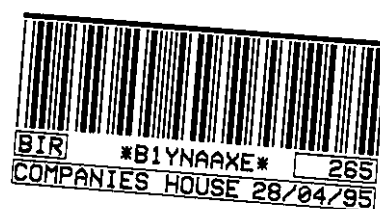


**SOLA Optical Holdings
(U.K.) Limited
(formerly Burginhall 720
Limited)**

Report and Accounts

31 March 1994

Registered Number: 2838963



SOLA Optical Holdings (U.K.) Limited (formerly Burginhall 720 Limited)

DIRECTORS' REPORT

The directors present their report and group accounts for the period ended 31 March 1994.

PRINCIPAL ACTIVITIES

The activities of the group are principally the manufacture and marketing of spectacle lenses.

RESULTS AND TRADING REVIEW

The group profit and loss account for the period is set out on page 5. The group reports a loss before taxation of £248,000.

The directors anticipate sustained growth of the lens business in future years.

DIVIDENDS AND RESERVES

The directors recommend that no dividend be paid.

FIXED ASSETS

Capital expenditure by the group was £226,000 all of which was on tangible assets.

The net book value of tangible assets, sold or scrapped by the company was £3,000.

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 noticeboards.

The company 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.

HEALTH AND SAFETY

The increasing interests of the company 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.

The company'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 company'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.

CHANGE OF OWNERSHIP

In November 1993, the SOLA business unit of Pilkington plc was acquired by AEA Investors Inc., a private investment firm based in New York. Subsequent to this acquisition Pilkington plc no longer retain an interest in SOLA Optical (UK) Limited. A public offering of the common stock of AEA Investors Inc was made in March 1995.

The company was incorporated on 23 July 1993 and changed its name to SOLA Optical Holdings (UK) Limited on 25 October 1993. The share capital of the company was increased from one hundred pounds to five million pounds on 19 November 1993.

SOLA Optical Holdings (U.K.) Limited (formerly Burginhall 720 Limited)

DIRECTORS' REPORT

DIRECTORS

The directors of the company during the period ended 31 March 1994 were:

Mr J E Heine	(Australian citizen)	(Appointed 19 November 1993)
Mr B Freiwald	(US citizen)	(Appointed 19 November 1993, Resigned 10 December 1994)
Mr R N Appleton		(Appointed 9 December 1994)
Mr M T MacKenzie		(Appointed 9 December 1994)
D H & B Directors Ltd		(Resigned 19 November 1993)
D H & B Managers Ltd		(Resigned 19 November 1993)

Whilst Sola Optical (UK) Holdings Ltd was a member of the Pilkington Group, the shareholdings required to be disclosed by section 325 of the Companies Act 1985, were as follows:

Ordinary shares 1993

Mr J E Heine	63,628
Mr B Freiwald	148,730

On leaving the Pilkington Group there are no directors interests requiring disclosure under the Companies Act 1985.

CLOSE COMPANY STATUS

In the opinion of the directors the company is not a close company under the provisions of the Income and Corporation Taxes Act 1988.

INSURANCE OF DIRECTORS

The Group maintains insurance for the company's directors in respect of their duties as directors of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 profit or loss of the company 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

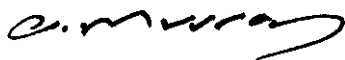
SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



A Murray
Secretary

24 April 1995

REPORT OF THE AUDITORS

to the members of SOLA Optical Holdings (U.K.) Limited

We have audited the accounts on pages 5 to 19, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 1994 and of its loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham
24 April 1995

SOLA Optical Holdings (UK) Limited
(formerly Burginhall 720 Limited)

GROUP PROFIT AND LOSS ACCOUNT

for the period ended 31 March 1994

	<i>Notes</i>	<i>1994</i> <i>£000</i>
TURNOVER	2	3,646
Cost of sales		(2,985)
GROSS PROFIT		661
Distribution costs		(195)
Administrative expenses		(664)
OPERATING LOSS	3	(198)
Interest payable less receivable	6	(50)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(248)
Taxation on loss on ordinary activities	7	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(248)
Dividend		-
RETAINED LOSS FOR THE PERIOD		(248)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the period ended 31 March 1994

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £248,000 for the period ended 31 March 1994.

SOLA Optical Holdings (UK) Limited
(formerly Burginhall 720 Limited)

GROUP BALANCE SHEET

at 31 March 1994

	Notes	1994 £000
FIXED ASSETS		
Intangible assets	11	1,929
Tangible assets	9	1,132
		<u>3,061</u>
CURRENT ASSETS		
Stocks	12	1,848
Debtors	13	3,267
Cash at bank and in hand	14	755
		<u>5,870</u>
CREDITORS: amounts falling due within one year	15	<u>(5,685)</u>
NET CURRENT ASSETS		<u>185</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,246</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(116)</u>
		<u>3,130</u>
CAPITAL AND RESERVES		
Called up share capital	21	3,378
Profit and loss account	22	(248)
		<u>3,130</u>

R. N. Appleton.

N Appleton - Director

24 April 1995

SOLA Optical Holdings (UK) Limited
(formerly Burginhall 720 Limited)

BALANCE SHEET

at 31 March 1994

	Notes	1994 £000
FIXED ASSETS		
Investments	10	6,757
CREDITORS: amounts falling due within one year	15	(3,453)
NET CURRENT LIABILITIES		(3,453)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,304
CAPITAL AND RESERVES		
Called up share capital	21	3,378
Profit and loss account	22	(74)
		3,304

R. N. Appleton.

N Appleton - Director

24 April 1995

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

GROUP STATEMENT OF CASH FLOWS
for the period ended 31 March 1994

	<i>Notes</i>	<i>1994</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	403
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid less received		(50)
TAXATION		
Corporation tax paid (including ACT)		-
INVESTING ACTIVITIES		
Payments to acquire tangible fixed assets		(226)
Purchase of subsidiary net of cash acquired		(6,129)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(6,355)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		(6,002)
FINANCING		
Issue of share capital	21	3,378
Promissory Note	17	3,378
NET CASH INFLOW FROM FINANCING		6,756
INCREASE IN CASH AND CASH EQUIVALENTS	14	755
		(6,002)

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

1. ACCOUNTING POLICIES

Accounting convention

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

Fixed assets and depreciation

All fixed assets are initially recorded at cost. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Vehicles, plant and machinery - over 3 to 20 years

Stocks

Stocks are stated at the lower of cost and net realisable value. 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

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 corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. 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 Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

1. ACCOUNTING POLICIES (*continued*)

Basis of Consolidation

The group accounts consolidate the accounts of SOLA Optical Holdings (UK) Limited for the period ended 31 March 1994. The consolidation has been accounted for by the acquisition method.

No profit and loss account is presented for SOLA Optical Holdings (UK) Limited as permitted by section 230 of the Companies Act 1985.

The group profit and loss account includes the results of SOLA Optical (UK) Limited for the four month period from its acquisition on 1 December 1993.

Acquisition of Subsidiary

During the period the company issued shares for cash to fund the purchase of SOLA Optical (UK) Limited.

Pensions costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Goodwill

Goodwill arising on consolidation has been capitalised and will be amortised over forty years.

2. TURNOVER

	1994
	£000
Sales to external customers by geographical market:	
United Kingdom	3,598
Middle East	27
Sales to group companies	21
	<u>3,646</u>

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. It is attributable to one continuing activity, the manufacture and marketing of spectacle lenses.

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

3. OPERATING LOSS

	1994 £000
(a) This is stated after charging:	
Depreciation of tangible fixed assets	56
Hire of Equipment	69
Directors Emolument (including pension costs, see note 4)	22
Auditors' remuneration and expenses - Audit services	4
- Non audit services	1
Property lease rentals	76
	<u>1994</u> <u>£000</u>
(b) Reconciliation of operating loss to net cash inflow from operating activities:	
Operating loss	(198)
Depreciation	56
Other provisions	(68)
Amortisation of goodwill	16
Loss on disposal of tangible fixed assets	3
Increase in debtors	(885)
Decrease in stocks	36
Increase in creditors	1,443
	<u>403</u>

4. DIRECTORS' EMOLUMENTS

The emoluments, excluding pension costs of:

	1994 £000
Chairman and highest paid director	22

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1994 No.
£20,001 - £25,000	1

The services of Mr J E Heine are discharged substantially outside the UK, and therefore, details of any remuneration are excluded from the above analysis.

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS
at 31 March 1994

5. STAFF COSTS

1994

£000

Wages and salaries	498
Social security costs	43
Other pension costs	21
	<u>562</u>

The average weekly number of employees during the year was as follows:

1994

No.

United Kingdom:	Birmingham	89
	Farnham	13
		<u>102</u>

6. INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR CHARGES

1994

£000

Interest received on inter-group loans wholly repayable within five years	10
Interest received on other loans wholly repayable within five years	15
Finance charges	-
Interest payable on promissory note	(75)
	<u>(50)</u>

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS
at 31 March 1994

7. TAXATION ON LOSS ON ORDINARY ACTIVITIES

There is no charge to UK corporation tax arising during the period.

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss attributable to members of the parent company includes losses of £158,000 earned by SOLA Optical (UK) Limited from the effective date of acquisition.

SOLA Optical (UK) Limited earned a loss of £758,000 in the year ended 31 March 1994 (1993 - £981,000 profit), of which £600,000 arose in the period from 1 April 1993 to the effective date of acquisition.

The loss dealt with in the accounts of the parent company was £74,000 for the period ended 31 March 1994.

9. TANGIBLE FIXED ASSETS

Group

	<i>Vehicles Plant and machinery</i>	<i>Total £000</i>
Cost:		
On incorporation	-	-
On acquisition of subsidiary	1,505	1,505
Additions	226	226
Disposals	(9)	(9)
At 31 March 1994	<u>1,722</u>	<u>1,722</u>
Depreciation:		
On incorporation	-	-
On acquisition of subsidiary	540	540
Disposals	(6)	(6)
Provided during the year	56	56
At 31 March 1994	<u>590</u>	<u>590</u>
Net book value:		
At 31 March 1994	<u>1,132</u>	<u>1,132</u>

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS
at 31 March 1994

10. INVESTMENTS

Company

Subsidiary
undertakings
£000

Cost:
Additions

6,757

6,757

At 31 March 1994

Details of the investments in which the company holds more than 10 percent of the nominal value of any class of share capital are as follows:

<i>Name of Company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of rights and shares held</i>	<i>Nature of business</i>
Subsidiary Undertakings				
Sola Optical (UK) Limited	England and Wales	Ordinary Shares	100%	Spectacle lens manufacture

On 1 December 1993 the group acquired 4,999,999 Ordinary Shares of £1 each in Sola Optical (UK) Limited, of a total of 5,000,000 of its allotted, called up and fully paid share capital, for a consideration of \$10,000,000 satisfied by the issue of \$5,000,000 ordinary shares at par each and the issue of a US\$5,000,000 promissory note. Goodwill arising on the acquisition of Sola Optical (UK) Limited during the period has been capitalised and will be amortised over 40 years.

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS
at 31 March 1994

11. INVESTMENTS

Analysis of the acquisition of Sola Optical (UK) Limited:

Net assets at date of acquisition:

	<i>Net book value £</i>	<i>Provision £</i>	<i>Fair value to the group £</i>
Tangible fixed assets	1,046,518	(81,055)	965,463
Stocks	2,157,582	(273,123)	1,884,459
Debtors	2,381,868	-	2,381,868
Cash at bank and in hand	627,521	-	627,521
Total assets	6,213,489	354,178	5,859,311
Creditors due within one year	(820,290)	(43,376)	(863,666)
Provisions	-	(184,351)	(184,351)
Total liabilities	(820,290)	(227,727)	1,048,017
Net assets	5,393,199	581,905	4,811,294
Goodwill arising on acquisition			1,945,462
Discharged by:			
Cash			6,756,756

The purchase consideration was funded by the issue for cash of a promissory note (see note 17) and the issue of share capital (see note 21).

Amortisation of goodwill in the period amounted to £16,212, leaving a net book value of £1,929,250 at the period end.

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

12. STOCKS

	<i>Group</i>
	<i>1994</i>
	<i>£000</i>
Raw material	15
Work in progress	1
Finished goods	1,832
	<u>1,848</u>

The stocks represent goods for resale. The replacement value is not materially different from that shown.

13. DEBTORS

	<i>Group</i>
	<i>1994</i>
	<i>£000</i>
Amounts falling due within one year:	
Trade debtors	2,134
Amount owed by fellow subsidiaries	780
Other debtors	117
Prepayments and accrued income	92
	<u>3,123</u>
Amounts falling due after one year:	
Loans to employees	138
Other debtors	6
	<u>144</u>
Total debtors	<u>3,267</u>

14 CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the balance sheet and changes during current and previous years:

	<i>1994</i>	<i>On</i>	<i>Change</i>
	<i>£000</i>	<i>incorporation</i>	<i>in period</i>
		<i>£000</i>	<i>£000</i>
Cash at bank and in hand	755	-	755
Bank overdraft	-	-	-
	<u>755</u>	<u>-</u>	<u>755</u>

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

15. CREDITORS: amounts falling due within one year

	<i>Group</i>	<i>Company</i>
	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	359	-
Amounts owed to holding company and fellow subsidiaries	1,434	75
Other taxes and social security costs	291	-
Other creditors	104	-
Accruals	119	-
Promissory Note (see note 17)	3,378	3,378
	<u>5,685</u>	<u>3,453</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	<i>Other</i>	<i>Total</i>
	<i>provisions</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>
On incorporation	-	-
On acquisition	184	184
Provided during the period	-	-
Utilised	(68)	(68)
At end of the period	<u>116</u>	<u>116</u>

17. PROMISSORY NOTE

	<i>Group</i>	<i>Company</i>
	<i>1994</i>	<i>1994</i>
	<i>£'000</i>	<i>£'000</i>
Promissory Note issued on 1 December 1993 at 9% per annum, principle of US\$5,000,000 repayable 1 December 2003 or on demand (subject to 3 day notice).	3,378	3,378

18. DEFERRED TAXATION

There is no provision required for deferred taxation. There is also no unprovided deferred taxation.

19. CAPITAL COMMITMENTS

At 31 March 1994, the group had placed contracts for £16,000 (1993 - £Nil) of capital expenditure which had not been provided for in the accounts. There was at that date no capital expenditure approved by the directors but not contracted for (1993 - £260,000).

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

20. OTHER FINANCIAL COMMITMENTS

At 31 March 1994 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings 1994</i>	<i>Other 1994</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	-	11
Within two to five years	111	92
In over five years	129	-
	<u>240</u>	<u>103</u>

21. SHARE CAPITAL

	<i>1994</i>
	<i>£000</i>
Ordinary shares of £1 each:	
Authorised, issued and fully paid (see note 11)	3,378
Authorised	<u>5,000</u>

22. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<i>Group</i>	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders funds £000</i>
Balance on incorporation	-	-	-
Shares issued (see note 21)	3,378	-	3,378
Loss for the period	-	(232)	(232)
Amortisation of goodwill arising on consolidation	-	(16)	(16)
Balance at 31 March 1994	<u>3,378</u>	<u>(248)</u>	<u>3,130</u>

SOLA Optical Holdings (U.K.) Limited
(formerly Burginhall 720 Limited)

NOTES TO THE ACCOUNTS

at 31 March 1994

22. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (Continued)

Company

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance at incorporation	-	-	-
Shares issued (see note 21)	3,378		3,378
Loss for the period	-	(74)	(74)
	<u>3,378</u>	<u>(74)</u>	<u>3,304</u>

The net capital and reserves of SOLA Optical (UK) Ltd at 31 March 1994 were £4,655,000.

23. ULTIMATE HOLDING COMPANY

The ultimate parent undertaking is AEA Investors Inc, a company incorporated in the USA.