φ

Signet Armorlite Europe Limited

Registered number: 02108102

Directors' report and financial statements

For the year ended 31 December 2018

SIGNET ARMORLITE EUROPE LIMITED

COMPANY INFORMATION

Directors	J Smith P Smith
Registered number	02108102
Registered office	1 - 7 Apollo Olympus Park Business Centre Quedgeley Gloucester GL2 4NF
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 45 Church Street Birmingham B3 2RT

SIGNET ARMORLITE EUROPE LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activity and review of the business

The Company's principal activity is the processing and distribution of ophthalmic lenses and associated products in the United Kingdom, Europe and other overseas markets.

Business review

The Company's loss for the year, after taxation, amounted to £3,361,107 (2017 – loss of £976,327).
No dividends were distributed during the year (2017 – £nil).

The Company's key performance indicators during the year were as follows:

	2018	*2017*	*Change*
	£'000	*£'000*	*%*
Turnover	10,591	12,363	-14.3%
Operating (loss)	(3,394)	(1,196)	+183.8%
Loss after tax	(3,361)	(976)	+244.4%
Shareholders' funds	(2,269)	1,092	-107.8%

Overall turnover decreased in 2018 by 14.3%. External turnover is expected to decline by a further 12% in 2019 compared with 2018. This will be achieved in a difficult market due to greater market penetration of existing product ranges together with the launch of new product ranges.

Operating costs include depreciation charges of £786,750 (2017 – £188,063) and amortisation of intangibles of £323 (2017 – £16,090).

Net operating loss adjusted for depreciation and amortisation was a loss of £2,607,170 (2017 – loss of £1,113,018).

The net loss after taxation in 2018 was £3,361,107 (2017 – loss of £976,327).

Shareholders' funds have decreased year on year by £3,361,107.

Future developments

The directors aim to leverage product developments within the business to allow growth within the key channel of business, which is the direct independent channel.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Principal commercial risks and uncertainties

The directors continually review and evaluate the risks that the Company is facing. The principal commercial risks and uncertainties facing the Company are broadly grouped as competitive and legislative risks.

Competitive risks

Largely owing to the nature of the optical market in Europe, the Company has faced very strong competition in recent years. The Company puts strong emphasis on its excellent service levels, quality of its product and competitive pricing to its customer base to maintain its position within the market.

Legislative risks

Risk within the optical industry within Europe is controlled by the Medical Devices Regulations. Other industry specific recognised bodies provide good practice/standards to follow.

This report was approved by the board on 30/4/19 and signed on its behalf.

J Smith
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £3,361,107 (2017 - loss £976,327).

Directors

The directors who served during the year were:

J Smith
P Smith

Future developments

The directors aim to expand on the management policies which have resulted in the Company's external sales growth in recent years. They consider that 2018 external sales from continuing operations will remain steady, particularly in sales within the United Kingdom and Europe.

Principal financial risks and uncertainties

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Use of derivatives

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on inventory purchases but the Company aims to minimise risk through effective management of inventory levels, monitoring inventory turnover and reviewing prices regularly.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that material deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in Note 16 to the financial statements.

The Company limits individual trade debtor exposures and these limits are reviewed on a continual basis.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Company. The Company is focussed on reducing debtor and inventory days. The Company also manages liquidity risk via short term credit facilities and long term debt.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variability rate debt. The Company manages this risk, where significant, by the use of its short term loan facilities.

Employee involvement

The directors support the participation of employees in the activities of the Company, encourage employees to become involved in the pursuit of safety, efficiency and high performance, and provide employees with regular communication on the Company's plans, performance and programmes.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors' and officers' liability insurance

During the year the Company purchased and maintained liability insurance for its directors and officers as permitted by section 234 of the Companies Act 2006.

Brexit risk

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 action where we feel appropriate to strengthen working capital.

We have also taken steps to strengthen both our Information Technology systems, and our relationships 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 practicably possible.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30/4/19 and signed on its behalf.

J Smith
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNET ARMORLITE EUROPE LIMITED

Opinion

We have audited the financial statements of Signet Armorlite Europe Limited (the 'Company') for the year ended 31 December 2018 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 2018 and of its loss 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNET ARMORLITE EUROPE LIMITED

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNET ARMORLITE EUROPE LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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

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

Date: 30 April 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 £
Turnover	3	10,590,598	12,362,762
Cost of sales		(8,086,975)	(9,767,462)
Gross profit		2,503,623	2,595,300
Distribution costs		(637,382)	(557,957)
Administrative expenses		(3,705,281)	(3,033,487)
Restructuring costs	12	(55,202)	(200,304)
Impairment of investments	15	(1,500,001)	-
Operating loss	4	(3,394,243)	(1,196,448)
Profit/(loss) on disposal of investments		-	(1)
Interest receivable and similar income	9	6,380	9,351
Interest payable and expenses	10	(101,903)	(68,976)
Loss before tax		(3,489,766)	(1,256,074)
Tax on loss	11	128,659	279,747
Loss for the financial year		(3,361,107)	(976,327)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income. All activities relate to continuing operations.

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 14 to 33 form part of these financial statements.

SIGNET ARMORLITE EUROPE LIMITED
REGISTERED NUMBER: 02108102

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	13		1,118		1,441
Tangible assets	14		1,670,106		2,033,145
Investments	15		-		1,500,001
			1,671,224		3,534,587
Current assets					
Stocks	16	1,146,787		1,599,673	
Debtors: amounts falling due after more than one year	17	64,170		240,000	
Debtors: amounts falling due within one year	17	3,108,373		4,712,133	
Cash and cash equivalents	18	110,684		336,225	
		4,430,014		6,888,031	
Creditors: amounts falling due within one year	19	(3,144,111)		(4,184,787)	
Net current assets			1,285,903		2,703,244
Total assets less current liabilities			2,957,127		6,237,831
Creditors: amounts falling due after more than one year	20		(5,226,303)		(5,145,900)
			(2,269,176)		1,091,931
Net (liabilities)/assets			(2,269,176)		1,091,931
Capital and reserves					
Called up share capital	22		1,000		1,000
Profit And Loss Account	23		(2,270,176)		1,090,931
			(2,269,176)		1,091,931

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

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

30/4/19

J Smith
Director

The notes on pages 14 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1,000	1,090,931	1,091,931
Comprehensive income for the year			
Loss for the year	-	(3,361,107)	(3,361,107)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(3,361,107)	(3,361,107)
Total transactions with owners	-	-	-
At 31 December 2018	1,000	(2,270,176)	(2,269,176)

The notes on pages 14 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,000	2,067,258	2,068,258
Comprehensive income for the year			
Loss for the year	-	(976,327)	(976,327)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(976,327)	(976,327)
Total transactions with owners	-	-	-
At 31 December 2017	1,000	1,090,931	1,091,931

The notes on pages 14 to 33 form part of these financial statements.

1. General information

Signet Armorlite Europe Limited is a company limited by shares, incorporated in England and Wales. Its registered office is Units 1 - 7 Apollo, Olympus Business Park, Quedgeley, Gloucester, GL2 4NF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- 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
- 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.

2. Accounting policies (continued)

2.3 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.

Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2. Accounting policies (continued)

2.5 Revenue

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

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.7 Interest income

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

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2. Accounting policies (continued)

2.10 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.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2. Accounting policies (continued)

2.13 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below:

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

Provisions and accruals

Management bases its judgements on the circumstances relating to each specific event and upon currently available information. However, given the inherent difficulties in estimating liabilities in these areas, it can't be guaranteed that additional costs will not be incurred beyond the amounts accrued.

Impairment of trade debtors

An estimate of the collectible amount of trade debtors is made when collection of the full amount is no longer probable. For amounts which are past due, a provision is applied at a set percentage based upon the length of time past due.

2.14 Patents and trademarks

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

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:

Buildings	- 2.5% to 20%
Fixtures, fittings and equipment	- 10% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 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.

2.19 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.

2. Accounting policies (continued)

2.20 Financial instruments

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

Financial assets

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

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

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

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

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

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

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

Impairment of trade receivables and other receivables

The company makes an estimate of the recoverable value of trade receivables and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

2. Accounting policies (continued)

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2.21 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

2.22 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.

2.23 Standards, amendments and interpretations adopted in the financial year ended 31 December 2018:

The adoption of the following standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements:

	EU effective date – periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 4 Insurance Contracts: Amendment in relation to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Annual Improvements to IFRSs (2014 - 2016)	1 January 2018

3. Turnover

Turnover represents the amounts derived from the provision of goods and servcies which fall within the comapny's ordinary activities, stated net of value added tax. The turnover and pre-tax profit is entirely attributable to one continuing activity, the processing and distribution of ophthalmic lenses and associated products.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	9,823,598	9,499,076
Europe and Rest of the World	767,000	2,863,686
	10,590,598	12,362,762

4. Operating loss

The operating loss is stated after charging / (crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	786,750	188,063
Amortisation of intangible assets	323	542
Exchange differences	27,342	23,209
Defined contribution pension cost	71,148	101,232
Operating lease rentals		
- land and buildings	19,839	17,000
- *other*	50,686	30,701

5. Staff costs

	2018 £	2017 £
Wages and salaries	2,036,676	2,076,006
Social security costs	184,986	184,997
Other pension costs	71,148	101,232
	2,292,810	2,362,235

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	15,300	15,000

Fees payable to the Company's auditor and its associates in respect of:

	2018 £	2017 £
All other services	1,020	1,000
	1,020	1,000

7. Employee numbers

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

	2018 No.	2017 No.
Administration	58	64
Production	29	28
	87	92

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	121,958	139,026
Company contributions to defined contribution pension schemes	4,855	4,749
	126,813	143,775

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

9. Interest receivable

	2018 £	2017 £
Interest receivable from group companies	-	425
Other interest receivable	6,380	8,926
	6,380	9,351

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	38,787	3,420
Interest payable to group undertakings	63,116	65,556
	101,903	68,976

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on losses for the year	(195,763)	(180,417)
Adjustments in respect of previous periods	(36,359)	4,133
	(232,122)	(176,284)
Total current tax	(232,122)	(176,284)
Deferred tax		
Current year	97,323	(4,476)
Adjustments in respect of prior years	-	(117,072)
Changes to tax rates	6,140	18,085
Total deferred tax	103,463	(103,463)
Taxation on loss on ordinary activities	(128,659)	(279,747)

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(3,489,766)	(1,256,074)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(663,056)	(241,751)
Effects of:		
Expenses not deductible for tax purposes	123,961	56,860
Tax rate changes	6,140	18,083
Adjustments to tax charge in respect of prior periods	(36,358)	(112,939)
Other differences leading to an increase / (decrease) in the tax charge	(1)	-
Impairment of investment in subsidiary	285,000	-
Derecognition of deferred tax asset	155,655	-
Total tax charge for the year	(128,659)	(279,747)

Factors that may affect future tax charges

The company has surplus trading losses carried forward of £715,700 (2017: £715,700).

A deferred tax asset of £155,655 at the period end has not been recognised due to uncertainties as to the quantum of future suitable taxable profits.

12. Exceptional items

	2018 £	2017 £
Restructuring costs	55,202	200,304
	55,202	200,304

13. Intangible assets

	Patents and trademarks £
Cost	
At 1 January 2018	22,673
At 31 December 2018	22,673
Amortisation	
At 1 January 2018	21,232
Charge for the year	323
At 31 December 2018	21,555
Net book value	
At 31 December 2018	1,118
At 31 December 2017	1,441

14. Tangible fixed assets

	Land and buildings £	Fixtures, fittings & equipment £	Total £
Cost / Valuation			
At 1 January 2018	2,650,824	2,703,879	5,354,703
Additions	254,947	168,361	423,308
Disposals	-	(7,995)	(7,995)
Reclassifications	123,077	(94,671)	28,406
At 31 December 2018	3,028,848	2,769,574	5,798,422
Depreciation			
At 1 January 2018	1,059,243	2,262,315	3,321,558
Charge for the year	678,374	108,376	786,750
Disposals	-	(7,995)	(7,995)
Reclassifications	2,912	25,091	28,003
At 31 December 2018	1,740,529	2,387,787	4,128,316
Net book value			
At 31 December 2018	1,288,319	381,787	1,670,106
At 31 December 2017	1,591,581	441,564	2,033,145

15. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018	1,500,001
At 31 December 2018	1,500,001
Impairment	
Charge for the period	1,500,001
At 31 December 2018	1,500,001
At 31 December 2018	-
At 31 December 2017	1,500,001

16. Stocks

	2018 £	2017 £
Finished goods and goods for resale	1,146,787	1,599,673
	1,146,787	1,599,673

The difference between purchase price of stocks and their replacement cost is not material.

17. Debtors

	2018 £	2017 £
Due after more than one year		
Other debtors	64,170	240,000
	64,170	240,000

	2018 £	2017 £
Due within one year		
Trade debtors	2,021,551	3,015,330
Amounts owed by group undertakings	740,963	896,295
Other debtors	278,916	588,748
Prepayments and accrued income	66,943	108,297
Deferred taxation	-	103,463
	3,108,373	4,712,133

18. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	110,684	336,225
	110,684	336,225

19. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	1,247,371	1,062,023
Trade creditors	478,677	217,217
Amounts owed to group undertakings	820,414	1,331,629
Other taxation and social security	133,327	372,845
Other creditors	76,928	-
Accruals and deferred income	387,394	1,201,073
	3,144,111	4,184,787

The bank overdraft is secured by a floating charge on the assets of the company and is repayable on demand.

Group creditors are trade accounts repayable between 30 and 60 days following statement date.

There is an unlimited multilateral guarantee dated 17 October 2002 given by Signet Armorlite Europe Limited and Crossbows Optical Limited in respect of amounts due to subsidiary undertakings.

20. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	5,226,303	5,145,900
	5,226,303	5,145,900

Interest is charged at the rate of 1.5% over UK base rate.

21. Deferred taxation

	2018 £
At beginning of year	103,463
Charged to profit or loss	-
Utilised in year	(103,463)
At end of year	-

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	-	89,857
Temporary timing differences	-	13,606
	-	103,463

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,000 (2017 - 1,000) Ordinary shares of £1.00 each	1,000	1,000

23. Reserves

Profit and loss account

The cumulative gains and losses recognised in the Income Statement together with those gains or losses required to be taken directly to equity.

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions are taken to profit and loss account as they are incurred.

Pension contributions outstanding at 31 December 2018 were £nil (2017: £11,816). Contributions made in respect of the year ended 31 December 2018 were £71,148 (2017: £101,232).

25. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land & Buildings		
Within one year	19,000	17,000
Between two and five years	63,333	68,000
Over five years	-	5,667
	82,333	90,667

	2018 £	2017 £
Other		
Within one year	36,581	25,693
Between two and five years	36,874	18,823
	73,455	44,516

26. 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 Standards FRS 101 Reduced Disclosure Framework (FRS 101) not to disclose transactions with EssilorLuxottica S.A. or its wholly owned subsidiaries.

27. Ultimate parent undertaking and controlling party

The company's immediate parent is the Holding Company Trifle Holdings Limited, a company incorporated in the United Kingdom.

The company's ultimate parent is EssilorLuxottica S.A., a French company quoted on the Paris Stock Exchange. Copies of the financial statements of EssilorLuxottica S.A., which is the largest group undertaking that the entity is included within, can be obtained from their head office at 147 Rue de Paris, 94227 Charenton Cedex, France.