

BBGR Limited

Registered number: 03986153

Report and financial statements

For the year ended 31 December 2019



BBGR LIMITED

COMPANY INFORMATION

Directors	Lena G Henry James M Smith Olivier Marie Alain Chupin Peter J Smith	(Appointed 15/03/2019, Resigned 01/03/2020) (Appointed on 1 March 2020) (Resigned 15/03/2019)
Company secretary	Velocity Company Secretarial Services Limited	
Registered number	03986153	
Registered office	WV LLP Narrow Quay House Narrow Quay Bristol BS1 4QA	
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 45 Church Street Birmingham B3 2RT	
Solicitors	Thring Townsend Solicitors The Paragon Counterslip Bristol BS1 6BX	

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Business environment

There are approximately 8,000 outlets in the UK comprising national chains, regional chains and independents. These outlets are served by international and national lens manufacturers with other, typically lower value lenses, being supplied by wholesale importers or directly from overseas. In addition there are a number of independent prescription laboratories which provide manufacturing services to the market.

Within this competitive environment the Company has differentiated itself from its competitors by focusing on, and developing, the varifocal side of its business, however we endeavor to ensure that we provide our customers with a full product range, both branded and unbranded, with the level of service they expect. Through regular contact with our customers, coupled with extensive market research, we can identify the following four key factors as essential to meeting the requirements of our customer:

1. Service- friendly, knowledgeable and efficient customer service
2. Delivery reliability- products and services delivered as communicated
3. Product range- wide ranging offer of high quality products
4. Competitive pricing

Strategy

The Company's overriding objective is to achieve sustainable growth and returns through organic growth in the UK Lens market.

The key elements to achieve this are:

- Good range of quality products
- Reliable service
- Investment in people
- Investment in manufacturing processes

Good range of quality products

Having a good range of quality products allows our customers to have the luxury of knowing product performance will be excellent. This allows the customer to work closely with its patients, and tailor the patients' requirements on an individual basis.

Reliable service

Reliable service allows the customer to give patients accurate and acceptable timescales for the delivery of their products.

Investment in people

The business has a highly structured and robust training programme to ensure people skills within the business are constantly monitored and enhanced. This maximises the opportunity for the Company to produce excellence at all times in its products and services.

Investment in manufacturing processes

In addition to people training, the Company is constantly reviewing technological advancements within the Ophthalmic manufacturing market. This ensures that any capital renewal programme undertaken will always be the most appropriate option for both the Company, and its customers.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Business review

The Birmingham site mainly supplies and assembles ophthalmic lenses into frames for sale to Boots Opticians. The Manchester site sells mainly to the independent market and supplies both finished and semi-finished lenses with the option of glazing if required; this site has moved to Birmingham during FY2019.

The results of the Company show a pre-tax profit of £2,020k (2018: loss of £2,385k) for the year, and sales of £47,461k (2018: £38,614k). The Company has net assets of £12,811k (2018: 11,182k).

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to competition from other lens manufacturers, both national and international, reliance on one significant customer and employee retention. The key business risks are reviewed via a monthly local management meeting. Appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events could compound the possible adverse effects on the Company.

Competition

The business operates in a highly competitive market, particularly around product price, quality and service. This results in downward pressure on margins, and also the risk that the business will not meet the customer's expectations. In order to mitigate this risk, the Company monitors market prices, and measures delivery and quality performance of products to customers, to ensure their requirements are being met.

Reliance on one customer

Approximately 85% of revenue is generated from one principal customer. Management have mitigated this risk by entering into multi-year contracts and work very closely with the customer to satisfy their future needs and quality standards.

Employee retention

The resignation of key employees, and the inability to recruit people with the right skills from the local community could adversely impact the Company's results. To mitigate these issues, the Company has implemented a full training programme for employees and has implemented a number of schemes that are designed to retain key individuals.

Financial key performance indicators

The directors use turnover and profit as the key performance indicators of the business, which are detailed in the Statement of Comprehensive Income on page 12.

This report was approved by the board and signed on its behalf on 28th September 2020.


J Smith (Sep 28, 2020 12:45 GMT+1)

J Smith
Director

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

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Company is the sale and glazing of ophthalmic lenses. The Company is a UK subsidiary of EssilorLuxottica S.A, a Company which is incorporated in France, and sells only to the UK and Eire. The Company has two sites; Birmingham and Manchester

Financial risk management

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

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the board. The policies set by the board of directors are implemented by the Company's finance department.

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

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Credit risk

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

Interest rate risk

The Company has interest-bearing liabilities, which incur interest at a variable rate. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Liquidity risk

The Company's borrowings are short term in nature, but the Company has access to group funds should the need for more liquidity arise.

Price risk

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

Exchange rate risk

The Company has some exposure to currency exchange rate fluctuation as a result of its purchasing activity overseas. The Company arranges forward exchange contracts to minimise the potentially adverse effects of variations in the currency exchange market when considered appropriate. The directors will revisit this policy should the Company's operations change in size or nature.

Employee involvement

The Company is committed to employee participation and encourages the development of co-operation with employees. Communication with all employees includes monthly in-house bulletins, regular meetings, staff forums and staff participation in monthly activities (e.g. healthy eating/cycle to work/walking groups). Employees' involvement in the Company's performance is encouraged through the employee share schemes and bonuses related to quality and production KPI's. All staff are given a benefits booklet when joining the Company. Staff training is also key to employee participation and engagement, and an extensive training program is in place

Disabled employees

The Company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate.

Covid 19

The Covid 19 pandemic has led to largely reduced activity within the business. The business customers work in the field of Optics, which, other than for emergency activity, business has been suspended.

In order to preserve cashflow and Job retention during this time, we have utilised the Governments Furlough scheme. We are part of an international group, and are therefore well supported from a cash perspective. The group is well protected to deal with such risk, as it is a global organisation, able to leverage its assets across all continents. Having observed the business recoveries seen in other countries around Europe, as they ease their lockdown measures, we are confident that the UK Optics market will recover quickly.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

We have continued to pay our suppliers, and collect monies from our Customers during this time, and we have not seen a significant change in our Debt ledger ageing, as our customers have also supported us.

As such, we are confident that the business will be able to trade successfully through and beyond the current Covid 19 Pandemic.

Brexit

It is still unclear to the business the terms under which the UK will exit the European Union.

As such, it is not possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

However, we have worked on several contingency plans should a No Deal Brexit occur. We consider the ability to leverage our groups wider supply chain as a key advantage in managing such contingency plans. In addition, we have carefully studied the working capital requirements of the business and have taken actions where we feel appropriate to strengthen working capital.

We have also taken steps to strengthen both our information technology systems, and our relationship with our freight forwarding partners to reduce risk at the border for importing product.

We believe that our plans will minimise any potential risks occurring from Brexit as much as is practically possible.

Qualifying third party indemnity provisions

The Eßilor group maintains directors and officers liability insurance policies on behalf of the directors. These policies meet the Companies Act 2006 definitions of qualifying third party indemnity provision.

Disclosure of information to auditors

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

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

This report was approved by the board on 28th September 2020 and signed on its behalf.


J Smith (Sep 28, 2020 12:45 GMT+1)

J Smith
Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BBGR LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

Opinion

We have audited the financial statements of BBGR Limited (the 'Company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced disclosure framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 7, and the consideration in the going concern basis of preparation on page 16.

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BBGR LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

Other information

The directors are responsible for the other information. The other information comprises the information the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BBGR LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Louis Burns (Sep 28, 2020 12:48 GMT+1)

Louis Burns (senior statutory auditor)
For and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham

Date: 28th September 2020

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

	Notes	2019 £ 000	2018 £ 000
Turnover	2	47,461	38,614
Cost of sales		(35,794)	(31,543)
Gross profit		11,667	7,071
Administrative expenses		(9,531)	(9,360)
Operating profit / (loss)	3	2,136	(2,289)
Interest receivable		5	19
Interest payable	5	(121)	(114)
Profit / (loss) on ordinary activities before taxation		2,020	(2,384)
Tax on profit / (loss) on ordinary activities	6	(391)	437
Profit / (loss) for the financial year		1,629	(1,947)

The notes on pages 15 to 27 form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019****Registered number: 03986153**

	Notes	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	7	1,276	1,260
Deferred tax asset	8	79	545
Investments	9	6	6
		<u>1,361</u>	<u>1,811</u>
Current assets			
Stocks	10	10,206	8,358
Debtors	11	30,434	26,922
Cash at bank and in hand		132	229
		<u>40,772</u>	<u>35,509</u>
Creditors: amounts falling due within one year	12	(29,173)	(26,138)
Net current assets		<u>11,599</u>	<u>9,371</u>
Total assets less current liabilities		<u>12,960</u>	<u>11,182</u>
Creditors: amounts falling due after more than one year	13	(149)	-
Net assets		<u>12,811</u>	<u>11,182</u>
Capital and reserves			
Called up share capital	15	15,920	15,920
Profit and loss account		(3,109)	(4,738)
Total equity		<u>12,811</u>	<u>11,182</u>

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


J Smith (Sep 28, 2020 12:45 GMT+1)

James Smith
Directors

The notes on pages 15 to 27 form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital	Profit and loss account	Total
	£ 000	£ 000	£ 000
At 1 January 2018	15,920	(2,791)	13,129
Loss for the financial year	-	(1,947)	(1,947)
At 31 December 2018	<u>15,920</u>	<u>(4,738)</u>	<u>11,182</u>
 At 1 January 2019	 15,920	 (4,738)	 11,182
Profit for the financial year	-	1,629	1,629
At 31 December 2019	<u>15,920</u>	<u>(3,109)</u>	<u>12,811</u>

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

1. Accounting policies**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' with the exception of certain financial instruments at fair value, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 1.20).

The following principal accounting policies have been applied:

1.2 Consolidation

The company is a wholly owned subsidiary of EssilorLuxottica S.A and it is included in the consolidated financial statements of EssilorLuxottica S.A, which are publicly available as set out in note 20. Therefore the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

1.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to 864(m), B64(n)(ii), 864(o)(ii), B64(p), B64(q)(ii), 866 and 867 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 11- and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15: Revenue from Contracts with Customers.
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16: Leases.
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures

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

1. Accounting policies (continued)

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

For certain disclosure exemptions listed above, the equivalent disclosures are included in the consolidated financial statements of EssilorLuxottica S.A. which are available to the public and can be obtained as set out in note 20.

1.4 Going concern

On the basis of their assessment of the Company's financial position, banking arrangements and current year forecasts, and of the enquiries made of the Directors of the Company's parent Essilor International SA, the company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The directors have confirmed that adequate financial support will be available from the Company's Group undertakings for a period of at least 12 months from the date of approval of these financial statements, should it be required; and that sufficient cash reserves are available for use by the Company. Accordingly, the directors believe that it is appropriate to prepare these financial statements on a going concern basis.

1.5 Foreign currency translation**Functional and presentation currency**

The company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.6 Revenue

Revenue represents the amounts earned in respect of goods supplied, excluding Value Added Tax. Revenue is recognised in profit and loss when the significant risks and rewards of ownership have been transferred to the customer.

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

1. Accounting policies (continued)**1.7 Interest income**

Interest income is recognised in the statement of comprehensive income using the effective interest method.

1.8 Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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

1.9 Share based payments

The Company applies the requirements of IFRS 2 'Share-based Payment' 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 assumption about the number of equity instruments that are expected to become exercisable. At each reporting 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.

1.10 Current and deferred taxation

Current 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 reporting date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the reporting date. Deferred tax assets are recognised only to the extent that they are more likely than not to be recovered. Deferred tax calculations are based on the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

1. Accounting policies (continued)**1.11 Tangible fixed assets**

Tangible assets are stated at cost less accumulated depreciation.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 10% - 15% straight line
Right of use assets	- Over the lease term

1.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.13 Stocks

Stocks of raw materials and finished goods are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

1.14 Debtors

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

1.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.16 Creditors

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

1.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

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

1. Accounting policies (continued)**1.18 New and revised IFRSs**

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

Endorsed	EU effective date – periods beginning on or after
Amendments to IFRS 16 Leases	1 January 2019

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

Scope of the company contracts

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

- Land and buildings

The company has retained the exemption for low-value assets (i.e. new assets with a cost lower than EUR 5,000). Thus, the defined scope does not include small office or IT equipment, mobile phones or other small equipment, which all correspond to low-value equipment. Short-term contracts (i.e. less than 12 months without purchase option) are also exempted under the standard. In this case for example, for occasional vehicle or accommodation rentals. The accounting principles below are effective for annual periods beginning on 1 January 2019. IAS 17 still applies for 2018 comparative period.

Rental obligation

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

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

1. Accounting policies (continued)***Right-of-use assets***

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

Determining the duration of contracts

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

1.19 Financial instruments

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

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

All financial assets are classified as financial assets at amortised cost if the assets comprise assets held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

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

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

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

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in

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

1. Accounting policies (continued)

the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities***Fair value through profit or loss or loss***

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

1.20 Judgements in applying accounting policies and key sources of estimation uncertainty***Rebates***

The contractual arrangements with some customers includes terms which can give rise to discounts and rebated which are dependent on the levels of business. The directors have made estimates of likely turnover achievements in order to appropriately recognise amounts of turnover. The provision for rebates at the 31 December 2019 was £3,277k (2018: £2,734k).

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

2 Analysis of turnover	2019	2018
	£ 000	£ 000
Sale of goods	<u>47,461</u>	<u>38,614</u>
By geographical market:		
Europe	<u>47,461</u>	<u>38,614</u>

3 Operating profit / loss	2019	2018
	£ 000	£ 000
This is stated after charging:		
Depreciation of owned fixed assets	308	245
Depreciation of assets held under leases	147	-
Auditors' remuneration for audit services	23	53
Carrying amount of stock sold	35,195	31,520

4 Staff costs	2019	2018
	£ 000	£ 000
Wages and salaries	3,944	4,410
Social security costs	360	385
Other pension costs	<u>140</u>	<u>158</u>
	<u>4,444</u>	<u>4,953</u>

Average number of employees during the year	Number	Number
Administration	12	17
Distribution	69	67
Manufacturing	49	47
Sales	<u>31</u>	<u>39</u>
	161	170

No Directors were directly remunerated through the Company and instead remunerated out of other group entities

5 Interest payable	2019	2018
	£ 000	£ 000
Other loans	116	114
Finance charges payable under leases	<u>5</u>	<u>-</u>
	121	114

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

6 Taxation	2019	2018
	£ 000	£ 000
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	462	-
Adjustment in respect of prior year	(537)	-
Total current tax	(75)	-
Deferred tax		
Current year	8	(488)
Adjustment in respect of prior year	459	-
Effect of changes in tax rates	(1)	51
Total deferred tax	466	(437)
Tax on profit/(loss) on ordinary activities	391	(437)

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2019	2018
	£ 000	£ 000
Profit/(loss) on ordinary activities before tax	2,020	(2,384)
Standard rate of corporation tax in the UK	19%	19%
	£ 000	£ 000
Profit on ordinary activities multiplied by the standard rate of corporation tax	384	(453)
Effects of:		
Adjustment in respect of prior year	(78)	-
Expenses not deductible for tax purposes	86	20
Income tax not deductible	-	(26)
Tax rate changes	(1)	51
Share options	-	(29)
Current tax charge for period	391	(437)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**
7 Tangible fixed assets

	Land and buildings	Plant and machinery	Total
	£ 000	£ 000	£ 000
Cost			
At 1 January 2019	-	2,650	2,650
Additions	437	41	478
Disposals	-	(7)	(7)
At 31 December 2019	437	2,684	3,121
Depreciation			
At 1 January 2019	-	1,390	1,390
Charge for the year	147	308	455
At 31 December 2019	147	1,698	1,845
Carrying amount			
At 31 December 2019	290	986	1,276
At 31 December 2018	-	1,260	1,260

The land and buildings above relate to right of use assets in accordance with IFRS 16.

8 Deferred tax asset	2019	2018
	£ 000	£ 000
At beginning of year	545	108
Adjustment in respect of prior year	(459)	-
Charge to P&L account	(7)	437
At end of year	79	545

The deferred tax asset is made up as follows:

Fixed assets	77	84
Losses	-	461
Other	2	
At end of year	79	545

9 Investments

	Investments in subsidiary undertakings £ 000
Cost	
At 1 January 2019	6
At 31 December 2019	6

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

10 Stocks	2019	2018
	£ 000	£ 000
Raw materials and consumables	54	32
Finished goods and goods for resale	10,152	8,326
	<u>10,206</u>	<u>8,358</u>
11 Debtors	2019	2018
	£ 000	£ 000
Trade debtors	25,805	25,573
Amounts owed by group undertakings and undertakings in which the company has a participating interest	1,290	834
Other debtors	1,286	-
Prepayments and accrued income	1,753	84
Customer Loan	300	131
	<u>30,434</u>	<u>26,622</u>
<i>Amounts due after more than one year included in:</i>		
Customer Loan	-	300
	<u>30,434</u>	<u>26,922</u>
12 Creditors: amounts falling due within one year	2019	2018
	£ 000	£ 000
Bank loans	12,406	10,537
Lease liability	117	-
Trade creditors	5,404	6,635
Amounts owed to group undertakings and undertakings in which the company has a participating interest	5,569	5,068
Corporation tax	-	34
Other taxes and social security costs	1,837	467
Accruals and deferred income	3,840	3,397
	<u>29,173</u>	<u>26,138</u>
13 Creditors: amounts falling due after one year	2019	2018
	£ 000	£ 000
Lease liability	<u>149</u>	<u>-</u>

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

14 Lease liability	2019 £ 000	2018 £ 000
Amounts payable:		
Within one year	117	-
Within two to five years	149	-
	<u>266</u>	<u>-</u>

15 Share capital	Nominal value	2019 £ 000	2018 £ 000
Allotted, called up and fully paid:			
15,920,000 Ordinary shares	£1 each	<u>15,920</u>	<u>15,920</u>

16. Share based payments

Share options and performance based allotment plans in shares of EssilorLuxottica S.A are granted to selected employees. The number of options/performance granted and the related share based payment charge are immaterial and therefore no additional disclosure is deemed necessary. Full details of shares are provided in the financial statements of EssilorLuxottica S.A.

17. Contingent liabilities

The Company has given guarantees of up to £1,543k (2018: £1,500k) in favour of HM Customers and Excise.

HSBC Bank Plc has a fixed charge over book debts and a floating charge over all other assets of the Company

18. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost for the year is £140k (2018: £158k). There was £24k (2018: £nil) amounts outstanding at the year end.

19. Related party transactions

The Company is a wholly owned subsidiary of EssilorLuxottica S.A and has taken advantage of the exemption conferred by the Financial Reporting Standard FRS 101 Reduced Disclosure Framework not to disclose transactions with EssilorLuxottica S.A or its wholly owned subsidiaries.

The Company has made purchases of £119k (2018 - £139k) from Nikon Optical UK Limited, a Company which is related by virtue of the fact that it is part of the Essilorluxottica S.A group but is not wholly owned. At the year end the Company owed Nikon Optical UK Limited £10k (2018 - £29k).

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

20. Controlling party

The immediate and ultimate parent undertaking and ultimate controlling party is EssilorLuxottica S.A, a company incorporated in France.

EssilorLuxottica S.A is the smallest and largest group for which group financial statements are prepared. Group financial statements can be obtained from;

EssilorLuxottica S.A
147 rue de Paris
94227 Charenton
France