FGX Europe Limited

Reports and financial statements

Registered number 03487910

31 December 2013

Contents

Strategic report

The directors present their Strategic report for FGX Europe Limited (the "Company") for the year ended 31 December 2013.

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.

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 stylist product "affordable fashion" to the mass market.

The results for the year reflect the first year of trading since the company acquired the trade and assets of its subsidiary Sight Station Limited on 31 December 2012. The has had a significant impact on the levels of activity with turnover increasing by 31.9% from the prior year and operating profit margins increasing from 2.1% to 11.0%.

The balance sheet on page 6 of the financial statements shows the Company's financial position at the year-end. The increase in activity levels has lead to an increase in trade debtors and trade creditors but stock levels have decreased due to the increased sunglasses turnover and the timing of incoming distributions. Due to the on-going net current liabilities position the Company continues to receive support from its parent company, FGX International Inc, however, overall the balance sheet is now in a net assets position.

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.

By order of the board

A.DiPaola
Director

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

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 2013.

Financial risk management

The company's activities mean it is potentially exposed to credit, liquidity and cashflow risks. The Company's principal financial assets are bank balances and cash, trade and other receivables.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that credit terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. The company limits individual trade debtor exposures and these limits are reviewed on a continual basis.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the company. The company is focussed on reducing debtor and inventory days. The company also manages liquidity risk via long term debt.

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 2015 at the earliest.

Cash flow risk is the risk of exposure to variability in cash flows due to changes in demand and prices. The company addresses this risk by closely monitoring working capital levels and ensuring it has the resources available to meet its obligations as they fall due.

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.

Employees

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

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)
César Melo (Appointed March 2013)
Matthew Panucci (Appointed March 2013)

Directors' report (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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

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

A.DiPaola
Director

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

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 2013 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 2013 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 Strategic Report and 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 4. September 2014.

Profit and loss account

for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £**	Year ended 31 December 2012 £
Turnover	*2*	**11,500,228**	8,720,245
Cost of sales		**(4,339,282)**	(3,331,897)
Gross profit		**7,160,946**	5,388,348
Administrative expenses		**(2,484,750)**	(2,220,142)
Distribution costs		**(3,413,231)**	(2,986,061)
Operating profit	*3*	**1,262,965**	181,875
Other interest receivable and similar income	*5*	**453**	1,555
Interest payable and similar charges	*6*	**(140,935)**	(149,745)
Profit on ordinary activities before taxation		**1,122,483**	33,685
Tax on profit on ordinary activities	*7*	**(105)**	-
Retained profit for the financial year	*18*	**1,122,378**	33,685

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 2013

	Note		31 December 2013		31 December 2012
		£	£	£	£
Fixed assets					
Investments	8		**1,265,567**		1,265,567
Goodwill	9		**1,913,504**		2,014,215
Tangible assets	10		**949,680**		929,257
			4,128,751		4,209,039
Current assets					
Stocks	11	**4,366,095**		4,628,797	
Debtors	12	**2,959,993**		1,817,004	
Cash at bank and in hand		**495,699**		443,790	
		7,821,787		6,889,591	
Creditors: amounts falling due within one year	13	**(8,231,605)**		(8,502,075)	
Net current liabilities			**(409,818)**		(1,612,484)
Total assets less current liabilities			**3,718,933**		2,596,555
Creditors: amounts falling due after more than one year	14		**(2,700,172)**		(2,700,172)
Net assets/(liabilities)			**1,018,761**		(103,617)
Capital and reserves					
Called up share capital	16		**1,600,001**		1,600,001
Profit and loss account	17		**(581,240)**		(1,703,618)
Shareholders' funds/(deficit)	18		**1,018,761**		(103,617)

These financial statements were approved by the Board of Directors on 22nd Aug 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 Essilor International SA, 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 Essilor International SA, within which this Company is included, can be obtained from the address given in note 20.

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 straight line

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 readi reader stands have been identified as a single income generating unit for this purpose.

Goodwill
Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful economic life of 20 years, subject to any provision for impairment.

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.

	2013	2012
	£	£
UK	**10,288,487**	7,956,847
Rest of World	**1,211,741**	763,398
Total Turnover	**11,500,228**	8,720,245

Notes *(continued)*

3 Notes to the profit and loss account

	2013	2012
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets owned	**848,597**	637,846
Hire of plant and machinery – operating leases	**58,019**	45,126
Hire of other assets – operating leases	**151,000**	150,183

Auditors' remuneration:	2013	2012
	£	£
Audit of financial statements	**25,000**	25,100
Non-assurance services	**600**	800

In 2013 and 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:

	2013	2012
Selling and marketing	**32**	31
Administration	**15**	15
	47	46

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£	£
Wages and salaries	**1,269,683**	1,192,614
Social security costs	**142,352**	141,295
Other pension costs	**10,355**	11,178
	1,422,390	1,345,087

Notes *(continued)*

5 Interest receivable and similar income

	2013	2012
	£	£
Bank interest receivable	**453**	1,555
	453	1,555

6 Interest payable and similar charges

	2013	2012
	£	£
On loans from group undertakings	**140,935**	149,745

7 Taxation

Analysis of charge in period

	2013	2012
	£	£
UK corporation tax		
Current tax on profit for the year	**105**	-
Total current tax	**105**	-
Deferred tax (note 16)	-	-
Tax on profit on ordinary activities	**105**	-

The current tax result differs from the standard rate of corporation tax in the UK 23.25% (2012: 24.5%). The differences are explained below.

	2013	2012
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**1,122,483**	33,685
Current tax at 23.25% *(2012 : 24.5%)*	**260,939**	8,252
Effects of:		
Expenses not deductible for tax purposes – fixed assets	**4,768**	1,384
Other expenses not deductible for tax purposes	**1,927**	18,976
Group relief surrendered	-	42,919
Capital allowances in excess of depreciation	**(24,875)**	(76,702)
Other short term timing differences	**(13,864)**	-
Utilisation of tax losses and other deductions	**(228,790)**	-
Group relief surrendered	-	5,171
Total current tax charge (see above)	**105**	-

Notes *(continued)*

8 Investments

	31 December 2013 £	31 December 2012 £
Cost of investment	**1,265,567**	1,265,567

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.

9 Goodwill

	31 December 2013 £
Cost at beginning and end of year	2,014,215
Amortisation in the year	(100,711)
Net book value	**1,913,504**

10 Tangible fixed assets

	Fixtures £	Furniture, fittings and equipment £	Computer Equipment £	Total £
Cost				
At beginning of year	5,533,214	387,201	131,822	6,052,237
Additions	851,622	947	16,451	869,020
Transfer	68,065	(68,065)	-	-
At end of year	**6,452,901**	**320,083**	**148,273**	**6,921,257**
Depreciation				
At beginning of year	4,764,087	234,805	124,088	5,122,980
Charge for year	827,960	16,227	5,010	848,597
At end of year	**5,591,447**	**251,032**	**129,098**	**5,971,577**
Net book value				
At 31 December 2013	**861,454**	**69,051**	**19,175**	**949,680**
At 31 December 2012	769,127	152,396	7,734	929,257

Notes *(continued)*

11 Stocks

	31 December 2013 £	31 December 2012 £
Finished goods and goods for resale	**4,366,095**	4,628,797

12 Debtors

	31 December 2013 £	31 December 2012 £
Trade debtors	**2,340,651**	1,169,604
Other debtors	**251,006**	257,325
Other taxation	**33,373**	65,452
Prepayments and accrued income	**334,963**	314,623
Reserves	-	10,000
	2,959,993	1,817,004

Included in the above are debtors due after one year of £238,395 (2012 : £238,395).

13 Creditors: amounts falling due within one year

	31 December 2013 £	31 December 2012 £
Trade creditors	**944,402**	659,465
Amounts owed to group undertakings	**4,064,817**	4,453,498
Amounts owed to subsidiary undertakings	**1,265,568**	1,265,567
Other creditors	**316,535**	38,729
Corporation tax	**8,358**	159,035
Other taxation and social security	**35,978**	226,837
Accruals and deferred income	**1,595,947**	1,698,944
	8,231,605	8,502,075

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	31 December 2013 £	31 December 2012 £
Amounts owed to group undertakings	**2,700,172**	2,700,172

Analysis of debt	31 December 2013 £	31 December 2012 £
Debt can be analysed as falling due:		
Between one and five years	**2,700,172**	2,700,172
	2,700,172	2,700,172

Amounts owed to group undertakings include Promissory Notes with a value of £1,474,198 (2012 : £1,474,198), each attracting a rate of interest of 6.5% per annum which is fixed over the length of the Promissory Notes. The remaining balance is interest free and repayable after more than one year.

15 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	-	(59,357)	-	(87,838)
Short term timing differences	-	-	-	(13,716)
Losses	-	(69,409)	-	(306,183)
	-	(128,766)	-	(407,737)

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

16 Called up share capital

	Number	**31 December 2013 £**	Number	31 December 2012 £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**1,600,001**	**1,600,001**	1,600,001	1,600,001

Notes *(continued)*

17 Reserves

	Profit and loss account £
At beginning of year	(1,703,618)
Profit for the year	1,122,378
At end of year	**(581,240)**

18 Reconciliation of shareholders' funds / (deficit)

	31 December 2013 £	31 December 2012 £
Profit for the financial year	**1,122,378**	33,685
Net increase in shareholders' funds / (deficit)	**1,122,378**	33,685
Opening shareholders' deficit	**(103,617)**	(137,302)
Closing shareholders' funds/(deficit)	**1,018,761**	(103,617)

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	31 December 2013		31 December 2012	
	Land and Buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	1,527
In the third to fifth years inclusive	**151,000**	-	151,000	23,141
	151,000	-	151,000	24,668

20 Ultimate parent undertaking

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

The ultimate parent undertaking and controlling party is Essilor International SA, 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.