

Registered number: 03471182

**NIKON OPTICAL U.K. LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**



**NIKON OPTICAL U.K. LIMITED**

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**NIKON OPTICAL U.K. LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

N Barbier  
M Horie  
A Dupont (appointed 1 January 2018)  
A-L Guillon (appointed 1 January 2019)

**COMPANY SECRETARY**

A G Secretarial Limited  
One, St Peter's Square  
Manchester  
M2 3DE

**REGISTERED NUMBER**

03471182

**REGISTERED OFFICE**

3 Tanners Drive  
Blakelands  
Milton Keynes  
Buckinghamshire  
MK14 5BU

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UJ

**BANKERS**

National Westminster Bank PLC  
501 Silbury Boulevard  
Central Milton Keynes  
MK9 3ER

The Bank of Tokyo-Mitsubishi UFJ, Ltd  
Finsbury Circus House  
12-15 Finsbury Circus  
London  
EC2M 7BT

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

**SOLICITORS**

Addleshaw Goddard  
Milton Gate  
60 Chiswell Street  
London  
EC1Y 4AG

## NIKON OPTICAL U.K. LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their strategic report of the Company for the year ended 31 December 2018.

#### BUSINESS REVIEW

As shown in the Income Statement on page 8, the Company's turnover has decreased by 1.2% (2017: decrease of 0.7%) from the prior year with operating profit also decreasing by 3.25% (2017: decreased by 25.4%) from £1,016,000 to £983,000.

The Balance Sheet on page 9 of the financial statements shows the Company's financial position at the year end.

The increase in cash balance of £650,000 is after payment of dividends for the year of £700,000.

Details of amounts paid as dividends of £700,000 (2017: £3,488,439) to the parent company are shown in note 9 on page 18.

Whilst overall sales decreased by 1.2% from the prior year the UK domestic sales increased by 5.6% reflecting the Company's objective to focus its UK production on manufacturing for the UK market. The Company maintained the two shift working pattern that was introduced in 2015 with the average number of production staff of 53 at 2018 year end, a decrease from the average of 57 in 2017 (note 5 page 16).

Overall gross margin increased year on year to 50.5% from 49.5% in 2017.

The overall indirect expenses are £77,000 or 1.7% higher than last year total of £4,522,000 at £4,599,000 for the year.

In summary, the lower cost of sales has enabled the Company to improve its gross margin and the gross profit has increased by £44,000 from £5,538,000 in 2017 to £5,582,000 in 2018. Indirect expenses have then increased year on year and overall these factors have resulted in a decrease in operating profit of £33,000 (3.25%) to £983,000 for 2018 against the prior year £1,016,000.

#### FUTURE DEVELOPMENTS

In 2019 we expect our UK domestic turnover to increase compared to 2018 continuing our objective of concentrating the Company resources on the UK Market and through this year to at least achieve a similar operating result % as for 2018.

#### PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. The Company manages this risk by providing leading edge products and added value services to its customers, having fast turnaround times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers. The Company's sales in Europe are made in US dollar and it is therefore exposed to the movement in the US dollar to pound exchange rate. The Company purchases products in US dollar from its parent company and the sales in US dollar provide some natural hedge against these purchases although this is now reduced as a result of the lower sales to related companies. The Company has no borrowings and is financed by equity which is owned 100% by its parent. As the Company has no borrowings it has no interest rate exposure.

##### *Liquidity and interest rate risk*

The Company finances activities by cash generated from operations and has no borrowings. The Directors therefore consider that the Company is not exposed to additional costs due to changes in interest charges, although the Directors are aware of the potential impact of such costs to its consumers and consequential sales activities.

##### *Price risk*

The Directors have incorporated in the Company's budgeted activities the impact of price changes on its input costs together with changes in output sales price. The Directors will review the impact of any cost changes and risks associated with this on its overall operating results and will attempt to ensure that these are controlled and overall operating results maintained.

The Directors believe that the main risks to the business remain twofold; firstly the nature of the market for ophthalmic lenses and changes in the structure thereof and secondly the competitive action of various suppliers to that market.

The Directors have assessed the impact of Brexit on the business. The company operates from a single manufacturing location in the UK supplying goods primarily to the UK market. A high proportion of the Company's material purchases come from Asia and have worked closely with all areas of the supply-chain to ensure the necessary contingencies are in place to minimise the impact of any delays in customs clearance. However, the Company's performance is reliant upon the efficient movement of goods and services imported from the European Union and upon the efficient movement of goods exported for sale to the European Union. Additionally the company employs a number of European nationals at its UK manufacturing operation. The company has assessed the possible risk to its operation from a negotiated "soft" and an un-negotiated "hard" Brexit and has taken steps to mitigate any possible disruption to its operation both internally and in collaboration with its stakeholders by increasing the inventory holding of many of the materials being imported from the European Union. The directors do not believe it will have a material impact on the business and will continue to monitor the situation closely.

**NIKON OPTICAL U.K. LIMITED**

**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**KEY PERFORMANCE INDICATORS**

The Directors of the Company manage its operations across several distinct business segments. For this reason the key performance indicators are not necessarily by themselves useful for an appropriate understanding of the performance or position of the Company. The performance of the Company is set out in the financial statements that accompany this report.

Approved by the Board of Directors on 6 June 2019 and signed on its behalf:

**A Dupont**  
Director



6 June 2019

## **NIKON OPTICAL U.K. LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the audited financial statements of Nikon Optical U.K. Limited (the "Company") for the year ended 31 December 2018.

#### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Nikon Optical U.K. Limited (the "Company"), registered number 03471182, is a wholly owned subsidiary of Nikon - Essilor Co. Limited and operates as the UK manufacturer and distributor. The Company's principal activities are the manufacture and sale of spectacle lenses to the ophthalmic industry in the UK and the rest of the world. Whilst there have been no significant changes in the Company's principal activities in the year under review, there has been a reduction in sales to related companies although this has been offset by increases in sales to its UK based customers through the year.

#### **ENVIRONMENT**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. The Company operates in accordance with the group policies and has initiatives in place designed to minimise the Company's impact on the environment. These include safe disposal of manufacturing 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 on page 16.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £807,000 (2017: £802,000).

An interim dividend of £700,000 was approved by board members on 12th November 2018 and paid on 4th December 2018, giving interim dividends for 2018 of £700,000 (2017: £3,488,439). The board members do not propose a final dividend in respect of the financial year ended 31 December 2018 (2017: £nil).

#### **DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year and up to the date of signing the financial statements were:

P Richman (resigned 31 December 2018)  
N Barbier  
M Horie  
A Dupont (appointed 1 January 2018)  
A-L Guillon (appointed 1 January 2019)

The Directors did not hold any interest in the shares of the Company or any other group company at 31 December 2018 or 31 December 2017.

#### **FUTURE DEVELOPMENTS**

Future developments can be found in the Strategic Report on page 2.

#### **GOING CONCERN**

The financial statements were prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future. There is no evidence indicating that the Company will not be able to continue its activities as a going concern as discussed further in note 1.

#### **FINANCIAL RISK MANAGEMENT**

Financial risk management can be found in the Strategic Report on page 2.

#### **POLITICAL AND CHARITABLE DONATIONS**

The Company made no political donations (2017: £nil) or incurred any political expenditure during the year. The Company made charitable donations of £1,170 (2017: £1,019) during the year.

**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

**DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each Director in offices at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

Pursuant to Section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 6 June 2019 and signed on its behalf by:

A Dupont  
Director



6 June 2019

## **NIKON OPTICAL U.K. LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKON OPTICAL U.K. LIMITED**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Nikon Optical U.K. Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all the potential implications on the Company's trade, customers, suppliers and the wider economy.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



## NIKON OPTICAL U.K. LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKON OPTICAL U.K. LIMITED (CONTINUED)

#### Strategic Report and Directors' Report

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### Responsibilities for the Financial Statements and the audit

##### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

##### Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### Other required reporting

##### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Rachel Cletheroe*

Rachel Cletheroe (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

7 June 2019

**NIKON OPTICAL U.K. LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	3	11,058	11,187
Cost of sales		(5,476)	(5,649)
<b>Gross profit</b>		<b>5,582</b>	<b>5,538</b>
Distribution costs		(176)	(133)
Administrative expenses		(4,423)	(4,389)
<b>Operating profit</b>	4	<b>983</b>	<b>1,016</b>
Interest receivable and similar income	7	4	-
<b>Profit before taxation</b>		<b>987</b>	<b>1,016</b>
Tax on profit	8	(180)	(214)
<b>Profit for the financial year</b>		<b>807</b>	<b>802</b>

Turnover and results are derived from continuing operations within the United Kingdom.

There are no items of other comprehensive income recognised, and therefore no Statement of comprehensive Income has been presented.

The notes on pages 11 to 22 form part of these financial statements.

**NIKON OPTICAL U.K. LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2018**

	Note	2018 £000	Restated 2017 £000
<b>Fixed assets</b>			
Intangible assets	10	34	103
Tangible assets	11	665	699
		<u>699</u>	<u>802</u>
<b>Current assets</b>			
Stocks	12	482	540
Debtors	13	2,328	2,316
Deferred tax	14	18	23
Cash at bank and in hand	15	2,497	1,847
		<u>5,325</u>	<u>4,726</u>
Creditors: amounts falling due within one year	16	(2,737)	(2,365)
		<u>2,588</u>	<u>2,361</u>
<b>Net current assets</b>			
		<u>2,588</u>	<u>2,361</u>
<b>Total assets less current liabilities</b>			
		<u>3,287</u>	<u>3,163</u>
<b>Provisions for liabilities</b>			
Other provisions	18	(246)	(229)
		<u>(246)</u>	<u>(229)</u>
<b>Net assets</b>			
		<u>3,041</u>	<u>2,934</u>
<b>Capital and reserves</b>			
Called up share capital	19	2,700	2,700
Profit and loss account		341	234
		<u>3,041</u>	<u>2,934</u>
<b>Total shareholders' funds</b>			
		<u>3,041</u>	<u>2,934</u>

Refer to note 10 on page 18 for further details of the restatement between tangible and intangible assets.

The financial statements on pages 8 to 22 were approved and authorised for issue by the board and were signed on its behalf on 6 June 2019 by:

A Dupont  
Director



The notes on pages 11 to 22 form part of these financial statements.

**NIKON OPTICAL U.K. LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2017	5,200	420	5,620
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	802	802
<b>Total comprehensive income for the year</b>	-	802	802
<b>Transactions with owners, recorded directly in equity</b>			
Dividends	-	(3,488)	(3,488)
Share Capital reduction	(2,500)	2,500	-
<b>Total contribution by and distributions to owners</b>	(2,500)	(988)	(3,488)
<b>Balance at 31 December 2017</b>	<b>2,700</b>	<b>234</b>	<b>2,934</b>

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2018	2,700	234	2,934
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	807	807
<b>Total comprehensive income for the year</b>	-	807	807
<b>Transactions with owners, recorded directly in equity</b>			
Dividends	-	(700)	(700)
<b>Total contribution by and distributions to owners</b>	-	(700)	(700)
<b>Balance at 31 December 2018</b>	<b>2,700</b>	<b>341</b>	<b>3,041</b>

The notes on pages 11 to 22 form part of these financial statements.

## NIKON OPTICAL U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 ACCOUNTING POLICIES

##### 1.1 GENERAL INFORMATION

Nikon Optical U.K. Limited ("The Company") is a private company limited by shares and is incorporated, domiciled and registered in England in the United Kingdom. The registered number is 03471182 and the registered address is 3 Tanners Drive, Blakelands, Milton Keynes, Buckinghamshire, MK14 5BU.

##### 1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently throughout the year:

##### 1.3 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Nikon Corporation, includes the Company's cash flows in its own consolidated financial statements.

The Company has taken advantage of the exemption, under FRS 102 paragraph 33.7, from disclosing the total compensation of key management personnel, on the basis that it is a qualifying entity and its ultimate parent company, Nikon Corporation, includes the Company's key management compensation in its own consolidated financial statements.

This information is included in the consolidated financial statements of Nikon Corporation as at 31 December 2018 which are available from Nikon Corporation, Tokyo, Japan and Essilor International, 147 rue de Paris, 94227 Charenton Cedex, France.

##### 1.4 MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis.

##### 1.5 GOING CONCERN

At the Balance Sheet date, the Company had net assets of £3,041,000 (2017: net assets of £2,934,000). The Directors have undertaken a review of the financial position of the Company and consider the Company has sufficient resources to enable it to meet its liabilities as and when they fall due for payment. The ultimate parent company Nikon Corporation, has committed to provide any financial support which may be necessary in order that the Company can meet its liabilities as they fall due for the foreseeable future.

The Directors are therefore satisfied that sufficient cash flow is present to pay liabilities as they fall due. Therefore the financial statements have been prepared on a going concern basis.

##### 1.6 FOREIGN CURRENCY TRANSLATION

###### Functional and presentation currency

The Company's functional and presentational currency is sterling.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in the Income Statement within administration expenses. All other foreign exchange gains and losses are presented in the Income Statement within administration expenses.

## NIKON OPTICAL U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 ACCOUNTING POLICIES (continued)

##### 1.7 RELATED PARTY TRANSACTIONS

The Company discloses transactions with related parties which are not wholly owned with the same group. It has taken advantage of the exemption under section 33 of FRS 102 from disclosing transactions with members of the same group that are wholly owned.

##### 1.8 TURNOVER

Turnover is derived from the sale of ophthalmic lenses, and is recognised on dispatch to the customer, net of VAT, rebates and discounts.

##### 1.9 TANGIBLE ASSETS

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of tangible assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income Statement during the year in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight - line method.

The estimated useful lives range is as follows:

Plant and machinery	7 - 10 years
Computer equipment, fixtures and fittings	3 - 5 years

Assets under construction are not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the Income Statement.

##### 1.10 INTANGIBLE ASSETS

Computer software that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful lives range is as follows:

Computer software	3 - 5 years
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The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

##### 1.11 EXPENSES

###### *Operating leases*

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

###### *Interest income*

Interest income includes interest receivable on funds invested. Interest income is recognised in the Income Statement as it accrues, using the effective interest method.

## NIKON OPTICAL U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 ACCOUNTING POLICIES (continued)

##### 1.11 EXPENSES (continued)

###### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

##### 1.12 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Income Statement.

##### 1.13 CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- 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
- 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.

##### 1.14 BASIC FINANCIAL INSTRUMENTS

###### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

###### *Cash and cash equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

##### 1.15 EMPLOYEE BENEFITS

###### *Defined Contribution Pension Plan*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

**1 ACCOUNTING POLICIES (continued)**

**1.16 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**1.17 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

**1.18 RESERVES**

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

**2 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The Directors believe there are no judgements that are significant enough to require disclosure.

Critical accounting estimates and assumptions:

*(i) Inventory Provisioning*

The Company manufactures and sells optical lenses and is subject to changing optical designs. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated new lens designs and market introduction and future usage of raw materials used in its production process to the carrying amount of the inventory and associated provision. See Note to the Financial Statements 12.

*(ii) Impairment of Debtors*

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note to the Financial Statements 13 for the net carrying amount of the debtors and associated impairment provision.



**NIKON OPTICAL U.K. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(continued)**

*(iii) Useful Economic Lives of intangible and tangible assets*

The annual amortisation charge for intangible assets and depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note to the Financial Statements 10 and 11 for the carrying amount of the intangible and tangible assets respectively, and Accounting Policies Note 1.10 and 1.9 for the useful economic lives for each class of assets.

*(iv) Dilapidation Provisions*

The Company has a provision for dilapidations on one property, which it expects will be incurred at the end of the lease. A dilapidations provision is recognised when there is a future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Company's unavoidable cost of meeting its obligations under the lease contract.

**3 TURNOVER**

The whole of the turnover is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	2018 £000	2017 £000
Europe	10,828	10,939
Asia and Australia	180	136
North America	50	112
	<u>11,058</u>	<u>11,187</u>

**4 OPERATING PROFIT**

The operating profit is stated after charging:

	2018 £000	Restated 2017 £000
Amortisation of intangible assets	69	69
Depreciation of tangible fixed assets	211	268
Impairment of trade receivables	-	2
Impairment of stocks	39	70
Inventory recognised as an expense	2,399	2,471
Operating lease charges	199	203
Foreign exchange (gains) / losses	24	15
	<u>24</u>	<u>15</u>

Refer to note 10 on page 18 for further details of the restatement between tangible and intangible assets.

Auditors' remuneration:

	2018 £000	2017 £000
Audit of these financial statements	27	30
	<u>27</u>	<u>30</u>

**NIKON OPTICAL U.K. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**5 EMPLOYEES**

Staff costs, including Directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	3,412	3,245
Social security costs	392	361
Other pension costs	152	160
	<u>3,956</u>	<u>3,766</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 Number	2017 Number
Production	53	57
Sales and distribution	30	31
Administration	11	10
	<u>94</u>	<u>98</u>

**6 DIRECTORS' REMUNERATION**

	2018 £000	2017 £000
Aggregate Directors' emoluments	506	586
Company contributions to defined contribution pension schemes	14	34
	<u>520</u>	<u>620</u>

During the year retirement benefits were accruing to 2 Directors (2017: 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £313,925 (2017: £406,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £8,041 (2017: £34,000).

**7 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018 £000	2017 £000
Bank interest receivable	4	-
	<u>4</u>	<u>-</u>

**NIKON OPTICAL U.K. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**8 TAX ON PROFIT**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
Current tax on profits for the year	<b>180</b>	266
Adjustments in respect of prior year	<b>(5)</b>	(31)
<b>Total current tax</b>	<b>175</b>	235
<b>Deferred tax (see note 14)</b>		
Origination and reversal of timing differences	<b>13</b>	(14)
Adjustment in respect of prior year	<b>(8)</b>	(7)
<b>Total deferred tax</b>	<b>5</b>	(21)
<b>Total tax expense</b>	<b>180</b>	214

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Profit before taxation</b>	<b>987</b>	1,016
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	<b>187</b>	196
Effects of:		
Expense not deductible/(income not taxable) for tax purposes	<b>7</b>	(11)
Accelerated capital allowances and other timing differences	-	2
Adjustments in respect of prior year	<b>(13)</b>	27
Impact of rate difference between deferred and current tax	<b>(1)</b>	-
<b>Total tax charge for the year</b>	<b>180</b>	214

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The UK Corporation tax rate reduced to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance bill 2016 (on 6 September 2016). This included reductions to the main rate to reduce the rate to 17% from 1 April 2020.

NIKON OPTICAL U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

9 DIVIDENDS

	2018 £000	2017 £000
Dividends paid equivalent to £0.26 per £1 share (2017: £1.29 per £1 share)	700	3,488

10 INTANGIBLE ASSETS

	Restated Software £000
<b>Cost</b>	
At 1 January 2018	505
<b>At 31 December 2018</b>	<b>505</b>
<b>Accumulated amortisation</b>	
At 1 January 2018	402
Charge for the period	69
<b>At 31 December 2018</b>	<b>471</b>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<b>34</b>
At 31 December 2017	103

The Company has amended the presentation of software to better reflect the nature of the asset as intangible assets in line with FRS 102 Section 18. Software was previously disclosed within computer equipment, fixtures and fittings asset category in Tangible Assets (Note 11). This resulted in a reclassification of costs of £505,000 and accumulated amortisation of £333,000 of intangible assets from tangible assets as at the beginning of the earliest prior period presented (1 January 2017). This represented a net book value reclassification of £172,000. For the 31 December 2017 year end, there were no additions or disposals but a £69,000 increase in amortisation expense with a corresponding decrease in depreciation expense which resulted in a nil impact in administrative expenses. This resulted in a restated net book value of £103,000 as at 31 December 2017. No change has been made to the useful economic life.

NIKON OPTICAL U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

11 TANGIBLE ASSETS

	Plant and machinery £000	Restated Computer equipment, fixtures and fittings £000	Assets under Construction £000	Restated Total £000
<b>Cost or valuation</b>				
At 1 January 2018	4,751	2,665	5	7,421
Additions	10	65	102	177
<b>At 31 December 2018</b>	<b>4,761</b>	<b>2,730</b>	<b>107</b>	<b>7,598</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	4,261	2,461	-	6,722
Charge for the year	141	70	-	211
<b>At 31 December 2018</b>	<b>4,402</b>	<b>2,531</b>	<b>-</b>	<b>6,933</b>
<b>Net book value</b>				
At 31 December 2018	359	199	107	665
At 31 December 2017	490	204	5	699

Refer to note 10 on page 18 for further details of the restatement between tangible and intangible assets.

12 STOCKS

	2018 £000	2017 £000
Raw materials and consumables	146	288
Work in progress (goods to be sold)	8	6
Finished goods and goods for resale	328	246
	<b>482</b>	<b>540</b>

Stock recognised in cost of sales during the year as an expense was £2,398,819 (2017: £2,471,364).

A full provision of £174,000 (2017: £135,000) was held against stock during the year due to slow-moving and obsolete stock.

The value of stock at year end is not materially different to its replacement cost.

**NIKON OPTICAL U.K. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13 DEBTORS**

	2018 £000	Restated 2017 £000
Trade debtors	1,754	1,673
Amounts owed by group undertakings	281	460
Prepayments and accrued income	293	183
	<u>2,328</u>	<u>2,316</u>

Trade debtors are stated after provisions for impairment of £34,323 (2017: £34,323).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. The company has amended the prior year disclosure of amounts owed by group undertakings to show this separately from trade debtors to best reflect the nature of the debtor.

**14 DEFERRED TAXATION**

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Capital allowances in excess of depreciation	-	-	(35)	(27)	(35)	(27)
Short term timing differences	53	50	-	-	53	50
Net tax assets/(liabilities)	<u>53</u>	<u>50</u>	<u>(35)</u>	<u>(27)</u>	<u>18</u>	<u>23</u>

Movement in deferred tax during the year:

	Balance as at 1 January 2018 £000	Recognised in income £000	Balance as at 31 December 2018 £000
Capital allowances in excess of depreciation	(27)	(8)	(35)
Short term timing differences	50	3	53
	<u>23</u>	<u>(5)</u>	<u>18</u>

The company has no unused tax losses or unused tax credits.

**15 CASH AT BANK AND IN HAND**

	2018 £000	2017 £000
Cash at bank and in hand	<u>2,497</u>	<u>1,847</u>

NIKON OPTICAL U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 December 2018

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	Restated 2017 £000
Trade creditors	387	434
Amounts owed to group undertakings	715	602
Corporation tax	105	106
Other taxation and social security	278	252
Accruals and deferred income	1,252	971
	<u>2,737</u>	<u>2,365</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The company has amended the prior year disclosure of amounts owed to group undertakings to show this separately from trade creditors to best reflect the nature of the creditor.

17 FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>2,035</u>	<u>2,133</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(2,354)</u>	<u>(2,007)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

18 PROVISIONS

	Dilapidation provision £000
Balance at 1 January 2018	229
Provisions made during the year	17
<b>Balance at 31 December 2018</b>	<u>246</u>

The provision is for dilapidations on a property, which it expects will be incurred at the end of the lease.

19 CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
<b>ALLOTTED AND FULLY PAID</b>		
2,700,000 (2017: 2,700,000) ordinary shares of £1 each	<u>2,700</u>	<u>2,700</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

## NIKON OPTICAL U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 December 2018

#### 20 PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £152,161 (2017: £160,360).

#### 21 CAPITAL AND OTHER COMMITMENTS

At 31 December, the Company had future minimum lease payments under non - cancellable operating leases as follows:

	2018 £000	2017 £000
Less than one year	209	112
Between one and five years	372	606
<b>Total</b>	<b>581</b>	<b>778</b>

At the Balance Sheet date the Company had capital commitments of £65,600 (2017: £NIL) in respect of plant and machinery ordered for delivery in 2019.

The Company had no other off-Balance Sheet arrangements.

#### 22 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Nikon - Essilor Co. Limited, a company incorporated in Japan.

The ultimate parent undertaking and controlling party is Nikon Corporation, a company incorporated in Japan. This is the largest and smallest group of undertakings for which consolidated financial statements are prepared. Copies of those financial statements are available from Nikon Corporation, Tokyo, Japan and Essilor International, 147 rue de Paris, 94227 Charenton Cedex, France.