaie	Director	Payments to	35,839	108,207
		Rents payable on properties owned personally	83,313	
		Payments on behalf of the director	40,844	
		Receipts on behalf of the director	7,468	