

REGISTERED NUMBER: 02236133 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017  
FOR  
MARCOLIN (UK) LIMITED**

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**CONTENTS OF THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>3</b>
<b>Report of the Independent Auditors</b>	<b>5</b>
<b>Statement of Comprehensive Income</b>	<b>7</b>
<b>Statement of Financial Position</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Notes to the Financial Statements</b>	<b>10</b>

**MARCOLIN (UK) LIMITED**  
**COMPANY INFORMATION**  
**for the year ended 31 December 2017**

**DIRECTORS:**

J A B Gotch  
A Jove  
M Lucidi  
S Borgheresi  
M Renon

**REGISTERED OFFICE:**

Griffins Court  
24-32 London Road  
NEWBURY  
Berkshire  
RG14 1JX

**REGISTERED NUMBER:**

02236133 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
3 Forbury Place  
23 Forbury Road  
Reading  
Berkshire  
RG1 3JH

**STRATEGIC REPORT  
for the year ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017.

Marcolin UK Limited in its business model description identifies that 100% of its revenues are currently derived from the wholesale distribution of fashion and luxury sunglasses and optical frames to the Optical retail sector in the UK, Ireland and Asia.

Marcolin UK's discussion of business trends identifies that the market in which it operates is in long term structural growth, fuelled by both an aging population, and continued growth of the Luxury goods market. Marcolin has responded with strategies to expand its presence in and penetration of this important market.

**REVIEW OF BUSINESS**

As shown in the company's statement of comprehensive income on page 7, the company's turnover has decreased by 11% (2016: increased by 57%) over the prior year and profit for the financial year has increased from £3,679,000 to £5,115,000 (2016: increased from £2,675,000 to £3,679,000). The statement of financial position on page 8 of the financial statements shows that the company's financial position at the year-end remained strong compared to the prior year.

Both the level of business and the year-end financial position were considered sound, and in with expectations.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks to the company are:

(i) Any company whose principle business orientates around the sale of licensed products bears some associated risk with the transfer of a license to competitor. The average length of time remaining a Marcolin license however is >7 years and the main licenses, Tom Ford and Guess, have significant terms – 2029 and 2025 respectively – remaining.

(ii) Fluctuations in exchange rates and the impact that this has on balances with group companies.

**KEY PERFORMANCE INDICATORS**

Given the straightforward nature of the business, the company directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

**ON BEHALF OF THE BOARD:**



J A B Gotch - Director

Date: 31/10/18

**REPORT OF THE DIRECTORS  
for the year ended 31 December 2017**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2017.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2017. (2016: Nil).

**DIRECTORS**

The directors who have held office during the period from 1 January 2017 to the date of this report are as follows:

J P Moore - resigned 31 August 2017  
J A B Gotch - appointed 23 October 2017  
A Jove - appointed 31 August 2017

M Lucidi, M Renon and S Borgheresi were appointed as directors after 31 December 2017 but prior to the date of this report.

G Pesce, M Stefanello and G Zoppas ceased to be directors after 31 December 2017 but prior to the date of this report.

**FINANCIAL RISK MANAGEMENT**

The short term significant risks facing the company are all financial and have been set out below. The company's operations expose it to a variety of financial risks that include the effects of changes in market price risk, credit risk, interest rate risk and foreign currency risk. The company does not have any borrowings other than amounts owed to group undertakings.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The appropriateness of this policy will be revisited should the company's operations change in size or nature.

Credit risk

Cash and cash equivalents comprise bank balances and short term deposits, of which the carrying amount equates to the fair value. The credit risk on the cash and cash equivalents is deemed negligible as the counter parties are banks with high credit ratings. The company's main credit risk therefore relates to the trade 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 counterparty is subject to a limit, which is reassessed annually.

Interest rate cash flow risk

The company does not have external interest bearing liabilities. Interest bearing assets include cash balances, all of which earn interest at a floating rate. The appropriateness of this policy will be revisited should the company's operations change in size or nature.

Foreign currency risk

The company purchases and receives revenues that are denominated in foreign currencies, mainly the Euro and US Dollar. Where the company has significant transactional foreign currency cash flow exposure, forward contract hedges are considered and used as deemed appropriate.

**FUTURE DEVELOPMENTS**

The company will continue to focus on increasing business in Asia, this is seen as a key area of growth for the business.

**REPORT OF THE DIRECTORS**  
for the year ended 31 December 2017

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

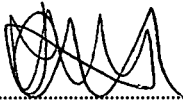
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



J A B Gotch - Director

Date: 31.10.18

# ***Independent auditors' report to the members of Marcolin (UK) Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Marcolin (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

#### *Strategic Report and Report of the Directors*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of the Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

Katherine Stent (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

31 October 2018

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2017

	Note	31/12/17 £'000	31/12/16 £'000
<b>REVENUE</b>	2	42,745	48,033
Cost of sales		<u>(29,151)</u>	<u>(33,578)</u>
<b>GROSS PROFIT</b>		13,594	14,455
Distribution costs		<u>(7,107)</u>	<u>(8,710)</u>
Administrative expenses		<u>(1,955)</u>	<u>(1,364)</u>
		4,532	4,381
Other operating income		<u>1,932</u>	<u>796</u>
<b>OPERATING PROFIT</b>		6,464	5,177
Finance income		<u>462</u>	<u>740</u>
		6,926	5,917
Interest payable and similar expenses	4	<u>(634)</u>	<u>(1,229)</u>
<b>PROFIT BEFORE TAXATION</b>	5	6,292	4,688
Tax on profit	6	<u>(1,177)</u>	<u>(1,009)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		5,115	3,679
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		<u>(658)</u>	516
Income tax relating to item of other comprehensive income		<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u>(658)</u>	516
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>4,457</u>	<u>4,195</u>

**MARCOLIN (UK) LIMITED (REGISTERED NUMBER: 02236133)**

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

	Note	31/12/17 £'000	31/12/16 £'000
<b>FIXED ASSETS</b>			
Intangible assets	7	6,287	6,724
Property, plant and equipment	8	<u>124</u>	<u>28</u>
		<b>6,411</b>	<b>6,752</b>
<b>CURRENT ASSETS</b>			
Inventories	9	345	247
Debtors	10	25,671	24,256
Cash at bank and in hand		<u>1,333</u>	<u>1,423</u>
		<b>27,349</b>	<b>25,926</b>
<b>CREDITORS</b>			
Amounts falling due within one year	11	<u>(16,823)</u>	<u>(20,135)</u>
<b>NET CURRENT ASSETS</b>		<b>10,526</b>	<b>5,791</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>16,937</b>	<b>12,543</b>
<b>CREDITORS</b>			
Amounts falling due after more than one year	12	-	(6)
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(304)</u>	<u>(361)</u>
<b>NET ASSETS</b>		<b><u>16,633</u></b>	<b><u>12,176</u></b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	3,573	3,573
Retained earnings	16	<u>13,060</u>	<u>8,603</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b><u>16,633</u></b>	<b><u>12,176</u></b>

The financial statements on pages 7 to 21 were approved by the Board of Directors on 31/10/2018 and were signed on its behalf by:

  
.....  
J A B Gotch - Director

**MARCOLIN (UK) LIMITED (REGISTERED NUMBER: 02236133)**

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2017

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
<b>Balance at 1 January 2016</b>	3,573	4,408	7,981
<b>Changes in equity</b>			
Profit for the financial year	-	3,679	3,679
Other comprehensive (expense)/income		516	516
<b>Balance at 31 December 2016</b>	<u>3,573</u>	<u>8,603</u>	<u>12,176</u>
<b>Changes in equity</b>			
Profit for the financial year	-	5,115	5,115
Other comprehensive (expense)/income		(658)	(658)
<b>Balance at 31 December 2017</b>	<u>3,573</u>	<u>13,060</u>	<u>16,633</u>

The notes form part of these financial statements

**NOTE TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**

**I. ACCOUNTING POLICIES**

**General information**

Marcolin (UK) Limited is a private company, limited by shares incorporated and domiciled in the UK. The company's registered address is Griffin Court, 24-32 London Road, Newbury, Berkshire, England, RG14 1JX. Marcolin SpA is the ultimate parent of the group to which the company belongs.

Marcolin (UK) Limited market and distribute eyewear through distributors and independent retailers in the UK and Asia. The Asian business is a branch of the UK entity.

**Basis of preparation**

These financial statements of Marcolin (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, "reduced disclosure framework" FRS101. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity are disclosed in the notes below.

The results of the Hong Kong branch which operates in HK dollars, are translated at the average monthly rates and the statement of financial position is translated at the closing rate.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- 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 to 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 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 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 paragraphs 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;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Where required, equivalent disclosures are included in the group accounts of Marcolin SpA, which are publicly available.

**Revenue**

Revenue represents the invoiced value of goods, excluding value added tax and trade discounts.

The point of recognition is when the customer takes on the risk and reward of ownership of the goods. This is at the point of despatch, where the customer takes responsibility for the transportation of the goods or is at the point of delivery, where Marcolin (UK) Limited retain the responsibility for all or part of the transportation of the goods.

**NOTE TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017**

**I. ACCOUNTING POLICIES - continued**

Sales are recorded based on price specified in the sales contract, net of estimates volume discounts and returns at the time of the sales. Accumulated experience is used to estimate and provide for the discounts and returns.

**Segment reporting**

The company is a wholly owned subsidiary undertaking of Marcolin SpA which prepares consolidated financial statements. Segmental reporting is presented in the parent company financial statements.

**Financial assets & financial liabilities**

**Classification**

The company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise receivables, cash and commercial paper in the balance sheet.

**Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade date - the date on which the company commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes the purchase cost, together with any costs attributable to bringing the asset to its working condition for its intended use.

Property comprises of leasehold improvements.

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

The estimated useful lives range is as follows:

Improvements to property: 3 years

Motor vehicles: 3-4 years

Fixtures, fittings & equipment: 2-5 years

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating income" in the income statement.

**Intangible assets**

**Licenses**

Licenses acquired in a business combination are recognised at the acquisition date. The licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the licenses over their estimated useful life of 20 years.

**Goodwill**

Goodwill arises on the acquisition of business activities from other companies within the group, and represents the excess of the consideration transferred over the fair value of the net assets acquired.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. Impairments are fully recognised against earnings of the period during which the loss is identified. Any impairment is recognised immediately as an expense and is not subsequently reversed. The company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

**NOTE TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017**

**I. ACCOUNTING POLICIES - continued**

**Inventory**

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

**Foreign currencies**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The company maintains its books of accounts in £ in the United Kingdom and in HK Dollars in Asia. The financial statements of the company are presented in GB pounds sterling.

Foreign currencies transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates are recognised in the income statement.

While translating to reporting currency, assets and liabilities are translated at the closing rate at the date of the statement of financial position. Income and expenses are translated at average exchange rates.

All resulting exchange differences are recognised in other comprehensive income and taken directly to reserves.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

**Impairment of financial assets**

Assets are carried at amortised cost. The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss" event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**Trade receivables**

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected within one year, they are classified as current assets. If not, they are presented as non-current assets.

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

**NOTE TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017**

**I. ACCOUNTING POLICIES - continued**

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand.

**Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

**Ordinary Shares**

Ordinary shares are classified as equity.

**Employee benefits**

The company operates defined contribution pension plans.

**Pension obligations**

A defined contribution plan is a pension plan under which the company pays fixed contributions to a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The pension costs charged in the income statement represents the contributions payable by the company during the year.

**Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**NOTE TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**1. ACCOUNTING POLICIES - continued**

**Estimated impairment of goodwill and other intangibles**

The value of goodwill is reviewed each year by reviewing the discounted future income stream arising from the assets acquired against the capital invested. The company tests annually for impairment of goodwill, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and overheads during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments or the time value of money and the risks specific to the cash generating units. The similar process is undertaken for review of impairment of other intangibles in case there are indicators of the potential impairment.

**Inventory provisioning**

The value of inventory based on the lower of cost and net realisable value is subject to estimations on the ultimate selling price in the market. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability and future usage.

**Impairment of trade receivables**

The company makes an estimate of the recoverable amount of trade and other debtors. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of receivables, estimates of credits required for returns and year end discounts and historical experience.

**Going concern**

The company meets its day to day working capital requirements through cash reserves and borrowings. The company's forecasts and projections show that the company should be able to operate within the level of its current facilities and has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparation of its financial statements.

**2. REVENUE**

The revenue and profit before taxation are attributable to the one principal activity of the company.

An analysis of revenue by geographical market is given below:

	2017	2016
	£'000	£'000
United Kingdom	16,962	14,485
Rest of Europe	-	1,904
Rest of the World	25,783	31,644
	<u>42,745</u>	<u>48,033</u>

**NOTE TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**3. EMPLOYEES AND DIRECTORS**

**Employee Benefit Expense**

	2017	2016
	£'000	£'000
Wages and salaries	2,880	2,582
Social security costs	149	120
Other pension costs	107	97
	<u>3,136</u>	<u>2,799</u>

The average monthly number of persons (including the executive directors) employed by the company during the year was:

	2017	2016
	Number	Number
Selling and distribution	37	36
Administration	10	10
	<u>47</u>	<u>46</u>

**Directors' emoluments**

	2017	2016
	£'000	£'000
Aggregate remuneration	400	581
Pension contributions to money purchase schemes	25	15
	<u>425</u>	<u>596</u>

	2017	2016
	£'000	£'000
Remuneration of the highest paid director	239	419
Pension contributions to the highest paid director	22	21
	<u>261</u>	<u>440</u>

Two of the directors of Marcolin (UK) Limited are also directors of Marcolin SpA and their remuneration is paid from that company for their services to the group as a whole. The directors did not receive any remuneration in their capacity as directors of Marcolin (UK) Limited as their services to the company were incidental to their services to the group.

	2017	2016
The number of directors to whom retirement benefits were accruing was as follows:	1	1
Money purchase schemes		

**4. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£'000	£'000
Other interest	255	241
Intercompany interest charge	-	6
Exchange rate loss	379	982
	<u>634</u>	<u>1,229</u>

**NOTE TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**5. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation of PPE - owned assets	41	45
Profit on disposal of fixed assets	-	(6)
Amortisation of intangible assets	262	327
Operating lease charges	630	525
Cost of inventories recognised as an expense	28,852	33,476
Expense on impairment of inventory	230	(1,175)
Expense on impairment of accounts receivable	39	48
Foreign exchange translation	(83)	242
Auditors' remuneration	64	64
Auditors' remuneration for non audit work – taxation	5	21

**6. TAX ON PROFIT**

**Analysis of tax expense**

	2017	2016
	£'000	£'000
Current tax:		
Tax	1,177	998
Deferred tax	-	11
Total tax expense in statement of comprehensive income	<u>1,177</u>	<u>1,009</u>

**Factors affecting the tax expense**

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£'000	£'000
Profit before income tax	<u>6,292</u>	<u>4,688</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	1,211	938
Effects of:		
Expenses not deductible for tax purposes	2	80
Exempt amounts	-	(13)
Adjustment in relation to pensions	-	(3)
Overseas taxes	<u>(36)</u>	<u>7</u>
Tax expense	<u>1,177</u>	<u>1,009</u>

NOTE TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017

## 6. TAXATION ON PROFIT - continued

## Tax effects relating to effects of other comprehensive income

		31/12/17	
	Gross £'000	Tax £'000	Net £'000
Currency translation differences	<u>(658)</u>	<u>-</u>	<u>(658)</u>

		31/12/16	
	Gross £'000	Tax £'000	Net £'000
Currency translation differences	<u>516</u>	<u>-</u>	<u>516</u>

Reductions in the corporation tax rate 19% to 17% (effective 1 April 2020) have already been enacted.

## 7. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Patents and licences £'000	Computer software £'000	Totals £'000
<b>COST</b>				
At 1 January 2017	4,821	3,722	159	8,702
Exchange differences	<u>-</u>	<u>(308)</u>	<u>1</u>	<u>(307)</u>
At 31 December 2017	<u>4,821</u>	<u>3,414</u>	<u>160</u>	<u>8,395</u>
<b>ACCUMULATED AMORTISATION</b>				
At 1 January 2017	-	1,831	147	1,978
Amortisation for year	-	259	3	262
Exchange differences	<u>-</u>	<u>(132)</u>	<u>-</u>	<u>(132)</u>
At 31 December 2017	<u>-</u>	<u>1,958</u>	<u>150</u>	<u>2,108</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>4,821</u>	<u>1,456</u>	<u>10</u>	<u>6,287</u>
At 31 December 2016	<u>4,821</u>	<u>1,891</u>	<u>12</u>	<u>6,724</u>

Goodwill in amount of £4,821,000 is attributable to the acquisition of the trade and the assets of UK Business of Viva Eyewear UK Limited, Viva Hong Kong Limited and the Asian business from Marcolin SpA in the previous years.

The directors have reviewed the discounted future income stream arising from the acquisitions compared to those of the company as a whole and are unable to segregate the income streams and assets associated with each element separately. They have therefore reviewed the income stream for the company as a whole against capital invested and do not consider there to be any impairment to goodwill at 31 December 2017.

NOTE TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017

## 8. PROPERTY, PLANT AND EQUIPMENT

	Improvements to property £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Totals £'000
<b>COST</b>				
At 1 January 2017	317	144	39	500
Additions	-	140	-	140
Exchange differences	(33)	(8)	-	(41)
At 31 December 2017	<u>284</u>	<u>276</u>	<u>39</u>	<u>599</u>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2017	302	134	36	472
Charge for year	13	26	2	41
Exchange differences	(31)	(8)	1	(38)
At 31 December 2017	<u>284</u>	<u>152</u>	<u>39</u>	<u>475</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>-</u>	<u>124</u>	<u>-</u>	<u>124</u>
At 31 December 2016	<u>15</u>	<u>10</u>	<u>3</u>	<u>28</u>

## 9. INVENTORIES

	31/12/17 £'000	31/12/16 £'000
Finished goods	<u>345</u>	<u>247</u>

The company does not hold any raw materials or work in progress. Inventory is stated after provisions for impairment of £695,000 (2016: £202,000) to reduce the cost of inventory to the lower of cost and net realisable value.

## 10. DEBTORS

	31/12/17 £'000	31/12/16 £'000
Amounts falling due within one year:		
Trade debtors	7,098	8,949
Amounts owed by group undertakings	18,297	4,011
Prepayments and accrued income	208	141
Loan to group companies	-	11,084
	<u>25,603</u>	<u>24,185</u>

**NOTE TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**10. DEBTORS - continued**

	31/12/17 £'000	31/12/16 £'000
Amounts falling due after more than one year:		
Tax	2	2
Prepayments and accrued income	66	69
	<u>68</u>	<u>71</u>
Aggregate amounts	<u>25,671</u>	<u>24,256</u>

Trade receivables are stated after provision for impairment of £345,000 (2016: £307,000). The company does not have any trade debtors falling due after more than one year.

Amounts owed by group companies are unsecured, have no fixed date of repayment and are repayable on demand. Interest is accrued between 2.26% and 3.42% above UK 1 month LIBOR rate.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31/12/17 £'000	31/12/16 £'000
Bank loans and overdrafts	1,106	828
Trade creditors	3,253	5,528
Amounts owed to group undertakings	10,353	10,700
Tax	553	1,582
Social security and other taxes	405	372
Other creditors	687	568
Accrued expenses	466	557
	<u>16,823</u>	<u>20,135</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31/12/17 £'000	31/12/16 £'000
Provision for other liabilities and charges	-	6
	<u>-</u>	<u>6</u>

**13. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31/12/2017 £'000	31/12/2016 £'000
Within one year	718	405
Between one and five years	1,020	273
	<u>1,738</u>	<u>678</u>

NOTE TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017

14. PROVISIONS FOR LIABILITIES

	31/12/17 £'000	31/12/16 £'000
Other provisions		
Sales return provision	<u>304</u>	<u>361</u>

DEFERRED TAX ASSETS

	2017 £'000	2016 £'000
At 1st January	2	13
Deferred tax charged to income statement for the year	<u>-</u>	<u>(11)</u>
At 31st December	<u>2</u>	<u>2</u>

The deferred tax is made up as follows;

	2017 £'000	2016 £'000
Depreciation in advance of capital allowances	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

15. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each

	2017 £'000	2016 £'000
Allotted and fully paid		
At 1 January	<u>3,573</u>	<u>3,573</u>
At 31 December	<u>3,573</u>	<u>3,573</u>

All shares rank pari passu in all respects and there are no restrictions on the payment of dividends or repayment of capital

16. PENSION COMMITMENTS

The company contributes to a group defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The cost of contributions to the defined contribution scheme amounts to £107,000 (2016: £97,000).

17. RELATED PARTY DISCLOSURES

The company is not required to disclose transactions with wholly owned subsidiaries by a group under the exemptions provided by FRS 101 and IFRS 24 "Related party disclosures".

18. ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking and controlling party is Marcolin SpA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Marcolin SpA can be obtained from the Company Secretary at Localita Vilanova, 4 32013 Longarone (BL), Italy.