

# **FGX Europe Limited**

Registered number: 03487910

## **Annual report and financial statements**

**For the year ended 31 December 2018**



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**FGX EUROPE LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

A DiPaola  
J Giguere  
T Burmester  
D Ravets

**COMPANY SECRETARY**

Vistra Company Secretaries Limited

**REGISTERED NUMBER**

03487910 (Registered in England & Wales)

**REGISTERED OFFICE**

Suite 1, 3rd Floor  
11-12 St. James's Square  
London  
SW1Y 4LB

**INDEPENDENT AUDITOR**

Mazars LLP  
Chartered Accountants & Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT

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**FGX EUROPE LIMITED**

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**FGX EUROPE LIMITED**

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

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The directors present their Strategic report for FGX Europe Limited (the "Company") for the year ended 31 December 2018.

**BUSINESS REVIEW**

The Company's objective is to be the number one supplier of mass market Sunglasses and Ready 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, style and affordable fashion to the mass market.

The Statement of Financial Position on page 8 of the financial statement shows the Company's financial position at the year end.

The increase in activity levels is mainly due to the level of sunglasses sales in the UK which has been affected by the weather during the summer. The increase in the sun market in the UK has been offset by the decrease in the readers market.

Management continue to monitor both the trade debtors and collections. Inventory levels have increased due to growth of the business combined with a planned inventory management programme.

**PRINCIPAL RISKS AND UNCERTAINTIES**

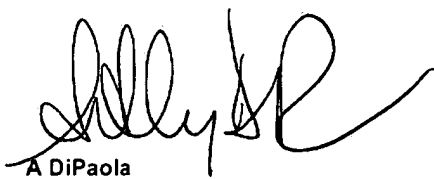
Competitive pressure in the market place, both in the UK and Continental Europe, is a continuing risk for the Company and this has been increased by the Brexit vote. Management continue to monitor the progress of Brexit via the project team set up during 2016, which aims to assess, discuss and mitigate all risks or opportunities that this will have over the immediate future of the company.

Management continue to manage risk by striving 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.

As well as the weather, the Company's business may be affected by 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. FGX International Inc. will continue to support FGX Europe Ltd with liquidity and management services for 12 months from the date of signing the 2018 financial statements.

This report was approved by the board on

and signed on its behalf.



A DiPaola  
Director

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## **FGX EUROPE LIMITED**

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

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless 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 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 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **PRINCIPAL ACTIVITY**

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, chemists, fashion and convenience outlets together with independent retailers.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £2,615,369 (2017 - loss £4,184,876).

No dividends were paid during the year (2017: £nil) and the directors do not recommend the payment of a final dividend.

#### **DIRECTORS**

The directors who served during the year were:

A DiPaola  
J Giguere  
M Panucci (Resigned on 02/04/2018)  
D Ravets (Resigned on 01/01/2019)  
T Burmester (Appointed on 02/04/2018)  
J.R. Miles (Appointed on 01/01/2019)

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**FGX EUROPE LIMITED**

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

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**ENVIRONMENTAL MATTERS**

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.

**BREXIT**

We have considered the potential impact of Brexit on the Company and whilst there may be significant effects for the wider economy which could in turn affect the Company's performance, we have not identified any specific risk that is material enough to require further disclosure here.

**QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The Company maintains directors and officers insurance.

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**GOING CONCERN**

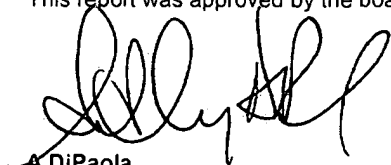
The directors are satisfied that the company has adequate resources for its foreseeable future needs and for this reason continue to adopt the going concern basis in preparing the financial statements. This is dependent on the continuing financial support of the group and there is nothing to indicate this will not continue. The period to which the directors have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**AUDITORS**

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.



A DiPaola  
Director

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**FGX EUROPE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FGX EUROPE LIMITED**

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**Opinion**

We have audited the financial statements of FGX Europe Limited (the 'company') for the year ended 31 December 2018 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**The impact of uncertainties due to the United Kingdom exiting the European Union ('Brexit') on our audit**

The Directors' view on the impact of Brexit is disclosed on page 3.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

**Other information**

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**FGX EUROPE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FGX EUROPE LIMITED**

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The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

**Auditor's 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 auditor's 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



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**FGX EUROPE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FGX EUROPE LIMITED**

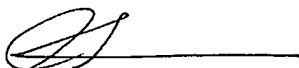
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expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit report**

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.



Louis Burns (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B32RT  
Date: 30 September 2019

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**FGX EUROPE LIMITED**

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

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	Note	2018 £	2017 £
Turnover	3	9,158,153	8,735,550
Cost of sales		(5,677,251)	(5,944,948)
<b>Gross profit</b>		<b><u>3,480,902</u></b>	<b><u>2,790,602</u></b>
Distribution costs		(3,908,876)	(4,062,159)
Administrative expenses		(2,218,204)	(2,729,919)
<b>Operating loss</b>	4	<b><u>(2,646,178)</u></b>	<b><u>(4,001,476)</u></b>
Interest receivable and similar income	6	467	871
Interest payable and expenses	7	(347,614)	(266,785)
<b>Loss before tax</b>		<b><u>(2,993,325)</u></b>	<b><u>(4,267,390)</u></b>
Tax	8	377,956	82,514
<b>Loss for the year</b>		<b><u>(2,615,369)</u></b>	<b><u>(4,184,876)</u></b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income. There was no other comprehensive income for 2018 (2017: £nil). The notes on pages 10 to 25 form part of these financial statements.

**FGX EUROPE LIMITED**  
**REGISTERED NUMBER: 03487910**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Goodwill	9	1,913,504	1,913,504
		<u>1,913,504</u>	<u>1,913,504</u>
Tangible assets	10	618,614	846,724
Investments	11	1,265,567	1,265,567
		<u>3,797,685</u>	<u>4,025,795</u>
<b>Current assets</b>			
Stocks	12	5,796,645	5,498,416
Debtors: amounts falling due after more than one year	13	409,522	238,395
Debtors: amounts falling due within one year	13	7,014,668	7,328,008
Cash and cash equivalents	14	199,194	575,959
		<u>13,420,029</u>	<u>13,640,778</u>
Creditors: amounts falling due within one year	15	(23,043,790)	(20,877,280)
<b>Net current liabilities</b>		<u>(9,623,761)</u>	<u>(7,236,502)</u>
<b>Total assets less current liabilities</b>		<u>(5,826,076)</u>	<u>(3,210,707)</u>
<b>Net Liabilities</b>		<u>(5,826,076)</u>	<u>(3,210,707)</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,600,001	1,600,001
Profit and loss account		(7,426,077)	(4,810,708)
		<u>(5,826,076)</u>	<u>(3,210,707)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

A DiPaola  
Director

The notes on pages 10 to 25 form part of these financial statements.

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**FGX EUROPE LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2018**

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	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018	1,600,001	(4,810,708)	(3,210,707)
<b>Comprehensive income for the year</b>			
Loss for the year	-	(2,615,369)	(2,615,369)
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	(2,615,369)	(2,615,369)
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2018</b>	<b>1,600,001</b>	<b>(7,426,077)</b>	<b>(5,826,076)</b>

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2017**

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	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2017	1,600,001	(625,832)	974,169
<b>Comprehensive income for the year</b>			
Loss for the year	-	(4,184,876)	(4,184,876)
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	(4,184,876)	(4,184,876)
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2017</b>	<b>1,600,001</b>	<b>(4,810,708)</b>	<b>(3,210,707)</b>

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

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 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 Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as, at 31 December 2018, its ultimate parent, EssilorLuxottica S.A., prepares and publishes consolidated accounts which include the results of the Company and are publicly available.

The following principal accounting policies have been applied:

**1.2 Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

For certain disclosure exemptions listed above, the equivalent disclosures are included in the consolidated financial statements of EssilorLuxottica S.A. which are available to the public and can be obtained as set out in note 19.

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

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.3 Adoption of new and revised standards**

The adoption of the following mentioned standards, amendments and Interpretations in the current year have not had a material impact on the company's financial statements:

IFRS 9 Financial Instruments

IFRS 4 Insurance Contracts: Amendment in relation to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Annual Improvements to IFRSs (2014 – 2016)

Transition to IFRS 15 (Revenue from Contracts with Customers)

From transition to IFRS 15 (Revenue from Contracts with Customers), turnover has increased by £235,997 for the year ended 31 December 2018, with a corresponding entry within cost of sales. Turnover has also increased by £199,308 for the year ended 31 December 2017, with a corresponding entry within cost of sales. There was no impact on gross profit or net liabilities as a result of this transition.

**1.4 Going concern**

The directors are satisfied that the company has adequate resources for its foreseeable future needs and for this reason continue to adopt the going concern basis in preparing the financial statements. This is dependent on the continuing financial support of the group and there is nothing to indicate this will not continue. The period to which the directors have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**1.5 Revenue**

The Company earns revenue from the sale of Sunglasses and Reading glasses. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The Company trades on a sale or return basis with its customers for its goods and any obligation for customer returns or refunds are recognised immediately. Payments are normally received 60-90 days after the performance obligation has been recognised.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

**Performance obligations**

Revenue from the sale of Sunglasses and Reading Readers. The main performance obligations to

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

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**1. ACCOUNTING POLICIES (CONTINUED)**

customers is the despatch of product.

**Transaction price**

The transaction price of Sunglasses and Reading Readers is determined by the fee specified in the contract.

**1.6 Goodwill**

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to Statement of Comprehensive Income. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

**1.7 Tangible fixed assets**

Tangible fixed 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed 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 Statement of Comprehensive Income during the period 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 as follows:

The estimated useful lives range as follows:

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

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

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**1. ACCOUNTING POLICIES (CONTINUED)**

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 'other operating income' in the Statement of Comprehensive Income.

**1.8 Operating leases: Lessee**

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

**1.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**1.10 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 weighted average basis.

At each reporting 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 Statement of Comprehensive Income.

**1.11 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**1.12 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**1.13 Financial Instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus directly attributable transaction costs. All financial assets are classified as financial assets at amortised cost if the assets comprise assets held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to



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

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**1. ACCOUNTING POLICIES (CONTINUED)**

cash flows that are solely payments of principal and interest.

After initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on financial assets at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company makes an estimate of the recoverable value of trade receivables and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. The simplified IFRS9 approach is only applicable to trade receivables, not amounts due from group undertakings.

**Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

**1.14 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

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**1.15 Foreign currency translation**

**Functional and presentation currency**

The company's functional and presentational currency is Pounds 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**1.16 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**1.17 Pensions**

**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 payments obligations.

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

**1.18 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

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

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

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below:

*Depreciation and residual values*

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

*Provisions and accruals*

Management bases its judgements on the circumstances relating to each specific event and upon currently available information. However, given the inherent difficulties in estimating liabilities in these areas, it can't be guaranteed that additional costs will not be incurred beyond the amounts accrued.

*Recoverability of trade debtors*

An estimate of the collectible amount of trade debtors is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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**FGX EUROPE LIMITED**

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

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**3. ANALYSIS OF TURNOVER**

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	8,255,231	7,868,985
Rest of the world	902,922	866,565
	<u>9,158,153</u>	<u>8,735,550</u>

**4. OPERATING LOSS**

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	645,559	751,578
Hire of land and buildings - operating leases	219,229	217,837
Exchange differences	(226,274)	(47,533)
Audit of financial statements	22,500	22,500
Non-audit services	<u>275</u>	<u>270</u>

In 2018 and 2017 the directors received their remuneration for services to the Company through other group entities and these are not separately identifiable.

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**FGX EUROPE LIMITED**

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

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**5. EMPLOYEES**

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	1,294,797	1,238,366
Social security costs	116,231	126,944
Cost of defined contribution scheme	29,326	27,512
	<u>1,440,354</u>	<u>1,392,822</u>

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

	2018 No.	2017 No.
Selling and marketing	17	16
Administration	34	35
	<u>51</u>	<u>51</u>

**6. INTEREST RECEIVABLE**

	2018 £	2017 £
Bank interest receivable	467	871
	<u>467</u>	<u>871</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2018 £	2017 £
Bank interest payable	-	18
On loans from group undertakings	347,614	266,767
	<u>347,614</u>	<u>266,785</u>

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

**8. TAXATION**

	2018 £	2017 £
Group relief receivable	(82,509)	
Adjustment in respect of prior periods	(306,023)	(82,514)
<b>Total current tax credit</b>	<u>(388,532)</u>	<u>(82,514)</u>
<b>Deferred tax</b>		
Accelerated capital allowances	-	21,823
Short term temporary differences	-	(21,823)
Adjustments in respect of prior periods	10,576	-
<b>Total deferred tax</b>	<u>10,576</u>	<u>-</u>
<b>Total taxation credit</b>	<u>(377,956)</u>	<u>(82,514)</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

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

	2018 £	2017 £
Loss on ordinary activities before tax	<u>(2,993,325)</u>	<u>(4,267,390)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(568,731)	(817,870)
<b>Effects of:</b>		
Fixed asset differences	2,157	-
Expenses not deductible for tax purposes - fixed assets	256	313
Income not taxable for tax purposes	(29,089)	-
Adjustments to brought forward values	32,800	-
Deferred tax not recognised	429,561	722,127
Adjust opening/closing deferred tax to average rate of 19.00%	50,537	95,430
Adjustment in respect of prior periods	(295,447)	(82,514)
<b>Total tax credit for the year</b>	<u>(377,956)</u>	<u>(82,514)</u>

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**FGX EUROPE LIMITED**

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

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**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The Finance Act 2016 provides that the main rate of corporation tax will fall to 17% with effect from 1 April 2020. As this legislation has been substantively enacted at the end of the reporting period, the impact of this tax rate reduction on the deferred tax balances carried forward has been included in these accounts.

There are trading losses carried forward of £4,695,415 (2017: £4,421,810) subject to agreement with HM Revenue & Customs. No deferred tax asset in respect of those losses has been recognised as there is insufficient evidence that the asset will be recoverable.

**9. GOODWILL**

	<b>2018 £</b>
<b>Cost</b>	
At 1 January 2018	1,913,504
<b>At 31 December 2018</b>	<u>1,913,504</u>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<u><u>1,913,504</u></u>
At 31 December 2017	<u><u>1,913,504</u></u>

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

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**10. TANGIBLE FIXED ASSETS**

	<b>Fixtures</b>	<b>Furniture, fittings and equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 January 2018	8,960,829	595,399	241,787	9,798,015
Additions	370,550	19,501	27,397	417,448
<b>At 31 December 2018</b>	<b>9,331,379</b>	<b>614,900</b>	<b>269,184</b>	<b>10,215,463</b>
<b>Depreciation</b>				
At 1 January 2018	8,403,045	360,749	187,497	8,951,291
Charge for the period	583,862	38,943	22,753	645,558
<b>At 31 December 2018</b>	<b>8,986,907</b>	<b>399,692</b>	<b>210,250</b>	<b>9,596,849</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>344,472</b>	<b>215,208</b>	<b>58,934</b>	<b>618,614</b>
At 31 December 2017	557,784	234,650	54,290	846,724



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**FGX EUROPE LIMITED**

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

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**11. FIXED ASSET INVESTMENTS**

	<b>Investments</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	<u>1,265,567</u>
<b>Net book value</b>	
At 31 December 2018	<u>1,265,567</u>
At 31 December 2017	<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. The registered office address is Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB.

Sight Station Limited remained dormant during the year.

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**FGX EUROPE LIMITED**

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

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**12. STOCKS**

	2018 £	2017 £
Finished goods	5,796,645	5,498,416
	<u>5,796,645</u>	<u>5,498,416</u>

**13. DEBTORS**

	2018 £	2017 £
<b>Due after more than one year</b>		
Prepayments	171,127	-
Amounts owed by group undertakings	238,395	238,395
	<u>409,522</u>	<u>238,395</u>
	2018 £	2017 £
<b>Due within one year</b>		
Trade debtors	1,974,810	2,726,689
Amounts owed by group undertakings	4,359,303	3,980,247
Prepayments and accrued income	243,698	141,605
Other taxation	436,857	479,467
	<u>7,014,668</u>	<u>7,328,008</u>

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

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**14. CASH AND CASH EQUIVALENTS**

	2018 £	2017 £
Cash at bank and in hand	199,194	575,959
	<u>199,194</u>	<u>575,959</u>

**15. CREDITORS: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	1,009,429	968,480
Amounts owed to group undertakings	19,440,803	17,315,442
Amounts owed to subsidiary undertakings	1,265,567	1,265,567
Taxation and social security	182,486	114,364
Other creditors	-	33,742
Accruals and deferred income	1,145,505	1,179,685
	<u>23,043,790</u>	<u>20,877,280</u>

Amounts owed to group undertakings include Promissory Notes with a value of £0 (2016: £1,474,199), each attracting a rate of interest of 6.5% per annum which is fixed over the length of the Promissory Notes.

**16. SHARE CAPITAL**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
1,600,001- Ordinary shares of £1 each	<u>1,600,001</u>	<u>1,600,001</u>

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**FGX EUROPE LIMITED**

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

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**17. PENSION COMMITMENTS****Defined Contribution Plan**

The Company makes contributions to a defined contribution pension scheme, the FGX Europe Limited Personal Pension Plan.

As at 31 December 2018 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £nil (2017: £nil). Contributions made in respect of the year ended 31 December 2018 were £29,326 (2017: £27,512).

**18. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	248,844	219,000
Later than 1 year and not later than 5 years	413,169	595,917
<b>Total</b>	<b><u>662,013</u></b>	<b><u>814,917</u></b>

**19. CONTROLLING PARTY**

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

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