

Consolidated account of parent company

Registration number: 01721624

Specsavers Optical Superstores Limited

Report and consolidated financial statements

for the year ended 29 February 2020

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Report and consolidated financial statements

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Report and consolidated financial statements

Company information

Directors	Specsavers Optical Group Limited DJD Perkins ML Perkins JD Perkins PB Fussey JP Marshall AG Thompson SD Moore TM Buller
Company secretary	Specsavers Optical Group Limited
Auditors	BDO LLP 55 Baker Street Marylebone London W1U 7EU
Registered office	Forum 6, Parkway Solent Business Park Whiteley Fareham PO15 7PA United Kingdom
Registered number	01721624

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020

The directors present their strategic report for the year ended 29 February 2020.

For the purposes of this report and the financial statements, Specsavers shall mean the company's ultimate parent and its subsidiaries, the SIHL board shall mean the board of directors of the company's ultimate parent Specsavers International Healthcare Limited, the group board shall mean the board of directors of Specsavers Optical Superstores Limited, and the group shall mean Specsavers Optical Superstores Limited and its subsidiaries.

Principal activity

The principal activity of the group is to act as a manufacturer, distributor and wholesaler of optical products for Specsavers in the UK, and to provide support services to Specsavers' UK and Republic of Ireland (ROI) operations.

Review of the business

The directors have assessed the key performance indicators for the group to ensure that they remain appropriate. Following this review, the directors continue to view the key financial performance indicators as being turnover and operating profit. As shown in the company's consolidated Profit and loss account on page 23, turnover has increased by 4.4% (2019: 7.2% increase) due to continued growth of the business. During the year operating profit increased to £21.0m from £14.1m, achieving an operating margin of 3.0% (2019: 2.1%). This is in line with management's expectations, having achieved the anticipated cost efficiencies promised last year to protect and improve operating margin going forwards. The effective tax rate has increased due to a smaller prior year adjustment to decrease the tax charge.

Other payables have decreased this year as a result of gift voucher creditors, which are owed to fellow Specsavers companies, being correctly categorised as payable to related parties. There is a new small provisions balance this year due to the company agreeing to reimburse various expenses of other Specsavers companies.

The net cash flow from operations was an inflow of £18.8m, slightly higher than the £16.4m accounting profit (2019: outflow of £5.0m). Net cash used in investing activities (acquiring property, plant and equipment) was £8.5m (2019: £9.4m used, due to disposal of the retail subsidiaries to a fellow group company). Net cash outflows from financing activities were an immaterial £58k in interest payments (2019: £21.5m, due to the payment of a dividend during the year). Due to the disruption caused by the COVID-19 pandemic, no dividend was paid this year.

The optical retailing industry remains a highly competitive environment, and the directors believe that continuing to provide high quality product and effective support to Specsavers' UK and ROI operations is key to ensuring the ongoing success of the business.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Principal risks and uncertainties

The group board is responsible for the management of the risk profile of the group and has considered the requirements of Section 414C of the Companies Act 2006 (as amended). The below list is not a comprehensive list of all risks facing the group nor are they positioned in order of importance. This summary is to illustrate only those significant risks and uncertainties facing the group.

Specsavers has established a risk and financial management framework whose primary objectives are to protect the companies in the group from events that hinder the achievement of their performance objectives. The SIHL board and the group board have, in all respects, a cautious appetite for risk and as a result, the objectives of the risk management framework are to manage exposure to risk; ensure sufficient working capital exists to fund Specsavers Optical Superstores' continuing operations; and to support the management of risk at a business unit level.

The principal risks and uncertainties facing the group are broadly categorised as strategic, technology, operational, people and legal & regulatory risks.

COVID-19 pandemic risk

The COVID-19 pandemic and the actions taken by governments around the world have impacted and continue to impact all Specsavers' colleagues, operations, suppliers and customers. The extent of the impact varies by market and is dependent on factors including, but not limited to, length of lockdowns, levels of employee absence, virus recurrence, unemployment levels, nature and extent of any government interventions, severity of economic effects and the speed and nature of the recovery.

The group board monitors a variety of KPIs to ensure that the business continues to adapt to the changing environments in which we operate and is satisfied that the right measures are being taken to mitigate any further impacts of a recessionary environment. In addition, as at the time of this report, trading has returned closer to pre-virus levels, although this recovery remains fragile. There remains significant uncertainty in the macroeconomic environment and the actions taken by governments across the world have impacted supply chains and trading patterns, which in turn will impact the financial performance to February 2021. Specsavers is now having to deal with intermittent localised lockdowns and management's focus is therefore on ensuring that stores can be closed down quickly, safely and cost-effectively, and subsequently re-opened rapidly in accordance with government guidance. The ongoing health and safety of our in-store colleagues and customers continues to be management's primary concern.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Strategic risk (including competitive and reputational risks)

Market position eroded by competition

The markets in which the group operates are highly competitive, and as such, action taken by competitors could impact the volume of orders placed on the group. This is mitigated by the constant and rigorous review of competitor activity, as well as analysis of key threats and risk areas across all the markets in which Specsavers operates.

The group board considers the likelihood and impact of competitors taking action to reduce the volume of orders placed on the group to be high, and believes the strategies it has in place to manage these risks will minimise the impact of any competitor action.

Uncertainties in the wider economy

The group is exposed to market risk in relation to the performance of the broader UK economy.

The group seeks to manage this risk by leveraging its buying power, together with that of the rest of Specsavers' supply chain, which in turn enables the group to deliver a competitive pricing strategy to maintain its position in the market and deliver unmatched quality and value to Specsavers in the UK.

The group board considers the likelihood of changes in the wider UK economy to be moderate; however, it considers the impact of any such changes to be low.

Along with many UK businesses, uncertainty with regards to Brexit is being monitored by the group to ensure that appropriate mitigation plans are in place to deal with any impacts as a consequence of Brexit. Specsavers has established a team to monitor the situation across all of its markets, and this team is monitoring the ongoing Brexit negotiations and liaising with the government. It will work with the group to ensure the impact of any changes in legislation and regulations is addressed.

Reputational damage to brand

Specsavers' reputation and brand are integral to its success and, as such, any major incident, whether related to service, product, third parties or internal matters, which is not effectively managed could have a significant impact on trading and profitability.

Specsavers continually monitors both incidents and the way that they are managed and reported. Dedicated teams are in place to manage and protect our brand proactively, and deal with incidents that are likely to attract media attention.

The group board considers that the likelihood of an incident resulting in significant reputational damage is moderate.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Technology risk

Failure to deliver on technology improvement and change

As part of maintaining a leading market position, the group must change and adapt by investing in new technologies, systems and infrastructure. Deployment of these various programmes for change is critical to the ongoing success of the business, and failure to achieve the anticipated commercial, operational and/or financial benefits from such programmes could adversely affect the group. The likelihood of challenges materialising with respect to the above is high, and the impact will become increasingly important over time.

Specsavers has established dedicated project management teams globally to manage the global development, deployment and ongoing implementation of projects, in order to bring the best service possible to store partners. Projects are monitored by the SIHL board on an ongoing basis to ensure the successful completion of business-critical projects.

Loss of IT systems to a site

The group's manufacturing and distribution sites are highly automated and integrated with the Specsavers network. They are therefore reliant on a complex technology infrastructure to operate efficiently. In the event that one or more systems were unavailable, the board considers that this would have a significant operational and financial impact. The likelihood of this occurring currently is also significant.

Crisis management plans are in place and regularly tested. The group also maintains capacity within the estate to cover demand from the loss of one site by switching orders to other sites.

Data protection and information security

In the normal course of business, the group processes a significant volume of confidential personal data. The group has a robust data protection policy and system of control over personal and business data. Failure to protect such data is a risk to the group.

Specsavers faces compliance risk with the General Data Protection Regulation (GDPR) that came into effect from 25 May 2018. These regulations may result in an increase in regulatory risk in the short-term, as the regulator starts to review implementation. The SIHL board has taken steps to ensure compliance with the regulations, having undertaken a significant program of review to support the business with the impact from the regulations, including, but not limited to, process updates, control review and staff training.

Specsavers has deployed and maintains information governance, controls, processes and tools for management of information security and data protection.

The group board considers the likelihood of a failure to protect personal data to be low, but recognises that the impact of any such instance occurring could be high.

Operational risk

Failure of product supply chain

The group's principal activity in respect of optical products is predicated on providing products to its customers in a timely and reliable manner, under its quality and service level agreements. Operationally, Specsavers Optical Superstores has in place rigorous quality control and oversight processes and procedures, to enable the group to deliver its products to its retail partners, in order to drive revenue growth.

The group board considers the likelihood of an instance of such a failure in its supply chain to be moderate, but recognises that the impact of any such instance occurring could be high.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

People risk

Inability to attract, develop and retain talent

The group faces challenges and risks in relation to the procurement and retention of staff. As a provider of quality products and professional services, the group is exposed to the risk that it does not have access to a workforce with the requisite skills and experience to support the group's operations.

In order to manage this risk, the group has worked with Specsavers to create a dedicated recruitment function to attract the best talent. The group has also significantly invested in staff welfare and training programmes, to ensure the core values at the heart of the Specsavers brand are instilled in the workplace, in order to retain the best talent.

The group board considers the likelihood of being unable to recruit staff with the requisite skills and experience to be moderate, and considers the impact of being unable to do so to be high.

Legal and regulatory risk

Non-compliance with high profile laws and regulations

The group could be negatively impacted by changes to existing regulation, new regulations and/or non-compliance with laws and regulations. This risk is mitigated through the use of external experts where required; through the use of Specsavers' expertise; and through the education and training of staff to ensure compliance with regulations.

The group board considers the likelihood of significant non-compliance with legislation and regulatory requirements to be low, but recognises that the impact of any such instance occurring could be high.

Other risks

Further to the above significant risks, the board of directors has considered the exposure of the group to financial, price, credit, liquidity and cash flow risk. The group board has determined that the exposure to the group relating to these risks is such that they are not considered principal risks for the purposes of this strategic report.

The main financial risks faced by the group relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions and the availability of funds to meet business needs. The group has no external debt and the vast majority of debtors are with fellow Specsavers organisation companies, and so credit risk is minimal. Cash is managed by Specsavers Finance (Guernsey) which has an investment policy of only investing in secure and liquid investments or hold cash and therefore liquidity risk is minimal. We have £6.4m of cash and cash equivalents (including Group Treasury balances) at year end, and are a cash based business; therefore cash flow risk is also minimal.

The risks and uncertainties listed above have not had a significant impact during the past financial year, and the directors are satisfied with the current risk management system.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Section 172(1) statement

The Companies Act 2006 requires company directors to state how they have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties under section 172. These are as follows:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

The consideration given to each of these matters is set out below.

In the below discussion, Specsavers means the group's ultimate parent and all its subsidiaries. The board of the company is responsible for fulfilling the company's legal and fiduciary responsibilities. It is assisted by two other bodies: the Specsavers Executive Committee (SEC) which is the main decision-making body for Specsavers, the majority of whom are also board members of the group's ultimate parent; and the UK operating boards, of which there is one for each of the main services lines - optics, audiology and domiciliary. The latter are internal committees, not linked to any one specific company within the organisation, but are responsible for the delivery of the Specsavers strategy within the UK context. The SEC directs the overall strategic development of Specsavers globally; determines risk appetite and control measures; promotes professional standards, corporate responsibility and regulatory compliance; and upholds high customer service standards.

Long term decision making

The SEC had previously created the long term framework which underpinned all strategic decisions taken by the board and was used to deliver the success seen in the financial year under review. However, as a result of the impact of COVID-19 on the business and on the UK economy, the SEC took the decision to stop the long term framework ambitions and focus on a short term framework to recover and rebuild with the ambition to emerge stronger by 2022 to provide a platform for long term growth. That pivot into a short term framework from a long term framework has not changed the overall vision of changing lives through better sight and hearing; making a positive difference to the lives of all; and using our compassion and expertise to help people feel good; cared for; and smart.

Consideration of employee interests

The group's ethos is to offer inspiring development and fantastic opportunities to help our colleagues enjoy a rewarding career.

Nurturing business relationships with suppliers, customers and partners

Customers

Specsavers is passionate about our customers, the lifeblood of our business. It is no secret that our success lies in our unrelenting passion to make a difference for our millions of customers worldwide. Offering the best possible experience, value and choice in eyecare and hearing care ultimately enables us to help our customers live a better quality of life.

Partners

Specsavers is passionate about partnership, which is at the heart of everything we do. The strength of the Specsavers partnership is paramount to our success. Supporting our partners (store director-owners) to lead their teams in making a difference to people's lives is what sets us apart.

Suppliers

Wherever possible, we develop strong, long-term relationships with our suppliers so that we can work together towards our mission of passionately providing best value optometry, audiology and other healthcare services to everybody, simply, clearly and consistently - exceeding expectations every time.

Specsavers will identify opportunities to share best practice and collaborate with our key supply partnerships to drive improvements.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Community and environmental impact

At Specsavers, we are passionate about giving back to and working with our local communities, wherever in the world we operate. We support many local, national and international causes, and are committed to supporting eyecare and hearing care projects in developing countries.

Some of the UK highlights of our charitable activity were:

- Our stores and support offices raised more than £1.4m for various good causes, including Vision Aid Overseas, Guide Dogs for the Blind, Blind Veterans UK, Hearing Dogs for Deaf People, and Sound Seekers.
- Our Spectacle Wearer of the Year Awards campaign supported anti-bullying charity, Kidscape, with donations, ticket sales and a raffle raising £100,000 for their helpline.
- We supported Red Nose Day for the third year by selling jester-themed novelty glasses in our stores, resulting in a donation of more than £334,000 to Comic Relief, which aims to tackle poverty and social injustice.

Environment

Specsavers is committed to taking responsibility for the impact our business has on the environment and has adopted a risk-based approach to understanding, minimising and mitigating this impact. This is conducted in line with our values and the responsibilities we have to our customers and our people, as well as our obligations in the countries in which we operate.

Our environmental programme is an important element of our corporate responsibility approach. We understand that both global and local environmental issues can have a wide-reaching and long-term effect on our society, now and in the future.

We also require our suppliers to take the necessary steps to protect the environment.

We recognise that the consumption of energy, the use of non-renewable resources, water, plastics and packaging, and waste creation are all things we need to monitor and reduce in every part of our business:

- Our manufacturing and distribution sites have a significant carbon impact through energy use, with the additional elements of water, packaging and waste.
- Our support offices also contribute to our carbon impact by using energy for administration and IT infrastructure.

In the current year we:

- Continued to review the installation of smart metering and brought in a new partner and platform for energy data collection and analysis, with the capability of push reporting and alarm reporting.

In 2020/21 Specsavers will, amongst other activities:

- Monitor legislative progress towards and continue to plan for the introduction of the proposed UK plastic packaging tax in 2022
- Finalise the data collection and reporting methodology required for compliance under Streamlined Energy & Carbon Reporting (SECR) mandatory greenhouse gas (GHG) reporting for 2020/21
- Monitor legislative progress towards the Extended Producer Responsibility (EPR) system for packaging due for introduction in the UK in 2023, and better understand the environmental impact of our packaging use, and impact of changes to the legislation

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Trading ethically

Specsavers has had in place since 2008 a supplier ethical trading code of conduct, which enshrines the key requirements of: obeying all applicable laws, treating people with dignity and respect, protecting the environment and complying with anti-bribery and corruption policies.

Trading ethically is integral to the way we operate. We work to ensure the people who make our products have safe and healthy workplaces, where human and civil rights are respected.

We are committed to our global ethical trading policy and ensure regular, independent audits of all our major suppliers who do not operate in globally-recognised regulatory environments.

Primarily our products come from globally-recognised regulatory environments or factories situated in low and medium-risk countries. We continue to monitor activity in these countries to ensure that slavery and human trafficking does not exist in our supply chain.

Tax payments make a vital contribution to sustaining social welfare, enabling the UK government to fund policies that help people avoid economic hardship. We recognise our responsibility to pay the amount of tax legally due in the country in which that liability arises and to comply with the applicable rules and regulations in each of the countries in which we operate. Our tax strategy in relation to UK activities is published on our website at <https://www.specsavers.co.uk/news-and-information/uk-tax-strategy>.

Governments, regulators, and consumers have increasing expectations of brands to act in a socially and environmentally responsible manner. To respond to these expectations, and as a result of the ongoing COVID-19 pandemic, Specsavers is making a number of changes to the way it manages ethical trading risks.

In 2020/21, Specsavers will:

- Enhance the way we manage ethical trading compliance in our supply chain and across our global estate.
- Focus primarily on supply chain risks associated with employment standards, working environments, business practices, and environmental impacts.
- Deliver new policies, processes, and training to stakeholders to effectively manage these risks.
- Identify and address any key ethical trading risks in our current supply chain.

Treating all shareholders fairly

The company is 100% owned by Specsavers Optical Group, and Specsavers is jointly owned by DJD and ML Perkins, both of whom are members of the SEC and SIHL board, as well as the board of the company.

Engagement with employees

The measures undertaken by the group to ensure appropriate employee engagement are discussed in the directors' report.

Specsavers Optical Superstores Limited

Strategic report for the year ended 29 February 2020 (continued)

Key performance indicators

The board utilises a number of financial and non-financial key performance indicators to enable a consistent method of analysing performance. Performance has been assessed with reference to the continuing operations of the business. The key performance indicators utilised by the board are as follows:

Financial key performance indicators

Turnover on wholesale and support services

The directors consider turnover in relation to product sales and retail support services to be a key metric for reflecting the overall success of Specsavers' UK retail operations. During the year, turnover on product sales and support services for continuing operations has increased by 4.38% from £667m to £696m.

Operating profit margin

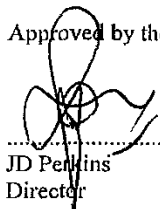
Operating profit measures the profit achieved on the group's profit-generating activities, after taking account of the total operating costs incurred, before finance costs and taxation. The margin is calculated by taking operating profit and dividing it by turnover. This metric has been discussed in the 'Review of the business' section above.

Current ratio

Current ratio measures the liquidity of the group, and is a key indicator of its ability to meet its ongoing commitments. It is calculated by dividing current assets by current liabilities.

The group achieved a current ratio of 1.4 (2019: 1.4) which is in line with the board's expectations. This demonstrates that the group continues to have the ability to meet its commitments as they fall due.

Approved by the board on 14 October 2020 and signed on its behalf by:



.....
JD Perkins
Director

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020

The directors present their report, and the consolidated financial statements for the year ended 29 February 2020. Financial risk, price risk, credit risk, liquidity risk and cash flow risk are discussed in the Strategic Report.

Directors of the group

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

Specsavers Optical Group Limited - Company secretary and director

DJD Perkins

ML Perkins

JD Perkins

PB Fussey

JP Marshall

S Kontelj (resigned 21 April 2020)

PB Bott (resigned 12 December 2019)

AG Thompson

SD Moore

TM Buller (appointed 21 May 2019)

Dividends and transfers to reserves

During the year the company paid an interim dividend for the year under review of £Nil (2019: £20,000,000). The profit for the financial year of £17,210,587 (2019: £12,307,724) has been transferred to retained earnings. The directors do not recommend payment of a final dividend (2019: £Nil).

Employee involvement

The group updates its employees via Specsavers' global intranet site, which provides information on Specsavers as a whole, its activities, its performance and future plans.

The group encourages the involvement of employees in the performance of the group through an employee profit share scheme.

This scheme is temporarily suspended due to uncertainties surrounding the COVID-19 pandemic.

The group believes in a policy of equal opportunities. Recruitment and promotion are undertaken on the basis of merit, regardless of gender, race, age, marital status, sexual orientation, religion, nationality, colour and disability.

One of the group's key strengths is engaged colleagues with great training. Engagement with, and feedback from, our colleagues across the business is vital to the group. The group has an established framework of colleague communications providing regular information on business performance and other important and relevant matters.

Employment of disabled persons

Specsavers is committed to its equality and diversity policy which seeks to ensure that, from recruitment and selection, through to training and development, appraisal and promotion, all persons, including those with disability, are treated fairly and have an equal chance to contribute and achieve their maximum potential.

Directors' qualifying indemnity provision

Qualifying indemnity provision was in place for each of the directors during the year.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Future developments

The group is committed to providing high quality, affordable optical products and support for the Specsavers organisation.

The group will continue to invest in its people and its products to deliver on its commitment.

Research and development

No significant research and development projects were undertaken by the group during the year.

Speak up and whistleblowing policies

Specsavers is committed to maintaining an open culture with high standards of honesty and accountability. Every employee within the organisation has an important role to play to achieve this and Specsavers takes all unprofessional conduct very seriously, whoever commits it.

Specsavers through its written policy reassures its employees that issues they raise will be properly considered. Whistle-blower confidentiality is maintained wherever reasonably possible. In all cases, Specsavers will handle the matter fairly and properly.

Corporate governance

The group has voluntarily adopted the Wates principles which are designed for large private companies in the United Kingdom. No companies within the group are currently large enough to meet the thresholds requiring the disclosure of corporate governance arrangements. The Wates framework recommends that companies consider six key principles of corporate governance:

- purpose and leadership;
- board composition;
- director responsibilities;
- opportunity and risk;
- remuneration; and
- stakeholder relationships and engagement.

Their application to the group is explained in the following sections.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Purpose and leadership

The group's values describe the principles by which we stand and help guide the way in which we do business, and are set out below.

Our customers - the lifeblood of the business

This means developing meaningful and respectful relationships and putting our customers first. We go the extra mile because we believe we can make a difference to people's lives. By doing the right thing for our customers, looking after them and giving them excellent service, we are doing the right thing for Specsavers.

Our people - supporting our staff to be the best they can be

To make sure our stores have the best possible support, we continually invest in our people, our stores and our infrastructure. By setting our people up for success, giving them the scope to develop and make the right decisions, we can continue to grow.

Partnership - at the heart of everything we do

We are committed to providing our store partners with clear strategic direction and first-class business support so that they can deliver the very best service, value and professional care to our customers. The Specsavers joint venture partnership is based on mutual trust and understanding, values that also underpin the way we work with our colleagues and suppliers.

Communities - giving back to and working with our local communities

Specsavers is about more than just selling glasses, hearing aids and contact lenses. It is about changing lives – on our doorstep and further afield – for the better. We make sure we give something back to the communities we work in, wherever we are in the world. Our offices, stores and sites raise money as well as giving their time to support a huge variety of causes, charities and community initiatives.

Results - keep it simple, get it done, deliver on our promises

Ours is a fast-paced industry and we must anticipate challenges and act quickly to stay ahead of the competition. While we celebrate success, we don't dwell on it – and we never think we have got where we need to be. Whatever the job at hand, the same basic principles apply: keep it simple, get it done and deliver on our promises.

The key underlying ethic instilled by the founders of Specsavers for as long as it has existed is to treat others as we ourselves would like to be treated.

Our brand promise: To use our compassion and expertise to help people feel good, cared for and smart.

Our brand purpose: To make a positive difference to the lives of all.

The SEC has set out clear policies regarding ethical trading, as laid out in the Strategic Report.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Board composition

The board of the company is responsible for fulfilling the company's legal and fiduciary responsibilities. It is assisted by two other bodies: the Specsavers Executive Committee (SEC) which is the main decision-making body for Specsavers, the majority of whom are also board members of the group's ultimate parent; and the UK operating boards, of which there is one for each of the main service lines – optics, audiology and domiciliary. The latter are internal committees, not linked to any one specific company within the organisation, but are responsible for the delivery of the Specsavers strategy within the UK context. The SEC directs the overall strategic development of Specsavers globally; determines risk appetite and control measures; promotes professional standards, corporate responsibility and regulatory compliance; and upholds high customer service standards.

The board believes that its composition includes an appropriate combination of skills, backgrounds, experience and knowledge, in line with the size and complexity of the group. Its size is also proportionate to its responsibilities. The board takes advice from the SEC in respect of strategic and other matters and from the operating boards concerning execution within the group's markets.

The knowledge and insight which the group board members bring to bear from their activities on other boards within the organisation assists them in applying Specsavers' strategy and policies to the group's situation.

John Perkins and Mary Perkins are members of the UK Optical operating board as well as the SEC. Doug Perkins is a member of both of these, in addition to the UK Domiciliary operating board. Paul Marshall is a member of all three UK operating boards, as well as the SEC. Paul Fussey, Adrian Thompson and Tom Buller are all members of the SEC. Stephen Moore is a member of the UK Optical Operating Board. Doug, Mary and John Perkins, Paul Fussey and Paul Marshall all sit on the SIHL board.

The company's immediate parent Specsavers Optical Group performs activities which include delivery of the Specsavers business model in the UK optical market. Doug, Mary and John Perkins, Paul Fussey, Tom Buller and Paul Marshall are all directors of this company as well.

SEC members come from a variety of backgrounds and are committed to promoting diversity and inclusion, at SEC level and throughout the whole organisation. The SEC acknowledges the importance of diversity among its members, and among other boards within the organisation, and the role this plays in helping the business achieve its long-term goals; ensuring we have the right people in the right place, at the right time. The SEC has approved a range of activities to promote diversity and inclusion at Specsavers, and progress in this area was recognised when Specsavers won the Diverse Company Award at the National Diversity Awards in 2019.

As noted above, much of the operating activity of the company is driven by the operating boards, and these are each at least 25% female and include representation from ethnic minorities.

The company board, Specsavers Executive Committee and operating board members are each committed to ongoing professional development and consider that they have sufficient time to discharge their duties.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Director responsibilities

Certain matters are reserved for the SEC for its approval. These include:

- the review and approval of annual operating plans;
- risk appetite;
- performance targets;
- credit or market risk limits;
- acquisitions;
- disposals;
- investments;
- capital expenditure or realisation or creation of a new venture that exceed certain thresholds;
- specified senior appointments; and
- any substantial change in balance sheet management policy.

The SEC is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the level and types of risks Specsavers is willing to take in achieving its strategic objectives. It is also responsible for matters relating to finance, corporate governance, remuneration and effective succession planning. These matters are determined by the SEC as a whole, rather than being delegated to subcommittees.

To meet internal control requirements, procedures have been designed for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information used within the business or for publication.

These procedures provide reasonable assurance against material mis-statement, errors, losses or fraud. They are designed to provide effective internal control within Specsavers and accord with the Financial Reporting Council's guidance for directors issued in 2014, regarding internal control and related financial and business reporting.

The SEC confirms that the system of internal control operated effectively for the 2020 financial year.

The operating boards use an extensive range of information sources to guide their decision-making, including financial information, key performance indicators, retail data, and employee and consumer feedback. Comprehensive board packs are produced on a timely basis for each operating board meeting.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Opportunity and risk

The group creates value by striving to provide exceptional customer service; excellent professional care; and high-quality products, delivered efficiently and in a great retail environment.

The SEC has put in place a clear risk management framework, and determines policies and procedures in relation to internal controls through clear interactions with senior management across Specsavers.

The key risk management and internal control procedures include the following:

- **Adherence to the organisation's values:** The Specsavers values laid out earlier outline the core principles within which the organisation must operate wherever we conduct business. The values overlay all other policies and procedures throughout the organisation. These values are mandatory, apply to and must be observed by all businesses within Specsavers, regardless of the nature or location of their activities.
- **Delegation of authority within limits set by the SEC:** Subject to certain matters reserved for the SEC, the group directors have been delegated authority limits and powers within which to manage the day-to-day affairs of the group, including the right to sub-delegate those limits and powers to the relevant operating board for effective management of the group's day to day activities.
- **Risk identification and monitoring:** Systems and procedures are in place to identify, assess, control and monitor the material risk types facing Specsavers as set out in the organisation-wide risk framework. The organisation's risk measurement and reporting systems are designed to help ensure that material risks are captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.
- **Changes in market conditions/practices:** Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the organisation to heightened risk of loss or reputational damage. Specsavers employs a top and emerging risks framework, which contains an aggregate of all current and forward-looking risks and enables it to take action that either prevents them materialising or limits their impact.
- **Responsibility for risk management:** All employees are responsible for identifying and managing risk within the scope of their role, with the ultimate accountability residing with the SEC.
- **Strategic plans:** Strategic plans are prepared for global businesses, global functions and geographical regions within the framework of Specsavers' overall strategy. Annual operating plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that Specsavers is prepared to take in executing its strategy, are prepared and adopted by all major Specsavers operating companies, and set out the key business initiatives and the likely financial effects of those initiatives.

The effectiveness of Specsavers' system of risk management and internal control is reviewed regularly by the SEC.

Remuneration

During the current and prior year, no directors were remunerated for their services as a director.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Stakeholder relationships and engagement

The board has given extensive consideration to the group's impact on stakeholders including employees, communities and the environment, as described earlier in the Strategic Report.

The group seeks regular and wide-ranging feedback from its customers and adapts its activities accordingly.

Employee feedback is obtained through regular surveys and interactions, which are generally provided on an ad hoc basis in relation to specific matters. The feedback received is then used to develop action plans to continue to strengthen the relationships between the business and its employees.

Post balance sheet events and going concern

Subsequent to the balance sheet date, the World Health Organisation declared a COVID-19 pandemic on 11 March. The COVID-19 pandemic has had a significant impact on the group. The UK government-ordered lockdown significantly impacted how the group could trade and operate. In the immediate aftermath of the lockdown Specsavers took various measures to enable the business to successfully mitigate the impact of COVID-19 to date and reduce variable costs and conserve cash. The steps taken include, but are not limited to:

- Accessing the various government support schemes that have been put in place in order to mitigate the financial impact of the pandemic on businesses
- Entering into a series of cost reduction measures to reduce cash outflows, including stopping the business's long-term strategic framework plan to focus activities on short term goals to help the business navigate through the crisis
- Leveraging Specsavers' multi-site global manufacturing and distribution base to ensure continuing supply of product to customers.

As at the time of this report, trading has returned to closer pre-virus levels, although this recovery remains fragile. The business is now having to deal with intermittent localised lockdowns and management's focus is therefore on ensuring that stores can be closed down quickly, safely and cost-effectively, and subsequently re-opened rapidly in accordance with government guidance. The ongoing health and safety of our in-store colleagues and customers continues to be management's primary concern.

It is difficult to estimate how the COVID-19 outbreak will impact the group's trading and for how long, and the directors consider this as a level of uncertainty over which they have no control. The SEC, group board and operating boards are planning for potential changes in the economic environment and government guidance, and responding accordingly as the situation develops. The financial statements are prepared on a going concern basis on the grounds that such support as is required to enable the company to continue to trade will be received from the company's ultimate parent undertaking, Specsavers International Healthcare Limited.

Specsavers, headed by SIHL has access to sufficient cash resources and borrowing facilities, which were formalised as part of Specsavers' response to the pandemic, alongside positive cashflow which support Specsavers' liquidity and longer term viability, and provide the ability to withstand reasonably possible downside scenarios should they arise, and provide the support required, if any, to Specsavers Optical Superstores Limited. Therefore, the expectation of the directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months.

Specsavers Optical Superstores Limited

Directors' report for the year ended 29 February 2020 (continued)

Disclosure of information to the auditor

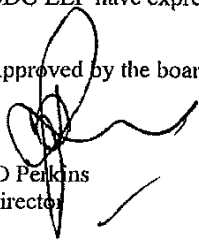
Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of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

BDO LLP have expressed their willingness to continue in office.

Approved by the board on 14 October 2020 and signed on its behalf by:



JD Perkins
Director

Specsavers Optical Superstores 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 group and the company 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 group and the company, and of the profit or loss of the group and 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

Specsavers Optical Superstores Limited

Independent auditor's report to the members of Specsavers Optical Superstores Limited

Opinion

We have audited the consolidated financial statements of Specsavers Optical Superstores Limited (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 29 February 2020, which comprise the Consolidated profit and loss account, Consolidated statement of comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent company's affairs as at 29 February 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Specsavers Optical Superstores Limited

Independent auditor's report to the members of Specsavers Optical Superstores Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Specsavers Optical Superstores Limited

**Independent auditor's report to the members of Specsavers Optical Superstores
Limited (continued)**

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

55 Baker Street
Marylebone
London
W1U 7EU

21 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Specsavers Optical Superstores Limited

Consolidated profit and loss account for the year ended 29 February 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	696,410	667,158
Cost of sales		<u>(513,845)</u>	<u>(493,963)</u>
Gross profit		182,565	173,195
Distribution costs		(5,817)	(5,610)
Administrative expenses		(156,915)	(154,669)
Other operating income		<u>1,154</u>	<u>1,150</u>
Operating profit	4	<u>20,987</u>	<u>14,066</u>
Interest receivable and similar income	5	-	4
Interest payable and similar charges	6	<u>(58)</u>	<u>(4)</u>
		<u>(58)</u>	<u>-</u>
Profit before tax		20,929	14,066
Taxation	10	<u>(3,718)</u>	<u>(1,758)</u>
Profit for the financial year		<u>17,211</u>	<u>12,308</u>
Profit attributable to:			
Shareholders of Specsavers Optical Superstores Limited		17,211	11,971
Non-controlling interests		<u>-</u>	<u>337</u>
		<u>17,211</u>	<u>12,308</u>

The above statement has been prepared on the basis that all operations are continuing operations.

Specsavers Optical Superstores Limited

Consolidated statement of comprehensive income for the year ended 29 February 2020

	2020 £ 000	2019 £ 000
Profit for the year	17,211	12,308
Foreign currency translation losses	<u>(1)</u>	<u>(26)</u>
Total comprehensive income for the year	<u>17,210</u>	<u>12,282</u>
Total comprehensive income attributable to:		
Shareholders of Specsavers Optical Superstores Ltd	17,210	11,945
Non-controlling interests	<u>-</u>	<u>337</u>
	<u>17,210</u>	<u>12,282</u>

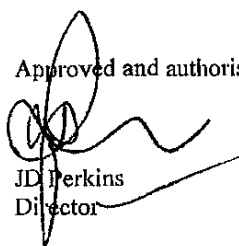
Specsavers Optical Superstores Limited

(Registered number: 01721624)

Consolidated balance sheet as at 29 February 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	11	310	881
Tangible assets	12	<u>26,005</u>	<u>23,977</u>
Total fixed assets		<u>26,315</u>	<u>24,858</u>
Current assets			
Stocks	14	43,799	44,514
Debtors	15	86,965	89,678
Cash at bank and in hand	16	<u>44,877</u>	<u>33,916</u>
Total current assets		175,641	168,108
Creditors: Amounts falling due within one year	17	<u>(113,290)</u>	<u>(122,070)</u>
Net current assets		<u>62,351</u>	<u>46,038</u>
Total assets less current liabilities		88,666	70,896
Creditors: Amounts falling due after more than one year	17	(1,318)	(1,831)
Provisions for liabilities	20	<u>(1,301)</u>	<u>-</u>
Net assets		<u>86,047</u>	<u>69,065</u>
Capital and reserves			
Called up share capital	21	-	-
Retained earnings		<u>86,047</u>	<u>69,065</u>
Total equity		<u>86,047</u>	<u>69,065</u>

Approved and authorised by the board on 14 October 2020 and signed on its behalf by:


JD Perkins
Director

Specsavers Optical Superstores Limited
(Registered number: 01721624)
Company balance sheet as at 29 February 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Tangible assets	12	3,709	3,474
Investments	13	<u>2,003</u>	<u>1,775</u>
Total fixed assets		<u>5,712</u>	<u>5,249</u>
Current assets			
Stocks	14	10,997	13,565
Debtors	15	85,450	90,377
Cash at bank and in hand	16	<u>37,345</u>	<u>30,061</u>
Total current assets		133,792	134,003
Creditors: Amounts falling due within one year	17	<u>(82,427)</u>	<u>(93,180)</u>
Net current assets		<u>51,365</u>	<u>40,823</u>
Total assets less current liabilities		57,077	46,072
Creditors: Amounts falling due after more than one year	17	(1,266)	(1,755)
Provisions for liabilities	20	<u>(1,301)</u>	<u>-</u>
Net assets		<u>54,510</u>	<u>44,317</u>
Capital and reserves			
Called up share capital	21	-	-
Retained earnings		<u>54,510</u>	<u>44,317</u>
Total equity		<u>54,510</u>	<u>44,317</u>

The company made a profit for the year of £10,194,000 (2019: £3,766,000).

Approved and authorised by the board on 14 October 2020 and signed on its behalf by:

JD Perkins
Director

Specsavers Optical Superstores Limited

Consolidated statement of changes in equity for the year ended 29 February 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 March 2019	-	69,065	69,065	-	69,065
Profit for the year	-	17,211	17,211	-	17,211
Other comprehensive income	-	(1)	(1)	-	(1)
Total comprehensive income	-	17,210	17,210	-	17,210
Acquisition of subsidiaries, increase/(decrease) in equity	-	(228)	(228)	-	(228)
At 29 February 2020	-	86,047	86,047	-	86,047

	Share capital £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 March 2018	-	78,058	78,058	256	78,314
Profit for the year	-	11,971	11,971	337	12,308
Other comprehensive income	-	(26)	(26)	-	(26)
Total comprehensive income	-	11,945	11,945	337	12,282
Dividends	-	(20,000)	(20,000)	(128)	(20,128)
Acquisition of subsidiaries, increase/(decrease) in equity	-	(938)	(938)	(465)	(1,403)
At 28 February 2019	-	69,065	69,065	-	69,065

The notes on pages 30 to 55 form an integral part of these financial statements.

Specsavers Optical Superstores Limited

Company statement of changes in equity for the year ended 29 February 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 March 2019	-	44,317	44,317
Profit for the year	-	10,194	10,194
Other comprehensive income	-	(1)	(1)
Total comprehensive income	-	10,193	10,193
At 29 February 2020	-	54,510	54,510

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 March 2018		-	60,576	60,576
Profit for the year		-	3,766	3,766
Other comprehensive income		-	(25)	(25)
Total comprehensive income		-	3,741	3,741
Dividends	24	-	(20,000)	(20,000)
At 28 February 2019		-	44,317	44,317

The notes on pages 30 to 55 form an integral part of these financial statements.
Page 28

Specsavers Optical Superstores Limited

Consolidated statement of cash flows for the year ended 29 February 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the year		17,211	12,308
Adjustment for non-cash items			
Depreciation and amortisation	4	7,046	7,379
Profit on disposal of tangible fixed assets	4	(6)	-
Unrealised foreign exchange loss		28	-
Interest receivable and similar income	5	-	(4)
Interest payable and similar charges	6	58	4
Tax expense	10	3,718	1,758
		28,055	21,445
Working capital adjustments			
Decrease/(increase) in stocks	14	715	(7,682)
Decrease in debtors	15	2,352	11,112
Decrease in creditors	17	(10,480)	(23,874)
Increase/(decrease) in provisions	20	1,301	(2,204)
(Decrease)/increase in deferred income		(887)	1,047
Cash generated from operations		21,056	(156)
Tax paid	10	(2,303)	(4,809)
Net cash flow from operating activities		18,753	(4,965)
Cash flows from investing activities			
Interest received	5	-	4
Acquisitions of tangible fixed assets		(8,505)	(9,412)
Proceeds from sale of tangible fixed assets		8	-
Net cash flows from investing activities		(8,497)	(9,408)
Cash flows from financing activities			
Interest paid	6	(58)	(4)
Dividends paid to shareholders	24	-	(20,000)
Dividends paid to non-controlling interests		-	(128)
Payments to increase shareholdings in subsidiary undertakings		-	(1,378)
Net cash flows from financing activities		(58)	(21,510)
Net increase/(decrease) in cash and cash equivalents		10,198	(35,883)
Cash and cash equivalents at 1 March		(3,798)	32,085
Cash and cash equivalents at 29 February	16	6,400	(3,798)

The notes on pages 30 to 55 form an integral part of these financial statements.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020

1 General information

The company is a private limited company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

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

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 are prepared in accordance with United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the UK Companies Act (as amended).

Basis of preparation

The financial statements are prepared in sterling which is the functional currency of the company and are rounded to the nearest £'000.

Going concern

It is difficult to estimate how the COVID-19 outbreak will impact the group's trading and for how long, and the directors consider this as a level of uncertainty over which they have no control. The SEC, group board and operating boards are planning for potential changes in the economic environment and government guidance, and responding accordingly as the situation develops. The financial statements are prepared on a going concern basis on the grounds that such support as is required to enable the company to continue to trade will be received from the company's ultimate parent undertaking, Specsavers International Healthcare Limited.

Specsavers, headed by SIHL has access to sufficient cash resources and borrowing facilities, which were formalised as part of Specsavers' response to the pandemic, alongside positive cashflow which support Specsavers' liquidity and longer term viability, and provide the ability to withstand reasonably possible downside scenarios should they arise, and provide the support required, if any, to Specsavers Optical Superstores Limited. Therefore, the expectation of the directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

As the parent company, Specsavers Optical Superstores Limited has provided a guarantee under the provision of the Companies Act 2006, s479C, for an audit exemption for the following companies. The results of these companies and the parent company are included in these consolidated financial statements. The below subsidiaries have taken advantage of the exemption from having their accounts audited under the provisions of the Companies Act 2006, s479A:

- Specsavers Recruitment Services Limited
- Specsavers Procurement UK Limited
- Healthcall Holdings Limited
- Specsavers Healthcall Limited
- NLRX Services Limited
- International Glazing Services Limited
- Vision Labs Limited
- Airways Optical Limited
- Lens-Online Limited

No profit and loss account or statement of comprehensive income has been presented for the company, as permitted by section 408 of the Companies Act 2006, and no cash flow statement has been presented, as permitted by FRS 102.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 29 February 2020.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Where a business combination falls within the definition of a group reconstruction, merger accounting is used. In this instance the carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value, although appropriate adjustments are made to achieve uniformity of accounting policies in the combining entities. The results and cash flows of all the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies. The comparative information is restated by including the total comprehensive income for all the combining entities for the previous reporting period and their balance sheets for the previous reporting date, adjusted as necessary to achieve uniformity of accounting policies.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

2 Accounting policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Judgments

The following are the critical judgments made by management, apart from those involving estimations (see 'Key sources of estimation uncertainty' below), that have a significant effect on the amounts reported in the financial statements:

Impact of COVID-19

In light of the rapidly escalating COVID-19 pandemic, the group has considered whether any adjustments are required to reported amounts in the financial statements.

As at the 29 February 2020 balance sheet date, no global pandemic had been declared, large global share price falls had not yet occurred, and larger-scale outbreaks were only apparent in areas of China, Republic of Korea, Iran and northern Italy, none of which had a significant impact on the business's ability to trade as at the balance sheet date. The full ramifications of COVID-19, and the extent of government interventions in response, were not apparent.

As noted in the Directors' Report, the WHO did not announce a pandemic, leading to significant government measures in relation to COVID-19 until March. The group has therefore concluded that the impact of COVID-19 on the group only became apparent after the balance sheet date and therefore that any financial consequences arising as a result of the pandemic and resultant government interventions represent non-adjusting post balance sheet events.

Operating lease commitments

The group enters into multiple commercial property leases, where as a lessee it obtains the use of property. The classification of each lease as either an operating or finance lease requires the group 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. The key factor considered is the length of the lease term, compared to the expected useful life of the underlying asset. Where the asset life is considerably longer than the lease term, the significant risks and rewards are not deemed to be transferred to the group, and the lease is consequently accounted for as an operating lease.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and the other key sources of estimation uncertainty at the end of the reporting period that have a risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year:

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

2 Accounting policies (continued)

Impairment of non-financial fixed assets

Where there are indicators of impairment of individual assets, the group 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 group 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.

Revenue recognition

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

Goods revenue consists primarily of the sale of frames, lenses and contact lenses. Service revenue relates to services provided to the parent company, as well as rent, utilities and other services provided to UK retail companies within the Specsavers organisation.

Deferred revenue arises from rents prepaid by Specsavers retail companies to the company and is released as the usage of store premises is provided.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the group'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 profit and loss.

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.

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.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

2 Accounting policies (continued)

Tangible fixed 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 estimated 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 rate
Equipment	7%-50%
Plant and machinery	7%-50%
Fixtures and fittings	7%-25%
Land	Not depreciated
Buildings	2%

Assets under construction

Assets under construction represent payments on machinery being constructed which are not depreciated until the asset is ready for use.

Impairment of non-financial fixed assets

The group assesses at each reporting date whether an asset may be impaired. If any such indication exists the group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the group 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 profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

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

Goodwill

Positive goodwill acquired is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful life. Goodwill acquired is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the acquisition. If a business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the consolidated profit and loss account is taken into account in the profit or loss recognised on sale or discontinuance.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation rate
Goodwill	10 years straight line

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

2 Accounting policies (continued)

Investments

Investments, including investments held as current assets, are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Stock

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 profit or loss.

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 consolidated profit and loss account in administrative expenses.

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.

Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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 profit or loss 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.

Retained earnings reserve

The retained earnings reserve represents cumulative profits and losses, net of dividends paid, as well as transactions which result in changes in the ownership of A shares in subsidiary undertakings without a change in control.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

2 Accounting policies (continued)

Dividends

Final dividends are recognised as an appropriation of equity when approved by the company's shareholders. Interim dividends are recognised when paid.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group 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 group's turnover for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Sale of goods	448,939	439,002
Rendering of services	247,471	228,156
	<u>696,410</u>	<u>667,158</u>

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

	2020 £ 000	2019 £ 000
UK	624,236	592,726
Rest of Europe	72,174	74,432
	<u>696,410</u>	<u>667,158</u>

4 Operating profit

Arrived at after charging / (crediting):

	Note	2020 £ 000	2019 £ 000
Depreciation expense	12	6,475	6,797
Amortisation expense	11	571	582
Foreign exchange losses		10	94
Operating lease expense - property		48,662	47,749
Profit on disposal of tangible fixed assets		<u>(6)</u>	<u>-</u>

5 Interest receivable and similar income

	Note	2020 £ 000	2019 £ 000
Interest income from Group Treasury Company	28	<u>-</u>	<u>4</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

6 Interest payable and similar charges

	Note	2020 £ 000	2019 £ 000
Interest paid to Group Treasury Company	28	-	31
Other finance costs		58	(27)
		<u>58</u>	<u>4</u>

7 Staff costs (including directors)

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

	2020 £ 000	2019 £ 000
Wages and salaries	107,381	96,666
Social security costs	9,533	8,523
Pension costs, defined contribution scheme	7,311	5,633
	<u>124,225</u>	<u>110,822</u>

Included in the above payroll costs are wages and salaries £78,643,808 (2019: £69,100,504), social security costs £8,593,461 (2019: £7,647,749) and pension costs £6,820,210 (2019: £5,370,608) which relate to the company.

The average number of employees during the year:

	2020 No.	2019 No.
Retail support services	1,370	1,251
Manufacturing	717	745
Distribution	244	197
	<u>2,331</u>	<u>2,193</u>

Included in the above average number of employees are retail support services staff 1,326 (2019: 1,209) who are employed by the company.

There were pension contributions of £678,311 outstanding at the year end (2019: £574,983).

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

8 Directors' remuneration

During the current and prior year, no directors were remunerated for their services as a director.

9 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of these financial statements	<u>220</u>	<u>159</u>

10 Taxation

Analysis of charge in the year:

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	3,667	3,039
UK corporation tax adjustment to prior periods	<u>(449)</u>	<u>(924)</u>
Total current taxation	<u>3,218</u>	<u>2,115</u>
Deferred taxation		
Origination and reversal of timing differences	326	(265)
Adjustment in respect of prior years	<u>174</u>	<u>(92)</u>
Total deferred taxation	<u>500</u>	<u>(357)</u>
Tax expense on profit on ordinary activities	<u><u>3,718</u></u>	<u><u>1,758</u></u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

10 Taxation (continued)

The tax on profit on ordinary activities before taxation for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: lower than the standard rate of corporation tax in the UK of 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>20,929</u>	<u>14,066</u>
Corporation tax at standard rate	3,977	2,673
Effect of expense not deductible/income not taxable in determining taxable profit	63	91
Movement in unrecognised deferred tax losses	(3)	(17)
Impact of changes in future tax rates	(37)	27
Prior year adjustment - deferred tax	175	(92)
Prior year adjustment - corporation tax	(449)	(924)
Tax increase (decrease) from effect of capital allowances and depreciation	<u>(8)</u>	<u>-</u>
Total tax charge	<u>3,718</u>	<u>1,758</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

10 Taxation (continued)

Deferred tax

Group

The deferred tax asset recognised in the balance sheet is as follows:

	Note	2020 £ 000	2019 £ 000
Short term timing differences		451	644
Tax losses carried forward / utilised		1	-
Fixed asset timing differences		<u>1,197</u>	<u>1,506</u>
	15	<u>1,649</u>	<u>2,150</u>

	2020 £ 000	2019 £ 000
Opening balance	2,150	1,794
Movement in the year	(326)	264
Adjustment in respect of prior year	<u>(175)</u>	<u>92</u>
29 February	<u>1,649</u>	<u>2,150</u>

There are £43,896 of unused tax losses (2019: £38,861) for which no deferred tax asset is recognised in the balance sheet.

The amount of the net reversal of deferred tax assets and deferred tax liabilities expected to occur during the year beginning after the reporting period is £172,669 (2019: £208,858). This relates to the reversal of existing timing differences between qualifying depreciation and capital allowance claims.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

10 Taxation (continued)

Company

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

		2020 £ 000	2019 £ 000
Short term timing differences		414	617
Fixed asset timing differences		251	360
	15	<u>665</u>	<u>977</u>
		2020 £ 000	2019 £ 000
1 March		977	793
Adjustment in respect of prior year		(217)	67
Movement in the year		<u>(95)</u>	<u>117</u>
29 February		<u>665</u>	<u>977</u>

11 Intangible assets - goodwill

Group

	Total £ 000
Cost or valuation	
At 1 March 2019	<u>5,719</u>
At 29 February 2020	<u>5,719</u>
Amortisation	
At 1 March 2019	4,838
Amortisation charge	<u>571</u>
At 29 February 2020	<u>5,409</u>
Carrying amount	
At 29 February 2020	<u>310</u>
At 28 February 2019	<u>881</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

12 Tangible fixed assets

Group	Land and buildings £ 000	Fixtures and fittings £ 000	Equipment £ 000	Assets under construction £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation						
At 1 March 2019	3,718	14,739	59,479	6,283	1,445	85,664
Additions	1,192	555	2,633	4,125	-	8,505
Disposals	-	(84)	(107)	-	-	(191)
Transfers	-	1,122	8,459	(9,581)	-	-
At 29 February 2020	4,910	16,332	70,464	827	1,445	93,978
Depreciation						
At 1 March 2019	1,138	10,124	48,980	-	1,445	61,687
Charge for the year	1,289	1,370	3,816	-	-	6,475
Eliminated on disposal	-	(82)	(107)	-	-	(189)
Transfers	-	4	(4)	-	-	-
At 29 February 2020	2,427	11,416	52,685	-	1,445	67,973
Carrying amount						
At 29 February 2020	2,483	4,916	17,779	827	-	26,005
At 28 February 2019	2,580	4,615	10,499	6,283	-	23,977

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

12 Tangible fixed assets (continued)

Company	Land and buildings £ 000	Fixtures and fittings £ 000	Equipment £ 000	Total £ 000
Cost or valuation				
At 1 March 2019	1,748	7,053	17,499	26,300
Additions	-	520	1,052	1,572
Disposals	-	(82)	(43)	(125)
At 29 February 2020	<u>1,748</u>	<u>7,491</u>	<u>18,508</u>	<u>27,747</u>
Depreciation				
At 1 March 2019	828	6,037	15,961	22,826
Charge for the year	11	237	1,087	1,335
Eliminated on disposal	-	(82)	(41)	(123)
At 29 February 2020	<u>839</u>	<u>6,192</u>	<u>17,007</u>	<u>24,038</u>
Carrying amount				
At 29 February 2020	<u>909</u>	<u>1,299</u>	<u>1,501</u>	<u>3,709</u>
At 28 February 2019	<u>920</u>	<u>1,016</u>	<u>1,538</u>	<u>3,474</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

13 Investments

Company	
Subsidiaries	£ 000
Cost	
At 1 March 2019	1,775
Additions	<u>228</u>
At 29 February 2020	<u>2,003</u>
Carrying amount	
At 29 February 2020	<u>2,003</u>
At 28 February 2019	<u>1,775</u>

The investment addition consists of the acquisition of the remaining minority interest in Specsavers Recruitment Services Limited.

Details of investments in which the parent company has a controlling interest in the ordinary share capital are listed below. Where A and B ordinary shares exist, the company holds 100% of the B ordinary shares and various percentage holdings in the A ordinary shares. In accordance with the Articles of Association of the subsidiary entities, the right to participate in the profits of the company is exclusive to "A" shares and no dividend is payable on the "B" ordinary shares. All subsidiaries are registered in England and Wales.

The registered address of all the subsidiaries is:

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

All subsidiaries share the same accounting year as the parent company.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

13 Investments (continued)

Details of undertakings

- Specsavers Recruitment Services Limited, Reg. No. 7520443, England, Supplier of recruitment services, 100% ordinary share capital (2019: 100%)
- Specsavers Procurement UK Limited, Reg. No. 7225175, England, Investment holding company, 100% ordinary share capital (2019: 100%)
- Airways Optical Limited, Reg. No. 2889471, England, Warehousing and wholesale distribution of optical products, 100% ordinary A share capital (2019: 100%)
- Aston Labs Limited, Reg. No. 5475673, England, Dormant, 100% ordinary A share capital (2019: 100%)
- Lens-Online Limited, Reg. No. 3757517, England, Warehousing and wholesale distribution of optical products, 100% ordinary A share capital (2019: 100%)
- International Glazing Services Limited, Reg. No. 4626269, England, Lens production, 100% ordinary A capital (2019: 100%)
- NLRX Services Limited, Reg. No. 6857769, England, Warehousing and wholesale distribution of optical products, 100% ordinary A share capital (2019: 100%)
- Vision Labs Limited, Reg. No. 2407981, England, Lens production, 100% ordinary A capital (2019: 100%)
- Healthcall Holdings Limited, Reg. No. 5877410, England, Investment holding company, 100% ordinary share capital (2019: 100%)
- Specsavers Healthcall Limited, Reg. No. 2604077, England, Support services provider, 100% ordinary share capital (2019: 100%)

14 Stocks

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Raw materials and consumables	2,342	1,968	-	-
Work in progress	500	674	-	-
Finished goods and goods for resale	42,579	41,872	10,997	13,565
Provision for stock obsolescence	(1,622)	-	-	-
	<u>43,799</u>	<u>44,514</u>	<u>10,997</u>	<u>13,565</u>

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

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

15 Debtors

	Note	Group		Company	
		2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Trade debtors		3,491	2,530	3,418	2,283
Amounts owed by related parties	28	65,686	71,254	66,048	73,193
Other debtors		8,971	4,329	8,650	4,803
Prepayments		7,028	9,415	6,669	9,121
Deferred tax assets	10	1,649	2,150	665	977
Income tax asset		140	-	-	-
		<u>86,965</u>	<u>89,678</u>	<u>85,450</u>	<u>90,377</u>

Other debtors consists primarily of accrued income £7,159,000 (2019: £3,138,000).

16 Cash and cash equivalents

	Note	Group		Company	
		2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Cash on hand		2	4	-	1
Cash at bank		9	4	-	-
Group Treasury Company	28	<u>44,866</u>	<u>33,908</u>	<u>37,345</u>	<u>30,060</u>
Cash at bank and in hand		44,877	33,916	37,345	30,061
Group Treasury overdraft	18	<u>(38,477)</u>	<u>(37,714)</u>	<u>(59)</u>	<u>(16)</u>
Cash and cash equivalents in statement of cash flows		<u>6,400</u>	<u>(3,798)</u>	<u>37,286</u>	<u>30,045</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

17 Creditors

		Group		Company	
	Note	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Due within one year					
Loans and borrowings	18	38,477	37,714	59	16
Trade creditors		11,148	14,157	6,646	3,294
Amounts payable to related parties	28	22,441	16,256	49,901	52,083
Social security and other taxes		6,880	5,707	4,726	4,139
Other payables		6,242	19,705	5,443	19,455
Accruals		21,918	22,526	9,749	8,746
Corporation tax liability	10	1,621	567	1,353	11
Deferred income		4,551	5,438	4,550	5,436
Deferred lease incentive		12	-	-	-
		<u>113,290</u>	<u>122,070</u>	<u>82,427</u>	<u>93,180</u>
Due after one year					
Deferred income		9	9	-	-
Other non-current financial liabilities		1,265	1,755	1,266	1,755
Deferred lease incentive		44	67	-	-
		<u>1,318</u>	<u>1,831</u>	<u>1,266</u>	<u>1,755</u>

Other payables consists primarily of gift voucher creditors £Nil (2019: £10,175,000) and advertising creditors £2,015,000 (2019: £5,551,000).

Gift voucher creditors are owed to fellow Specsavers Organisation companies and hence are included in amounts payable to related parties in the current year.

18 Loans and borrowings

		Group		Company	
	Note	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Current loans and borrowings					
Group Treasury Company overdraft	28	<u>38,477</u>	<u>37,714</u>	<u>59</u>	<u>16</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

19 Analysis of changes in net debt

Group	At 1 March 2019 £ 000	Cash flows £ 000	As at 29 February 2020 £ 000
Cash and cash equivalents			
Cash at bank and in hand	8	3	11
Group Treasury Company	33,908	10,958	44,866
Group Treasury Company overdraft	(37,714)	(763)	(38,477)
Total cash and cash equivalents	<u>(3,798)</u>	<u>10,198</u>	<u>6,400</u>
Total net funds/(debt)	<u>(3,798)</u>	<u>10,198</u>	<u>6,400</u>

20 Provisions

Group

	Other provisions £ 000	Total £ 000
At 1 March 2019	-	-
Additional provisions	<u>1,301</u>	<u>1,301</u>
At 29 February 2020	<u>1,301</u>	<u>1,301</u>

The largest components of the provision are £377k for compensation for loss of office, for which the company will repay the lab in question, together with £365,361 shopfit costs for the Dudley store which the company has agreed to reimburse.

The remainder is unitary costs which the company has agreed to cover, plus utility and sundry costs.

Company

	Other provisions £ 000	Total £ 000
At 1 March 2019	-	-
Additional provisions	<u>1,301</u>	<u>1,301</u>
At 29 February 2020	<u>1,301</u>	<u>1,301</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

21 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

To receive notice of and to attend and vote at general meetings and on proposed written resolutions of the company; to participate in the profits of the company, each being entitled *pari passu* to dividend payments; and on a winding up to participate *pari passu* in the surplus assets of the company.

22 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	37,816	38,384
Later than one year and not later than five years	116,790	120,572
Later than five years	<u>56,921</u>	<u>66,040</u>
	<u>211,527</u>	<u>224,996</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £40,885,135 (2019: £44,411,953). The most common lease term is ten years with a rent review after five years.

Company

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	37,280	37,848
Later than one year and not later than five years	114,732	118,425
Later than five years	<u>56,340</u>	<u>65,011</u>
	<u>208,352</u>	<u>221,284</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £39,985,917 (2019: £43,853,370).

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

22 Obligations under leases and hire purchase contracts (continued)

Of the above commitments £205,098,498 (2019: £217,159,953) is matched by a commitment from fellow subsidiaries who have subleased their premises from the company.

23 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £7,310,597 (2019: £5,632,932).

24 Distributions

	2020	2019
	£ 000	£ 000
Equity dividends on ordinary shares - interim paid	<u>-</u>	<u>20,000</u>

The total dividends paid to shareholders in the year represent £Nil (2019: £20m) paid by the company.

25 Commitments

Group

Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from the group in an independently administered fund. Commitments provided for in the financial statements amounted to £814,337 (2019: £659,798).

Company

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 £678,311 (2019: £574,983).

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

26 Contingent liabilities

Company

The company has given a guarantee to HM Revenue & Customs in the sum of £50,000 in order to participate in the VAT deferred payment scheme.

The company has entered into an unlimited composite cross guarantee dated 22 December 2000 relating to facilities provided to the following Specsavers organisation companies: Specsavers International Healthcare Limited, Specsavers Optical Superstores Limited, Specsavers Finance (Guernsey) Limited, Specsavers Optical Group Limited & Specsavers International BV.

With effect from 1 March 2008 the company entered into an agreement with Coopervision (formerly Sauflon) securing any monies owed to Coopervision by Lens-Online Limited (for unpaid contact lenses or solutions). The amount owed as at 29 February 2020 was £3,052,394 (2019: £9,703,957). Lens-Online Limited is a subsidiary of Specsavers Procurement (UK) Limited, a subsidiary of the company.

27 Parent and ultimate parent undertaking

The ultimate parent company of Specsavers Optical Superstores Limited is Specsavers International Healthcare Limited (SIHL). Mr DJD and Mrs ML Perkins have the controlling holding in the ordinary shares of SIHL, whose accounts are not available to the public. The smallest and largest group in which these accounts are consolidated is SIHL.

The company's immediate parent is Specsavers Optical Group Limited, incorporated in Guernsey.

The company's ultimate parent is Specsavers International Healthcare Limited, incorporated in Guernsey.

These financial statements are available upon request from Companies House, Crown Way, Cardiff, CF4 3UZ, Wales.

The ultimate controlling party is Specsavers International Healthcare Limited.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

28 Related party transactions

Group

Summary of transactions with other related parties

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 group and other Specsavers organisation companies. Overdraft balances with Specsavers Finance (Guernsey) Limited are currently not subject to interest charges and cash balances do not earn interest. During the year the group paid bank interest and charges to the Group Treasury Company of £387 (2019: £30,579) and £8,468 (2019: £21,807) respectively; the income received from the Group Treasury Company is £Nil (2019: £3,454).

The cash balance held with the Group Treasury Company at year end is £44,866,476 (2019: £33,908,421) and the overdraft balance owing to the Group Treasury Company at year end is £38,477,281 (2019: £37,714,486).

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 group has not provided or benefited from any guarantees for any related party receivables or payables. Other related parties consist of fellow Specsavers organisation companies.

Income and receivables from related parties

	Parent	Other related parties
	£ 000	£ 000
2020		
Sale of goods	79,471	361,664
Rendering of services	96,197	136,481
Amounts receivable from related party	<u>15,658</u>	<u>50,028</u>
	Parent	Other related parties
	£ 000	£ 000
2019		
Sale of goods	80,990	349,316
Rendering of services	93,395	128,920
Amounts receivable from related party	<u>26,941</u>	<u>48,693</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

28 Related party transactions (continued)

Expenditure with and payables to related parties

	Parent	Other related parties
	£ 000	£ 000
2020		
Purchase of goods	132,795	67,534
Fees paid	151	-
Amounts payable to related parties	<u>11,452</u>	<u>10,989</u>
	Parent	Other related parties
	£ 000	£ 000
2019		
Purchase of goods	103,020	93,852
Fees paid	118	53
Amounts payable to related parties	<u>8,730</u>	<u>7,505</u>

Company

Key management personnel

The key management of the company is deemed to be its directors, who are paid by the parent company, which makes no recharge to the company. The directors are also directors of the parent and a number of fellow subsidiaries. The company's directors' total compensation is included in the aggregate of key management personnel compensation disclosed in the financial statements of the parent.

Summary of transactions with subsidiaries

Dividend income from fixed asset investments £Nil (2019: £235,471).

Summary of transactions with other related parties

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 other Specsavers organisation companies. Overdraft balances with Specsavers Finance (Guernsey) Limited are currently not subject to interest charges and cash balances do not earn interest. During the year the company paid bank interest and charges to the Group Treasury Company of £387 (2019: £2,334) and £1,490 (2019: £12,194) respectively; the income received from the Group Treasury Company is £Nil (2019: £2,285).

The cash balance held with the Group Treasury Company at year end is £37,344,607 (2019: £30,059,331) and the overdraft balance owing to the Group Treasury Company at year end is £59,011 (2019: £15,774).

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.

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

28 Related party transactions (continued)

Income and receivables from related parties

	Parent	Subsidiary	Other related parties
	£ 000	£ 000	£ 000
2020			
Sale of goods	7,260	26,510	368,591
Receipt of services	96,197	72	134,077
Amounts receivable from related party	<u>9,410</u>	<u>5,382</u>	<u>51,257</u>
2019			
Sale of goods	6,765	21,431	355,919
Receipt of services	88,245	-	130,521
Amounts receivable from related party	<u>19,430</u>	<u>9,722</u>	<u>48,838</u>

Expenditure with and payables to related parties

	Parent	Subsidiary	Other related parties
	£ 000	£ 000	£ 000
2020			
Purchase of goods	12,372	273,264	67,559
Rendering of services	46	-	-
Amounts payable to related party	<u>2,059</u>	<u>36,390</u>	<u>11,452</u>
2019			
Purchase of goods	12,549	236,346	93,810
Rendering of services	-	-	43
Amounts payable to related party	<u>498</u>	<u>43,264</u>	<u>8,321</u>

Specsavers Optical Superstores Limited

Notes to the financial statements for the year ended 29 February 2020 (continued)

29 Post balance sheet events

Subsequent to the balance sheet date, the World Health Organisation declared a COVID-19 pandemic on 11 March. The COVID-19 pandemic has had a significant impact on the group. The UK government-ordered lockdown significantly impacted how the group could trade and operate. In the immediate aftermath of the lockdown Specsavers took various measures to enable the business to successfully mitigate the impact of COVID-19 to date and reduce variable costs and conserve cash. The steps taken include, but are not limited to:

- Accessing the various government support schemes that have been put in place globally in order to mitigate the financial impact of the pandemic on businesses
- Entering into a series of cost reduction measures to reduce cash outflows, including stopping the business's long-term strategic framework plan to focus activities on short term goals to help the business navigate through the crisis
- Leveraging Specsavers' multi-site global manufacturing and distribution base to ensure continuing supply of product to customers.

As at the time of this report, trading has returned to closer pre-virus levels, although this recovery remains fragile. The business is now having to deal with intermittent localised lockdowns and management's focus is therefore on ensuring that stores can be closed down quickly, safely and cost-effectively, and subsequently re-opened rapidly in accordance with government guidance. The ongoing health and safety of our in-store colleagues and customers continues to be management's primary concern.