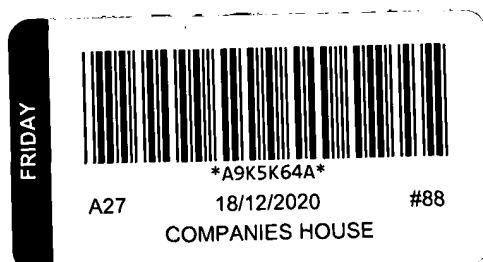


FGX Europe Limited

Registered number: 03487910

Annual report and financial statements

For the year ended 31 December 2019



FGX EUROPE LIMITED

COMPANY INFORMATION

DIRECTORS

A DiPaola (Resigned on 01/07/2020)
J Giguere
T Burmester
D Ravets (Resigned on 01/01/2019)
J.R. Miles (Appointed on 01/01/2019)

COMPANY SECRETARY

Vistra Company Secretaries Limited (Previous name Jordan Company Secretaries Limited, changed 05/04/2019)

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

FGX EUROPE LIMITED

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FGX EUROPE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic report for FGX Europe Limited (the "Company") for the year ended 31 December 2019.

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 9 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 2019 financial statements.

This report was approved by the board on 16 December 2020 and signed on its behalf.



J.R Miles
Director

FGX EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 £2,177,685 (2018 - loss £2,615,369).

No dividends were paid during the year (2018: £nil) and the directors do not recommend the payment of a final dividend.

DIRECTORS

The directors who served during the year were:

A DiPaola (Resigned on 01/07/2020)
J Giguere
D Ravets (Resigned on 01/01/2019)
J.R. Miles (Appointed on 01/01/2019)

FGX EUROPE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of credit risk, interest rate risk, liquidity risk, price risk and exchange rate risk.

The policies set by the board of directors are implemented by the company's finance department.

The department has defined policies and procedures that set out specific guidelines to manage credit risk, interest rate risk and exchange rate risk and the circumstances where it would be appropriate to use financial instruments to manage these.

CREDIT RISK

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is reassessed frequently and the company has implemented a systematic credit control system. This restricts customer activity, where further activity would lead to a breach of credit limit, or credit days, as per agreed trading terms and conditions.

INTEREST RATE RISK

The majority of the company's overdraft is held in a Group cash pooling arrangement. The rates are negotiated centrally and due to the size of the Group, interest rates on overdrafts are very low at 30 base points over LIBOR or EURIBOR as appropriate. Interest rate risk is considered to be low.

LIQUIDITY RISK

The company is not making use of its external overdraft facility at the end of the financial year. The company expects to have sufficient available funds for operations and planned investments during the forthcoming periods.

PRICE RISK

The company experiences price risk relating to normal trading activities only.

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.

COVID 19

The Covid 19 pandemic has led to reduced activity within the business. However, sunglasses sales were maintained through the major grocers who remained open throughout lockdown supported by a reasonable UK summer. Sunglasses sales at airports and non-essential retailers were significantly reduced with recovery not expected till 2021. Reading glasses sales continued at a reduced level as many opticians suspended activity during lockdown.

In order to preserve cashflow and Job retention during this time, we have utilised the Governments Furlough scheme. We are part of an international group, and are therefore well supported from a cash perspective. The group is well protected to deal with such risk, as it is a global organisation, able to leverage its assets across all

FGX EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

continents. Having observed the business recoveries seen in other countries around Europe, as they ease their lockdown measures, we are confident that the reading and sunglasses market will recover.

We have continued to pay our suppliers, and collect monies from our Customers during this time, and we have not seen a significant change in our Debt ledger ageing, as our customers have also supported us. As such, we are confident that the business will be able to trade successfully through and beyond the current Covid 19 Pandemic.

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.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end other than the impact of Covid 19 mentioned on page 3. The Covid 19 pandemic is considered to be a non-adjusting post balance sheet event.

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 16 December 2020 and signed on its behalf.



J R Miles
Director

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

Opinion

We have audited the financial statements of FGX Europe Limited (the 'company') for the year ended 31 December 2019 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 2019 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.

Going concern and the impact of the COVID-19 outbreak on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 3, and the consideration in the going concern basis of preparation on page 4.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 is still evolving and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and reflected the directors' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

FGX EUROPE LIMITED

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

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

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

FGX EUROPE LIMITED

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

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 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. 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
B3 2RT
Date: 16 December 2020

FGX EUROPE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	3	11,390,859	9,158,153
Cost of sales		(6,952,461)	(5,677,251)
Gross profit		<u>4,438,398</u>	<u>3,480,902</u>
Distribution costs		(4,161,550)	(3,908,876)
Administrative expenses		(3,715,677)	(2,218,204)
Operating loss	4	<u>(3,438,829)</u>	<u>(2,646,178)</u>
Interest receivable and similar income	6	467	467
Interest payable and expenses	7	(107,684)	(347,614)
Loss before tax		<u>(3,546,046)</u>	<u>(2,993,325)</u>
Tax	8	1,368,361	377,956
Loss for the year		<u>(2,177,685)</u>	<u>(2,615,369)</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Comprehensive Income. There was no other comprehensive income for 2019 (2018: £nil). The notes on pages 11 to 28 form part of these financial statements.

IFRS 16 was adopted on 1 January 2019 for statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 20 provides a reconciliation of the two measures.

FGX EUROPE LIMITED
REGISTERED NUMBER: 03487910

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Goodwill	9	1,913,504	1,913,504
		<u>1,913,504</u>	<u>1,913,504</u>
Tangible assets	10	1,199,885	618,614
Investments	11	1,265,567	1,265,567
		<u>4,378,956</u>	<u>3,797,685</u>
Current assets			
Stocks	12	7,697,212	5,796,645
Debtors: amounts falling due after more than one year	13	1,446,410	409,522
Debtors: amounts falling due within one year	13	8,442,617	7,014,668
Cash and cash equivalents	14	28,545	199,194
		<u>17,614,784</u>	<u>13,420,029</u>
Creditors: amounts falling due within one year	15	(29,997,501)	(23,043,790)
Net current liabilities		<u>(12,382,717)</u>	<u>(9,623,761)</u>
Total assets less current liabilities		<u>(8,003,761)</u>	<u>(5,826,076)</u>
Net Liabilities		<u>(8,003,761)</u>	<u>(5,826,076)</u>
Capital and reserves			
Called up share capital	16	1,600,001	1,600,001
Profit and loss account		(9,603,762)	(7,426,077)
		<u>(8,003,761)</u>	<u>(5,826,076)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
16 December 2020



J.R Miles
Director

The notes on pages 11 to 28 form part of these financial statements.

FGX EUROPE LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2019**

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2019	1,600,001	(7,426,077)	(5,826,076)
Comprehensive income for the year			
Loss for the year	-	(2,177,685)	(2,177,685)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(2,177,685)	(2,177,685)
Total transactions with owners	-	-	-
At 31 December 2019	1,600,001	(9,603,762)	(8,003,761)

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16: Leases

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 Essilor Luxottica 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 2019**

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)

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 are no indications that 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 as a trade receivable until paid by the customer. Returns are measured using management's best estimate based on historic return levels.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1.8 Impact of new international reporting standards, amendments and interpretations

The adoption of the following mentioned standards, amendments and interpretations in the current year have had a material impact on the company's financial statements for the year ended 31 December 2019:

Endorsed	EU effective date – periods beginning on or after
-----------------	--

Amendments to IFRS 16 Leases	1 January 2019
------------------------------	----------------

The standard IFRS 16 – Leases, adopted by the European Union on 31 October 2017 replaces mainly the standards IAS 17 – Leases, and IFRIC 4 – Determining whether an Arrangement contains a Lease, and is mandatory starting 1 January 2019. The standard establishes principles for the recognition, valuation, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet using a single model, in the form of a right-of-use asset, with a lease obligation counterpart. The company has adopted IFRS 16 on 1 January 2019, according to the modified retrospective approach. Under this method, the standard is applied retrospectively with the cumulative effect of the initial application on the date of application.

Scope of the company contracts

The lease contracts identified within the company fall under the following categories:

- Land and buildings: office buildings, factory and warehouse
- Vending machines
- Printers and photocopiers

The company has retained the exemption for low-value assets (i.e. new assets with a cost lower than EUR 5,000). Thus, the defined scope does not include small office or IT equipment, mobile phones or other small equipment, which all correspond to low-value equipment. Short-term contracts (i.e. less than 12 months without purchase option) are also exempted under the standard. In this case for example, for occasional vehicle or accommodation rentals.

The accounting principles below are effective for annual periods beginning on 1 January 2019. IAS 17 still applies for 2018 comparative period.

Rental obligation

At the inception date of the lease, the company recognises the lease liabilities, measured at the present value of the lease payments to be made over the term of the lease. The present value of payments is calculated using the marginal borrowing rate at the contract starting date. Rental payments include fixed payments (net of rental incentives receivable), variable payments based on an index or rate and amounts that should be paid under residual value guarantees. The simplification allowing not to split service components has not been elected by the company. Therefore, only the rents are taken into account in the lease payments. Lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the company and the payment of penalties for the termination of a lease, if the term of the lease takes into account the fact that the company has exercised the termination option. Variable lease payments that are not dependent on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. After the start date of the contract, the amount of rental obligations is increased thus reflecting the increase in interest and reduced for lease payments made. In addition, the carrying amount of the lease liabilities is revalued in the event of a reassessment or modification in the lease (e.g. change in the term of the lease, change in lease payments, application of annual indexation, etc).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Right-of-use assets

The company accounts for the assets related to the right-of-use on the start date of the lease (i.e. the date on which the underlying asset is available). Assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for the revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities, initial direct costs incurred and lease payments made on or before the effective date, minus lease inducements received. Unless the company is reasonably certain that it will become the owner of the leased asset at the end of the lease term, the recorded right-of-use assets are depreciated using the linear method over the shortest period of time between estimated life of the underlying asset and the duration of the lease. The assets related to the right-of-use are subject to depreciation.

Determining the duration of contracts

The land and buildings have durations of up to 90 years. Vending machines, printers and photocopiers are generally contracted between 3 and 5 years. Some of the company's land and building contracts allow for termination of contracts in break clauses. Others do not allow this. Thus, in determining the length of time to be used to calculate the rental obligation, the company determines the enforceable duration of the contract (maximum term) and takes into account break clause options if the company is not reasonably certain that they will extend the contract beyond the option date.

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.

Included within debtors are amounts recoverable on long term contracts. This relates to prepayments made to key customers for the right to trade with them. These balances are amortised over the life of the contract period.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1.18 Interest income

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

**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 ("CGU") and a suitable discount rate in order to calculate present value.

The selection of an appropriate CGU is critical to this assessment and management consider that the CGU applicable to this entity's Goodwill impairment assessment is the contribution earned from one UK customer being supplied by a combination of FGX Europe Limited and Fabris Lane Limited and which originated from the activities of Sight Station Limited.

IFRS 16 valuations

Right of use assets and lease liabilities arising through the application of IFRS 16 are valued based upon assumptions of contract duration. In determining the contract duration, the company determines the enforceable duration of the contract (maximum term) and takes into account break clause options if the company is not reasonably certain that they will extend the contract beyond the option date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	9,287,159	8,255,231
Rest of the world	2,103,700	902,922
	<u>11,390,859</u>	<u>9,158,153</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	884,882	645,559
Hire of land and buildings - operating leases	-	219,229
Audit of financial statements	24,000	22,500
Non-audit services	<u>-</u>	<u>275</u>

In 2019 and 2018 the directors received their remuneration for services to the Company through other group entities and these are not separately identifiable.

FGX EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. EMPLOYEES

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	1,498,924	1,294,797
Social security costs	139,035	116,231
Cost of defined contribution scheme	42,076	29,326
	<u>1,680,035</u>	<u>1,440,354</u>

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

	2019 No.	2018 No.
Selling and marketing	18	17
Administration	39	34
	<u>57</u>	<u>51</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Bank interest receivable	467	467
	<u>467</u>	<u>467</u>

7. INTEREST PAYABLE AND EXPENSES

	2019 £	2018 £
Lease interest payments	4,133	-
On loans from group undertakings	103,551	347,614
	<u>107,684</u>	<u>347,614</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. TAX

	2019	2018
	£	£
Current tax on profits for the year	(659,971)	-
Group relief receivable	(853,241)	(82,509)
Adjustment in respect of prior periods	154,336	(306,023)
Total current tax credit	(1,358,876)	(388,532)
Deferred tax		
Adjustment in respect of previous periods	(9,485)	10,576
Total deferred tax	(9,485)	10,576
Total taxation credit	(1,368,361)	(377,956)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year has remained at 19.00%. The standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are explained below:

	2019	2018
	£	£
Loss on ordinary activities before tax	(3,546,046)	(2,993,325)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	(673,749)	(568,731)
Effects of:		
Fixed asset differences	-	2,157
Expenses not deductible for tax purposes - fixed assets	27,778	256
Income not taxable for tax purposes	2,544	(29,089)
Adjustments to brought forward values	-	32,800
Deferred tax not recognised	(19,737)	429,561
Adjust opening/closing deferred tax to average rate of 19.00%	70	50,537
Adjustment in respect of prior periods	(708,389)	(295,447)
Share boost deduction	(2,188)	-
Other	5,310	-
Total tax credit for the year	(1,368,361)	(377,956)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 £4,603,158 (2018: £4,695,415) 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

	2019 £
Cost	
At 1 January 2019	1,913,504
At 31 December 2019	<u>1,913,504</u>
At 1 January 2019	<u>1,913,504</u>
At 31 December 2018	<u>1,913,504</u>

FGX EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. TANGIBLE ASSETS

	Right of Use Assets	Fixtures	Furniture, fittings and equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2019	-	9,331,379	614,900	269,184	10,829,103
Additions	613,640	747,325	4,715	20,463	772,503
At 31 December 2019	613,640	10,078,704	619,615	289,647	11,601,606
Depreciation					
At 1 January 2019	-	8,986,907	399,692	210,250	9,596,849
Charge for the period	223,719	517,804	36,383	26,966	804,872
At 31 December 2019	223,719	9,504,711	436,075	237,226	10,401,721
Net book value					
At 31 December 2019	389,921	573,993	183,540	52,421	1,199,885
At 31 December 2018	-	573,993	215,208	58,934	618,614

FGX EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. INVESTMENTS

	Investments
	£
Cost	
At 1 January 2019 and 31 December 2019	<u>1,265,567</u>
Net book value	
At 31 December 2019	<u>1,265,567</u>
At 31 December 2018	<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.

12. STOCKS

	2019	2018
	£	£
Finished goods	<u>7,697,212</u>	<u>5,796,645</u>
	<u>7,697,212</u>	<u>5,796,645</u>

FGX EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. DEBTORS

	2019	2018
	£	£
Due after more than one year		
Prepayments	-	171,127
Amount recoverable on long term contracts	1,036,861	-
Amounts owed by group undertakings	409,549	238,395
	<u>1,446,410</u>	<u>409,522</u>
	2019	2018
	£	£
Due within one year		
Trade debtors	2,874,416	1,974,810
Amounts owed by group undertakings	4,867,314	4,359,303
Amount recoverable on long term contracts	528,460	-
Prepayments and accrued income	106,665	243,698
Other taxation	65,762	436,857
	<u>8,442,617</u>	<u>7,014,668</u>

FGX EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash at bank and in hand	28,545	199,194
	<u>28,545</u>	<u>199,194</u>

15. CREDITORS: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,030,992	1,009,429
Lease liability	350,378	-
Amounts owed to group undertakings	22,684,556	19,440,803
Amounts owed to subsidiary undertakings	1,265,567	1,265,567
Taxation and social security	407,210	182,486
Other creditors	71,855	-
Accruals and deferred income	4,186,943	1,145,505
	<u>29,999,501</u>	<u>23,043,790</u>

16. MATURITY OF LEASE LIABILITIES

The lease liabilities are secured by the underlying assets. The maturity of the lease liabilities at 31 December 2019 is as follows:

	Within 1 year £	1 – 5 years £	Over 5 years £	Total £
Net present value	264,145	227,993	-	492,138

17. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid		
1,600,001- Ordinary shares of £1 each	<u>1,600,001</u>	<u>1,600,001</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. 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 2019 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £nil (2018: £nil). Contributions made in respect of the year ended 31 December 2019 were £42,076 (2018: £29,326).

19. IFRS16

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Carrying amount at 31 December 2018 £	Reclassification IFRS 16 £	Carrying amount at 1 January 2019 £
Tangible Fixed Assets	618,614	613,640	1,232,254
Lease liabilities	-	(572,310)	(572,310)
Total	618,614	41,330	659,944

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019.

Total operating lease commitments disclosed at 31 December 2018	662,013
Recognition exemptions: low value assets	-
Variable lease payments not recognised	(16,007)
Operating lease liabilities before discounting	646,006
Discounted using incremental borrowing rate	(73,696)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	572,310

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.