FGX Europe Limited

Directors' report and financial statements

Registered number 03487910

31 December 2011

Contents

Directors' report

The directors present their annual report and the audited financial statements for FGX Europe Limited (the "Company") for the year ended 31 December 2011

Business Review and Principal Activities

The Company's principal activities are the supply and sale of Sunglasses and Readi Readers (non-prescription reading glasses) to the retail trade Distribution is through multiple grocers, multiple chemists, fashion and convenience outlets together with independent retailers

The Company's objective is to be the number one supplier of mass market Sunglasses and Readi Readers in Europe

During the year, FGX Europe Ltd purchased 100% of the share capital of Sight Station Ltd (formerly called Framed Vision Ltd)

Sight Station Ltd is a leading supplier of fashion readers predominately supplying high street fashion and department stores in the UK This transaction was approved by the Office of Fair Trading in February 2011 The purchase transaction was completed in February 2011

There have not been any significant changes in the Company's principal activities in the year under review The directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the following year

As shown in the Company's profit and loss account on page 5, the Company's turnover has increased by 4 2% Turnover in 2011 was higher due to the addition of one major reading glass customer and increased range and distribution across other major customers

The directors monitor the performance of the Company through the use of performance indicators such as sales, returns of sunglasses, gross profit and gross profit margin percentage The Company will continue the strategy of identifying opportunities to organically grow within the retail sector offering value yet stylist product "affordable fashion" to the mass market

The balance sheet on page 6 of the financial statements shows the Company's financial position at the year-end Increased stock holding levels in 2011 compared to 2010 are attributable to the increased sunglasses turnover and the timing of incoming distributions The Company continues to receive support from its parent company, FGX International Inc,

Principal risks and uncertainties

Competitive pressure in the market place, both in the UK and Continental Europe, is a continuing risk for the Company To manage this risk, the Company strives to provide added-value products and services to its customers, prompt response times in the supply of products and services and in the handling of customer queries, and through the maintenance of strong relationships with customers

The Company's business may be affected by the weather, the economy, movement in foreign currency translation rates, changing consumer preferences and fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks

The Company is financed by a fixed rate loan from its parent This loan is in the form of a number of Promissory Notes issued by FGX International Inc, with interest being charged at 6 5% per annum The Promissory Notes are repayable by 2013

Environment

The Company 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 Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

Directors' report *(continued)*

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Charitable Contributions

The Company made charitable donations of £30 *(prior period £323)* during the year

Dividends

The directors do not recommend payment of a dividend for the year *(prior period Nil)*

Directors

The directors who held office during the year were as follows

Alec Taylor
Jeffrey Giguere
Dominique Ravets

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

Alec Taylor

Longbridge Hayes Road
Longport
Stoke-on-Trent
ST6 4DS

Statement of Directors' Responsibilities

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law they have elected to prepare the financıal statements ın accordance wıth UK Accountıng Standards and applıcable law (UK Generally Accepted Accountıng Practıce)

Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the dırectors are requıred to

• select suıtable accountıng polıcıes and then apply them consıstently,
• make ȷudgments and estımates that are reasonable and prudent,
• state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
• prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the Company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other ırregularıtıes

Independent auditor's report to the members of FGX Europe Limited

We have audited the financial statements of FGX Europe Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors 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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on the other matter prescribed by the Companies Act 2006

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

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

Paul Lucas (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)
45 Church Street
Birmingham
B3 2RT

Date

26 September 2012

Profit and loss account

for the year ended 31 December2011

	Note	**Year ended 31 December 2011** **£**	Year ended 31 December 2010 £
Turnover	2	**7,730,893**	7,417,716
Cost of sales		**(3,032,741)**	(2,981,023)
Gross profit		**4,698,152**	4,436,693
Administrative expenses		**(1,985,496)**	(2,108,953)
Distribution costs		**(2,636,846)**	(2,266,242)
Operating profit	3	**75,810**	61,498
Other interest receivable and similar income	5	**3,280**	4,486
Interest payable and similar charges	6	**(146,076)**	(116,655)
Loss on ordinary activities before taxation		**(66,986)**	(50,671)
Tax on loss on ordinary activities	7	**-**	-
Retained loss for the financial year	16	**(66,986)**	(50,671)

All results derive from continuing operations

There are no recognised gains or losses other than the retained loss for the year

Balance sheet
at 31 December 2011

	Note		31 December 2011		31 December 2010
		£	£	£	£
Fixed assets					
Investments	*8*		3,279,782		-
Tangible assets	*9*		626,635		598,855
Current assets					
Stocks	*10*	3,125,032		2,194,412	
Debtors (including £323,186(2010 £nil) due after more than one year	*11*	1,094,691		932,252	
Cash at bank and in hand		169,513		388,442	
		4,389,236		3,515,106	
Creditors. amounts falling due within one year	*12*	(5,732,784)		(2,132,445)	
Net current (liabilities) / assets			(1,343,548)		1,382,661
Total assets less current liabilities			2,562,869		1,981,516
Creditors amounts falling due after more than one year	*13*		(2,700,171)		(2,051,832)
Net liabilities			(137,302)		(70,316)
Capital and reserves					
Called up share capital	*15*		1,600,001		1,600,001
Profit and loss account	*16*		(1,737,303)		(1,670,317)
Shareholders' deficit	*17*		(137,302)		(70,316)

These financial statements were approved by the Board of Directors on 24/9/12 and were signed on its behalf by

Alec Taylor
Director

Registered Number 03487910

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Going Concern
The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons FGX International Inc, the immediate parent company, has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the company This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Consolidated accounts exemption
Consolidated financial statements incorporating the financial statements of the subsidiary undertaking are not prepared as the company is itself a wholly owned subsidiary of another company incorporated in the European Community

Cash Flow Statement
Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Related Party Transactions
As the company is an indirect wholly owned subsidiary of FGX International Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of FGX International Inc, within which this company is included, can be obtained from the address given in note 18

Fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives

Fixtures	between 1 and 3 years
Furniture, fittings and equipment	15% reducing balance
Computer equipment	5 years

Sunglass stands are not depreciated by equal instalments Sunglass stands are depreciated 50% in the month of issue, followed by the remaining 50% depreciated on a straight line basis over the first six months of the following financial year

Notes*(continued)*

Fixed assets and depreciation (continued)
In accordance with FRS 11 "Impairment of Fixed Assets and Goodwill", FGX Europe Ltd carry out a periodic review of all fixed assets to determine whether there has been an impairment of its tangible fixed assets during the year The sunglasses and readi reader stands have been identified as a single income generating unit for this purpose

Stocks
Stocks are stated at the lower of cost and net realisable value In determining the cost of goods purchased for resale the weighted average purchase price is used Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow moving or defective items where appropriate

Operating Leases
Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Taxation
The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

2 Turnover

Substantially all of the company's turnover arises within the United Kingdom and relates to the importation and distribution of sunglasses and reading glasses Turnover is stated net of credits, allowances, discounts and VAT Turnover is recognised on delivery of goods

	31 December 2011	31 December 2010
	£	£
UK	**7,332,159**	7,146,608
Rest of Europe	**398,734**	271,108
Total Turnover	**7,730,893**	7,417,716

Notes *(continued)*

3 Notes to the profit and loss account

	31 December 2011 £	31 December 2010 £
Loss on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets owned	**538,039**	807,125
Hire of plant and machinery – operating leases	**35,684**	32,791
Hire of other assets – operating leases	**146,750**	138,500

Auditors' remuneration	2011 £	2010 £
Audit of these financial statements	**22,000**	23,560
All other services	**600**	-

In 2011 the directors received their remuneration for services to the company through other group entities and these are not separately identifiable

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows

	31 December 2011	31 December 2010
Selling and marketing	**29**	27
Administration	**15**	15
	44	42

The aggregate payroll costs of these persons were as follows

	31 December 2011 £	31 December 2010 £
Wages and salaries	**1,013,360**	924,977
Social security costs	**99,196**	92,624
Other pension costs	**10,041**	10,651
	1,122,597	1,028,252

Notes *(continued)*

5 Interest receivable and similar income

	31 December 2011 £	31 December 2010 £
Late payment interest receivable	**-**	347
Bank interest receivable	**3,280**	4,139
	3,280	4,486

6 Interest payable and similar charges

	31 December 2011 £	31 December 2010 £
On loans from group undertakings	**146,076**	116,655

7 Taxation

Analysis of charge in period

	31 December 2011 £	**£**	31 December 2010 £	£
UK corporation tax				
Current tax on income for the period	-		-	
Total current tax		-		-
Deferred tax (note 13)		-		-
Tax on profit on ordinary activities		-		-

The current tax credit differs from the standard rate of corporation tax in the UK 26% *(prior period 28%)* The differences are explained below

	31 December 2011 £	31 December 2010 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(66,986)**	(50,671)
Current tax at 26% *(2011 28%)*	**(17,748)**	(14,188)
Effects of		
Expenses not deductible for tax purposes – fixed assets	**11,734**	-
Expenses not deductible for tax purposes	**2,042**	2,968
Group relief surrendered / (claimed)	**8,597**	-
Capital allowances in excess of depreciation	**(6,374)**	55,507
Unrelieved losses and other deductions	**1,749**	(44,287)
Total current tax charge (see above)	**-**	-

Notes *(continued)*

8 Investments £

	Total £
Cost	
At beginning of year	-
Additions	3,279,782
At end of year	3,279,782

During the year the company acquired 100% of the share capital of Sight Station Limited which is a trading company registered in England and Wales

9 Tangible fixed assets

	Fixtures £	Furniture, fittings and equipment £	Computer Equipment £	Total £
Cost				
At beginning of year	4,153,499	270,652	121,999	4,546,150
Additions	555,918	4,901	5,000	565,819
Disposals	-	(200)	-	(200)
At end of year	4,709,417	275,353	126,999	5,111,769
Depreciation				
At beginning of year	3,627,408	207,804	112,083	3,947,295
Charge for year	523,783	8,849	5,407	538,039
Charge on Disposals	-	(200)	-	(200)
At end of year	4,151,191	216,453	117,490	4,485,134
Net book value				
At 31 December 2011	558,226	58,900	9,509	626,635
At 31 December 2010	526,091	62,848	9,916	598,855

10 Stocks

	31 December 2011 £	31 December 2010 £
Finished goods and goods for resale	**3,125,032**	2,194,412

Notes *(continued)*

11 Debtors

	31 December 2011 £	31 December 2010 £
Trade debtors	**532,094**	419,419
Other debtors	**427,170**	273,333
Taxation and social security	**4,705**	-
Prepayments and accrued income	**130,722**	239,500
	1,094,691	932,252

12 Creditors: amounts falling due within one year

	31 December 2011 £	31 December 2010 £
Trade creditors	**464,253**	529 299
Amounts owed to group undertakings	**2,805,169**	18,138
Other creditors	**379,702**	477,749
Taxation and social security	**-**	22,434
Accruals and deferred income	**2,083,660**	1,084,825
	5,732,784	2,132,445

13 Creditors: amounts falling due after more than one year

	31 December 2011 £	31 December 2010 £
Amounts owed to group undertakings	**2,700,171**	2,051,832

Analysis of debt

Debt can be analysed as falling due	31 December 2011 £	31 December 2010 £
Between one and five years	**2,700,171**	2,051,832
	2,700,171	2,051,832

Amounts owed to group undertakings include Promissory Notes with a value of £1,474,198 (prior period £828,858), each attracting a rate of interest of 6 5% per annum which is fixed over the length of the Promissory Notes

Notes *(continued)*

14 Provision for liabilities and charges

	£
At beginning of year	-
Charge to the profit and loss for the year	-
At end of year	-

The elements of deferred tax are as follows

	Current year		Prior year	
	Provided	Unprovided	Provided	Unprovided
Accelerated capital allowances	-	**(364,694)**	-	(415,194)
Short term timing differences	-	-	-	-
Losses	-	**(261,828)**	-	(291,399)
	-	**(626,522)**	-	(706,593)

Deferred tax assets are not recognised as the directors do not believe that the availability of suitable taxable profits to utilise the losses is sufficiently certain

15 Called up share capital

	31 December 2011		31 December 2010	
	Number	**£**	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**1,600,001**	**1,600,001**	1,600,001	1,600,001

16 Reserves

	Profit and loss account £
At beginning of year	(1,670,317)
Loss for the year	(66,986)
At end of year	**(1,737,303)**

17 Reconciliation of shareholders' funds

	31 December 2011 £	31 December 2010 £
Loss for the financial year	**(66,986)**	(50,671)
Net decrease in shareholders' funds	**(66,986)**	(50,671)
Opening shareholders' funds	**(70,316)**	(19,645)
Closing shareholders' funds	**(137,302)**	(70,316)

Notes *(continued)*

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

	31 December 2011		31 December 2010	
	Land and Buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire				
Within one year	**-**	**1,527**	-	-
In the second to fifth years inclusive	**151,000**	**23,141**	146,750	35,684
	151,000	**24,668**	146,750	35,684

19 Ultimate parent undertaking

The immediate parent undertaking is FGX International Inc, incorporated in Delaware, USA

The ultimate parent undertaking and controlling party is Essilor Intl, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of Essilor Intl consolidated financial statements can be obtained from Essilor Intl, 147 Rue De Paris, 94220 Charenton-Le-Pont, France