Company Registration No. 5139004

MyOptique Group Ltd

Annual Report and Financial Statements

For the year ended 31 December 2021

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
B Streeting
A Cobelli
A D'Agostino

SECRETARY
Velocity Company Secretarial Services Limited

REGISTERED OFFICE
Veale Wasbrough Vizards Narrow Quay House
Narrow Quay
Bristol
England
BS1 4QA

BANKERS
HSBC Bank PLC
8 Canada Square
London
E14 5HQ

SOLICITORS
Velocity Company Secretarial Services Limited

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 2021.

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. The company is a UK subsidiary of EssilorLuxottica S.A., a company which is incorporated outside of the UK.

BUSINESS REVIEW

During the year, 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 year on year revenue growth following a management decision to focus on the trading brands with the most future potential. This focus has contributed to a significant improvement in gross margin year on year

The company recorded a profit for the financial year of £0 7m (2020: £1.2m loss). The company closed the year with net assets totalling £12.7m (2020: £12m). The directors consider key performance indicators to be revenue and profit measures as detailed above

GOING CONCERN

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 within the next year.

The directors have reviewed the relevant forecasts and considered appropriate sensitivities thereon. Following this review, 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 financial statements

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 arranges hedging directly with EssilorLuxottica, who in turn hedge with external parties.

The company has moved a significant amount of its purchases to a supply base denominated in US Dollar, This FX risk is hedged though forward FX contracts, 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

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 company is a member of Essilor Group, 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 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 6 October 2022 by:

B Streeting
Director

Date: 6th October 2022

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2021

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

B Streeting
A Cobelli (appointed 6 December 2021)
A D'Agostino (appointed 6 December 2021)
B Nuesser (resigned 6 December 2021)
E Martinet (resigned 6 December 2021)

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 (2020: £nil).

POST BALANCE SHEET EVENTS

On 9th June 2022, the company announced the planned closure of its Swindon warehouse and offices with redundancies of those employees impacted expected to be circa 31st December 2022. The operations of the business are to be transferred to other locations within the Group. No adjustment has been recognised in respect to this announcement in the 2021 financial statements

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

GOING CONCERN

Going concern is discussed in Strategic Report on page 4

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 £9.3k (2020: £8.7k) towards the Essilor Group's "Vision for Life" Corporate Mission No political contributions were made (2020: £nil)

EXISTENCE OF BRANCHES OUTSIDE THE UK

As of 31 December 2021, the company does not own any branches outside the UK.

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.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and Financial Statements 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the directors' 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 6 October 2022 by;

B Streeting
Director

Date: 6th October 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MYOPTIQUE GROUP LTD

Report on the audit of the financial statements

<u>Opinion</u>

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 2021 and of its profit 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 2021; 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.

<u>Basis for opinion</u>

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.

<u>Conclusions relating to going concern</u>

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

<u>Reporting on other information</u>

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MYOPTIQUE GROUP LTD (continued)

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 2021 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.

<u>Responsibilities for the financial statements and the audit</u>

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Opticians Act 1989, the Optician rules regulated by the General Optical Council, Sales of Goods Act 1979, Health and Safety, Employment legislation, and General Data Protection Regulation (GDPR),, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management team and those charged with governance, including considerations of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board of Directors;
- Evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combination;
- Incorporating elements of unpredictability into our work; and
- Reviewing financial statement disclosures and testing these to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MYOPTIQUE GROUP LTD (continued)

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.

<u>Other required reporting</u>

Companies Act 2006 exception reporting

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

- we have not obtained 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.

Emily Greybrook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6th October 2022

MYOPTIQUE GROUP LTD

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2021

	Note	Year ended 31-Dec-21 £	Year ended 31-Dec-20 £
TURNOVER	3	31,771,538	29,718,215
Cost of Sales		(5,760,355)	(7,613,646)
GROSS PROFIT		26,011,182	22,104,569
Administrative Expenses		(26,722,671)	(24,027,815)
OPERATING LOSS	4	(711,489)	(1,923,246)
Finance income	6	5,924	19,820
LOSS BEFORE TAXATION		(705,565)	(1,903,426)
Tax on loss	7	1,355,299	698,211
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		649,734	(1,205,215)

All results arose from continuing operations.

There is no other comprehensive income and therefore a Statement of Comprehensive Income has not been presented.

MYOPTIQUE GROUP LTD

BALANCE SHEET
At 31 December 2021

	Note	31-Dec-21 £	31-Dec-20 £
FIXED ASSETS			
Tangible assets	8	1,142,456	2,442,015
CURRENT ASSETS			
Inventories	9	2,704,034	2,659,117
Debtors	10	15,361,802	13,497,274
Cash at bank and in hand		1,297	349
		18,067,133	16,156,740
CREDITORS: amounts falling due within one year	11	(6,554,415)	(6,593,315)
NET CURRENT ASSETS		11,512,718	9,563,425
TOTAL ASSETS LESS CURRENT LIABILITIES		12,655,174	12,005,440
NET ASSETS		12,655,174	12,005,440
CAPITAL AND RESERVES			
Called up share capital	13	32,548,212	32,548,212
Share premium account		52,926,002	52,926,002
Profit and loss account		(72,819,040)	(73,468,774)
TOTAL SHAREHOLDERS' FUNDS		12,655,174	12,005,440

The financial statements of MyOptique Group Ltd, registered number 5139004, on pages 11 to 19 were approved by the board of directors and authorised for issue on 6 October 2022 and signed on its behalf by

B Streeting
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

	Called up share capital £	Share premium £	Profit and loss account £	Total shareholders' funds £
Balance as at 1 January 2020	32,548,212	52,926,002	(72,263,559)	13,210,655
Loss for the financial year	-	-	(1,205,215)	(1,205,215)
Balance as at 31 December 2020	**32,548,212**	**52,926,002**	**(73,468,774)**	**12,005,440**
Profit for the financial year	-	-	649,734	649,734
Balance as at 31 December 2021	**32,548,212**	**52,926,002**	**(72,819,040)**	**12,655,174**

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. 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

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 within the next year.

The directors have reviewed the relevant forecasts and considered appropriate sensitivities thereon. Following this review, 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 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. 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 Cedex, France, 712 049 618 RCS Créteil.

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. Outstanding balances from credit and debit card providers are presented within debtors

MYOPTIQUE GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2021

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

The company applies the requirements of IFRS 2 'Share-based Payments' to equity-based employee compensation schemes in respect of awards granted.

The cost of employees' services received in exchange for grant of rights under equity-based employee compensation schemes is measured at the fair value of the equity instruments granted and is expensed over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions (e.g. earnings per share). Non-market vesting conditions are included in the assumptions about the number of equity instruments that are expected to become exercisable. At each balance sheet date, the company revises its estimates of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The fair value is measured based on an appropriate valuation model taking into account the terms and conditions upon which the equity instruments were granted.

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.

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.

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

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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

<u>Useful economic lives of tangible fixed assets (estimate)</u>

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 8 for the carrying amount of the tangible fixed assets, and note 1 for the useful economic lives for each class of assets,

<u>Inventory provisioning (estimate)</u>

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 9 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, refunds and provision for returns

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-21 £	Year ended 31-Dec-20 £
Operating loss is stated after charging/(crediting);		
Wages and salaries	6,751,387	6,311,793
Social security costs	741,178	678,560
Other pension costs	251,983	220,588
Staff costs	7,744,526	7,210,941
Depreciation of tangible assets - owned	824,263	942,732
Loss on disposal of tangible assets	873,691	553
Inventory recognised as an expense	10,610,739	11,289,412
Impairment of inventory	56,222	59,079
Foreign exchange losses/(gains)	22,391	(54,740)
Share based payments (note 17)	275,488	44,004
Operating lease rentals		
Land and buildings	273,474	353,859
Auditors' Remuneration		
Fees payable to the company's auditors for the audit of the annual report	40,000	40,000

5 EMPLOYEES AND DIRECTORS

	Year ended 31-Dec-21 £	Year ended 31-Dec-20 £
Directors' emoluments		
Salaries and other short term benefits	349,656	292,505
Post employment benefits	8,059	6,500
Highest paid director's emoluments		
Salaries and other short term benefits	349,656	292,505
Post employment benefits	8,059	6,500

One of the Directors in appointment during the year was a member of the defined contribution pension scheme (2020: one)
One director is accruing benefits under a long-term incentive programme.

2 (2020: 2) of the Directors are employed by another 100% subsidiary Luxottica Group SPA (based in Milan) of the ultimate parent company and their remuneration is included in the financial results of that entity. These amounts are not explicitly recharged to the company

Average monthly number of employees (including directors) was:	Year ended 31-Dec-21 No.	Year ended 31-Dec-20 No.
Administration	64	64
Sales	40	44
Despatch	70	68
	174	176

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-21 £	Year ended 31-Dec-20 £
Current year contributions	251,983	220,588

6 FINANCE INCOME

	Year ended 31-Dec-21 £	Year ended 31-Dec-20 £
Interest receivable from parent company	5,924	19,820
	5,924	19,820

7 TAX ON LOSS

	Year ended 31-Dec-21 £	Year ended 31-Dec-20 £
Current tax		
Adjustments in respect of previous period	-	84
Total current tax	-	
Deferred tax		
Originated and reversal of timing differences	(306,113)	(338,631)
Adjustment in respect of previous periods	(637,401)	(258,176)
Effect of changes in tax rates	(411,785)	(103,488)
Total deferred tax	(1,355,299)	(698,295)
Total tax per income statement	(1,355,299)	(698,211)

Tax assessed for the year is lower (2020: lower) the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19.0% (2020: 19.0%). The credit for the year can be reconciled to the loss per the income statement as follows

	Year ended 31-Dec-21 £	Year ended 31-Dec-20 £
Loss before taxation	(705,565)	(1,903,426)
Tax on loss at standard UK tax rate of 19.0% (2020: 19.0%)	(134,057)	(361,651)
Effects of		
Expenses not deductible	22,656	25,021
Super deduction	(3,243)	-
Tax rate changes	(411,785)	(103,488)
Adjustments from previous year	(637,400)	(258,093)
Share schemes	(23,765)	-
Deferred tax on losses not recognised	(167,685)	-
Total tax credit	(1,355,299)	(698,211)

During the year, the company surrendered trading losses from the prior year to group companies, and recharged this relief at 19% (2020 19%)

A deferred tax asset of £9,036,195 (2020: £7,035,193) has not been recognised on the balance sheet due to the uncertainty of their recoverability in the foreseeable future

The standard rate of corporation tax in the UK was due to change from 19% to 17% with effect from 1 April 2020. Following the budget announcement on the 11 March 2020, this rate reduction was cancelled and the legislation reducing the rate has been repealed. Following the budget announcement on the 03 March 2021, the standard rate of corporation tax in the UK will rise to 25% with effect from 1 April 2023. Accordingly, the Company's profits for this and future accounting periods until 31 March 2023 are taxed at an effective tax rate of 19%.

On 23 September 2022, the UK Government announced that the main rate of corporation tax would no longer increase to 25% with effect from 1 April 2023, but would instead stay at 19%. This change was not substantively enacted by the balance sheet date and therefore the deferred tax remains measured at 25%. Had the change been enacted, this would have reduced the deferred tax charge for the year in the income statement by £411k. It would also have reduced both the deferred tax asset as at 31 December 2021 by £411k.

8 TANGIBLE ASSETS

	Computer equipment and software £	Office Equipment £	Laboratory Equipment £	Leasehold improve-ments £	Total £
Cost					
At 1 January 2021	4 359,241	159,458	721,495	368,254	5,608,448
Additions	373,134	9,332	15,930	-	398,396
Disposals	(1,359,360)	-	-	-	(1,359,360)
At 31 December 2021	3,373,015	168,790	737,425	368 254	4,647,484
Accumulated Depreciation					
At 1 January 2021	2 212,618	68,141	554,285	331,389	3,166,433
Charge for the year	682,268	20,755	94,868	26,372	824,263
Disposals	(485,668)	-	-	-	(485,668)
At 31 December 2021	2,409,218	88,896	649,153	357,761	3,505,028
Net book value					
At 31 December 2021	963,797	79,894	88,272	10,493	1,142,456
At 31 December 2020	2,146,623	91,317	167,210	36,865	2,442,015

No assets are subject to hire purchase contracts at 31 Dec 2021 (2020: £Nil).

During the year, the Essilor Luxottica Group made a decision to completely abort the salesforce project as it no longer aligned with the new Group strategy. All costs associated with the project were written off as the work done to date was made redundant. Gross cost relating to the disposal was £926k, recognising a total loss on disposal of £486k

9 INVENTORIES

	31-Dec-21 £	31-Dec-20 £
Finished goods	2,608,257	2,583,165
Raw materials	70,208	50,328
Packaging Material	25,569	25 624
	2,704,034	2,659,117

There is no material difference between the balance sheet value of inventories and their replacement cost. Inventories are stated after provisions for impairment of £690,399 (2020: £544,177)

10 DEBTORS

	31-Dec-21 £	31-Dec-20 £
Amounts falling due within one year:		
Trade debtors	134,400	49,866
Amounts owed by parent company	12,905,835	11,843,157
Amounts owed by other group undertakings	9,738	725,881
Deferred tax	2,053,594	698,295
Other debtors	24,719	39,731
Prepayments and accrued income	233,516	140,344
	15,361,802	13,497,274

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 surrender of tax losses. Amounts owed by parent company predominately relate to the company's cash held in the group cash pooling system, and is repayable on demand.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31-Dec-21 £	31-Dec-20 £
Amounts falling due within one year:		
Trade creditors	1,643,602	2,173,587
Amounts owed to parent company	671 696	133,872
Amounts owed to group undertakings	739,352	919,069
Taxation and social security	422 629	35,085
Other Creditors	6,302	-
Accruals and deferred income	3,070,634	3,331,701
	6,554,415	6,593,315

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

12 LOANS AND OTHER BORROWINGS

Borrowings are repayable as follows:

	31-Dec-21 £	31-Dec-20 £
Amounts owed to parent company		
On demand or within one year	671,696	133,872
	671,696	133,872

13 CALLED UP SHARE CAPITAL

	31-Dec-21	31-Dec-20
Allotted, called-up and fully paid	£	£
325,473,720 (2020: 325,473,720) ordinary shares of £0.10 each	32,547,372	32,547,372
840,277 (2020: 840,277) ordinary shares of £0.01 each	840	840
	32,548,212	32,548,212

There were no shares issued during the year
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

14 FINANCIAL COMMITMENTS

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

	31-Dec-21	31-Dec-20
	£	£
Payments due		
No later than one year	250,991	177,000
Later than one year and not later than five years	59,539	88,000
Later than five years	-	34,833
	310,530	299,833

At 31 December 2021 the company had no other capital commitments (2020: None)

15 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.

16 CONTROLLING PARTIES

The immediate parent undertaking is Tnfle Holdings Limited

The only Group of companies for which consolidated financial statements are prepared is that headed by EssilorLuxottica S A., 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 Cedex, France. 712 049 618 RCS Créteil

17 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

18 EVENTS AFTER THE REPORTING YEAR

On 9th June 2022, the company announced the planned closure of its Swindon warehouse and offices with redundancies of those employees impacted expected to be circa 31st December 2022. The operations of the business are to be transferred to other locations within the Group. No adjustment has been recognised in respect to this announcement in the 2021 financial statements