

# **FGX Europe Limited**

Registered number: 03487910

## **Directors' report and financial statements**

**For the year ended 31 December 2017**

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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**

Jordan Company Secretaries Limited

**REGISTERED NUMBER**

03487910

**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 2017**

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The directors present their Strategic report for FGX Europe Limited (the "Company") for the year ended 31 December 2017.

**BUSINESS REVIEW**

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

The directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the following year.

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

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

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

Management continue to monitor both the trade debtors and collections. Inventory levels have reduced year on year as part of a planned reduction by management. Part of this plan is to ensure that the inventory is fashionable up to date and on trend within the market.

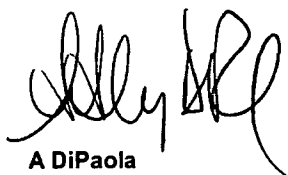
**PRINCIPAL RISKS AND UNCERTAINTIES**

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.

This report was approved by the board on *24 September* and signed on its behalf.  
*2018*



**A DiPaola**  
Director

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**FGX EUROPE LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

**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 Reading 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 £4,184,876 (2016 - loss £416,663).

No dividends were paid during the year (2016: £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  
D Ravets

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**FGX EUROPE LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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.

**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.

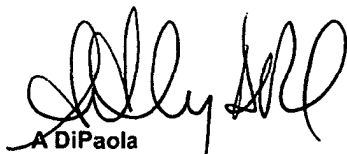
**GOING CONCERN**

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 24/9/2018 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 2017 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 2017 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.

**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.

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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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**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 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.



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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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**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*

Louis Burns (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT

Date: *27 September 2018*

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**FGX EUROPE LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £	2016 £
Turnover	3	8,536,242	10,478,005
Cost of sales		(5,745,640)	(4,136,867)
<b>Gross profit</b>		<b><u>2,790,602</u></b>	<b><u>6,341,138</u></b>
Distribution costs		(4,062,159)	(4,353,746)
Administrative expenses		(2,729,920)	(2,187,468)
<b>Operating loss</b>	4	<b>(4,001,476)</b>	<b>(200,076)</b>
Interest receivable and similar income	6	871	881
Interest payable and expenses	7	(266,785)	(217,468)
<b>Loss before tax</b>		<b><u>(4,267,390)</u></b>	<b><u>(416,663)</u></b>
Tax	8	82,514	-
<b>Loss for the year</b>		<b><u>(4,184,876)</u></b>	<b><u>(416,663)</u></b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income. There was no other comprehensive income for 2017 (2016: £nil). The notes on pages 10 to 25 form part of these financial statements.

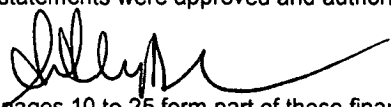
**FGX EUROPE LIMITED**  
**REGISTERED NUMBER: 03487910**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<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	846,724	1,077,339
Investments	11	1,265,567	1,265,567
		<u>4,025,795</u>	<u>4,256,410</u>
<b>Current assets</b>			
Stocks	12	5,498,416	7,233,822
Debtors: amounts falling due after more than one year	13	238,395	238,395
Debtors: amounts falling due within one year	13	7,328,008	5,210,104
Cash and cash equivalents	14	575,959	54,067
		<u>13,640,778</u>	<u>12,736,388</u>
Creditors: amounts falling due within one year	15	(20,877,280)	(14,544,431)
<b>Net current liabilities</b>		<u>(7,236,502)</u>	<u>(1,808,043)</u>
<b>Total assets less current liabilities</b>		<u>(3,210,707)</u>	<u>2,448,367</u>
Creditors: amounts falling due after more than one year	16	-	(1,474,198)
<b>Net assets</b>		<u><u>(3,210,707)</u></u>	<u><u>974,169</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	1,600,001	1,600,001
Profit and loss account		(4,810,708)	(625,832)
		<u><u>(3,210,707)</u></u>	<u><u>974,169</u></u>

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

A DiPaola  
Director



24/9/2018

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 2017**

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	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
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>

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2016**

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	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	1,600,001	(209,169)	1,390,832
<b>Comprehensive income for the year</b>			
Loss for the year	-	(416,663)	(416,663)
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	(416,663)	(416,663)
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2016</b>	<b>1,600,001</b>	<b>(625,832)</b>	<b>974,169</b>

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## FGX EUROPE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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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 recognition, measurement and disclosure requirements (except for certain disclosure exemptions detailed below of International Financial Reporting Standards as adopted by EU (EU adopted IFRSs) have been applied to the financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as, at 31 December 2017, its ultimate parent, Essilor International 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 Essilor International S.A. which are available to the public and can be obtained as set out in note 20.

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**FGX EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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.

Amendment to IAS 7 Statement of Cash Flows: Disclosure Initiative.

Amendment to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses.

Annual Improvements to IFRSs (2014 - 2016): Clarification of the scope of IFRS 12 Disclosure of Interests in Other Entities.

**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**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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**FGX EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)****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 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**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. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

**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**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.



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**FGX EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement.

On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**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 2017**

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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  
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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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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**3. ANALYSIS OF TURNOVER**

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	7,669,677	9,400,169
Rest of the world	866,565	1,077,836
	<u>8,536,242</u>	<u>10,478,005</u>

**4. OPERATING LOSS**

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	751,578	634,175
Hire of land and buildings - operating leases	217,837	219,000
Exchange differences	(47,533)	64,939
<b>Operating lease payments</b>		
Audit of financial statements	22,500	25,000
Non-assurance services	<u>270</u>	<u>1,050</u>

In 2017 and 2016 the directors received their remuneration for services to the Company through other group entities and these are not separately identifiable.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**5. EMPLOYEES**

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	1,238,366	1,126,934
Social security costs	126,944	103,686
Cost of defined contribution scheme	27,512	19,045
	<u>1,392,822</u>	<u>1,249,665</u>

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

	2017 No.	2016 No.
Selling and marketing	16	16
Administration	35	31
	<u>51</u>	<u>47</u>

**6. INTEREST RECEIVABLE**

	2017 £	2016 £
Bank interest receivable	871	881
	<u>871</u>	<u>881</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2017 £	2016 £
Bank interest payable	18	144
On loans from group undertakings	266,766	217,468
	<u>266,784</u>	<u>217,612</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**8. TAXATION**

	2017 £	2016 £
Adjustment in respect of prior periods	(82,514)	-
<b>Total current tax credit</b>	<u>(82,514)</u>	<u>-</u>
<b>Deferred tax</b>		
Accelerated capital allowances	21,823	-
Short term temporary differences	(21,823)	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Total taxation credit</b>	<u>(82,514)</u>	<u>-</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(4,249,434)</u>	<u>(416,663)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(817,870)	(83,420)
<b>Effects of:</b>		
Expenses not deductible for tax purposes - fixed assets	313	12,096
Capital allowances for year in excess of depreciation	-	637
Deferred tax not recognised	722,127	70,040
Adjust opening/closing deferred tax to average rate of 19.25%	95,430	-
Adjustment in respect of prior periods	(82,514)	-
Other short term timing differences	-	647
<b>Total tax credit for the year</b>	<u>(82,514)</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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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 £4,421,810 (2016: £727,655) 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>2017 £</b>
<b>Cost</b>	
At 1 January 2017	1,913,504
<b>At 31 December 2017</b>	<u>1,913,504</u>
<b>Net book value</b>	
At 31 December 2017	<u>1,913,504</u>
At 31 December 2016	<u>1,913,504</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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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 2017	8,467,520	575,861	233,670	9,277,051
Additions	493,309	19,538	8,117	520,964
<b>At 31 December 2017</b>	<b>8,960,829</b>	<b>595,399</b>	<b>241,787</b>	<b>9,798,015</b>
<b>Depreciation</b>				
At 1 January 2017	7,714,987	318,084	166,641	8,199,712
Charge for the period	688,057	42,665	20,856	751,578
<b>At 31 December 2017</b>	<b>8,403,044</b>	<b>360,749</b>	<b>187,497</b>	<b>8,951,290</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>721,204</b>	<b>234,650</b>	<b>54,289</b>	<b>846,725</b>
At 31 December 2016	752,533	257,777	67,029	1,077,339



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**11. FIXED ASSET INVESTMENTS**

	<b>Investments</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2017 and 31 December 2017	<u>1,265,567</u>
<b>Net book value</b>	
At 31 December 2017	<u>1,265,567</u>
At 31 December 2016	<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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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**12. STOCKS**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Finished goods	5,498,416	7,233,822
	<u>5,498,416</u>	<u>7,233,822</u>

**13. DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Due after more than one year</b>		
Amounts owed by group undertakings	238,395	238,395
	<u>238,395</u>	<u>238,395</u>

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Due within one year</b>		
Trade debtors	2,726,689	3,483,982
Amounts owed by group undertakings	3,980,247	1,457,183
Prepayments and accrued income	141,605	115,452
Other taxation	479,467	153,487
	<u>7,328,008</u>	<u>5,210,104</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**14. CASH AND CASH EQUIVALENTS**

	2017 £	2016 £
Cash at bank and in hand	504,959	54,067
	<u>504,959</u>	<u>54,067</u>

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

	2017 £	2016 £
Trade creditors	968,480	2,181,780
Amounts owed to group undertakings	17,315,442	9,405,712
Amounts owed to subsidiary undertakings	1,265,567	1,265,567
Taxation and social security	114,384	37,544
Other creditors	33,742	146,535
Accruals and deferred income	1,179,685	1,507,293
	<u>20,877,280</u>	<u>14,544,431</u>

**16. CREDITORS: Amounts falling due after more than one year**

	2017 £	2016 £
Amounts owed to group undertakings	-	1,474,198
	<u>-</u>	<u>1,474,198</u>

Amounts owed to group undertakings include Promissory Notes with a value of £nil (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.

**17. SHARE CAPITAL**

	2017 £	2016 £
Allotted, called up and fully paid		
1,600,001- Ordinary shares of £1 each	<u>1,600,001</u>	<u>1,600,001</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**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 2017 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £nil (2016: £nil). Contributions made in respect of the year ended 31 December 2017 were £27,512 (2016: £19,045).

**19. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	219,000	219,000
Later than 1 year and not later than 5 years	595,917	814,917
Over five years	-	-
<b>Total</b>	<b><u>814,917</u></b>	<b><u>1,033,917</u></b>

**20. CONTROLLING PARTY**

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

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