

FGX Europe Limited
Directors' report and financial
statements
Registered number 03487910
31 December 2012

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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 2012

Business Review and Principal Activities

The Company's principal activities are the supply and sale of Sunglasses and Ready 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 Ready Readers in Europe.

On the 31 December 2012 FGX Europe Limited acquired in full the trade and assets of its subsidiary Sight Station Limited.

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.

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 stylish 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 2013 compared to 2012 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 at the earliest.

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 (resigned March 2013)
Jeffrey Giguere
Dominique Ravets
Anthony DiPaola (Appointed March 2013)
Cesar Melo (Appointed March 2013)
Matthew Panucci (Appointed March 2013)

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 12 September 2013



A DiPaola

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

Statement of Directors' Responsibilities

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and 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 FGX Europe Limited

We have audited the financial statements of FGX Europe Limited for the year ended 31 December 2012 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on 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

20 September 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Turnover	2	8,720,245	7,730,893
Cost of sales		(3,331,897)	(3,032,741)
Gross profit		<u>5,388,348</u>	<u>4,698,152</u>
Administrative expenses		(2,986,061)	(1,985,496)
Distribution costs		(2,220,412)	(2,636,846)
Operating profit	3	<u>181,875</u>	75,810
Other interest receivable and similar income	5	1,555	3,280
Interest payable and similar charges	6	(149,745)	(146,076)
Profit / (Loss) on ordinary activities before taxation		<u>33,685</u>	<u>(66,986)</u>
Tax on profit / (loss) on ordinary activities	7	-	-
Retained profit / (loss) for the financial year	18	<u><u>33,685</u></u>	<u><u>(66,986)</u></u>

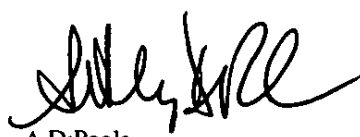
All results derive from continuing operations

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

Balance sheet
at 31 December 2012

	Note	31 December 2012 £	31 December 2011 £
Fixed assets			
Investments	9	1,265,567	3,279,782
Goodwill	10	2,014,215	-
Tangible assets	11	929,257	626,635
Current assets			
Stocks	12	4,628,797	3,125,032
Debtors (including £238,395 (2011 £238,395) due after more than one year)	13	1,817,004	1,094,691
Cash at bank and in hand		443,790	169,513
		<u>6,889,591</u>	<u>4,389,236</u>
Creditors: amounts falling due within one year	14	<u>(9,976,273)</u>	<u>(5,732,784)</u>
Net current (liabilities) / assets		<u>(3,086,682)</u>	<u>1,343,548</u>
Total assets less current liabilities		<u>1,122,357</u>	<u>2,562,869</u>
Creditors: amounts falling due after more than one year	15	<u>(1,225,974)</u>	<u>(2,700,171)</u>
Net liabilities		<u>(103,617)</u>	<u>(137,302)</u>
Capital and reserves			
Called up share capital	17	1,600,001	1,600,001
Profit and loss account	18	(1,703,618)	(1,737,303)
Shareholders' deficit	19	<u>(103,617)</u>	<u>(137,302)</u>

These financial statements were approved by the Board of Directors on 12th Sept 2013 and were signed on its behalf by


A DiPaola
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", the Company carries 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 reading glasses 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 result 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 2012	31 December 2011
	£	£
UK	7,956,847	7,332,159
Rest of World	763,398	398,734
	<hr/>	<hr/>
Total Turnover	8,720,245	7,730,893
	<hr/>	<hr/>

Notes(continued)

3 Notes to the profit and loss account

	31 December 2012 £	31 December 2011 £
<i>Profit on ordinary activities before taxation is stated after charging.</i>		
Depreciation and other amounts written off tangible fixed assets owned	637,846	538,039
Hire of plant and machinery – operating leases	45,126	35,684
Hire of other assets – operating leases	150,183	146,750
	<u> </u>	<u> </u>
Auditors' remuneration	2012 £	2011 £
Audit of financial statements	25,100	22,000
Non-assurance services	800	600
	<u> </u>	<u> </u>

In 2012 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 2012	31 December 2011
Selling and marketing	31	29
Administration	15	15
	<u> </u>	<u> </u>
	46	44
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows

	31 December 2012 £	31 December 2011 £
Wages and salaries	1,192,614	1,013,360
Social security costs	141,295	99,196
Other pension costs	11,178	10,041
	<u> </u>	<u> </u>
	1,345,087	1,122,597
	<u> </u>	<u> </u>

Notes(continued)

5 Interest receivable and similar income

	31 December 2012 £	31 December 2011 £
Bank interest receivable	1,555	3,280
	<u>1,555</u>	<u>3,280</u>

6 Interest payable and similar charges

	31 December 2012 £	31 December 2011 £
On loans from group undertakings	149,745	146,086
	<u>149,745</u>	<u>146,086</u>

7 Taxation

Analysis of charge in period

	31 December 2012 £	£	31 December 2011 £	£
<i>UK corporation tax</i>				
Current tax on profit / (loss) for the year	-		-	
	<u>-</u>		<u>-</u>	
Total current tax		-		-
Deferred tax (note 13)		-		-
		<u>-</u>		<u>-</u>
Tax on profit / (loss) on ordinary activities		-		-
		<u>-</u>		<u>-</u>

The current tax result differs from the standard rate of corporation tax in the UK 24.5% (2011: 26.5%). The differences are explained below

	31 December 2012 £	31 December 2011 £
<i>Current tax reconciliation</i>		
Profit / (Loss) on ordinary activities before tax	33,685	(66,986)
Current tax at 24.5% (2011: 26.5%)	<u>8,252</u>	<u>(17,748)</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes – fixed assets	1,384	11,734
Expenses not deductible for tax purposes	18,976	2,042
Group relief surrendered	42,919	8,597
Capital allowances in excess of depreciation	(76,702)	(6,374)
Unrelieved losses and other deductions	-	1,749
Other tax adjustments	5,171	-
	<u>-</u>	<u>-</u>
Total current tax charge (see above)	<u>-</u>	<u>-</u>

Notes (continued)

8 Business acquisition

On 31 December 2012 FGX Europe Limited acquired the trade and net assets of its subsidiary Sight Station Limited. The book values of the assets and liabilities acquired were equal to their fair values and the consideration paid was settled via intercompany.

	Book and fair values £
Tangible fixed assets	56,666
Stock	981,899
Debtors	680,528
Cash	151,100
Creditors	(604,626)
Net assets acquired	<u>1,265,567</u>

9 Investments

	Total £
Cost	
At beginning of year	3,279,782
Transfer to Goodwill	(2,014,215)
At end of year	<u>1,265,567</u>

The Company owns 100% of the issued share capital of Sight Station Limited, a company incorporated in England and Wales. On 31 December 2012 a transfer was made from Investments to Goodwill to reflect the hive-up of the subsidiary's trade and net assets into FGX Europe Limited. From 1 January 2013 Sight Station Limited will be a dormant company.

10 Goodwill

	Total £
Cost	
Transfer from Investments	2,014,215
At end of year	<u>2,014,215</u>

Notes (continued)

11 Tangible fixed assets

	Fixtures £	Furniture, fittings and equipment £	Computer Equipment £	Total £
Cost				
At beginning of year	4,709,417	275,353	126,999	5,111,769
Additions	823,797	55,182	4,823	883,802
Acquisition	-	56,666	-	56,666
At end of year	<u>5,533,214</u>	<u>387,201</u>	<u>131,822</u>	<u>6,052,237</u>
Depreciation				
At beginning of year	4,151,191	216,453	117,490	4,485,134
Charge for year	612,896	18,352	6,598	637,846
At end of year	<u>4,764,087</u>	<u>234,805</u>	<u>124,088</u>	<u>5,122,980</u>
Net book value				
At 31 December 2012	769,126	152,396	7,734	929,257
At 31 December 2011	<u>558,226</u>	<u>58,900</u>	<u>9,509</u>	<u>626,635</u>

12 Stocks

	31 December 2012 £	31 December 2011 £
Finished goods and goods for resale	<u>4,628,797</u>	<u>3,769,674</u>

13 Debtors

	31 December 2012 £	31 December 2011 £
Trade debtors	1,169,604	1,086,259
Other debtors	257,325	427,446
Other taxation	65,452	15,281
Prepayments and accrued income	314,623	130,722
Reserves	10,000	-
	<u>1,817,004</u>	<u>1,094,691</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	31 December 2012 £	31 December 2011 £
Trade creditors	659,465	714,015
Amounts owed to group undertakings	5,927,696	2,805,169
Amounts owed to subsidiary undertakings	1,265,567	-
Other creditors	38,729	689,671
Corporation tax	159,035	-
Other taxation and social security	226,837	801
Accruals and deferred income	1,698,944	2,083,660
Hire Purchase Contracts	-	4,939
	<u>9,976,273</u>	<u>6,298,255</u>

Amounts owed to group undertakings include Promissory Notes with a value of £1,474,198 (2011 £nil), each attracting a rate of interest of 6.5% per annum which is fixed over the length of the Promissory Notes. These are repayable during 2013.

15 Creditors: amounts falling due after more than one year

	31 December 2012 £	31 December 2011 £
Amounts owed to group undertakings	1,225,974	3,065,972
	<u>1,225,974</u>	<u>3,065,972</u>
<i>Analysis of debt</i>	31 December 2012 £	31 December 2011 £
Debt can be analysed as falling due		
Between one and five years	1,225,974	3,065,972
	<u>1,225,974</u>	<u>3,065,972</u>

Amounts owed to group undertakings include Promissory Notes with a value of £nil (2011 £1,474,198), each attracting a rate of interest of 6.5% per annum which is fixed over the length of the Promissory Notes. These are repayable during 2013.

Notes(continued)

16 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	-	(87,838)	-	(173,752)
Short term timing differences	-	(13,716)	-	-
Losses	-	(306,183)	-	(332,808)
	<u>-</u>	<u>(407,737)</u>	<u>-</u>	<u>(506,560)</u>

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

17 Called up share capital

	31 December 2012		31 December 2011	
	Number	£	Number	£
<i>Allotted, called up and fully paid.</i>				
Ordinary shares of £1 each	1,600,001	1,600,001	1,600,001	1,600,001

18 Reserves

	Profit and loss account £
At beginning of year	(1,737,303)
Profit for the year	33,685
At end of year	(1,703,618)

19 Reconciliation of shareholders' deficit

	31 December 2012 £	31 December 2011 £
Profit / (Loss) for the financial year	33,685	(66,986)
Net increase / (decrease) in shareholders' deficit	33,685	(66,986)
Opening shareholders' deficit	(137,302)	(70,316)
Closing shareholders' deficit	(103,617)	(137,302)

Notes*(continued)*

20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	31 December 2012		31 December 2011	
	Land and Buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire				
Within one year	-	1,527	-	1,527
In the second to fifth years inclusive	151,000	23,141	151,000	23,141
	<u>151,000</u>	<u>24,668</u>	<u>151,000</u>	<u>24,668</u>

21 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