

Registered number: 02889471

Airways Optical Limited

Report and Financial Statements

for the Year Ended 29 February 2016



Airways Optical Limited
Report and financial statements
Contents

Company Information	1
Strategic Report	2
Directors' Report	3
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5 to 6
Statement of Income and Retained Earnings	7
Balance Sheet	8
Notes to the Financial Statements	9 to 25

Airways Optical Limited

Report and financial statements

Company Information

Directors Specsavers Laboratories Limited
 T J Seymour
 S D Lawe
 S J Holloway

Company secretary Specsavers Laboratories Limited

Registered office Forum 6, Parkway
 Solent Business Park
 Whiteley
 Fareham
 PO15 7PA

Auditors Ernst & Young LLP
 1 More London Place
 London
 SE1 2AF

Registered number 02889471

Airways Optical Limited

Strategic Report for the Year Ended 29 February 2016

The directors present their strategic report for the year ended 29 February 2016.

Principal activity

The principal activity of the Company is the production and the supply of quality prescription lenses to the Specsavers Group and its retail partners.

Review of the business

As shown in the Company's Statement of Income and Retained Earnings on page 7, turnover has decreased by 1.7% (2015: 2.4% increase). During the year operating profit decreased to £976,909 from £1,552,537, achieving an operating margin of 4.04% (2015: 6.31%).

The optical industry continues to be a highly competitive environment and the directors believe that continuing to provide high quality optical products to the Specsavers Group and its retail partners is key to ensuring the continued success of the business.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Operating profit margin	%	4.04	6.31

The Company uses non-financial KPIs to manage its business, in particular Returns (%) resulting from unacceptable quality, and On Time Delivery (%). During the year Returns averaged 0.6% (2015: 0.6%) and On Time Delivery averaged 99.9% (2015: 99.9%). These performance metrics are in line with management expectations.

Principal risks and uncertainties

The directors have considered the requirement of Section 417 of the Companies Act 2006. After due consideration the directors believe that the exposure of the Company to market price risk, credit risk, liquidity risk and cash flow risk is minimal. The main risks to which the Company is exposed are:

Operational risk

Operational risk relates to the challenge of providing product to the Specsavers Group and its retail partners cost effectively. This relates principally to providing product to its market in a timely and reliable manner whilst meeting the highest quality standards.

Market risk

Market risk is the risk that orders placed reduce significantly due to changes in the retail environment. Given the continuing growth of Specsavers retail operations, the directors see this risk as unlikely. These risks are addressed through the shareholders' commitment to investment in the latest technology.

Financial instrument risk

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Approved by the Board on 26 May 2016 and signed on its behalf by:

.....
Specsavers Laboratories Limited
Company secretary and director

Airways Optical Limited

Directors' Report for the year ended 29 February 2016

The directors present their report and the financial statements for the year ended 29 February 2016.

Directors of the Company

The directors who held office during the year were as follows:

Specsavers Laboratories Limited - Company secretary and director

T J Seymour

S D Lawe

V McLean (resigned 29 February 2016)

S J Holloway

Dividends and transfers to reserves

During the year the Company paid an interim dividend for the year under review of £892,000 (2015: £1,245,868). The profit for the financial year of £714,777 (2015: £1,170,616) has been transferred to the retained earnings. The directors do not recommend payment of a final dividend (2015: £Nil).

Future developments

The Specsavers Group is committed to providing high quality, affordable optical care in all the communities it serves. The Company will continue to invest in its people and its products to help support the Specsavers Group to deliver on its commitment.

Going concern

The financial statements have been prepared on a going concern basis on the grounds that continued support will be received from the parent company for the foreseeable future.,

Disclosure of information to the auditors

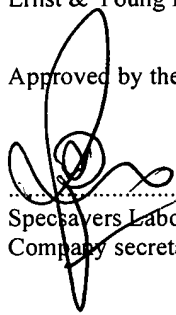
Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

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

Reappointment of auditors

Ernst & Young LLP have expressed their willingness to continue in office.

Approved by the Board on 26 May 2016 and signed on its behalf by:



.....
Specsavers Laboratories Limited
Company secretary and director

Airways Optical Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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.

Airways Optical Limited

Independent Auditor's Report to the members of Airways Optical Limited

We have audited the financial statements of Airways Optical Limited ('the Company') for the year ended 29 February 2016, set out on pages 7 to 25 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes 1 to 22. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Statement of Directors' Responsibilities (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 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 29 February 2016 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Airways Optical Limited

Independent Auditor's Report to the members of Airways Optical 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.



.....
Christine Chua (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 May 2016

Airways Optical Limited

Statement of Income and Retained Earnings for the Year Ended 29 February 2016

	Note	2016 £	2015 £
Turnover	3	24,172,931	24,600,463
Cost of sales		<u>(18,767,087)</u>	<u>(18,776,818)</u>
Gross profit		5,405,844	5,823,645
Distribution costs		(317,866)	(283,000)
Administrative expenses		<u>(4,111,069)</u>	<u>(3,988,108)</u>
Operating profit		<u>976,909</u>	<u>1,552,537</u>
Interest receivable and similar income	5	248	532
Interest payable and similar charges	6	<u>(26,730)</u>	<u>(52,072)</u>
		<u>(26,482)</u>	<u>(51,540)</u>
Profit on ordinary activities before taxation		950,427	1,500,997
Taxation	10	<u>(235,650)</u>	<u>(330,381)</u>
Profit for the financial year		714,777	1,170,616
Retained earnings as at 1 March		1,929,162	2,004,414
Dividends paid		<u>(892,000)</u>	<u>(1,245,868)</u>
Retained earnings as at 29 February		<u><u>1,751,939</u></u>	<u><u>1,929,162</u></u>

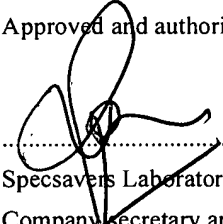
The notes on pages 9 to 25 form an integral part of these financial statements.

Airways Optical Limited

(Registered number: 02889471)
Balance Sheet as at 29 February 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	3,824,285	2,968,055
Current assets			
Stocks	12	989,737	1,096,850
Debtors	13	2,866,947	2,496,390
Cash at bank and in hand	14	<u>328,476</u>	<u>730,370</u>
Total current assets		4,185,160	4,323,610
Creditors: Amounts falling due within one year	15	<u>(6,257,406)</u>	<u>(5,362,403)</u>
Net current liabilities		<u>(2,072,246)</u>	<u>(1,038,793)</u>
Net assets		<u>1,752,039</u>	<u>1,929,262</u>
Capital and reserves			
Called up share capital	16	100	100
Retained earnings		<u>1,751,939</u>	<u>1,929,162</u>
Total equity		<u>1,752,039</u>	<u>1,929,262</u>

Approved and authorised by the Board on 26 May 2016 and signed on its behalf by:


.....
Specsavers Laboratories Limited
Company secretary and director

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016

1 General information

The Company is a private limited company incorporated and domiciled in England.

The address of its registered office is:

Forum 6, Parkway
Solent Business Park
Whiteley
Fareham
PO15 7PA

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 March 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 22.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and are rounded to the nearest £.

Summary of disclosure exemptions

The Company has taken advantage of the following FRS 102 disclosure exemptions:

The requirements of Section 7 Statement of Cash Flows, Section 33 Disclosure of Key Management Personnel Compensation paragraph 33.6 and Section 3 Financial Statement Presentation paragraph 3.17(d)

Name of parent of group

These financial statements are consolidated in the financial statements of Specsavers Optical Superstores Limited.

The financial statements of Specsavers Optical Superstores Limited may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ, Wales.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means the actual outcomes could differ from those estimates. The following are the Company's key sources of estimation uncertainty:

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

2 Accounting policies (continued)

Operating lease commitments

The Company has entered into a commercial property lease, as a lessee it obtains use of property. The classification of this lease as operating or finance lease requires the Company to determine, based on evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Impairment of non-financial fixed assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Taxation

The Company establishes provisions based of reasonable estimates, for possible consequence of audits by the tax authorities. The amount of such provisions is based upon various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange 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 statement of income.

Tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation. Information technology costs are only capitalised if the costs are externally generated and related to a specific project with quantifiable benefits. These costs are then included in equipment and depreciated over their estimates useful life.

Depreciation

Depreciation is provided on a straight line basis at the following rates in order to write off the cost less estimated residual value of each asset over its estimated useful life (or if held under a finance lease, over the lease term, whichever is the shorter):

Asset class	Depreciation method and rate
Land and buildings	Over the term of the lease
Plant and machinery	7% - 33% on cost
Fixtures, fittings and equipment	7% - 50% on cost
Assets under construction	Not depreciated

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the statement of income unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The directors have included the balances owed to and from Specsavers Finance (Guernsey) Limited, the Group Treasury Company, within cash equivalents.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

2 Accounting policies (continued)

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of income in other operating expenses.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the statement of income.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight line basis.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Turnover

The analysis of the Company's turnover for the year by class of business is as follows:

	2016	2015
	£	£
Sale of goods	<u>24,172,931</u>	<u>24,600,463</u>

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

3 Turnover (continued)

The analysis of the Company's turnover for the year by market is as follows:

	2016 £	2015 £
UK	23,813,862	24,270,512
Rest of the world	359,069	329,951
	<u>24,172,931</u>	<u>24,600,463</u>

4 Operating Profit

Stated after charging:

	2016 £	2015 £
Depreciation expense	1,076,870	1,200,019
Pension costs, defined contribution scheme	104,677	76,524
Foreign exchange losses	36,705	23,175
Operating lease expense - property	194,701	111,506
Operating lease expense - plant and machinery	18,513	598
Loss on disposal of tangible fixed assets	<u>1,122</u>	<u>3,502</u>

5 Interest receivable and similar income

	2016 £	2015 £
Interest income on financial assets	<u>248</u>	<u>532</u>

6 Interest payable and similar charges

	2016 £	2015 £
Interest on obligations under finance leases and hire purchase contracts	-	36,503
Interest expense on other finance liabilities	<u>26,730</u>	<u>15,569</u>
	<u>26,730</u>	<u>52,072</u>

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016	2015
	£	£
Wages and salaries	4,164,865	3,784,968
Social security costs	366,096	317,433
Pension costs, defined contribution scheme	104,677	76,524
	<u>4,635,638</u>	<u>4,178,925</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2016	2015
	No.	No.
Production	143	160
Administration and support	54	17
	<u>197</u>	<u>177</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016	2015
	£	£
Remuneration	<u>165,875</u>	<u>170,612</u>

During the current and previous year, 2 (2015: 2) directors received no remuneration for their services as a director.

During the year, the Company made pension contributions of £3,460 (2015: £1,161) to defined contribution schemes on behalf of 2 directors (2015: 2).

9 Auditors' remuneration

	2016	2015
	£	£
Audit of the financial statements	<u>11,518</u>	<u>11,120</u>

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

10 Taxation

Tax charged in the statement of income:

	2016 £	2015 £
Current taxation		
UK corporation tax	184,899	388,963
UK corporation tax adjustment to prior periods	3,690	(777)
Total current taxation	<u>188,589</u>	<u>388,186</u>
Deferred taxation		
Arising from origination and reversal of timing differences	11,676	(57,731)
Arising from changes in tax rates and laws	38,441	-
Arising from adjustment to prior periods	(3,056)	(74)
Total deferred taxation	<u>47,061</u>	<u>(57,805)</u>
Tax expense in the statement of income	<u>235,650</u>	<u>330,381</u>

The tax on profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 20.08% (2015: 21.17%).

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	<u>950,427</u>	<u>1,500,997</u>
Corporation tax at standard rate	190,892	317,761
Effect of revenues exempt from taxation	-	(371)
Effect of expenses not deductible in determining taxable profit	7,035	10,464
Deferred tax expense relating to changes in tax rates or laws	37,089	3,378
Deferred tax credit from unrecognised temporary differences from a prior period	(3,056)	(74)
Increase/(decrease) in UK current tax from adjustment for prior periods	3,690	(777)
Tax charge for the period	<u>235,650</u>	<u>330,381</u>

Factors that may affect future tax charges:

Reductions in the UK corporation tax rate were substantively enacted in the year. The main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2017 and to 18% from 1 April 2020. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences and tax losses are expected to reverse. A further reduction in the corporation tax rate to 17%, rather than 18%, from 1 April 2020 was announced in the 2016 Budget. However, this further rate change was not substantively enacted at the balance sheet date, so its effect is not reflected in these financial statements.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

10 Taxation (continued)

Deferred tax

The deferred tax included in the balance sheet is as follows:

	Note	2016 £	2015 £
Deferred tax assets	13	<u>334,296</u>	<u>381,357</u>
Accelerated tax depreciation		329,758	375,962
Short term timing differences		<u>4,538</u>	<u>5,395</u>
		<u>334,296</u>	<u>381,357</u>
1 March		381,357	323,552
Deferred tax (charged)/credited to the statement of income during the year		<u>(47,061)</u>	<u>57,805</u>
29 February		<u>334,296</u>	<u>381,357</u>

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

11 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Assets under construction £	Plant and machinery £	Total £
Cost or valuation					
At 1 March 2015	1,202,845	866,293	464,917	14,057,062	16,591,117
Additions	-	-	1,934,222	-	1,934,222
Disposals	(11,407)	(233,531)	-	(811,047)	(1,055,985)
Transfers	-	12,500	(1,934,174)	1,921,674	-
At 29 February 2016	<u>1,191,438</u>	<u>645,262</u>	<u>464,965</u>	<u>15,167,689</u>	<u>17,469,354</u>
Depreciation					
At 1 March 2015	1,149,413	750,106	-	11,723,543	13,623,062
Charge for the year	45,599	44,820	-	986,451	1,076,870
Eliminated on disposal	(10,285)	(269,539)	-	(775,039)	(1,054,863)
At 29 February 2016	<u>1,184,727</u>	<u>525,387</u>	<u>-</u>	<u>11,934,955</u>	<u>13,645,069</u>
Carrying amount					
At 29 February 2016	<u>6,711</u>	<u>119,875</u>	<u>464,965</u>	<u>3,232,734</u>	<u>3,824,285</u>
At 28 February 2015	<u>53,432</u>	<u>116,187</u>	<u>464,917</u>	<u>2,333,519</u>	<u>2,968,055</u>

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

12 Stocks

	2016 £	2015 £
Raw materials and consumables	961,812	552,588
Work in progress	27,925	63,275
Finished goods and goods for resale	-	480,987
	<u>989,737</u>	<u>1,096,850</u>

The difference between purchase price or production costs of stocks and their replacement cost is not material.

The cost of stocks recognised as an expense in the year amounted to £9,795,736 (2015: £7,687,749).

13 Debtors

	Note	2016 £	2015 £
Trade debtors		-	1,800
Receivables from related parties	20	2,498,856	2,090,325
Prepayments		33,795	22,908
Deferred tax assets	10	<u>334,296</u>	<u>381,357</u>
		<u>2,866,947</u>	<u>2,496,390</u>

14 Cash and cash equivalents

	Note	2016 £	2015 £
Cash on hand		149	753
Cash at bank		5,688	6,659
Group Treasury Company	20	<u>322,639</u>	<u>722,958</u>
		328,476	730,370
Group Treasury Company overdraft (within one year)	20	<u>-</u>	<u>(67,224)</u>
Cash and cash equivalents		<u>328,476</u>	<u>663,146</u>

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

15 Creditors

	Note	2016 £	2015 £
Due within one year			
Trade creditors		760,899	906,761
Amounts due to related parties	20	4,355,500	2,983,886
Social security and other taxes		334,724	643,101
Other payables		69,461	71,360
Accrued expenses		657,113	494,497
Corporation tax liability	10	79,709	195,574
Group Treasury Company overdraft (within one year)	20	-	67,224
		<u>6,257,406</u>	<u>5,362,403</u>

16 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
"A" Ordinary Shares of £0.50 each	100	50.00	100	50.00
"B" Ordinary Shares of £0.50 each	100	50.00	100	50.00
	<u>200</u>	<u>100</u>	<u>200</u>	<u>100</u>

Rights, preferences and restrictions

"A" and "B" ordinary share capital have the following rights, preferences and restrictions:

To "A" shares, the right to receive that part (including the whole) of the profits of the Company which the directors shall, from time to time, determine to distribute as dividends. To "B" shares, the right to appoint the chairman of the board of directors and of the general meeting of the Company. In all other respects both classes of share carry equal rights over the assets of the Company, subject to those provisions as laid out in the shareholders' agreement.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

17 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2016	2015
	£	£
Not later than one year	215,942	92,917
Later than one year and not later than five years	932,000	914,942
Later than five years	1,440,025	1,673,025
	<u>2,587,967</u>	<u>2,680,884</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £213,214 (2015: £112,104).

18 Dividends

	2016	2015
	£	£
Interim dividend of £8,920 (2015: £12,459) per ordinary share	<u>892,000</u>	<u>1,245,868</u>

19 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £389,320 (2015: £544,269).

Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Commitments provided for in the financial statements amounted to £9,162 (2015: £8,990).

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

20 Related party transactions

Key management personnel

The Company has taken advantage of the disclosure exemption for key management compensation allowed under section 1.12 of FRS 102. Key management compensation is disclosed in the parent company's consolidated financial statements.

Dividends paid to directors

Interim dividends have been paid to the directors of the Company during the year totalling £356,800 (2015: £498,347).

Summary of transactions with parent

Interim dividends have been paid to the parent during the year totalling £535,200 (2015: £747,521).

Summary of transactions with other related parties

Specsavers Finance (Guernsey) Limited

The balances with the Group Treasury Company are held with Specsavers Finance (Guernsey) Limited, a fellow subsidiary company, which is incorporated in Guernsey, and provides treasury services to the Company and to other Specsavers Group companies. The balance with Specsavers Finance (Guernsey) Limited is subject to interest chargeable at 2% over the Bank of England base rate. During the year the Company paid bank interest and charges to the Group Treasury Company of £29,566 (2015: £19,755), the income received from the Group Treasury Company is £248 (2015: £532).

The cash balance held with the Group Treasury Company at year end is £322,639 (2015: £722,958) and the overdraft balance owing to the Group Treasury Company at year end is £Nil, (2015: £67,224).

Terms and conditions of transactions with related parties:

Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 29 February 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2015: £Nil).

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

20 Related party transactions (continued)

Income and receivables from related parties

	Parent	Other related parties
	£	£
2016		
Sale of goods	23,813,862	359,069
Interest receivable	-	248
Amounts receivable from related party	<u>2,467,578</u>	<u>31,278</u>
	Parent	Other related parties
	£	£
2015		
Sale of goods	24,270,512	329,951
Interest receivable	-	532
Amounts receivable from related party	<u>2,018,356</u>	<u>71,969</u>

Expenditure with and payables to related parties

	Parent	Other related parties
	£	£
2016		
Purchase of goods	1,884,861	1,218,324
Rendering of services	-	1,954,369
Interest payable	-	29,566
Amounts payable to related parties	<u>421,992</u>	<u>3,933,508</u>
	Parent	Other related parties
	£	£
2015		
Purchase of goods	1,862,118	405,963
Rendering of services	-	2,070,616
Interest payable	-	19,755
Amounts payable to related parties	<u>178,055</u>	<u>2,805,831</u>

21 Parent and ultimate parent undertaking

Specsavers International Healthcare Limited is the ultimate parent company. D J D and M L Perkins have the controlling holding in the ordinary shares of Specsavers International Healthcare Limited, which is a Guernsey registered company, the financial statements of which are not available to the public.

The Company's immediate parent is Specsavers Procurement (UK) Limited, incorporated in England.

The smallest group in which the results of the Company are consolidated is Specsavers Procurement (UK) Limited. The largest group in which the results of the Company are consolidated and for which financial statements are available to the public is Specsavers Optical Superstores Limited. These financial statements may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ, Wales.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

22 Transition to FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 March 2014. The impact of the transition is as follows:

Balance Sheet at 1 March 2014

Note	Previously reported £	Reclassification £	Remeasurement £	Under FRS 102 £
Capital and reserves				
Called up share capital	100	-	-	100
Retained earnings	<u>2,004,414</u>	<u>-</u>	<u>-</u>	<u>2,004,414</u>
Total equity	<u><u>2,004,514</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,004,514</u></u>

Transitional relief

Lease incentives

The Company has not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

22 Transition to FRS 102 (continued)

Balance Sheet at 28 February 2015

Note	Previously reported £	Reclassification £	Remeasurement £	Under FRS 102 £
Fixed assets				
Tangible assets	2,968,055	-	-	2,968,055
Current assets				
Stocks	1,096,850	-	-	1,096,850
Debtors	3,219,348	(722,958)	-	2,496,390
Cash at bank and in hand	7,412	722,958	-	730,370
	4,323,610	-	-	4,323,610
Creditors: Amounts falling due within one year	(5,362,403)	-	-	(5,362,403)
Net current liabilities	(1,038,793)	-	-	(1,038,793)
Net assets	1,929,262	-	-	1,929,262
Capital and reserves				
Called up share capital	(100)	-	-	(100)
Retained earnings	(1,929,162)	-	-	(1,929,162)
Total equity	(1,929,262)	-	-	(1,929,262)

The following were changes in accounting policies arising from the transition to FRS 102:

Reclassification of cash and cash equivalents

Balances due from Specsavers Finance (Guernsey) Limited, the Group Treasury Company, of £722,958, were reclassified from debtors to cash and cash equivalents under the new Financial Reporting Standard 102. Balances due to Specsavers Finance (Guernsey) Limited remain within creditors but are still deemed to be cash and cash equivalents.

Airways Optical Limited

Notes to the Financial Statements for the Year Ended 29 February 2016 (continued)

22 Transition to FRS 102 (continued)

Profit and Loss Account as at 28 February 2015

	Note	Previously reported £	Reclassification £	Remeasurement £	Under FRS 102 £
Turnover		24,600,463	-	-	24,600,463
Cost of sales		<u>(18,776,818)</u>	-	-	<u>(18,776,818)</u>
Gross profit		5,823,645	-	-	5,823,645
Distribution costs		(283,000)	-	-	(283,000)
Administrative expenses		<u>(3,988,108)</u>	-	-	<u>(3,988,108)</u>
Operating profit		<u>1,552,537</u>	-	-	<u>1,552,537</u>
Other interest receivable and similar income		532	-	-	532
Interest payable and similar charges		<u>(52,072)</u>	-	-	<u>(52,072)</u>
		<u>(51,540)</u>	-	-	<u>(51,540)</u>
Profit before tax		1,500,997	-	-	1,500,997
Taxation		<u>(330,381)</u>	-	-	<u>(330,381)</u>
Profit for the financial year		<u>1,170,616</u>	-	-	<u>1,170,616</u>