

Carl Zeiss Vision UK Limited

Annual report and financial statements

Registered number 02838963

For the year ended 30 September 2016

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Directors and advisors

Directors	PA Green AP Leong-Son P Bilsdorfer S Hermann
Secretary	Prism Cosec Ltd
Auditors	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ
Bankers	National Westminster Bank 5 Ormskirk Street St Helens Merseyside WA10 1DR
Registered office	22 Gas Street Birmingham B1 2JT

Directors' report

The directors present the annual report and the audited financial statements for the year ended 30 September 2016.

Principal activities

The Company's principal activities are the distribution and sale of ophthalmic lenses, either directly or indirectly, to the UK retail optical industry.

Going concern

The Company has a strong balance sheet, has continued to generate positive cash flows and has no third party debt.

The directors have reviewed the adoption of the going concern assumption and have prepared detailed forecasts and projections. Allied with performance since the balance sheet date, these projections conclude that the Company will be able to pay its debts as they fall due for a year not less than twelve months from the date of signing of these financial statements.

Post balance sheet event

Other than the matters referred to in the Dividend section below, there have been no other significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Environment

Carl Zeiss Vision UK recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Carl Zeiss Vision Group policies. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The Company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters.

The Company and wider group strive to meet and exceed legislation concerning occupational health, aiming to provide good working conditions and an infrastructure upon which future development can be made.

Directors

The directors who served during the year were as follows:

PA Green
AP Leong-Son
P Bilsdorfer
S Hermann

Secretary

Prism Cosec Ltd.

Dividend

A dividend payment of £3,500,000 was made on 12th August 2016 (year ended 30 September 2015: £2,500,000).

Directors' report *(continued)*

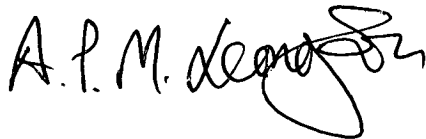
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and they have taken all the steps that ought to have been taken as directors and made themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

On behalf of the board



AP Leong-Son
Director

22 Gas Street
Birmingham
B1 2JT

16 May 2017

Strategic report

The directors present their strategic report for the year ended 30 September 2016.

Business review

The profit and loss account of the Company is set out on page 9.

Turnover amounted to £42,740,000 (year ended 30 September 2015: £32,892,000) and reflects the success of the group in delivering new and enhanced products to the market. However, product supply cost pressures together with the impact of foreign exchange variability has led to a decrease in underlying gross margins from £11,404,000 to £11,054,000.

Administrative expenses have increased from £5,677,000 to £7,893,000 principally due to the company having made significant investment in customer engagement facilities and related property infrastructure, marketing initiatives with key customers and employees during the year. The company has continued to invest in facilities which support and promote the ZEISS brand, to showcase its products and to engage further with customers.

As a consequence of the above, operating profit year-on-year has decreased from £4,956,000 to £2,447,000 (2015: £2,226,000 to £4,956,000). In view of the market conditions, increasing competitiveness in the UK market, and inflationary cost pressures on the sourcing of products, the directors consider the performance of the Company for the year as satisfactory.

The balance sheet is set out on page 11 of the financial statements and shows a reduction in net assets of £1,954,000 from £11,039,000 at 30 September 2015 to £9,085,000 at 30 September 2016. This reflects the total comprehensive income for the year of £1,546,000 less payment of a £3,500,000 dividend by the Company to its parent.

The American Optical Limited defined benefit pension scheme now shows an accounting surplus of £911,000 which is recognised on the balance sheet under FRS 101. Further details are set out in note 19 to the financial statements. In view of the inherent complexities associated with the valuation of pension liabilities and the continued turbulence in global financial markets, the directors expect continued volatility in future valuations of the defined benefit scheme. This is further dealt with in note 23.

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Future developments

The Carl Zeiss Vision group continues to introduce new and innovative products to the existing product range. Accordingly, despite the highly competitive nature of the UK market the directors are optimistic of continued improvements in performance.

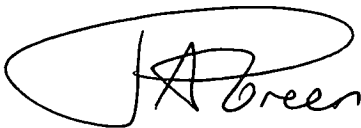
Strategic report *(continued)*

Principal risks and uncertainties

The Company operates in a market which demands continuous technological innovation in order to meet customer requirements. Being a member of the wider Carl Zeiss AG Group gives the Company an excellent platform to meet this challenge.

In view of the inherent complexities associated with the valuation of pension liabilities and the continued turbulence in global financial markets, the directors expect continued volatility in future valuations of the defined benefit scheme. This is further dealt with in note 23.

The Company is continuing a strategy of reducing the extent of its material purchases in foreign currencies, however, it continues to make significant raw material purchases in both Euros and US Dollars. The Company is therefore exposed to market fluctuations between the Euro and GBP. The Company takes advantage, where possible, of forward foreign exchange contracts management conducted by its parent for the collective benefit of the wider Group.

A handwritten signature in black ink, appearing to read 'PA Green', enclosed within a large, loopy oval shape.

PA Green
Director

22 Gas Street
Birmingham
B1 2JT

16 May 2017

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Carl Zeiss Vision UK Limited

We have audited the financial statements of Carl Zeiss Vision UK Limited for the year ended 30 September 2016 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes on pages 13 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Carl Zeiss Vision UK Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Andy Williams (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
Birmingham

19
15 May 2017

Profit and loss account
for the year ended 30 September 2016

	<i>Notes</i>	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Turnover	2	42,740	32,892
Cost of sales		(31,686)	(21,488)
Gross profit		11,054	11,404
Distribution costs		(714)	(771)
Administrative expenses		(7,893)	(5,677)
Operating profit		2,447	4,956
Interest receivable and similar income	6	334	363
Interest payable and similar charges	7	(372)	(361)
Profit on ordinary activities before taxation	3	2,409	4,958
Tax	8	(544)	(1,013)
Profit for the financial year		1,865	3,945

All results are derived from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalent.

The notes on pages 13 to 31 form part of these financial statements.

Other comprehensive income
for the year ended 30 September 2016

	30 September 2016 £000	30 September 2015 £000
Profit for the financial year	1,865	3,945
Other comprehensive income		
Actuarial (loss)/gain on defined pension scheme under FRS101	(459)	461
Net deferred tax on actuarial (loss)/gain on defined pension scheme under FRS 101	119	(92)
Reclassified interest on defined benefit pension scheme	-	80
Deferred tax on reclassified interest on defined benefit pension scheme	-	(16)
Exchange differences on translation of foreign operations	21	-
Other comprehensive (expense)/income for the year, net of income tax	(319)	433
Total comprehensive income for the year	1,546	4,378

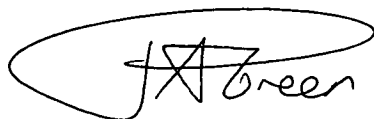
The notes on pages 13 to 31 form part of these financial statements.

Balance sheet
at 30 September 2016

	<i>Notes</i>	30 September 2016 £000	30 September 2015 £000	£000
Fixed assets				
Tangible assets	<i>9</i>	734	611	
Investments	<i>10</i>	-	-	
			734	611
Current assets				
Stocks	<i>11</i>	341	337	
Debtors:				
Amounts falling due within one year	<i>12</i>	13,206	16,222	
Amounts falling due after one year	<i>12</i>	3,676	1,083	
Cash at bank and in hand		354	280	
		17,577	17,922	
Creditors: Amounts falling due within one year	<i>13</i>	(10,120)	(8,310)	
Net current assets			7,457	9,612
Total assets less current liabilities			8,191	10,223
Creditors: Amounts falling due after one year	<i>14</i>	(17)	(58)	
Defined benefit pension Scheme surplus	<i>19</i>	911	874	
Net assets			9,085	11,039
Capital and reserves				
Called up share capital	<i>18</i>	3,378	3,378	
Profit and loss account		2,260	4,214	
Capital redemption reserve		3,447	3,447	
Equity shareholder's funds			9,085	11,039

The notes on pages 13 to 31 form part of these financial statements.

These financial statements were approved by the directors on 16 May 2017 and were signed by:



PA Green
Director

Company number: 02838963

Statement of Changes in Equity

	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	3,378	3,447	2,336	9,161
Total comprehensive income for the year				
Profit or loss	-	-	3,945	3,945
Other comprehensive income	-	-	433	433
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	4,378	4,378
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity				
Dividends	-	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 September 2015	3,378	3,447	4,214	11,039
	<hr/>	<hr/>	<hr/>	<hr/>

	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2015	3,378	3,447	4,214	11,039
Total comprehensive income for the year				
Profit or loss	-	-	1,865	1,865
Other comprehensive expense	-	-	(319)	(319)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	1,546	1,546
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity				
Dividends	-	-	(3,500)	(3,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(3,500)	(3,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 September 2016	3,378	3,447	2,260	9,085
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Notes

(forming part of the financial statements)

1 Accounting policies

Carl Zeiss Vision UK Limited (the “Company”) is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance of the Company is provided in note 24.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 October 2014 have not been restated.

The Company’s ultimate parent undertaking, Carl Zeiss AG includes the Company in its consolidated financial statements. The consolidated financial statements of Carl Zeiss AG are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Carl-Zeiss-Strasse 22, 73447, Oberkochen, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carl Zeiss AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

In preparing the financial statements the directors have reviewed the adoption of the going concern assumption. In forming their view the directors have considered future trading forecasts and projections for the Company, the net assets of the Company and the availability of funding from its parent companies.

After conducting this review the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

1.3 Foreign currency

The financial statements are presented in Pounds (£), the Company's functional currency.

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in subsidiaries, trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.6 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- plant, machinery and equipment over 3 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Notes (continued)

1 Accounting policies (continued)

1.9 Employee benefits (continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.10 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

1.11 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of VAT.

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Sales of goods	42,740	32,892
Total turnover	<u>42,740</u>	<u>32,892</u>
By geographical market:		
United Kingdom	29,247	25,411
Rest of Europe	5,376	3,301
Rest of World	8,117	4,180
	<u>42,740</u>	<u>32,892</u>

All turnover is derived from the principal activity of the company.

3 Expenses and auditors remuneration

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
<i>Included in profit and loss are the following</i>		
Depreciation of tangible fixed assets:		
Owned	189	200
Operating lease rentals:		
Plant and machinery	181	197
Other	198	149
Net change in fair value of foreign exchange contracts	94	231
Auditor's remuneration:		
Audit of these financial statements	<u>31</u>	<u>26</u>

Notes (continued)

4 Directors' remuneration

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Directors' emoluments	459	421
Contributions to defined contribution pension scheme	29	24
	<hr/>	<hr/>
Total emoluments	488	445
	<hr/>	<hr/>
<i>Highest paid director</i>		
Directors' emoluments	314	292
Contributions to defined contribution pension scheme	19	16
	<hr/>	<hr/>
Total emoluments	333	308
	<hr/>	<hr/>

At the year end, retirement benefits are accruing to two directors (year ended 30 September 2015: two) under the Company's defined contribution pension scheme and no directors (year ended 30 September 2015: none) under the Company's defined benefit scheme.

5 Staff numbers and costs

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

	Number of employees Year ended 30 September 2016	Year ended 30 September 2015
Administration	53	50
Technical services and distribution	34	34
	<hr/>	<hr/>
	87	84
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	4,264	3,642
Social security costs	430	416
Contributions to defined contribution plans	281	249
	<hr/>	<hr/>
	4,975	4,307
	<hr/>	<hr/>

Notes (continued)

6 Interest receivable and similar income

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Interest on deposits held with fellow subsidiary undertakings	32	40
Interest on defined benefit plan assets (after deductions of scheme expenses)	251	317
Other interest receivable	51	6
	<hr/> 334	<hr/> 363
	<hr/> <hr/>	<hr/> <hr/>

7 Interest payable and similar charges

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Net interest on net defined benefit plan liability	355	361
Other interest payable	17	-
	<hr/> 372	<hr/> 361
	<hr/> <hr/>	<hr/> <hr/>

8 Taxation

Recognised in the profit and loss account

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
<i>UK corporation tax</i>		
Current tax on profit for the year	488	888
Adjustment in respect of prior periods	(26)	-
	<hr/> 462	<hr/> 888
	<hr/> <hr/>	<hr/> <hr/>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	59	125
Adjustment in respect of prior periods	23	-
	<hr/> 82	<hr/> 125
	<hr/> <hr/>	<hr/> <hr/>
Total tax on profit on ordinary activities	544	1,013
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Taxation (continued)

Recognised in other comprehensive income

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Remeasurement of defined benefit (liability)/asset	(119)	92
Reclassified interest on defined benefit pension scheme	-	16
	<hr/>	<hr/>
	(119)	108
	<hr/>	<hr/>

Reconciliation of effective tax rate

The current tax charge for the year is higher (year ended 30 September 2015: lower) than the standard rate of corporation tax in the UK of 20% (year ended 30 September 2015: 20.5%). The differences are explained below:

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,409	4,958
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20% (2015:20.5%)	482	1,016
Reduction in tax rate on deferred tax balances	48	(1)
Non-deductible expenses	22	15
Adjustment in respect of prior periods	(4)	(17)
Other	(4)	-
	<hr/>	<hr/>
Total tax expense	544	1,013
	<hr/>	<hr/>

Factors that may affect future, current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2016 has been calculated based on these rates.

Notes (continued)

9 Tangible fixed assets

	Plant, machinery and equipment £000
Cost	
Balance at 1 October 2015	3,439
	<hr/>
Balance at 30 September 2016	3,751
	<hr/>
Depreciation	
Balance at 1 October 2015	2,828
Depreciation charge of the year	189
	<hr/>
Balance at 30 September 2016	3,017
	<hr/>
Net book value	
At 30 September 2016	734
	<hr/>
At 1 October 2015	611
	<hr/>

Leased plant and machinery

At 30 September 2016 the net carrying amount of leased plant and machinery was £58,000 (2015: £99,000). The lease obligations are set out in note 15.

10 Investments

	Shares in group undertakings £000
Cost and net book value at 1 October 2015 and 30 September 2016	-
	<hr/>

The Company has the following investments in subsidiaries:

	Principal activity	Country of incorporation	Class of shares held	Ownership	
				2016	2015
SILS Limited	Distributor of ophthalmic lenses	England and Wales	Ordinary	100%	100%

Notes (continued)

11 Stocks

	30 September 2016 £000	30 September 2015 £000
Finished goods and goods for resale	341	337

12 Debtors: Amounts falling due within one year

	30 September 2016 £000	30 September 2015 £000
Trade debtors	6,940	6,079
Amounts owed by parent undertakings	4,909	9,582
Amounts owed by subsidiary undertakings	59	47
Amounts owed by other Group undertakings	197	42
Other debtors	4,231	1,208
Prepayments and accrued income	335	267
Deferred tax (see note 16)	117	80
Fair value of forward exchange contracts (see note 20)	94	-
	<u>16,882</u>	<u>17,305</u>
Due within one year	13,206	16,222
Due after more than one year	<u>3,676</u>	<u>1,083</u>

13 Creditors: Amounts falling due within one year

	30 September 2016 £000	30 September 2015 £000
Trade creditors	1,718	1,383
Amounts owing to subsidiary undertaking	38	970
Amounts owing to other Group undertakings	4,858	2,056
Other taxes and social security costs	648	745
Corporation tax	179	672
Accruals and deferred income	2,638	2,443
Finance lease liabilities (see note 15)	41	41
	<u>10,120</u>	<u>8,310</u>

Notes (continued)

14 Creditors: Amounts falling due after more than one year

	30 September 2016 £000	30 September 2015 £000
Finance lease liabilities (see note 15)	17	58
	<u>17</u>	<u>58</u>

15 Interest bearing loans and borrowings

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000	Minimum lease payments 2015 £000	Interest 2015 £000	Principal 2015 £000
Less than one year	41	4	45	41	4	45
Between one and five years	17	2	19	58	6	64
More than five years	-	-	-	-	-	-
	<u>58</u>	<u>6</u>	<u>64</u>	<u>99</u>	<u>10</u>	<u>109</u>

16 Deferred tax asset and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets 2016 £'000	2015 £'000	Liabilities 2016 £'000	2015 £'000	Net 2016 £'000	2015 £'000
Tangible fixed assets	(91)	(129)	-	-	(91)	(129)
Financial assets	-	-	16	-	16	-
Employee benefits	-	-	155	175	155	175
Short term timing differences	(197)	(126)	-	-	(197)	(126)
	<u>(288)</u>	<u>(255)</u>	<u>171</u>	<u>175</u>	<u>(117)</u>	<u>(80)</u>
Tax (assets)/liabilities	171	175	(171)	(175)	-	-
Net of tax liabilities/(assets)	<u>(117)</u>	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(117)</u>	<u>(80)</u>

Notes (continued)

16 Deferred tax asset and liabilities (continued)

Movement in deferred tax during the current and prior year

	1 October 2015 £'000	Recognised in income £'000	Recognised in OCI £'000	30 September 2016 £'000	1 October 2014 £'000	Recognised in income £'000	Recognised in OCI £'000	30 September 2015 £'000
Tangible fixed assets	(129)	38	-	(91)	(131)	2	-	(129)
Financial assets	-	16	-	16	(46)	46	-	-
Employee benefits	175	99	(119)	155	(29)	96	108	175
Others	(126)	(71)	-	(197)	(107)	(19)	-	(126)
	<u>(80)</u>	<u>82</u>	<u>(119)</u>	<u>(117)</u>	<u>(313)</u>	<u>125</u>	<u>108</u>	<u>(80)</u>
Tax (assets)/liabilities								

17 Obligations under leases and hire purchase contracts

The total amount payable under non-cancellable operating lease rentals are as follows:

	30 September 2016			30 September 2015		
	Land and buildings £000	Others £000	Total £000	Land and buildings £000	Other £000	Total £000
Less than one year	198	140	338	198	11	209
Between one and five years	792	134	926	792	182	974
More than five years	396	-	396	594	-	594
	<u>1,386</u>	<u>274</u>	<u>1,660</u>	<u>1,584</u>	<u>193</u>	<u>1,777</u>

Land and buildings have been considered separately for lease classification.

During the year £379,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £346,000).

18 Share capital

	30 September 2016 £000	30 September 2015 £000
<i>Allotted, called up and fully paid:</i>		
3,378,000 ordinary shares of £1 each	<u>3,378</u>	<u>3,378</u>

Notes (continued)

19 Pension commitments

Defined benefit schemes

The Company operates a defined benefit scheme, the American Optical UK Limited Pension Scheme (“the Scheme”), which is funded by the payment of contributions to a separately administered trust fund. From 1 October 2013 the scheme has no contributing members. The Scheme currently has a sole Independent Trustee, who has a number of responsibilities, including the payment of benefits from the Trust to members in accordance with the Scheme’s Trust Deed and Rules.

The Company historically sponsored three fully insured defined benefit pension arrangements. Two of these arrangements are fully insured with Scottish Widows and the other fully insured with Legal and General and to this extent there are no circumstances under which the Company has any further obligation in respect of these arrangements. In particular, should the assets held by Scottish Widows or Legal and General be insufficient to meet the benefits promised, Scottish Widows or Legal and General would be required to make good the shortfall. Given these arrangements are fully insured, the Company has not included the full disclosure information required for defined benefit reporting under FRS 101.

As set out in Note 1 to the financial statements, pension costs are accounted for in accordance with the principles set out in FRS 101. The FRS 101 valuation of the Scheme’s deficit or surplus is different to the valuation methodology used by the Scheme’s Trustee in evaluating the deficit or surplus for meeting the requirements of the pension regulations, the “technical provisions” basis. The technical provisions basis is the same basis as used in the formal triennial valuation.

The contributions to the Scheme are determined on the basis of triennial valuations. The most recent funding valuation was that conducted with an effective date of 31 March 2015 which used the Projected Unit Method of valuation. The results of this valuation showed the Scheme to be in deficit, and in light of this, the Company and Trustee agreed to continue making contributions into the Scheme to recover the shortfall.

There have been no Scheme amendments, curtailments or settlements over the year to 30 September 2016.

	2016 £000	2015 £000
Fair value plan assets	(13,352)	(10,094)
Defined benefit obligation	12,441	9,220
	<hr/>	<hr/>
Net asset for defined benefit obligations	(911)	(874)
	<hr/>	<hr/>

Notes (continued)

19 Pension commitments (continued)

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Balance at 1 October	9,220	9,164	(10,094)	(9,021)	(874)	143
Included in profit or loss						
Interest cost/(income)	355	361	(398)	(365)	(43)	(4)
Scheme expenses	-	-	147	128	147	128
	<u>355</u>	<u>361</u>	<u>(251)</u>	<u>(237)</u>	<u>104</u>	<u>124</u>
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic Assumptions	-	(48)	-	-	-	(48)
- Change in financial assumptions	3,382	(17)	-	-	3,382	(17)
- Experience adjustment	(265)	36	-	-	(265)	36
- Return on plan assets excluding interest income	-	-	(2,658)	(512)	(2,658)	(512)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other						
Contributions paid by the employer	-	-	(600)	(600)	(600)	(600)
Benefits paid in respect of settlements	(251)	(276)	251	276	-	-
	<u>(251)</u>	<u>(276)</u>	<u>251</u>	<u>276</u>	<u>-</u>	<u>-</u>
Balance at 30 September	<u>12,441</u>	<u>9,220</u>	<u>(13,352)</u>	<u>(10,094)</u>	<u>(911)</u>	<u>(874)</u>

Plan assets

	2016 £000	2015 £000
Equities	3,710	2,777
Corporate Bonds	2,476	1,988
Government Bonds	6,940	5,254
Cash/current assets	226	74
	<u>13,352</u>	<u>10,093</u>
Total plan assets	<u>13,352</u>	<u>10,093</u>

Scheme assets do not include any of the company's own financial instruments, or any property occupied by the company.

The expected contributions by the Company to the Scheme for the year 1 October 2016 to 30 September 2017 are: £525,000 (this is £450,000 in respect of deficit reduction contributions and £75,000 in respect of expense contributions).

Notes (continued)

19 Pension commitments (continued)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2016	2015
	%	%
Discount rate at 30 September	2.3	3.9
Future salary increases	n/a	n/a
Future pension increases	3.1	3.1
RPI Inflation assumption	3.1	3.1
CPI Inflation assumption	2.1	2.1

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 24.2 years (female).
- Future pensioner (currently aged 45) upon reaching 65: 23.9 years (male), 26.1 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.5%.

	2016	2015
	£000	£000
Discount rate (-0.5% p.a.)	c.1,300	c.900
Inflation (RPI, CPI) (+0.5% p.a.)	c.1,200	c.800

In valuing the liabilities of the pension fund at 30 September 2016, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 September 2016 would have increased by c£0.5m before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the end of the reporting period (c.21 years) and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation to the sensitivity of the assumptions shown.

At the time of approving these financial statements, changes in the general economic climate and stock market volatility may have an impact on the level of the pension scheme surplus or deficit required to be booked in the financial statements, and also on the level of future funding. Significant adverse changes in the market value of scheme investments and other actuarial assumptions could materially impact on the Company's reported results and net assets. In the current circumstances of rapid change in economic markets it is not possible or practicable to assess the impact of these changes. The next valuation for financial statement purposes will take place at 30 September 2017.

Notes (continued)

20 Financial instruments

Fair value of financial instruments

The following financial instruments are measured at fair value through the profit and loss:

	Fair value 2016 £	Fair value 2015 £
Forward foreign exchange contracts - asset /(liability)	94	-

The company operates a policy of taking out forward exchange contracts, through a group facility to cover future forecasted payments to suppliers in Euro. These contracts are set up to cover monthly cash flows up to 12 months in advance and whilst they are intended to reduce the exchange risk of forecasted purchases they are not designed in hedger relationships and are consequently measured at fair value through the profit and loss account.

The fair value of financial assets and liabilities are determined as follows:

Class of financial instruments measured at fair value	Valuation technique
--	---------------------

Forward exchange contracts	Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
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The following tables indicate the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	30 September 2016				
	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Forward exchange contracts:					
Assets	8,902	8,902	-	-	-
Liabilities	-	-	-	-	-

	30 September 2015				
	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Forward exchange contracts:					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-

Notes *(continued)*

21 Related party transactions

The Company has taken advantage of the exception available to wholly owned subsidiary undertakings to not disclose transactions with other subsidiaries of the group by virtue of being a wholly owned subsidiary of Carl Zeiss AG. The Company has entered into no other related party transactions.

22 Ultimate parent company and controlling party

Carl Zeiss AG is the ultimate parent Company and controlling party, incorporated in Germany and is the largest group in which the results of the Company are consolidated. The consolidated financial statements of this group are available to the public and may be obtained from Carl-Zeiss-Strasse 22, 73447, Oberkochen, Germany.

23 Accounting estimates and judgements

The key assumptions concerning the areas of uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to carrying amounts are:

The American Optical UK Limited defined benefit pension scheme is currently in surplus as a result of a well-managed asset and investment strategy and the significant additional one-off contributions over recent years. The surplus is potentially subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of the plan assets and liabilities, including the impact of discount rates and the increasing longevity of scheme members, as well as declines in the market value of scheme investments.

At the time of approving these financial statements, continued economic instability and stock market volatility may have an impact on the level of the pension scheme asset which needs to be recognised in the financial statements. In turn, this may have an impact on the level of future funding. Significant adverse changes in the market value of scheme investments and other actuarial assumptions could materially impact on the Company's net assets. In the current circumstances of rapid change in economic markets it is not possible or practicable to assess the future impact of these changes.

Valuation of stock

The company has a formal policy for making provisions for stock to ensure they are stated at the lower of cost and net realisable value.

Recoverability of amounts owed by external trade debtors

The recoverability of amounts owed by external trade debtors is assessed at each balance sheet date. Appropriate provision are made where recoverability is not deemed probable.

Notes (continued)

24 Explanation of transition to FRS 101 from Adopted IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of profit and equity from old GAAP to FRS 101

	Notes	Profit for the year ended 30 September 2015	Other Comprehensive income 30 September 2015	Dividend September 2015	Equity as at 30 September 2015	Equity as at 1 October 2014
Amount under old GAAP		3,824	(330)	(2,500)	10,340	9,346
Derivative	1	231	-	-	-	(231)
Deferred tax on derivative	1	(46)	-	-	-	46
Reclassified interest on defined benefit scheme	2	(80)	80	-	-	-
Deferred tax on reclassified interest on defined benefit scheme	2	16	(16)	-	-	-
Reversal of effect of asset restriction	2	-	874	-	874	-
Reversal of net deferred tax	2	-	(175)	-	(175)	-
Amount under FRS 101		3,945	433	(2,500)	11,039	9,161

Notes *(continued)*

24 Explanation of transition to FRS 101 from Adopted IFRS (continued)

1. Derivative

In accordance with IFRS 7 the fair value of forward contracts has been recognised on the balance sheet with the corresponding gain being taken through the profit and loss account.

This resulted in an opening adjustment of £231,000 to recognise the liability with an associated deferred tax asset of £46,000.

There have been no forward contracts recognized on the balance sheet as at 30 September 2015.

2. Defined benefit pension scheme

Under previous UK GAAP the recognition of the pension scheme asset was restricted under FRS 17 whereas under FRS 101 the recognition of the pension scheme asset is required under IAS 19.

The impact on the company from the adoption of IAS 19 is as follows:

Movement in total other comprehensive income of £763,000. Net interest for the year ended 30 September 2015 was £80,000 higher than had been recognised in the income statement under UK GAAP. There was an additional actuarial gain of £874,000 due to the re-measurement of the pension scheme asset.

Under FRS 101 the defined benefit pension scheme asset is required to be shown gross and the related deferred tax included within deferred tax asset or liability on the balance sheet. This resulted in an opening balance adjustment of £175,000 for a deferred tax liability relating to the defined benefit pension scheme asset.

Notes to the reconciliation of profit and equity

Under UK GAAP, the company was not required to, and did not, prepare a cash flow statement.