Company Registration No. 5139004

MyOptique Group Ltd

Annual Report and Financial Statements

For the year ended 31 December 2018

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
B Streeting
B Nuesser
E Martinet

SECRETARY
Veale Wasbrough Vizards LLP

REGISTERED OFFICE
Narrow Quay House
Narrow Quay
Bristol
England
BS1 4QA

BANKERS
HSBC Bank PLC
8 Canada Square
London
E14 5HQ

SOLICITORS
Veale Wasbrough Vizards LLP

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place, London, WC2N 6RH

STRATEGIC REPORT

The directors present their strategic report for the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was the supply of prescription eyewear, sunglasses and other eyewear products. The directors expect this to continue for the foreseeable future.

BUSINESS REVIEW

Following the acquisition by Essilor International S.A. in 2016, the company has continued to pursue its strategy of building a scalable, direct to consumer, online retail proposition and the directors are satisfied with the progress to date. The company showed 15% like for like growth year on year.

The company recorded a loss after tax for the year of £4.4m (2017: £6.0m). Following a capital injection in December 2018 from its parent company, Trifle Holdings Limited, the company closed the year with net assets totalling £16.7m (2017: £1.1m).

On 1 October 2018 the company's ultimate parent company, Essilor International S.A., merged with Luxottica. Following the merger, Essilor International S.A. changed its named EssilorLuxottica.

Post year end, on 12 April 2019, the company transferred its holding in 4CARE GmbH, a subsidiary undertaking, to another entity within

GOING CONCERN

As a retail company, the prevailing economic environment and unknowns surrounding Brexit creates uncertainty over the level of demand for the company's products, the value of the average spend, and the frequency of customer repurchase.

Management have prepared the financial statements on the going concern basis. The ongoing trading business has continued successful strong growth and projects to continue to grow in the next financial year with the view to achieving profitability in the next two years. The company has received sufficient indication of support from its ultimate parent company for the directors to be satisfied that the company can continue to meet its liabilities as they fall due. As part of the EssilorLuxottica Group, the company expects to continue to have access to sufficient funds to continue trading on normal terms for the foreseeable future, being a period no less than 12 months from the date of signing these financial statements.

With regards to Brexit, Management consider that the company will remain well insulated from future protectionist trade barriers due to its well established pan European operating footprint.

The directors have reviewed the relevant forecasts and considered appropriate sensitivities thereon. Following this review and the ongoing support from EssilorLuxottica S.A., the directors are confident there is a reasonable expectation that the company has or will have acquired adequate resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and accounts.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including foreign exchange risk, credit risk and liquidity risk.

Foreign exchange risk

The company has some external exposure to the financial risks of changes in foreign currency exchange rates and interest rates. It sells goods in a number of foreign currencies and is exposed to foreign exchange volatility on revenues received in the reporting currency. The company uses financial derivatives to hedge foreign exchange risk.

The company has moved a significant amount of its purchases to a supply base denominated in US Dollar. This FX risk is hedged, with any gains or losses recognised in the profit and loss account during the year.

Credit risk

The company's principal financial assets are bank balances, trade and other receivables.

The company's trade receivables risk from intermediary credit card acquirers is limited due to the strength of acquiring counterparties and the short debtor days exposure on credit card payments "in the system". The risk of "chargeback" (participation in transaction is denied by the consumer) is recognised and managed according to product risk and considered to be low/well diversified.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies upon the financial support offered by the ultimate parent company.

The company generally enjoys good short term working capital dynamics of: credit card payment, post receipt manufacture, category stock turn and supply chain partnerships. A significant proportion of inventory and short term debtors can be funded by short term creditors, although this is subject to seasonality, promotional activity and management's policy on inventory depth.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

There are other risks that the company faces beyond Financial Risk. Principally around future markets and competition, technological change, fraud and political risk. The risk profile of the company changed materially post acquisition by the Essilor Group, moving from a relatively small privately backed company to joining one of the largest and most respected eyewear public companies in the world. As such the risks it faces are those inherited to a significant degree from the wider group of the parent, but that group is a strong market leader with deep reserves of multiple market expertise allied with strong cashflows. Through joining the group the company has significantly reduced its exposure to competitive, market and financial risk. The most significant political risk currently known is that of the Brexit expected in Octoberh 2019. The company sees itself as a challenger to the existing traditional eyewear sectors and so sees technology as a benefit to its business model and its offer to the consumer. It needs to continue to develop its technological expertise and recognises that this is key to its proposition and future investment and economic payback.

Approved by the Board and signed on behalf of the Board on 8 May 2019 by;

B Streeting
Director

Date: 8 May 2019

DIRECTORS' REPORT

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

DIRECTORS

The directors who held office during the year and up to the date of signing the directors' report unless otherwise stated, are as follows:

B Streeting	(appointed 12 June 2018)
H Bryant	(resigned 31 August 2018)
B Nuesser	
E Martinet	(appointed 13 September 2018)

DIRECTORS INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors and officers which were made during the year and remain in force at the date of this report.

PROPOSED DIVIDEND

The directors do not recommend the payment of a dividend (2017: £nil).

POST BALANCE SHEET EVENTS

On 12 April 2019, the company transferred its interest in 4CARE GmbH, a subsidiary undertaking to another Group entity. Part of the proceeds from this transfer were used to repay the amounts owed to the ultimate parent company.

FUTURE DEVELOPMENTS

The company has continued to trade as usual and there are no plans to change the nature of the business in the foreseeable future as the company continues to align with the EssilorLuxottica Group growth strategy focussing on the online market.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Refer to the Strategic report for information regarding the company's financial risk management objectives and policies.

SUPPLIER PAYMENT POLICY

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers and the Group companies agree the terms of payment and employ reasonable efforts to abide by those terms.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the company contributed £195k (2017: £nil) towards the Essilor Group's "Vision for Life" Corporate Mission. No political contributions were made (2017: £nil).

EXISTENCE OF BRANCHES OUTSIDE THE UK

The company owns a subsidiary whose main location is in Kiel, Germany.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on behalf of the Board on 8 May 2019 by:

B Streeting
Director

Date: 8 May 2019

STATEMENT OF DIRECTORS' RESPONSBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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.

The directors 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.

In the case of each director in office at the date the Director's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on behalf of the Board on 8 May 2019 by;

B Streeting
Director

Date: 8 May 2019

Independent auditors' report to the members of MyOptique Group Ltd

Report on the audit of the financial statements

Opinion

In our opinion, MyOptique Group Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

EGreybrook

Emily Greybrook (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 May 2019

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2018

	Note	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
TURNOVER	3	28,861,217	25,073,599
Cost of Sales		(14,374,824)	(13,861,854)
GROSS PROFIT		14,486,393	11,211,745
Administrative Expenses		(19,232,985)	(17,966,795)
OPERATING LOSS	4	(4,746,592)	(6,755,050)
Income from shares in group undertakings		-	434,236
Finance costs	6	(787,631)	(497,504)
LOSS BEFORE TAXATION		(5,534,222)	(6,818,318)
Tax on loss	7	1,140,293	854,287
LOSS FOR THE FINANCIAL YEAR		(4,393,929)	(5,964,031)

All results arose from continuing operations.

MYOPTIQUE GROUP LTD

BALANCE SHEET
At 31 December 2018

	Note	31-Dec-18 £	31-Dec-17 £
FIXED ASSETS			
Intangible assets	8	-	1,009,279
Tangible assets	9	3,237,258	2,942,186
Investments	10	21,628,332	21,628,332
		24,865,590	25,579,797
CURRENT ASSETS			
Inventories	11	3,247,061	3,360,708
Debtors	12	2,296,517	1,896,701
Cash at bank and in hand		646	40,184
		5,544,224	5,297,593
CREDITORS: amounts falling due within one year	13	(3,729,212)	(29,816,944)
NET CURRENT ASSETS/(LIABILITIES)		1,815,012	(24,519,351)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,680,602	1,060,446
CREDITORS: amounts falling due after more than one year	14	(10,014,085)	-
NET ASSETS		16,666,517	1,060,446
CAPITAL AND RESERVES			
Called up share capital	16	32,548,212	12,548,212
Share premium account		52,926,002	52,926,002
Profit and loss account		(68,807,697)	(64,413,768)
TOTAL SHAREHOLDERS' FUNDS		16,666,517	1,060,446

The financial statements of MyOptique Group Ltd, registered number 5139004, on pages 10 to 19 were approved by the board of directors and authorised for issue on 8 May 2019 and signed on its behalf by

B Streeting
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Called up share capital £	Share premium £	Profit and loss account £	Total shareholders' (deficit)/funds £
Balance as at 1 January 2017	3,048,212	52,926,002	(58,449,737)	(2,475,523)
Loss for the financial year	-	-	(5,964,031)	(5,964,031)
Issue of equity shares	9,500,000	-	-	9,500,000
Balance as at 31 December 2017	**12,548,212**	**52,926,002**	**(64,413,768)**	**1,060,446**
Loss for the financial year	-	-	(4,393,929)	(4,393,929)
Issue of equity shares	20,000,000	-	-	20,000,000
At 31 December 2018	**32,548,212**	**52,926,002**	**(68,807,697)**	**16,666,517**

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding period.

General information

MyOptique Group Ltd is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of the registered office is given on page 3. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 4 and 5.

Statement of compliance

The financial statements of MyOptique Group Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going concern

As a retail group, the prevailing economic environment and the unknowns surrounding Brexit creates uncertainty over the level of demand for the company's products, the value of the average spend, and the frequency of customer repurchase.

Management has prepared the financial statements on the going concern basis. The ongoing trading business has continued successful growth and projects to continue to grow in the next financial year with the view to achieving profitability in the next two years. The company has received sufficient indication of support from its ultimate parent company for the directors to be satisfied that the company can continue to meet its liabilities as they fall due.

As part of the EssilorLuxottica Group, the company has sufficient cash to continue trading on normal terms for the foreseeable future, being a period no less than 12 months from the date of signing these financial statements.

The directors have reviewed the relevant forecasts and considered appropriate sensitivities thereon. Following this review, the directors are confident there is reasonable expectation that the company has or will have acquired adequate resources to continue in operational existence for the foreseeable future. In addition, a letter of support has been obtained from the parent company. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Consolidated financial statements

The company is a wholly owned subsidiary of Trifle Holdings Limited and of its ultimate parent, EssilorLuxottica S.A. It is included in the consolidated financial statements of EssilorLuxottica S.A. which are publicly available. Therefore the company has taken the exemption from section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is EssilorLuxottica S.A. The address of the parent's registered office is 147, rue de Paris, 94220 Charenton-le-Pont Cadex, France, 712 049 618 RCS Créteil.

These financial statements are the company's separate financial statements.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions under FRS 102 available on the basis that it is a qualifying entity and its ultimate parent company, EssilorLuxottica S.A., includes the company's cash flows in its consolidated financial statements:

- the requirement to prepare a statement of cash flows (section 7 of FRS 102 and para 3.17)
- the requirement to disclose key management personnel compensation (FRS 102 para 33.7).

Foreign currencies

The company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated using the rate of exchange at that date and the gains or losses on translation are included in the profit and loss account within administrative expenses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical trends.

The company sells goods via its websites for delivery to the customer. Revenue is recognised when the risks and rewards of the inventory is transferred to the customer, which is considered to be the point of shipment. Transactions are settled by credit or debit card.

1 ACCOUNTING POLICIES (continued)

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 payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Share based payments

In the current year, the Company continues to be a member of the group's share-based payment arrangement. During the year, contributions are immaterial and therefore no additional disclosure is deemed to be necessary.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is considered to be 5 years. Provision is made for impairment where required.

Intangible assets - purchased intangibles

Purchased intangible assets are included at cost and amortised in equal annual instalments over their estimated useful life, which is considered to be 5 years. Provision is made for impairment where required.

Tangible assets

On other tangible assets, depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment and software	2 to 5 years
Office equipment	2 to 10 years
Leasehold improvements	Lower of 10 years or life of lease
Laboratory equipment	2 to 5 years

Website development costs included within computer equipment and software

Design and content costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the year until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful economic lives. The finance leases are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Inventories

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the first-in first-out purchase price is used. Provision is made for obsolete, slow-moving and defective items where appropriate.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Financial Instruments

Financial Assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment and and loss is recognised in the profit and loss account.

1 ACCOUNTING POLICIES (continued)

Financial Liabilities

Basic financial liabilities, including trade and other payables and loans from group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects that year, or in the year of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash-generating unit. The value in use calculations requires the entity to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. The review did not indicate any impairment in carrying value, therefore no impairment has been recognised in the year (2017: £Nil).

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the tangible fixed assets, and note 1 for the useful economic lives for each class of assets.

Inventory provisioning

The company sells prescription eyewear and sunglasses which are subject to changes in consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 11 for the net carrying amount of the inventory and associated provision.

3 TURNOVER

Turnover is recognised at the point of despatch of goods exclusive of value added tax. Turnover is derived principally from the United Kingdom and Europe and relates to the provision of spectacles, sunglasses, and related accessories. Turnover is recognised net of discounts allowed and refunds.

An analysis of turnover by geographical segment has not been presented as in the opinion of the directors that this would be seriously prejudicial to the interests of the company.

4 OPERATING LOSS

		Year ended 31-Dec-18	Year ended 31-Dec-17
		£	£
Operating loss is stated after charging:			
Wages and salaries		6,485,087	5,887,186
Social security costs		686,420	681,164
Other pension costs		157,820	107,228
Staff costs		7,329,327	6,675,578
Depreciation of tangible assets	- owned	793,855	545,622
	- leased	-	8,487
Amortisation of intangible assets		1,009,279	403,712
Loss on disposal of tangible assets		254,591	37,729
Inventory recognised as an expense		11,670,861	11,143,211
Impairment of inventory		169,850	134,481
Foreign exchange losses		28,284	23,115
Share based payments (note 20)		13,823	5,790
Operating lease rentals			
Land and buildings		389,564	396,322
Auditors' Remuneration			
Fees payable to the company's auditors for the audit of the annual report		33,000	31,000

5 EMPLOYEES AND DIRECTORS

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Directors' emoluments		
Salaries and other short term benefits	295,363	288,094
Post employment benefits	7,783	9,813
Highest paid director's emoluments		
Salaries and other short term benefits	153,077	275,519
Post employment benefits	5,075	9,188

Two of the Directors in appointment during the year were members of the defined contribution pension scheme (2017: one).
One director is accruing benefits under a long-term incentive programme.

	Year ended 31-Dec-18 No.	Year ended 31-Dec-17 No.
Average monthly number of employees (including directors) was:		
Administration	70	74
Despatch	39	37
Sales	67	61
	176	172

Defined contribution pension scheme
The company provides a defined contribution scheme for its employees.
The amount recognised as an expense for the defined contribution scheme was:

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Current year contributions	157,820	107,228

6 FINANCE COSTS

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Interest receivable from group undertakings	2,574	101,099
Interest payable to parent company	(790,205)	(598,603)
	(787,631)	(497,504)

7 TAX ON LOSS

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Current tax		
UK Corporation tax credit on loss for the year/period	(1,140,293)	(854,287)

Tax assessed for the year is the same as (2017: higher) the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.0% (2017: 19.25%). *The credit for the year can be reconciled to the loss per the income statement as follows:*

Loss before taxation	(5,534,222)	(6,818,318)
Tax on loss at standard UK tax rate of 19.0% (2017: 19.25%)	(1,051,502)	(1,312,526)
Effects of:		
Expenses not deductible	110,885	27,415
Income not taxable	-	(83,576)
Effects of group relief/other reliefs	380	-
Disposal of investments & Amortisation of intangibles	191,763	77,701
Tax rate changes	87,242	-
Adjustments from previous periods	(1,220,625)	(854,287)
Deferred tax on losses arising not recognised	741,564	1,290,986
Total tax credit	(1,140,293)	(854,287)

During the year, the company surrendered trading losses from the prior period to group companies, and recharged this relief at 20%.

A deferred tax asset of £8,812,827 (2017: £8,071,263) has not been recognised on the balance sheet due to the uncertainty of their recoverability in the foreseeable future.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of the Finance bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

8 INTANGIBLE ASSETS

	Goodwill £	Purchased Intangibles £	Total £
Cost			
At 1 January 2018 and 31 December 2018	4,988,122	1,139,751	6,127,873
Accumulated amortisation			
At 1 January 2018	4,548,718	569,876	5,118,594
Amortisation	439,404	569,875	1,009,279
At 31 December 2018	4,988,122	1,139,751	6,127,873
Net book value			
At 31 December 2018	-	-	-
At 1 January 2018	439,404	569,875	1,009,279

The purchased intangible asset includes the value attributable to trading brands arising from previous acquisitions. This was being amortised over 5 years. Post year end, management have made the decision to close the trading website linked with this intangible and therefore has accelerated the remaining amortisation within the year.

The goodwill intangible asset includes the remaining goodwill acquired during the acquisition of Eyewearbrands Limited. This was being amortised over 5 years. Post year end, management have made the decision to close the trading website linked with this goodwill and therefore has accelerated the remaining amortisation within the year.

Amortisation charged in the year has been recognised in "Administrative Expenses" in the Profit and Loss Account.

9 TANGIBLE ASSETS

	Computer equipment and software £	Office Equipment £	Laboratory Equipment £	Leasehold Improvements £	Total £
Cost					
At 1 January 2018	4,530,987	230,078	706,956	408,295	5,876,316
Additions	1,306,369	21,181	7,624	8,345	1,343,519
Disposals	(1,062,625)	(76,445)	-	(22,197)	(1,161,267)
At 31 December 2018	4,774,731	174,814	714,580	394,443	6,058,568
Accumulated Depreciation					
At 1 January 2018	2,433,662	158,620	161,371	180,477	2,934,130
Charge for the year	560,966	23,041	133,332	76,516	793,855
Disposals	(810,060)	(74,418)	-	(22,197)	(906,675)
At 31 December 2018	2,184,568	107,243	294,703	234,796	2,821,310
Net book value					
At 31 December 2018	2,590,163	67,571	419,877	159,647	3,237,258
At 1 January 2018	2,097,325	71,458	545,585	227,818	2,942,186

The net book value of assets subject to hire purchase contracts was £Nil (2017: £3,610), and depreciation charged in the year was £3,610 (2017: £8,487).

10 INVESTMENTS

	Subsidiary Undertakings £
Cost	
At 1 January 2018 and 31 December 2018	23,829,115
Cumulated provisions for impairment	
At 1 January 2018 and 31 December 2018	2,200,783
Net book value	
At 1 January 2018 and 31 December 2018	21,628,332

10 INVESTMENTS (continued)

The company had investments in the following subsidiary undertakings during the year:

Name of undertaking	Country of incorporation	Description of shares held	Percentage of shares held	Principal Activity
4CARE GmbH	Germany	Ordinary	100%	Sale of contact lenses and other eyewear

Registered Office

4CARE GmbH — Wissenschaftspark, Fraunhoferstr 17, 24118 Kiel, Germany

4CARE GmbH

The company have not recognised an impairment as the carrying value of the investment was supported by the discounted cashflow forecast performed by management (2017: £Nil).

On 12 April 2019, the company transferred its holding in 4CARE GmbH to another Essilor Luxotticca Group company to simplify the Group structure. Total proceeds for this intra-group transaction was €23m, recognising a total loss on carrying value of the investment of £1.9m.

11 INVENTORIES

	31-Dec-18	31-Dec-17
	£	£
Finished goods	3,177,616	3,319,613
Raw materials	69,445	41,095
	3,247,061	3,360,708

There is no material difference between the balance sheet value of inventories and their replacement cost. Inventories are stated after provisions for impairment of £484,000 (2017: £314,000).

12 DEBTORS

	31-Dec-18	31-Dec-17
	£	£
Amounts falling due within one year:		
Trade debtors	448,361	417,491
Amounts owed by parent company	406,179	-
Amounts owed by group undertakings	1,129,103	1,022,532
Other debtors	13,389	2,263
Prepayments and accrued income	299,485	454,415
	2,296,517	1,896,701

All amounts included in debtors fall due within one year.

Amounts owed by other group undertakings are unsecured, interest free, repayable on demand and relate to the sale of tax losses surrendered.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31-Dec-18	31-Dec-17
	£	£
Amounts falling due within one year:		
Obligations under hire purchase contracts	-	2,707
Trade creditors	1,346,320	1,426,179
Amounts owed to parent company	217,166	26,156,851
Amounts owed to group undertakings	174,020	322,423
Taxation and social security	139,227	175,371
Other Creditors	4,733	2,116
Accruals and deferred income	1,847,746	1,731,297
	3,729,212	29,816,944

Amounts owed to other group undertakings are unsecured, interest free, and are payable under standard supplier payment terms.

Amounts owed to the parent company are unsecured, accruing interest at a rate of 1.5% + 2 month government floating rate, with 60 day payment terms.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31-Dec-18	31-Dec-17
	£	£
Amounts owed to parent company	10,014,085	-
	10,014,085	-

Amounts owed to the parent company are unsecured, accruing interest at a rate of 1.5% + 2 month government floating rate, repayable in December 2020.

On 12 April 2019, the company repaid the amounts owed to parent company and accrued interest in full.

15 LOANS AND OTHER BORROWINGS

Borrowings are repayable as follows:

	31-Dec-18	31-Dec-17
	£	£
Obligations due under hire purchase contracts		
On demand or within one year	-	2,707
	-	2,707
Amounts owed to parent company		
On demand or within one year	217,166	26,156,851
Between one and two years	10,014,085	-
	10,231,251	26,156,851

16 CALLED UP SHARE CAPITAL

		31-Dec-18	31-Dec-17
Allotted, called-up and fully paid		£	£
200,000,000 (2017: 125,482,120)	ordinary shares of £0.10 each	32,548,212	12,548,212
		32,548,212	12,548,212

Shares were issued in the year as follows:

Class	Number	Consideration	Date
		£	
Ordinary shares	200,000,000	20,000,000	14 December 2018
		20,000,000	

The company's other reserves are as follows:
The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

17 FINANCIAL COMMITMENTS

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

	31-Dec-18	31-Dec-17
	£	£
Payments due:		
No later than one year	389,925	389,925
Later than one year and not later than five years	496,604	864,529
Later than five years	78,833	100,833
	965,362	1,355,287

At 31 December 2018 the company had no other capital commitments (2017:none).

18 RELATED PARTY TRANSACTIONS

The company has relied upon the exemption in FRS 102 Section 33 "Related party disclosures" from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

19 CONTROLLING PARTIES

The immediate parent undertaking is Trifle Holdings Limited.

On 1 October 2018 Essilor International SA was renamed EssilorLuxottica SA. The only Group of companies for which consolidated financial statements are prepared is that headed by EssilorLuxottica SA, a company registered in France. Copies of the EssilorLuxottica S.A. Consolidated financial statements can be obtained from their head office at 147, rue de Paris, 94220 Charenton-le-Pont Cadex, France, 712 049 618 RCS Créteil.

20 SHARE BASED PAYMENTS

Share options and performance based allotment plans in shares of EssilorLuxottica S.A. are granted to employees whom opt to join the scheme (post successful completion of their probation period). The number of options/performance shares granted and the related share based payment charge are immaterial and therefore no additional disclosure is deemed necessary. Full details of EssilorLuxottica S.A. shares are provided in the financial statements of EssilorLuxottica S.A..

21 EVENTS AFTER THE REPORTING PERIOD

On 12 April 2019, the company transferred its holding in 4CARE GmbH, a subsidiary undertaking, to another entity within the EssilorLuxottica Group (see note 10). On the same date, the company repaid its long term loan and accrued interest to its ultimate parent company (see note 13).