

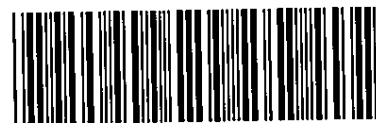
Optical Express Limited

FINANCIAL STATEMENTS

for the year ended

26 December 2009

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09/05/2011

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COMPANIES HOUSE

Company Registration No. SC161469

Optical Express Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Mouldsdaie
S Mein
J Stewart

SECRETARY

G Murdoch

REGISTERED OFFICE

The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Optical Express Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Optical Express Limited for the year ended 26 December 2009.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The current difficult economic climate has had an impact on turnover year on year, resulting in a 6.8% decrease. EBITDA before exceptional costs has consequently reduced to £3.5M from £3.6M.

The Company had one off exceptional costs in the year of £6.5M split:

- VAT Debtor Write off £3.5M. The Group is currently in dispute with HM Revenue and Customs in relation to the proportion of recoverable input tax as a result of the partial exemption method adopted by the Group. The Group attended a tribunal hearing in June 2009 and in June 2010 and has since received a written decision from the tribunal agreeing to a revised version of our proposed special method. HM Revenue and Customs have since appealed this decision. The Group have also appealed the tribunal decision not to agree the full special method proposed. It is expected that the appeal will be heard in the last quarter of 2011. Based on this decision the directors of the Group have reassessed the likely proportion of input tax that the Group is likely to recover resulting in a write off. During the year HM Revenue and Customs has also disputed the Group's tax treatment of sales discounts. The Group was due to attend a tribunal hearing in relation to this dispute in September 2010. However both parties agreed to postpone the hearing to allow further time to discuss the groups tax treatment of sales discounts. The directors have prudently decided to provide for the potential additional tax that would be payable should the discussions not result in a settlement and a later tribunal decision goes in the favour of HM Revenue and Customs.
- Onerous Contract Provision £3M. This provision has been recognised as the expected benefits of several property leases are lower than the costs of meeting the Company's obligations under the leases.

The directors believe that the Companies significant investment programme during the year in existing store refurbishments and the purchase of the most technologically advanced equipment in recent years leaves the group well placed to maximise its return from its broad spectrum of clientele, including an ever ageing population.

Competition, a decline in consumer confidence and the economic climate in the countries which the Company operates continue to be the main risks facing the business. The directors are confident that by constantly monitoring and reviewing business performance and actively managing its competitive strategy it will continue to be proactive in mitigating these risks.

RESULTS AND DIVIDENDS

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the Company during the year were as follows:

D Mouldsdaie
S Mein
J Stewart

Optical Express Limited

DIRECTORS' REPORT

DISABLED EMPLOYEES

The policies and training programmes operated by the Company have been developed to attract and retain the best people on the basis of their skills and abilities. This ensures that the Company offers people with disability the same opportunities for training and career progression as other employees.

EMPLOYEE INVOLVEMENT

The Company operates employment policies designed to ensure that the Company is able to attract and retain the highest calibre of employees from all sections of the community.

The Company values diversity in the workplace and is committed to providing the equality of opportunity to all employees and potential employees. It actively encourages training and skills development throughout the Company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board



G Murdoch

Company Secretary

6/5/11

Optical Express Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 OPTICAL EXPRESS LIMITED

We have audited the financial statements on pages 6 to 18. 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 auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

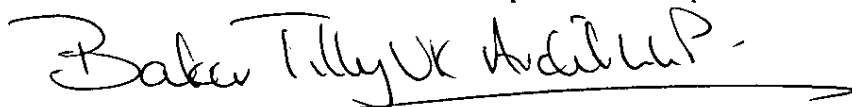
Opinion on other matter prescribed by the Companies Act 2006

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.

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



Alan Aitchison (Senior Statutory Auditor)
For and behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

06/05/10

Optical Express Limited
PROFIT AND LOSS ACCOUNT
for the year ended 26 December 2009

| | Notes | 2009 £ | 2008 £ |
|--|-------|--------------------|------------------|
| TURNOVER | 1 | 19,086,047 | 20,477,951 |
| Cost of sales | | 3,239,842 | 3,409,594 |
| Gross profit | | 15,846,205 | 17,068,357 |
| Administrative expenses | | 19,513,324 | 14,096,263 |
| Other operating income | 2 | (88,918) | (17,847) |
| OPERATING (LOSS)/PROFIT | 3 | (3,578,201) | 2,989,941 |
| Analysed as : | | | |
| Before exceptional items | | 2,919,620 | 2,989,941 |
| Exceptional items – VAT | 11 | (3,483,985) | - |
| Exceptional items – Onerous leases | 15 | (3,013,836) | - |
| Interest payable and similar charges | 5 | 165,187 | 357,502 |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (3,743,388) | 2,632,439 |
| Taxation | 6 | (1,053,305) | 849,182 |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | <u>(2,690,083)</u> | <u>1,783,257</u> |

The operating loss for the year arises from the Company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Optical Express Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 26 December 2009

| | 2009 £ | 2008 £ |
|---|--------------------|------------------|
| (Loss)/profit on ordinary activities before taxation | (3,743,388) | 2,632,439 |
| Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | <u>10,979</u> | <u>13,716</u> |
| Historical cost (loss)/profit on ordinary activities before taxation | <u>(3,732,409)</u> | <u>2,646,155</u> |
| Historical cost (loss)/profit for the year after taxation | <u>(2,679,104)</u> | <u>1,796,973</u> |

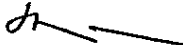
Optical Express Limited

BALANCE SHEET

26 December 2009

| | Notes | 2009 £ | 2008 £ |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 7 | 263,831 | 291,579 |
| Tangible assets | 8 | 3,569,247 | 3,737,988 |
| | | <u>3,833,078</u> | <u>4,029,567</u> |
| CURRENT ASSETS | | | |
| Stocks | 9 | 757,776 | 1,071,581 |
| Debtors | 10 | 7,257,601 | 3,604,805 |
| Cash at bank and in hand | | 7,946 | 3,458,145 |
| | | <u>8,023,323</u> | <u>8,134,531</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 11 | 5,252,445 | 5,644,877 |
| NET CURRENT ASSETS | | <u>2,770,878</u> | <u>2,489,654</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>6,603,956</u> | <u>6,519,221</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 12 | 50,833 | 102,030 |
| | | <u>6,553,123</u> | <u>6,417,191</u> |
| PROVISIONS FOR LIABILITIES | | | |
| Deferred taxation | 14 | 365,662 | 553,483 |
| Other provisions | 15 | 3,013,836 | - |
| | | <u>3,173,625</u> | <u>5,863,708</u> |
| CAPITAL AND RESERVES | | | |
| Called up equity share capital | 18 | 199 | 199 |
| Share premium account | 19 | 744,668 | 744,668 |
| Revaluation reserve | 20 | 94,193 | 105,172 |
| Profit and loss account | 21 | 2,334,565 | 5,013,669 |
| SHAREHOLDERS' FUNDS | 22 | <u>3,173,625</u> | <u>5,863,708</u> |

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on 15/11 and are signed on their behalf by:


S Mein
Director

Optical Express Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

TURNOVER

Turnover for the Company's laser vision correction business represents amounts recognised on the completion of customer consultations before surgery is undertaken and on completion of surgery. For other optical business, turnover represents amounts invoiced during the year, exclusive of Value Added Tax.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|----------|-----------------|
| Goodwill | - 10 & 20 years |
|----------|-----------------|

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|------------------------------|
| Short leasehold properties/revaluations | - Over the term of the lease |
| Leasehold improvements | - 15% reducing balance |
| Fixtures and fittings | - 15% reducing balance |
| Equipment | - 10% & 15% reducing balance |
| Motor vehicles | - 20% reducing balance |
| Lease premiums | - Over the term of the lease |

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.

STOCKS

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

HIRE PURCHASE AGREEMENTS

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Optical Express Limited

ACCOUNTING POLICIES

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The Company made contributions into employees' private pension schemes during the year. The assets of these schemes are held separately from those of the Company. The contributions are charged to the profit and loss account.

DEFERRED TAXATION

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.

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

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Optical Express Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 December 2009

1 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.

2 OTHER OPERATING INCOME

| | 2009 | 2008 |
|------------------|---------------|---------------|
| | £ | £ |
| Rents receivable | <u>88,918</u> | <u>17,847</u> |

3 OPERATING (LOSS)/PROFIT

| | | |
|--|------------------|------------------|
| Operating (loss)/profit is stated after charging: | 2009 | 2008 |
| | £ | £ |
| Amortisation | 27,748 | 27,756 |
| Depreciation of owned fixed assets | 512,480 | 578,869 |
| Depreciation of assets held under hire purchase agreements | 18,805 | 4,884 |
| Loss on disposal of fixed assets | - | 126 |
| Auditor's remuneration | | |
| - as auditor | 12,581 | 9,732 |
| Operating lease costs: | | |
| Plant and equipment | 602,171 | 612,843 |
| Land and buildings | <u>2,548,190</u> | <u>2,501,503</u> |

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the Company during the financial period amounted to:

| | 2009 | 2008 |
|------------------|------------|------------|
| | No | No |
| Production staff | 14 | 16 |
| Other | 203 | 208 |
| | <u>217</u> | <u>224</u> |

The aggregate payroll costs of the above were:

| | 2009 | 2008 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 4,878,044 | 5,233,349 |
| Social security costs | 491,541 | 515,421 |
| Pension costs | 35,665 | 37,365 |
| | <u>5,405,250</u> | <u>5,786,135</u> |

Optical Express Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 December 2009

5 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2009 | 2008 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Interest payable on bank borrowing | 165,187 | 357,309 |
| Finance charges | - | 193 |
| | <u>165,187</u> | <u>357,502</u> |

6 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

| | 2009 | 2008 |
|--|--------------------|----------------|
| | £ | £ |
| Current tax: | | |
| UK Corporation tax based on the results for the year at 28% (2008 - 28%) | - | 851,497 |
| Group relief | - | - |
| Adjustments in respect of previous years – corporation tax | (865,484) | 56,777 |
| Total current tax | <u>(865,484)</u> | <u>908,274</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (187,821) | (59,092) |
| Tax on profit on ordinary activities | <u>(1,053,305)</u> | <u>849,182</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 28%).

| | 2009 | 2008 |
|--|--------------------|------------------|
| | £ | £ |
| (Loss)/profit on ordinary activities before taxation | <u>(3,743,388)</u> | <u>2,632,439</u> |
| (Loss)/profit on ordinary activities by rate of tax | (1,048,149) | 737,083 |
| Expenses not deductible for tax purposes | (11,183) | 25,036 |
| Depreciation in excess of capital allowances | 63,204 | 74,117 |
| Adjustments in respect of previous years | (865,484) | 56,777 |
| Losses carried back | 844,099 | - |
| Unutilised losses carried forward | 152,029 | - |
| Rate differences | - | 15,261 |
| Total current tax (note 6(a)) | <u>(865,484)</u> | <u>908,274</u> |

Optical Express Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 December 2009

7 INTANGIBLE FIXED ASSETS

| | |
|--|----------------|
| | Goodwill £ |
| Cost | |
| At 27 December 2008 and 26 December 2009 | <u>511,000</u> |
| Amortisation | |
| At 27 December 2008 | 219,421 |
| Charge for the year | 27,748 |
| At 26 December 2009 | <u>247,169</u> |
| Net book value | |
| At 26 December 2009 | <u>263,831</u> |
| At 27 December 2008 | <u>291,579</u> |

8 TANGIBLE FIXED ASSETS

| | Equipment £ | Fixtures & Fittings £ | Motor Vehicles £ | Short Leasehold Property £ | Lease Premiums £ | Total £ |
|---------------------|------------------|-----------------------------|------------------------|-------------------------------------|------------------------|------------------|
| Cost or valuation | | | | | | |
| At 27 Dec 2008 | 3,238,938 | 4,378,567 | 114,650 | 380,836 | 12,500 | 8,125,491 |
| Additions | 33,324 | 327,720 | - | 1,500 | - | 362,544 |
| Disposals | - | - | - | - | - | - |
| At 26 Dec 2009 | <u>3,272,262</u> | <u>4,706,287</u> | <u>114,650</u> | <u>382,336</u> | <u>12,500</u> | <u>8,488,035</u> |
| Depreciation | | | | | | |
| At 27 Dec 2008 | 1,819,113 | 2,205,551 | 95,643 | 258,853 | 8,343 | 4,387,503 |
| Charge for the year | 162,622 | 364,985 | 3,802 | (1,507) | 1,383 | 531,285 |
| On disposals | - | - | - | - | - | - |
| At 26 Dec 2009 | <u>1,981,735</u> | <u>2,570,536</u> | <u>99,445</u> | <u>257,346</u> | <u>9,726</u> | <u>4,918,788</u> |
| Net book value | | | | | | |
| At 26 Dec 2009 | <u>1,290,527</u> | <u>2,135,751</u> | <u>15,205</u> | <u>124,990</u> | <u>2,774</u> | <u>3,569,247</u> |
| At 27 Dec 2008 | <u>1,419,825</u> | <u>2,173,016</u> | <u>19,007</u> | <u>121,983</u> | <u>4,157</u> | <u>3,737,988</u> |

The leasehold properties were revalued on 7th March 2000 on an open market valuation by Montagu Evans, Chartered Surveyors. The historical cost of the revalued short leasehold properties is £107,635 (2008 - £107,635).

Hire purchase agreements

Included within the net book value of £3,569,247 is £106,562 (2008 - £125,367) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £18,805 (2008 - £4,884).

Optical Express Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 December 2009

9 STOCKS

| | 2009 | 2008 |
|-------|----------------|------------------|
| | £ | £ |
| Stock | <u>757,776</u> | <u>1,071,581</u> |

10 DEBTORS

| | 2009 | 2008 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 254,061 | 399,990 |
| Amounts owed by group undertakings | 6,237,061 | 1,656,175 |
| Other debtors | 159,728 | 142,317 |
| VAT recoverable | - | 182,190 |
| Prepayments and accrued income | 606,751 | 1,224,133 |
| | <u>7,257,601</u> | <u>3,604,805</u> |

11 CREDITORS: Amounts falling due within one year

| | 2009 | 2008 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 331,082 | 676,895 |
| Amounts owed to group undertakings | 796,775 | 3,313,028 |
| Corporation tax | 153,352 | 1,018,846 |
| Other taxation and social security | 3,542,468 | 175,473 |
| Hire purchase agreements | 51,015 | 51,015 |
| Other creditors | 164,880 | 136,243 |
| Accruals and deferred income | 212,873 | 273,377 |
| | <u>5,252,445</u> | <u>5,644,877</u> |

The Optical Express Group of companies is currently in dispute with HM Revenue and Customs in relation to the proportion of recoverable input tax as a result of the partial exemption method adopted by the Group. The Group attended a tribunal hearing in June 2009 and in June 2010 and has since received a written decision from the tribunal agreeing to a revised version of our proposed special method. HM Revenue and Customs have since appealed this decision. The Group have also appealed the tribunal decision not to agree the full special method proposed. It is expected that the appeal will be heard in the last quarter of 2011. Based on this decision, the directors of the Group have reassessed the likely proportion of input tax that the Group is likely to recover, resulting in a write off.

During the year HM Revenue and Customs has also disputed the Group's tax treatment of sales discounts. The Group was due to attend a tribunal hearing in relation to this dispute in September 2010. However, both parties agreed to postpone the hearing to allow further time to discuss the Groups' tax treatment of sales discounts. The directors have prudently decided to provide for the potential additional tax that would be payable should the discussions not result in a settlement and a later tribunal decision goes in the favour of HM Revenue and Customs.

The directors have provided £3,483,985 in the period regarding the recoverability of input tax and the potential additional tax on sales discounts.

12 CREDITORS: Amounts falling due after more than one year

| | 2009 | 2008 |
|--------------------------|---------------|----------------|
| | £ | £ |
| Hire Purchase agreements | <u>50,833</u> | <u>102,030</u> |

Optical Express Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 December 2009

13 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

| | 2009 | 2008 |
|--|----------------|----------------|
| | £ | £ |
| Amounts payable within 1 year | 51,015 | 51,015 |
| Amounts payable between 1 and 2 years | 50,833 | 102,030 |
| | <u>101,848</u> | <u>153,045</u> |
| Less interest and finance charges relating to future periods | - | - |
| | <u>101,848</u> | <u>153,045</u> |

14 DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

| | 2009 | 2008 |
|--|----------------|----------------|
| | £ | £ |
| Provision brought forward | 553,483 | 612,565 |
| Profit and loss account movement arising during the year | (169,879) | (100,174) |
| Profit and loss account movement arising in the prior year | (17,942) | 41,092 |
| Provision carried forward | <u>365,662</u> | <u>553,483</u> |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | 2009 | 2008 |
|---|----------------|----------------|
| | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | <u>365,662</u> | <u>553,483</u> |

If the revalued assets were sold at the values stated in note 8 the estimated tax payable on that individual transaction would amount to £53,000. No provision has been made as it is unlikely that any amount will become payable in the foreseeable future given the Company's current intentions.

15 PROVISIONS FOR LIABILITIES AND CHARGES

| | 2009 | 2008 |
|-----------------------------|------------------|----------|
| | £ | £ |
| Onerous contract | - | - |
| At 27 December 2008 | - | - |
| Transfer from profit & loss | 3,013,836 | - |
| Reversed in year | - | - |
| Utilised in the year | - | - |
| At 26 December 2009 | <u>3,013,836</u> | <u>-</u> |

The Onerous Contract provision represents the remaining obligations in respect of property leases which the Company is no longer deriving benefit from, net of any anticipated rental income to be received from sub-letting or assigning this lease to a third party.

Optical Express Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 December 2009

16 COMMITMENTS UNDER OPERATING LEASES

At 26 December 2009 the Company had annual commitments under non-cancellable operating leases as set out below.

| | 2009 | | 2008 | |
|--------------------------------|----------------------------|----------------|----------------------------|----------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Operating leases which expire: | | | | |
| Within 1 year | 89,321 | - | 63,660 | - |
| Within 2 to 5 years | 811,950 | 684,051 | 357,450 | 515,460 |
| After more than 5 years | 1,461,750 | - | 1,884,818 | - |
| | <u>2,363,021</u> | <u>684,051</u> | <u>2,305,928</u> | <u>515,460</u> |

17 RELATED PARTY TRANSACTIONS

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

| Related Party | Relationship | Transaction | Amount £ | Balance due (to)/from At 26/12/2009 £ |
|--------------------------|----------------|---|-------------|--|
| Mouldsdale Properties | Common control | Rents paid on properties owned by | 696,500 | Nil |

The Company's other related party transactions during the prior period were as follows:

| Related Party | Relationship | Transaction | Amount £ | Balance due (to)/from At 27/12/2008 £ |
|--------------------------|----------------|---|-------------|--|
| Mouldsdale Properties | Common control | Rents paid on properties owned by | 706,100 | Nil |

Optical Express Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 December 2009

18 SHARE CAPITAL

| | 2009 £ | 2008 £ |
|--------------------------------|--------------|--------------|
| Authorised: | | |
| 999 Ordinary shares of £1 each | 999 | 999 |
| 1 Deferred share of £1 each | 1 | 1 |
| | <u>1,000</u> | <u>1,000</u> |
| | | |
| | 2009 £ | 2008 £ |
| Allotted and called up: | | |
| 198 Ordinary share of £1 each | 198 | 198 |
| 1 Deferred share of £1 each | 1 | 1 |
| | <u>199</u> | <u>199</u> |

The rights attaching to the deferred share are as follows:

On a return of assets on a liquidation or otherwise, the assets of the Company remaining after the payment of its liabilities will be applied firstly, in paying the holders of the £1 Ordinary Shares a sum equal to the balance of such assets up to a maximum of £100,000,000 and secondly, in distributing the balance of such assets among the holders of the Deferred Share.

The holder of the Deferred Share shall be entitled to receive notice of and attend at general meetings but shall not be entitled to vote.

19 SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year.

20 REVALUATION RESERVE

| | 2009 £ | 2008 £ |
|--|---------------|----------------|
| At 27 December 2008 | 105,172 | 118,888 |
| Transfer to the profit and loss account on realisation | (10,979) | (13,716) |
| At 26 December 2009 | <u>94,193</u> | <u>105,172</u> |

21 PROFIT AND LOSS ACCOUNT

| | 2009 £ | 2008 £ |
|---|------------------|------------------|
| At 27 December 2008 | 5,013,669 | 3,216,696 |
| Retained (loss)/profit for the financial year | (2,690,083) | 1,783,257 |
| Transfer from revaluation reserve | 10,979 | 13,716 |
| At 26 December 2009 | <u>2,334,565</u> | <u>5,013,669</u> |

Optical Express Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 December 2009

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2009 | 2008 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| (Loss)/profit for the financial year | (2,690,083) | 1,783,257 |
| Opening shareholders' funds | 5,863,708 | 4,080,451 |
| Closing shareholders' funds | <u>3,173,625</u> | <u>5,863,708</u> |

23 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Royal Bank of Scotland plc holds an unlimited inter company cross guarantee between the Company and the other group companies.

At the 26 December 2009 the other companies' loans and overdrafts totalled £38,772,555 (2008: £40,828,882) excluding those of the Company.

23 ULTIMATE PARENT COMPANY

The Company's ultimate parent undertaking is DCM (Optical Holdings) Limited, a Company incorporated in Scotland. A copy of that Company's accounts is available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF. The Company is controlled by D Mouldsdale.