Afflelou
Simplified joint stock company with capital of 78,332,461 euros
Registered office: 11 rue d'Argenson, 75008 Paris
751 095 712 Paris Trade and Companies Register

Consolidated financial statements for the years ended 31 July 2015, 2016 and 2017

Contents

I – Consolidated statement of financial position

(in thousands of euros)

Assets	Note	31/07/2017	31/07/2016	31/07/2015 Adjusted (1)
Trademarks	6.2.1	660,982	655,600	655,600
Goodwill	6.2.2	171,478	175,599	153,823
Intangible assets	6.2.3	58,096	61,585	61,388
Property, plant and equipment	6.2.4	21,720	21,724	22,535
Other financial assets	6.2.6	17,921	18,527	20,611
Deferred tax assets	6.1.8.4	2,626	3,161	879
Non-current assets		**932,824**	**936,196**	**914,836**
Inventories	6.2.7	26,192	23,444	24,746
Trade receivables	6.2.8	83,123	76,897	55,646
Other current assets	6.2.9.1	96,267	96,286	101,090
Cash and cash equivalents	6.2.10	35,326	39,381	27,774
Assets held for sale			1,361	1,361
Current assets		**240,908**	**237,369**	**210,617**
Total assets		**1,173,732**	**1,173,565**	**1,125,453**

	Note	31/07/2017	31/07/2016	31/07/2015 Adjusted (1)
Share capital	6.2.11	78,332	146,690	146,690
Other reserves		27,723	-31,028	-7,043
Net income for the period		-959	-9,606	-23,985
Other comprehensive income		-285	-226	-228
Total equity		**104,812**	**105,830**	**115,436**
Non-current borrowings	6.2.14	745,035	698,466	658,181
Deferred tax liabilities	6.1.8.4	156,076	181,964	184,640
Employee benefits and similar	6.2.12	1,789	1,791	1,441
Non-current provisions	6.2.13	2,750	3,964	5,807
Other non-current liabilities		912	3,569	
Non-current liabilities		**906,563**	**889,754**	**850,069**
Current borrowings	6.2.14	5,674	23,473	7,817
Current provisions	6.2.13	489	850	3,141
Trade payables	6.2.9.2	43,295	40,478	34,079
Derivative financial liabilities		363	385	679
Tax payable	6.1.8.3	6,399	5,264	3,151
Other current liabilities	6.2.9.2	106,138	107,531	111,083
Current liabilities		**162,357**	**177,981**	**159,952**
Total liabilities and equity		**1,173,732**	**1,173,565**	**1,125,453**

(1) See Note 7 "Corrections of errors"

II – Consolidated income statement

(in thousands of euros)	Note	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Revenue	6.1.1	372,822	345,663	310,999
Cost of purchases		-194,153	-177,866	-153,032
Wages and salaries including social security contributions	6.1.2	-57,630	-52,290	-52,097
Other purchases and external expenses	6.1.4	-42,476	-39,462	-38,450
Duties and taxes other than income tax		-2,188	-3,078	-2,910
Depreciation, amortisation and impairment	6.1.5	-8,920	-8,153	-10,777
Operating income from ordinary activities		**67,454**	**64,814**	**53,733**
Other non-recurring operating items	6.1.6	-12,788	-3,279	-21,881
Operating profit		**54,666**	**61,535**	**31,852**
Financial income		2,619	3,528	6,476
Borrowing costs		-74,623	-67,863	-62,144
Other financial expense		-5,310	-4,119	-4,117
Net financial income/(expense)	6.1.7	**-77,314**	**-68,454**	**-59,785**
Net income before tax of consolidated companies		**-22,649**	**-6,919**	**-27,933**
Tax income/(expense)	6.1.8.2	21,690	-2,687	3,948
Net income		**-959**	**-9,606**	**-23,985**
Earnings per share, basic and diluted (in €)	**6.1.9**	**-0.01**	**-0.07**	**-0.16**

III – Statement of comprehensive income

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Net income	**-959**	**-9,606**	**-23,985**
Exchange differences arising on the translation of foreign operations	39	24	-26
Change in fair value of financial instruments			12
Tax impact of change in fair value of financial instruments			-4
Change in fair value of available-for-sale financial assets	-195		
Tax impact of change in fair value of available-for-sale financial assets	41		
Other comprehensive income that may subsequently be reclassified to profit or loss	-115	**24**	**-18**
Actuarial gains and losses on pension obligations	79	-33	-329
Tax impact of actuarial gains and losses on pension obligations	-23	11	112
Other comprehensive income that will not be reclassified to profit or loss	**56**	**-22**	**-217**
Total other comprehensive income	**-58**	**2**	**-235**
Total comprehensive income	**-1,018**	**-9,604**	**-24,220**

(1) See Note 7 “Corrections of errors”

IV – Consolidated statement of cash flows

(in thousands of euros)	Note	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Operating activities:				
Net income		-959	-9,606	-23,985
Depreciation and amortisation and provisions		23,019	19,654	41,170
Reversal of provisions		-13,455	-21,484	-14,782
Capital gains and losses on disposals	6.1.6	5,186	9,589	3,278
Tax expense/(income)	6.1.8.2	-21,690	2,687	-3,948
Borrowing costs	6.1.7	74,623	67,863	62,144
Cash flow before borrowing costs		**66,724**	**68,704**	**63,877**
Change in inventories		-3,381	2,052	-1,273
Change in receivables		-6,992	-14,980	8,479
Change in liabilities		484	-431	-9,856
Prepaid expenses and deferred income		721	676	-81
Change in working capital		**-9,167**	**-12,683**	**-2,731**
Income tax paid	6.1.8.3	-3,741	-2,887	-6,127
Net cash from/(used in) operating activities		**53,816**	**53,134**	**55,019**
Investing activities:				
Purchases of intangible assets	6.2	-8,411	-6,260	-14,709
Purchases of property, plant & equipment	6.2.4.1	-7,176	-7,708	-7,575
Proceeds from disposals of intangible assets and PP&E		3,109	7,668	12,287
Purchases of financial assets	6.2.6	-4,293	-3,600	-5,757
Proceeds from disposals of financial assets	6.2.6	6,010	5,230	5,894
Purchases of subsidiaries	4	-1,012	-24,967	-8,565
Net cash from/(used in) in investing activities		**-11,773**	**-29,637**	**-18,425**
Financing activities:				
Loans	6.2.14.2	198	18,309	261
Repayment of loans	6.2.14.2	-18,541	-1,747	-2,830
Other financial expense paid		-1		
Debt issuance costs		0		-2,019
Net interest paid	6.1.7	-27,392	-27,124	-25,636
Net cash from/(used in) financing activities		**-45,736**	**-10,558**	**-30,224**
Effect of changes in exchange rates		**-11**	**-5**	**-40**
Change in cash		**-3,704**	**12,934**	**6,330**
Cash and cash equivalents at beginning of period		38,948	26,015	19,685
Cash and cash equivalents at end of period	6.5.1	35,245	38,948	26,015

(1) See Note 7 “Corrections of errors”

V – Consolidated statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Other reserves (1)	Net income for the period (2)	Other comprehensive income	Total
Shareholders' equity as of 31 July 2014 (adjusted (1))	**146,690,002**	**146,690**	**19,685**	**-26,728**	**7**	**139,654**
Appropriation of prior year income			-26,728	26,728		
Comprehensive income for the period (1)				-23,985	-235	-24,220
Shareholders' equity as of 31 July 2015 (adjusted (1))	**146,690,002**	**146,690**	**-7,043**	**-23,985**	**-228**	**115,436**
Appropriation of prior year income			-23,985	23,985		
Comprehensive income for the period				-9,606	2	-9,604
Shareholders' equity as of 31 July 2016	**146,690,002**	**146,690**	**-31,028**	**-9,606**	**-226**	**105,830**
Appropriation of prior year income			-9,606	9,606		
Changes in share capital		-68,358	68,358			
Comprehensive income for the period				-959	-58	-1,018
Shareholders' equity as of 31 July 2017	**146,690,002**	**78,332**	**27,723**	**-959**	**-285**	**104,812**

(1) Including the equity component of convertible bonds (see Note 6.2.14.3.3)
(2) See Note 7 "Corrections of errors"

VI – Notes to the consolidated financial statements

1. Overview

1.1. General information on the parent company

The parent company, AFFLELOU, formerly known as LION SENECA France 1 ("AA" or "the Company"), is a French joint stock company controlled by LION SENECA Lux 2, headquartered at 11 rue d'Argenson, 75008 Paris. The "Group" comprises the parent company, which wholly owns LION SENECA France 2 ('LSF2"), which in turn controls 3AB OPTIQUE DÉVELOPPEMENT ("3ABOD") and its subsidiaries.

Effective 30 August 2016, LION SENECA France 1 changed its name to AFFLELOU. The governing bodies were also modified at the same time, with the replacement of the Management Board and the Supervisory Board by a Board of Directors. For simplicity, the term "Board of Directors" is used in this document in place of "Management Board and "Supervisory Board" for the fiscal year 2015.

1.2. General information on the Group

The Group is a leader in the market for the distribution of optical products in France and Spain, and a major player in the European markets of Belgium and Switzerland. The Group also operates in various countries in Africa, Asia and America.

The Group's core business is the sale of optical and audio products through a network of franchises and directly owned stores operating under the "ALAIN AFFLELOU", "ALAIN AFFLELOU ACOUSTICIEN", "OPTICAL DISCOUNT", "OPTIMIL", "CLARO by AFFLELOU" and "HAPPY VIEW" banners.

The Group has based its expansion strategy on the franchise network.

This model is based on revenue generated by sales in franchise networks (mainly entry fees, franchise fees and communication fees) and through their purchases, through services provided to the suppliers of the various brands, and through direct sales of products to franchisees, notably branded company products.

The Group owns a network of stores to support its development. The purpose of this network is to (i) retain control over flagship stores located in strategic areas and key geographies, (ii) test new business initiatives and identify best practices before applying them to the franchisees, and (iii) manage the overall store network by temporarily piggy-backing stores that are at the end of a franchise agreement or experiencing difficulties, thereby keeping them within the Group for subsequent transfer to new franchisees.

Lastly, the Group derives part of its revenue from the e-commerce channel, notably with the happyview.fr and malentille.com sites acquired during the previous financial year.

1.3. Context of the publication

The consolidated financial statements for the years ended 31 July 2015, 31 July 2016 and 31 July 2017 have been prepared within the framework of the proposed issue of a high-yield bond. They were prepared specifically for the Offering Memorandum. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as of 31 July 2017. These consolidated financial statements for the years ended 31 July 2015, 2016 and 2017 were approved by the Board of Directors of AFFLELOU on 27 September 2017.

This single set of consolidated financial statements covering a three-year period does not replace the historical consolidated financial statements for the years ended 31 July 2017, 2016 and 2015, approved by the Board of Directors of AFFLELOU on 27 September 2017, 3 October 2016 and 16 November 2015 respectively. Events occurring subsequent to the dates on which the financial statements for each of the years presented were approved are not reflected in these consolidated financial statements, in accordance with the decision of the IASB Interpretation Committee (IFRS IC Rejection – IAS 10 *Events After the Reporting Period: Reissuing Previously Issued Financial Statements* of May 2013). In particular, with regard to the years ended 31 July 2016 and 2015, these financial statements do not reflect events occurring after 3 October 2016 and 16 November 2015 (dates of approval of the historical financial statements).

In preparing this single set of consolidated financial statements covering a three-year period, the Company identified errors relating to fiscal 2015, subsequent to the date on which the financial statements for that year were finalised and approved. The AFFLELOU consolidated financial statements for the year ended 31 July 2015 presented in this single set of consolidated financial statements covering a three-year period have therefore been adjusted for the restatements presented below. Compared with the historical legal consolidated financial statements for the year ended 31 July 2015, these consolidated financial statements include the following changes, corrections and improvements:

- Format of the financial statements: reorganisation of the notes, additional disclosures and reformulation of certain aggregates of the financial statements;
- The following adjustments (the impacts of which are described in Note 7 "Corrections of errors"):
o Deferred tax: recognition of tax loss carryforwards (France) as of the date of the takeover of the Alain Afflelou group by LSF2 in July 2012 and annual tax loss carryforwards (France) given the existence of significant deferred tax liabilities recorded at the time of this acquisition;
o Valuation of the derivative embedded in the OKIA supplier contract: recognition of the financial instrument in accordance with IAS 39 *Financial Instruments* (see Note 6.3.2);
o Staggering of entry fees over the firm period of franchise agreements;
o Impairment of the property, plant and equipment of directly owned stores: reclassification to impairment of property, plant and equipment of impairment previously recorded in error as impairment of intangible assets;
o Impairment of trade receivables: reclassification to impairment of other current assets of impairment in respect of franchisee purchases via the central payment structure previously recorded in error as impairment of trade receivables.

The Group also changed the organisation of its activities, resulting in the presentation of a new segmentation of its businesses by geographical area, namely "France", "Spain" and "Other countries". The new organisation, implemented during the year ended 31 July 2016, is reflected in the segment reporting of the consolidated financial statements. Furthermore, in application of IFRS 8 *Operating Segments*, the Group discloses, for all the years presented, segment information in accordance with the new organisation, necessitating a retrospective restatement of the comparative period ended 31 July 2015. Information on the new business segments is provided in Note 5 "Segment reporting".

The rules applied in preparing these financial statements are described in Note 3 "Accounting policies". The consolidated financial statements are presented in thousands of euros, unless otherwise stated.

2. Highlights

2.1. 2017 highlights

2.1.1. Change in the networks

The Group had 1,474 stores (1,400 optical stores and 74 audio stores) as of 31 July 2017, breaking down as 1,254 ALAIN AFFLELOU stores, 162 Optical Discount stores, 8 CLARO by AFFLELOU stores, 49 Optimil stores and 1 Happy View store, compared with 1,395 optical stores and audio stores as of 31 July 2016.

Consistent with the Group's intentions, the merger of stores geared towards entry-level products was initiated in early 2016. As of 31 July 2017, the Group had increased the number of stores operating under the OPTICAL DISCOUNT banner to 162, compared with 135 as of 31 July 2016, primarily as a result of the transformation of a significant number of CLARO by AFFLELOU stores to OPTICAL DISCOUNT outlets. The portfolio of discount stores has now been almost totally unified.

It should also be noted that the portfolio of 74 audio stores (56 in France, and 18 in Spain) is complemented by 170 spaces in optical stores (134 in France and 36 in Spain, bringing the total of audio outlets to 244, compared with 177 as of 31 July 2016.

During the past year, the Group expanded its international operations, notably by extending its footprint in Latin America and Asia. The Group accordingly operated in 16 countries as of 31 July 2017.

The portfolio of directly owned stores, located mainly in France and Spain, represented 179 optical stores and 5 audio stores as of 31 July 2017, compared with 184 optical stores and 4 audio stores as of 31 July 2016.

2.1.2. Stake in Portuguese group Optivisao (see Note 6.2.6)

As of 31 July 2017, the Group held a 29.77% stake in OPTIVISAO, a franchise company that ranks among the leaders in the optical sector in Portugal.

In recent months, certain investors have sold their respective stakes, representing a combined total of 59.42% of the share capital, to BRODHEIM.

The Group has challenged the terms of these sales, for which it was unable to assert its right of first refusal.

As such, the Group has established an escrow arrangement with the Portuguese State, guaranteeing the payment of the securities should the dispute be decided in its favour, allowing it to acquire some of the securities purchased by BRODHEIM, representing a 38.74% interest.

At the same time, discussions are underway with BRODHEIM, with a view to reaching an amicable solution, which would also include AFFLELOU's existing stake in OPTIVISAO.

2.1.3. Acquisition of the online sales websites Happyview and Malentille.com

On 30 September 2016, the Group acquired two optical equipment online sales trademarks trading as Happy View for €1,400 thousand, and an online contact lens and lens product website trading as Malentille.com for €2,000 thousand. These activities are housed together within the Digital Eyewear subsidiary, and round out the pre-existing OpticalDiscount.com and Afflelou.com online sales businesses.

2.1.4. Proposed IPO

On 3 October 2016, the Board of Directors approved the prospective public offering and admission of AFFLELOU shares to trading on the regulated market in France, subject to approval by the AMF. As part of this project, the Group planned to go ahead with the early redemption of the high-yield bond funding via a capital increase through a public offering and new funding of €270 million. In view of market conditions and in agreement with its shareholders, the AFFLELOU Group decided not to complete its proposed IPO.

2.1.5. Share capital reduction

On 10 October 2016, the shareholders approved a share capital reduction in light of the recognition of losses of €68,357,540.93, through a decrease in the par value of shares to 0.534 euros.

2.2. 2016 highlights

2.2.1. Change in the networks

The Group had 1,348 optical stores and 47 audio stores as of 31 July 2016, breaking down as 1,206 ALAIN AFFLELOU stores, 135 Optical Discount stores and 54 Optimil stores, compared with 1,271 as of 31 July 2015. The Group also operates in the market for hearing aids through 147 ALAIN AFFLELOU ACOUSTICIEN points of sale in France and 30 in Spain, 130 of which located in optical stores, compared with 115 points of sale operated under a master franchise agreement with LION SENECA France AUDIO as of 31 July 2015.

The portfolio of directly owned stores, located mainly in France and Spain, represented 184 optical stores and 4 audio stores as of 31 July 2016, compared with 190 optical stores as of 31 July 2015.

2.2.2.New locations

During fiscal year 2016, the Group finalised the establishment of franchised stores in the following new markets: Senegal and Algeria. The Group also concluded contracts for future openings in Chile and China.

2.2.3.Integration of the CLARO by AFFLELOU and OPTICAL DISCOUNT networks

Consistent with the Group's intentions, the merger of stores geared towards entry-level products was initiated in early 2016. As of 31 July 2016, the Group had increased the number of stores operating under the OPTICAL DISCOUNT banner to 135, compared with 88 as of 31 July 2015, primarily as a result of the transformation of a significant number of CLARO by AFFLELOU stores to OPTICAL DISCOUNT outlets. Some CLARO by AFFLELOU stores were converted to the ALAIN AFFLELOU banner, and only 15 were still trading under the CLARO by AFFLELOU name as of 31 July 2016. Moreover, the Group initiated the extraction of synergies and the blending of the OPTICAL DISCOUNT business model with that of ALAIN AFFLELOU.

2.2.4.Acquisition of LSFA (see Note 4.2.1)

The Group completed the acquisition of 100% of LSFA on 31 July 2016. LSFA is the franchisor of the ALAIN AFFLELOU ACCOUSTICIEN banner. It has a network of 147 stores in France. Its sales excluding VAT totalled €22.0 million in the 12 months to 31 July 2016.

2.2.5.Acquisition of the OPTIMIL banner (see Note 4.2.2)

The Group completed the acquisition of 100% of URSA VISION on 31 July 2016. URSA VISION is the franchisor of the OPTIMIL banner. It has a network of 54 stores in Spain. Its sales excluding VAT totalled €7.6 million in the 12 months to 31 July 2016.

2.2.6.Acquisition of an additional interest in Portuguese group Optivisao (see Note 6.2.6)

During fiscal year 2016, the Group continued to acquire shares of OPTIVISAO, lifting its stake in the company to 29.77 %.

2.2.7.Other highlights

Alain Afflelou Audiologo, a wholly owned subsidiary of Alain Afflelou Spain, was incorporated in Madrid on 22 April 2016. Its purpose is to develop the hearing aid distribution business in the Spanish market. A partnership was also formed with Audicost, a company operating mainly in and around Madrid. The 17 outlets owned by that company will join the ALAIN AFFLELOU AUDIOLOGO banner, and the current owners will take an active part in our development.

2.3. 2015 highlights

2.3.1.Change in the networks

The Group had 1,271 optical stores and 1 audio store as of 31 July 2015, breaking down as 1,184 ALAIN AFFLELOU stores and 88 Optical Discount stores, compared with 1,175 as of 31 July 2014. The Group also operates in the market for hearing aids through 123 ALAIN AFFLELOU ACOUSTICIEN points of sale in France and 29 in Spain, 115 of which are located in optical stores, compared with 90 points of sale operated under a master franchise agreement with LION SENECA France AUDIO as of 31 July 2014.

As of 31 July 2015, the Group had a portfolio of 190 directly owned stores, located chiefly in France and Spain, compared with 177 as of 31 July 2014.

2.3.2. Acquisition of the OPTICAL DISCOUNT banner (see Note 4.3.1)

The Group completed the acquisition of 100% of OPTICAL FINANCE on 31 July 2015. OPTICAL FINANCE is the franchisor of the OPTICAL DISCOUNT banner. It has a network of 88 stores in France, Belgium and Morocco. Its sales excluding VAT totalled €27.3 million in the 12 months to 31 July 2015.

2.3.3. Acquisition of an interest in Portuguese group Optivisao (see Note 6.2.6)

In fiscal 2015, the Group gradually acquired from various shareholders a 26% stake in Optivisao, a company that acts as franchisor for the banner of the same name in Portugal. Optivisao is Portugal's leading optician by number of stores (260 outlets, with business volumes of approximately €60 million).

3. Accounting policies

3.1. Standards and rules applied

The Group's consolidated financial statements for the years ended 31 July 2015, 31 July 2016 and 31 July 2017 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union under European Regulation 1606/2002 dated 19 July 2002. These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC), as approved in the European Union, application of which was mandatory for annual periods beginning on or after 1 January 2016, which are available on the website of the European Commission (http://ec.europa.eu/finance/company-reporting/index_en.htm).

The Group did not early adopt any IFRS or other rules in the year ended 31 July 2017.

The accounting policies applied in the consolidated financial statements are consistent with those used in preparing the consolidated financial statements for the years ended 31 July 2016, with the exception of new standards, amendments and interpretations applicable in financial years beginning on or after 1 January 2016.

- Amendment to IAS 19, *Employee benefits - Defined benefit plans: employee contributions*;
- IFRS annual improvements (2010-2012 and 2012-2014 cycles);
- Amendment to IFRS 11, *Acquisition of interests in joint operations*;
- Amendments to IAS 16 and IAS 38, *Acceptable methods of depreciation and amortisation*;
- Amendment to IAS 1, *Disclosure initiative*;
- Amendments to IFRS 10, IFRS 12 and IAS 28, *Investment entities: applying the consolidation exception*.

These standards and amendments did not have a material impact on the Group accounts as of 31 July 2017.

Published standards, interpretations and amendments not applicable for as of August 1, 2017:

- IFRS 9, *Financial Instruments*.

  On 24 July 2014, the IASB issued a new standard on financial instruments, which will supersede most of the provisions existing under IFRS, including IAS 39. The new standard, adopted by the European Union, is applicable for annual periods beginning on or after 1 January 2018.

- IFRS 15, *Revenue from Contracts with Customers*.

  On 28 May 2014, the IASB issued a new standard on revenue recognition, which will supersede most of the provisions existing under IFRS, including IAS 11 and IAS 18. The new standard, adopted by the European Union, is applicable for annual periods beginning on or after 1 January 2018. The Group has started work to determine the impact of this standard on its financial statements, but is not yet in a position to provide quantitative information on the prospective impact.

- IFRS 16, *Leases*

On 13 January 2016, the IASB issued a new standard on leases. This standard, which will supersede IAS 17 and its interpretations, will result in the recognition of most leases under a single model in the balance sheet in the form of a right to use the asset and a lease debt (abandonment of the classification as operating or finance leases for lessees). The new standard, not yet adopted by the European Union, will be applicable for annual periods beginning on or after 1 January 2019. Work is under way to analyse and measure its impact, as well as to select options for first-time application.

Standards, interpretations and amendments published by the IASB but have not yet been adopted by the EU.

- Amendments to IAS 7, *Disclosure Initiative,* applicable for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses,* applicable for annual periods beginning on or after 1 January 2017.
- Annual Improvements, 2014-2016 cycle, applicable for fiscal years beginning on or after 1 January 2017 or 1 January 2018, depending on the date of adoption by the European Union.
- Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions,* applicable for annual periods beginning on or after 1 January 2018.
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration,* applicable for annual periods beginning on or after 1 January 2018.
- IFRIC 23, *Uncertainty over Income Tax Treatments,* applicable for annual periods beginning on or after 1 January 2019.

The impact on the Group's accounts of these amendments and interpretations published by the IASB but not yet adopted by the European Union is currently being assessed.

3.2. Basis of consolidation

The consolidated financial statements include the financial statements of acquired entities from the takeover date and those of disposed entities until the date of loss of control.

3.2.1. Consolidated entities

The Group consolidates entities over which it exercises control, as defined by IFRS 10 *Consolidated Financial Statements*, when it:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the power to govern the investee's financial and operating policies with a view to obtaining economic benefits.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. Income derived from internal transactions with controlled companies is eliminated. The accounting policies of subsidiaries are changed where necessary to ensure consistency of accounting treatment across the Group as a whole.

3.2.2. Associates

The Group has no interests in joint ventures or associates.

3.2.3. Business combinations

The Group applies IFRS 3R, *Business Combinations*.

Business combinations are accounted for using the purchase method:

- the cost of an acquisition is measured at the fair value of the consideration transferred, including any earn-out payments, at the date of takeover. Subsequent changes in the fair value of an earn-out payment are recognised in profit or loss;
- the difference between the consideration transferred (acquisition price) and the fair value of identifiable assets acquired and liabilities assumed at the date of takeover is represented by goodwill, which is recognised as an asset in the statement of financial position.

The fair value of identifiable assets acquired and liabilities assumed is determined on a provisional basis when the initial assessment or additional analysis is underway on the balance sheet date. Once fair value has been determined, adjustments are recognised as retrospective adjustments to goodwill if they occur within a maximum period of one year from the acquisition date and if they result from facts and circumstances existing as of the acquisition date. Beyond this period, such effects are recognised directly in profit or loss, as is any change in estimates. For each acquisition of an interest of less than 100%, the proportion of share capital not acquired (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognised for the portion related to non-controlling interests (full goodwill method); or
- in accordance with its share of the revalued net assets of the acquired entity: in this case, only goodwill in respect of the acquired share is recorded (partial goodwill method).

Costs directly attributable to the acquisition are expensed as incurred, in “Other non-recurring operating income and expenses”. Adjustments or earn-out payments in respect of business combinations are measured at fair value as of the acquisition date. They are recognised either as adjustments to the consideration transferred or through profit or loss post-acquisition results depending on their nature under the provisions of IFRS 3.

In a business combination achieved in stages, the interest previously held by the Group in the acquiree is remeasured at the time of the takeover of the business, at fair value through profit or loss. To determine goodwill as of the takeover date, the fair value of the consideration transferred is added to the fair value previously recorded by the Group. The amount of other comprehensive income previously recognised in respect of the interest held prior to the takeover is recycled in profit or loss.

3.3. Basis of valuation, judgements and use of estimates

The financial statements have been prepared on a historical cost basis, except for cases where IFRS require or permit the use of the fair value option.

The preparation of financial statements requires the use of estimates and assumptions in determining the value of assets and liabilities, appraising contingent assets and liabilities as of the balance sheet date, and valuing income and expenses for the year. Significant estimates made by the Group in the preparation of the financial statements concern the recoverable amount of goodwill and intangible assets (including trademarks) and the measurement of provisions. Due to uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that future results could differ from such estimates. The main assumptions and estimates made by the Group are described in specific sections of the notes to the financial statements, and in particular in the following notes:

Note	Estimate	Nature of estimate
3.7 and 6.2.3.3	Impairment testing of intangible assets and property, plant and equipment	At the level of individual CGUs Key assumptions used to determine value in use (discount rate, perpetual growth rate, projected cash flows)
3.11 and 6.2.7	Inventories	Prospective inventory turnover rate used to calculate impairment
3.17.2 and 6.1.8.4	Deferred tax	Assumptions used for the recognition of deferred tax assets relating to tax loss carryforwards and temporary differences

3.4. Effects of changes in foreign exchange rates

3.4.1. Accounting for transactions in foreign currencies

Transactions denominated in foreign currencies are recorded in the relevant entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated at each balance sheet date using the closing exchange rate. Foreign exchange differences resulting from the settlement of such items are recognised in "Other financial income" or "Other financial expense".

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the "exchange rate" component of the said gain or loss is also recognised in other comprehensive income. Otherwise, it is recognised in profit or loss for the period. The treatment of foreign exchange rate hedges in the form of derivatives is described under the heading "Derivatives" in Note 3.10. Non-monetary items in foreign currencies measured at historical cost are translated at the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the date the fair value was determined.

3.4.2. Translation of the financial statements of foreign companies

The financial statements of each of the companies consolidated by the Group are prepared in their respective functional currency, defined as the currency of the economic environment in which the entity operates. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

- items in the statement of financial position are translated into euros based on the exchange rate prevailing on the balance sheet date;
- items in the income statement are translated into euros at the average exchange rate for the period, as long as this is not undermined by significant fluctuations;
- differences resulting from the translation of the statement of financial position as of the balance sheet date and the translation of the income statement using the average exchange rate over the period are recognised in other recyclable comprehensive income under "Currency translation".

3.5. Intangible assets excluding goodwill

An intangible asset is a non-monetary item without physical substance that must be both identifiable and controlled by the company as a result of past events. It must also generate future economic benefits. An intangible asset is identifiable if it is separable from the acquired entity or if it is derived from legal or contractual rights. Intangible assets with finite useful lives are amortised on a straight-line basis over periods corresponding to their anticipated useful life. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually by the cash-generating unit (CGU) to which they belong.

Trademarks are classified as assets with indefinite useful lives in application of the following criteria:

- Their overall positioning in their respective market in terms of business volumes and recognition;
- Prospective long-term profitability.

Licences and software have useful lives of between one and four years, and are amortised over the relevant period.

Lastly, leasehold rights in France are not amortised, but are tested for impairment (Note 3.7). Leasehold rights acquired in Spain are amortised over the remaining term of the underlying lease agreement in the absence of legal protection beyond the end of the lease.

3.6. Property, plant and equipment

3.6.1. Initial valuation and subsequent measurement

Items of property, plant and equipment are carried at their historical or production cost or initial consolidation amount, less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is not subject to remeasurement, as the Group has not chosen the alternative method allowing the regular remeasurement of one or more categories of property, plant and equipment. The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.6.2. Depreciation

The Group uses the following depreciation periods for the various items of property, plant and equipment held:

Property, plant and equipment	Useful life	Depreciation method
Buildings	20 years	Straight line
Industrial machinery and equipment	3 to 10 years	Straight line
Technical equipment under finance leases	3 to 10 years	Straight line
Other property, plant and equipment	5 years	Straight line

3.7. Impairment of non-current assets (IAS 36)

Goodwill, intangible assets with indefinite useful lives and CGUs or groups of CGUs containing such items are subject to routine annual impairment testing as of 31 July each year. Impairment testing is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, CGUs or group of CGUs may be impaired. Such events or circumstances may stem from unfavourable changes affecting either the economic environment or the assumptions or objectives used as of the acquisition date.

Impairment testing serves to determine whether the recoverable amount of an asset or CGU or group of CGUs is less than its carrying amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its fair value less costs to sell and its value in use. Value in use is determined based on projections of expected future cash flows, taking into account the time value of money and the risks specific to the asset, CGU or group of CGUs. To calculate value in use, a terminal value equal to the capitalisation in perpetuity of normative annual cash flows is added to the value of prospective future cash flows. Fair value less costs to sell is the amount that could be obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less costs to sell.

When the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised against the relevant asset or group of assets. In the case of a CGU or group of CGUs, the impairment loss is allocated first to goodwill, where appropriate, and is recorded under "Other non-recurring operating items" in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed later if the recoverable amount later comes to exceed the carrying amount. Impairment losses recognised in respect of goodwill cannot be reversed.

On the partial disposal of a CGU, the value of goodwill allocated to the partial divestment is measured based on the relative values of the disposed business and the portion of the CGU retained unless another method is deemed more pertinent.

3.8. Leases

In the course of its various business activities, the Group uses assets made available or makes assets available under lease arrangements. Such leases are analysed on the basis of the situations and indicators set out in IAS 17 *Leases* to determine whether they are operating or finance leases.

- As lessee

Finance leases: on initial recognition, assets held under finance leases are recognised as property, plant and equipment with offsetting debt. The asset is recognised at the fair value of the leased asset at the date of inception of the contract, or, if lower, at the present value of minimum lease payments. It is depreciated over the term of the contract.
Operating leases: payments made under operating leases (other than the costs of services such as insurance and maintenance) are expensed in the income statement on a straight-line basis over the term of the lease.

- As lessor

All lease management contracts signed by the Group with its franchisees are operating leases. Rental income is recognised on a straight-line basis over the fixed terms of commercial leases.

3.9. Other financial assets and liabilities

Pursuant to IAS 39, financial assets are classified in one of four categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment of the assets in question. It is determined by the Group on the date of initial recognition, depending on the purpose for which the assets were acquired. Purchases and sales of financial assets are accounted for as of the transaction date, when the Group undertakes to purchase or sell assets. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

1. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are fixed or determinable, which are not traded in an active market and which are not held for trading or available for sale. Such assets are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. For short-term receivables with no stated interest rate, the fair value and amortised cost are equivalent to the amount of the original invoice unless the effective interest rate has a significant impact. Such assets are tested for impairment when there is an indication of loss of value. Impairment is recognised if the carrying amount exceeds the estimated recoverable amount. This category consists of vendor loans granted to franchisees who acquire stores from the Group and deposits paid to Group lessors. For vendor loans, amortised cost is equal to the face value, in the absence of significant costs associated with their establishment. Vendor loans can be repaid early as desired by franchisees (using either bank refinancing or their own resources). Receivables related to investments, security deposits, current loans and receivables, and trade receivables are also included in this category. They are classified as current or non-current "Other financial assets" and in "Trade receivables".

2. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not included in the above categories. They are measured at fair value. Unrealised gains or losses are recorded in other comprehensive income until the sale is finalised. However, when an available-for-sale financial asset shows objective evidence of impairment, the cumulative loss is recognised in profit or loss. For listed securities, fair value corresponds to market prices. For unlisted securities, it is determined by reference to recent transactions or using valuation techniques based on reliable and observable market data. However, securities are carried at historical cost when it is impossible to make a reasonable estimate of their fair value. They are then subject to impairment testing in order to assess their recoverability.

3.10. Derivatives

In the course of its business, the Group may use various financial instruments to reduce its exposure to foreign exchange and/or interest rate risk. All derivatives are recognised in the balance sheet in other current or non-current assets and liabilities, depending on their maturity and accounting classification, and carried at fair value as of the transaction date. Change in the fair value of derivative instruments is always recognised in profit or loss, except when hedge accounting is applied.

Hedge accounting is only applied if the following conditions are met:

- a hedging relationship is clearly identified, formalised and documented from the date of its inception;
- the effectiveness of the hedging relationship is demonstrated prospectively and retrospectively. Confidence in the results obtained must be within a range of 80% to 125%.

Financial instruments classified as hedging instruments are measured in the balance sheet at their fair value. The effective portion is recognised in other comprehensive income, and the ineffective portion in profit or loss.

3.11. Inventories

Inventories in the balance sheet cover inventories of exclusive eyeglass frames, contact lenses and contact-lens products (held as part of our central purchasing activity), and the inventories of directly owned stores (consisting of eyeglass frames, eyeglass lenses, contact lenses and other products). Inventories are valued at their weighted average purchase price.

Inventories are written down to cover any unsold items so as to align them with their realisable values.

Inventories held in stores are subject to impairment, in accordance with the following rules:

- ✓ 20% for products of more than one year,
- ✓ 40% for products of more than two years,
- ✓ 80% for products of more than three years,
- ✓ 100% for products whose vendors have ceased trading and trademarks that are no longer marketed.

3.12. Other current assets and liabilities

3.12.1. Trade receivables and other current assets

Trade receivables are carried at amortised cost. Receivables relating to the central payment and purchasing activities are included in "Other current assets". A write-down is recognised when the outstanding carrying amount exceeds the recoverable amount.

Other current assets chiefly include receivables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees. A write-down is recognised when the outstanding carrying amount exceeds the recoverable amount.

3.12.2. Trade payables and other current liabilities

Trade payables in respect of overheads and communication and sponsorship expenses are recorded at amortised cost.

Other current liabilities chiefly include payables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees.

3.13. Cash and cash equivalents

Cash includes cash in bank current accounts and demand deposits. Cash equivalents consist of investments maturing in less than one year from the date of acquisition that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, held in order to meet short-term cash commitments. Overdrafts are recorded as current borrowings. In the consolidated statement of cash flows, "Cash and cash equivalents" corresponds to the amount presented in the balance sheet less bank overdrafts.

3.14. Provisions and contingent liabilities

A contingent liability is:

(a) a possible obligation arising from past events and whose existence will be confirmed only by the occurrence (or not) of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation arising from past events but which is not recognised because:

  a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  b. the amount of the obligation cannot be measured with sufficient reliability.

A provision is recognised when the Group has a probable obligation arising from past events, the settlement of which is expected to lead to an outflow of Group resources without an equivalent or greater incoming amount that can be estimated reliably. Identified risks of all types, including operational and financial, are subject to quarterly monitoring to determine the amount of provisions necessary. A provision for vacant retail space is recorded when a retail space is unoccupied over the residual term of the lease (including rental expenses, taxes and related expenses), less any sublease income.

3.15. Employee benefits and similar

Group companies contribute, in accordance with the laws and customs of each country, to various types of benefits available to their employees. Under defined contribution plans, the Group has no obligation to make additional payments over and above the contributions already paid into a fund if said fund does not have sufficient assets to pay benefits corresponding to services rendered by employees during the current or prior periods. Contributions to such plans are expensed as incurred. This is notably the case for the French entities in respect of statutory pension schemes.

Under defined benefit plans, obligations are measured using the projected unit credit method on the basis of agreements or arrangements in force in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to obtain the final obligation. This obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on the economic conditions prevailing in the country in which the plan is established. The biggest such plans and termination payments are subject to an actuarial valuation by independent actuaries every year; valuations are performed at regular intervals for other plans. These valuations take into account the level of future compensation, the probable length of employment, life expectancy and staff turnover.

Actuarial gains and losses result from changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. Losses of this nature in respect of all actuarial differences relating to defined benefit plans are recognised immediately in other comprehensive income.

Expenses relating to this type of plan are recognised in income from ordinary activities. Reductions, settlements and past service costs are recognised in income from ordinary activities. The provision recognised in the balance sheet represents the present value of the obligations calculated net of the fair value of plan assets.

3.16. Borrowings

3.16.1. Loans and other financial liabilities

The measurement of financial liabilities depends on their classification under IAS 39, *Financial Instruments*. Within the Group's borrowings, trade payables and other payables are initially recognised at fair value less transaction costs, and subsequently at amortised cost using the effective interest rate method.

The effective interest rate is determined for each transaction. It is the rate that provides the net carrying amount of a financial liability by discounting projected future cash flows paid until maturity or until the closest date to re-pricing at the market rate. This calculation includes related transaction costs and all premiums and/or discounts. Transaction costs are costs that are directly attributable to the acquisition or issuance of a financial liability.

Financial liabilities classified as hedged items in hedging relationships at fair value and measured at amortised cost are subject to an adjustment to their net carrying amount in respect of the hedged risk. Hedging relationships are described in Note 3.10 "Derivatives". Financial liabilities designated using the fair value option, other than derivative liabilities, are measured at fair value. Changes in fair value are recognised in profit or loss. Transaction costs related to the implementation of such financial liabilities are expensed as incurred.

3.16.2. Compound instruments

Some financial instruments comprise both a debt component and an equity component. This is notably the case for convertible bonds. The various components of these instruments are recognised in shareholders' equity and in loans and financial liabilities, on the basis of their respective weighting, in accordance with IAS 32, *Financial Instruments: Presentation.* Debt components are measured at issuance. Their measurement corresponds to the value of the future cash flows (including interest and redemption), discounted at the market rate (taking into account the credit risk at issuance and the level of subordination) of a similar instrument with the same conditions (maturity, cash flows), but not convertible into or redeemable for shares. The portion recognised in equity is calculated as the difference between the amount of the issue and the debt component. The effective interest rate is the rate that discounts the expected disbursements over the term of the loan in order to obtain the carrying amount of the portion of the loan recorded in borrowings.

3.17. Taxes

3.17.1. Current taxes

The Group calculates its income tax in accordance with the tax laws in force in the countries where its income is taxable. The Group recognises the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE), based on the value added resulting from the company financial statements, on the "Income tax expense" line in the consolidated statement of comprehensive income.

3.17.2. Deferred tax

In accordance with IAS 12, *Income Taxes*, deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities and their taxable amounts. Under the liability method, they are calculated based on the expected tax rate for the year in which the asset is liquidated or the liability settled. The effects of changes in tax rates from one year to another are recognised in profit or loss for the year in which the change occurs. Deferred tax relating to items recognised directly in equity is also recognised directly in equity.

With regard to temporary differences relating to investments in subsidiaries, a deferred tax liability is recognised unless the Group is able to control the date on which the temporary difference is reversed, or if the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets arising from temporary differences, tax-loss carry-forwards and tax credits are limited to the estimated amount of tax whose recovery is deemed probable. This probability is assessed at the end of the year, based on earnings forecasts for the various fiscal entities. Deferred tax assets and liabilities are not discounted.

3.18. Non-current assets (or groups of assets) held for sale

IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* requires special recognition and presentation of assets (or groups of assets) held for sale and classified as operations discontinued, sold or to be sold.

Non-current assets or groups of assets and associated liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or group of assets) must be available for immediate sale, and the sale must be highly probable. Non-current assets (or groups of assets) held for sale are measured and recognised at the lesser of their carrying amount and fair value less costs to sell. Such assets cease to be depreciated from their classification as assets (or groups of assets) held for sale. They are presented on a separate line in the balance sheet without restatement of prior periods.

An operation that is discontinued, sold or to be sold is defined as a component of an entity that generates distinct cash flows from the rest of the entity and represents a line of business or a distinct and significant region. The result of these activities is presented on a separate line in the income statement for all reported periods, under "Discontinued operations", and is restated in the statement of cash flows.

3.19. Balance sheet presentation – Current/Non-current

For the majority of the Group's activities, it has been decided that the criterion for this classification is the date of liquidation of the asset or settlement of the liability: current if less than 12 months and non-current if more than 12 months.

3.20. Revenue recognition

The Group's revenue is derived mainly from the following products and services:

- Network sales revenues: entry fees of new franchisees; franchise and communication fees charged to franchisees. Franchise and communications fees are invoiced on the basis of a percentage of the sales reported by the network of franchised stores and recognised on a straight-line basis; Master Audio Franchise royalties and related services are also recognised on a straight-line basis.

- Network purchase revenues: sales of eyeglass lenses, contact lenses and eyeglass frames through the Group's central purchasing structure, recorded at the effective date of completion of the sale; sales of products bearing the ALAIN AFFLELOU trademark to exclusive distributors and franchisees, recorded at the effective date of completion of the sale; and referral, delcredere and distribution commissions, as well as discounts charged to approved suppliers and commissions paid to business provided recorded monthly.

- Revenues from directly owned stores: retail sales of stores trading under the "ALAIN AFFLELOU" and "OPTICAL DISCOUNT", "CLARO by AFFLELOU" and "HAPPY VIEW" banners, and sales resulting from the "ALAIN AFFLELOU ACOUSTICIEN" hearing aid activity, recorded at the effective date of completion of the sale; and lease management income on directly owned stores borne by a third party, recorded monthly.

The Group's revenue is reported net of guarantees and discounts granted.

3.21. Cost of purchases

The cost of the Group's purchases includes the supply cost of goods sold, namely:

- The purchasing cost of eyeglass frames
- The purchasing cost of eyeglass lenses
- The purchasing cost of contact lenses
- The purchasing cost of accessories and other goods
- Change in inventories of all of the above purchases
- The cost of communication purchases

3.22. Operating income from ordinary activities and other non-recurring operating items

Operating income from ordinary activities includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions. To facilitate the reading of the income statement and the Group's performance, unusual and significant items for the consolidated group are recorded under "Other operating items". Other operating income and expenses, excluded from operating income from ordinary activities, notably include:

- restructuring costs and costs relating to employee retraining measures;
- impairment losses on fixed assets, which are recognised primarily following impairment testing of cash-generating units (CGU) and goodwill;

- capital gains or losses resulting from changes in the scope of consolidation (acquisitions or disposals);
- major disputes.

These items, excluded from operating income, are other non-current operating income and expenses, which, due to their nature, amount or frequency, cannot be considered as part of operating income from the Group's ordinary activities, and correspond to major events that are both limited in scope and very unusual.

3.23. Operating profit

Operating profit includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions, as well as unusual and significant items for the consolidated group, which are recorded under "Other non-recurring operating items".

4. Change in the scope of consolidation

4.1. Change in the scope of consolidation in fiscal year 2017

The main change in the Group's scope of consolidation was the creation of the company DIGITAL EYEWEAR at the end of September 2016, to form a digital business unit following the acquisition of two pure player brands, Happyview.fr and Malentille.com.

4.2. Change in the scope of consolidation in fiscal year 2016

4.2.1. Acquisition of LSFA

The hearing aid distribution business formerly operated by the franchisor company LION SENECA France AUDIO owned by the AA & Fils holding company and Lion Seneca LuxTopco, with which the Group entered into a master franchise agreement on 29 July 2013, was acquired in full by the Group on 31 July 2016. This transaction was motivated largely by the significant business synergies existing with the optical activity, the strong overlap of its network with that of the ALAIN AFFLELOU banner, bearing in mind that more than two-thirds of outlets are points of sale within ALAIN AFFLELOU stores, and because of the activity's significant potential. The activity of the ALAIN AFFLELOU ACOUSTICIEN banner, and its franchisor LION SENECA France AUDIO, is now an integral part of the Group.

Allocation of the purchase price

(in thousands of euros)	31/07/2016
Consideration transferred (a)	**20,000**
Intangible assets	65
Property, plant and equipment	433
Other financial assets	57
Deferred tax assets	2,826
Inventories	159
Trade receivables	1,785
Other current assets	2,120
Cash and cash equivalents	1,176
Employee benefits and similar	-38
Non-current provisions	-20
Financial liabilities	-7
Current liabilities	-5,744
Fair value recognised upon first consolidation (b)	**2,812**
Goodwill (a) - (b)	**17,188**

The consideration transferred is entirely composed of the purchase price of securities, i.e. €20,000 thousand paid in full at the end of the fiscal year 2016. The LION SENECA France AUDIO acquisition costs totalled €31 thousand.

The Group has definitively allocated €17,188 thousand of the purchase price to goodwill. The valuation of LION SENECA France AUDIO is based on the robust growth prospects of the hearing aid distribution business in France and the other geographies where the Group operates. In the years ended 31 July 2015 and 31 July 2016, the sales of the Alain Afflelou Acousticien network grew by more than 50% per annum. These performances are consistent with those of a market with impressive short- and medium-term growth prospects, but are attributable above all to the success of the brand. LSFA's earning power is expected to firm swiftly in line with the development of the activity of the Alain Afflelou Acousticien network, insofar as this activity applies the same business model as Alain Afflelou franchisor.

The impact of change in the scope of consolidation, shown in the consolidated statement of cash flows for the year ended 31 July 2016, is the sum of the consideration transferred, i.e. €20,000 thousand, representing the total purchase price, which was paid in full as of the year-end, less the cash of €1,169 thousand, i.e. a total impact of €18,831 thousand.

4.2.2. Acquisition of the OPTIMIL banner

The Group completed the acquisition of 100% of URSA VISION on 31 July 2016. URSA VISION is the franchisor of the OPTIMIL banner.

URSA VISION has operated in the entry-level segment since its incorporation on 26 January 2016. It has developed a commercial offer featuring leading sunglass and eyeglass frame brands. It also operates in the lenses segment, notably with an online offer.

URSA VISION managed a portfolio of 54 franchised stores as of 31 July 2016. It also has a network of 140 partner opticians working with its central purchasing unit. Lastly, the company has developed an online sales activity, although there are no plans at this stage to include it in the scope acquired by the Group. The Group plans to house URSA VISION in the discount division, operated in France under the OPTICAL DISCOUNT trademark. The transaction will expand the Group's discount segment internationally, adding a combined total of 55 outlets. Teams already in place – including the founding family – were maintained under the terms of the transaction, OPTIMIL's current management being committed to ensuring the future development of the discount segment in Spain using the new resources contributed by the Group.

URSA Vision was merged retroactively with Optical Finance Espana (OFE), effective 1 August 2016.

Allocation of the purchase price

The Group definitively allocated €4,255 thousand of the purchase price to Trademarks based on the acquisition business plan.

(in thousands of euros)	*Initial allocation*		*Final allocation*
Consideration transferred (a)	**4,503**		**4,503**
Trademarks		4,255	4,255
Property, plant and equipment	47		47
Inventories	588		588
Trade receivables	308		308
Other current assets	66		66
Cash and cash equivalents	122		122
Current liabilities	-883		-883
Fair value recognised upon first consolidation (b)	**248**		**4,503**
Goodwill (a) - (b)	**4,255**	**-4,255**	**0**

As of 31 July 2016, the consideration transferred consisted of the purchase price of securities, paid at the close of the fiscal year, i.e. €3,378 thousand, plus earn-out payments in the amount of €1,125 thousand, i.e. a total of €4,503 thousand. The OPTIMIL acquisition costs totalled €222 thousand.
The Group provisionally allocated €4,255 thousand of the acquisition price to goodwill as of 31 July 2016, pending the determination of the value of the OPTIMIL trademark.

The impact of the change in the scope of consolidation, shown in the consolidated statement of cash flows for the year ended 31 July 2016, is the sum of the consideration of €4,503 thousand transferred, less the cash acquired of €122 thousand and earn-out payments of €1,125 thousand, i.e. a total impact of €3,256 thousand.
The Group recognised an impairment of €2,273 thousand based on the performance of the companies.

Earn-outs

As of 31 July 2016, the acquisition of 100% of the share capital of URSA VISION may give rise to earn-out payments. The first such payment, subject solely to the company's performance in the year ending 31 July 2018, is included in the purchase price, in the amount of €1,125 thousand as of 31 July 2016. The earn-out mechanism, including variable and capped payments, is based on the improvement in OPTIMIL's performance. This improvement will be measured by comparing operating profitability in the year ending 31 July 2018 with a reference level determined for the year ended 31 July 2016.
The second earn-out payment, subject solely to the continued presence of certain managers as of 31 July 2018, is measured and recognised on a straight-line basis in the company's income statement, pursuant to IFRS 3.B55 (a).

As of 31 July 2017 and based on the company's performance, these two earn-outs should not be payable. The debt in respect of the first earn-out was therefore cancelled against P&L and no charge has been recorded in relation with the second one.

4.2.3. Information on acquisitions in 2016 as if they had been finalised as of 1 August 2015

Assuming the acquisition had been carried out as of 1 August 2015, the Group's consolidated 2015 revenue and net income would have amounted to:

(in thousands of euros)	31/07/2016				
	Consolidated	LSFA	Optimil	Eliminations (1)	Total
Revenue	345,663	4,303	1,431	-1,383	350,014
Adjusted EBIT (see Note 5.2)	65,823	-1,801	436		64,458
Net income	-9,606	-1,772	325		-11,053

(1) Net of billings between the Company and LSFA, mainly including the master franchise and income from the rebilling of service delivery in the amounts of €234 thousand and €849 thousand respectively, recorded by the Afflelou group (see Note 6.7.1).

4.3. Change in the scope of consolidation in fiscal year 2015

4.3.1. Acquisition of the OPTICAL DISCOUNT banner

The Group completed the acquisition of 100% of OPTICAL FINANCE on 31 July 2015. OPTICAL FINANCE is the franchisor of the OPTICAL DISCOUNT banner.

OPTICAL DISCOUNT has operated in the entry-level segment since its incorporation in 1995. It has developed a commercial offer featuring leading sunglass and eyeglass frame brands. It also operates in the lenses segment, notably with an online offer.

The Group plans to merge the CLARO by AFFLELOU trademark with OPTICAL DISCOUNT. The merger of the two trademarks under the OPTICAL DISCOUNT banner will immediately result in the formation of one of the sector's leading entry-level banners, enjoying strong visibility on a combined portfolio of 151 stores. Teams already in place are maintained under the terms of the transaction, OPTICAL DISCOUNT's current management being committed to ensuring the development of the new entity under the OPTICAL DISCOUNT banner. The Group sees this acquisition as an opportunity to speed up its development in the entry-level segment under the OPTICAL DISCOUNT banner.

Allocation of the consideration transferred

The OPTICAL FINANCE group, which operates the OPTICAL DISCOUNT banner, comprised four entities as of the acquisition date. It has been fully consolidated since 31 July 2015, the effective date of the acquisition. However, the Group's consolidated financial statements for the year ended 31 July 2015 only include OPTICAL FINANCE, as the other three companies are directly owned stores earmarked for sale in fiscal year 2017 as part of a third earn-out payment. The value of securities of subsidiaries is recorded in "Assets

held for sale" in the amount of their sale price, i.e. €1,361 thousand. The OPTICAL FINANCE acquisition costs totalled €552 thousand, and are a cash component of profit or loss, recognised as an expense in "Other non-current operating items".

(in thousands of euros)	31/07/2015
Consideration transferred (a)	**8,381**
Trademarks	5,600
Intangible assets	146
Property, plant and equipment	65
Other financial assets	22
Inventories	2,128
Trade receivables	1,830
Other current assets	1,445
Cash and cash equivalents	825
Assets held for sale	1,361
Financial liabilities	-36
Deferred tax liabilities	-1,814
Current liabilities	-3,544
Fair value recognised upon first consolidation (b)	**8,028**
Goodwill (a) - (b)	**353**

The Group has valued the OPTICAL DISCOUNT banner at €5,600 thousand.

The impact of change in the scope of consolidation, shown in the consolidated statement of cash flows, is the sum of the consideration of €8,381 thousand transferred, less the cash acquired of €825 thousand and earn-out payments of €1,361 thousand and part of the price paid after the 31 July 2015 year-end in the amount of €2,057 thousand, i.e. a net impact of €4,138 thousand.

Earn-outs

The acquisition of 100% of the share capital of OPTICAL FINANCE may give rise to earn-out payments. These earn-outs were not included in the purchase price, as they will only be allocated to the selling shareholders if they are still in the Group at the end of the years ending 31 July 2016, 2017 and 2018, and depending on the performance of the OPTICAL DISCOUNT banner.

Pursuant to IFRS 3. B.55.(a), the Company concluded that earn-outs must be recognised in profit or loss subsequent to acquisition.

They will be determined by comparing annual performances with a reference performance for the year ended 31 July 2015, calculated as the sum of the performance of CLARO by AFFLELOU and OPTICAL DISCOUNT (combined sales of the two banners, and the combined operating profit). There are two types of earn-out allocation mechanisms:

- first, a fixed annual earn-out payment based on the achievement of an operating profit at least equivalent to the reference performance as of the three aforementioned dates, recorded on a straight-line basis over three years;
- second, a variable and uncapped payment determined on the basis of the improvement in the performance of OPTICAL DISCOUNT in relation to the reference performance based on the banner's sales and operating profit as of 31 July 2018, recorded on a straight-line basis over the years ending 31 July 2016, 2017 and 2018.

On the basis of the business plan, the earn-out related to the condition of continued presence works out at roughly €8 million, and will be recognised in a straight-line basis over the next three years. The amount of the earn-out recorded in respect of the year ended 31 July 2016 and the balance of the initial price paid during the year was €2,302 thousand.

Information on acquisitions in 2015 as if they had been finalised as of 1 August 2014

Assuming the acquisition had been carried out as of 1 August 2014, the Group's consolidated 2015 revenue and net income would have amounted to:

(in thousands of euros)	31/07/2015		
	Consolidated (adjusted)	Optical Finance	Total
Revenue	310,999	15,164	326,163
Adjusted EBIT (see Note 5.2)	54,821	712	55,533
Net income	-23,985	151	-23,834

4.4. Other acquisition of subsidiaries

During the years ended 31 July 2017, 2016 and 2015, the Group acquired points of sale from existing franchisees through the acquisition of the operating companies. These transactions resulted in the consolidation of subsidiaries within the directly owned store network. There are no plans to maintain these legal structures in their current state, since the Group is focusing the expansion of its directly owned store activity on L'Opticien Afflelou "LOA" in France and Alain Afflelou Optico "AAO" in Spain.

During the year ended 31 July 2016, the Group acquired three companies in Spain. The acquisition of these companies generated total goodwill of €70 thousand, impaired in full as of 31 July 2016, and total negative goodwill of €100 thousand. The acquisition cost of the three companies was €83 thousand in the year ended 31 July 2016.

During the year ended 31 July 2015, the Group acquired eight companies in France and Spain. The acquisition of these companies generated total goodwill of €747 thousand, impaired in full as of 31 July 2015, and total negative goodwill of €203 thousand. The acquisition cost of the eight companies was €3,009 thousand in the year ended 31 July 2015.

5. Segment reporting

5.1. Organisation of the Group by geographical operating segments

Following the review of financial communications and performance indicators conducted in 2016 (aimed at ensuring that they are in line with the Group's development strategy), Management recast its internal reporting so as to break segment information down by geography, namely "France", "Spain" and "Other countries".

The "France" and "Spain" segments both include a franchisor activity with a central purchasing unit, a central listing and payment unit, directly owned stores and an audio business operated under a master franchise. The Group has replicated the established organisation of its French operations in Spain, and aims ultimately to repeat this process in the "Other countries" segment. The "Other countries" segment notably includes Belgium, Switzerland and Portugal. This segment includes a central purchasing unit in Belgium, and has only a few directly owned stores, in Portugal.

The segment reporting presented here was prepared on the basis of the new internal reporting data reviewed by the Chairman and CEO and the COO, the "chief operating decision makers" of the Group within the meaning laid down in IFRS 8, who analyse the performance of the various segments and allocate resources between them.

Assessment of the Group's results is performed in reference to key financial indicators related to business performance. Alongside the main headings of the consolidated income statement, the key financial indicators used to measure segment performance are adjusted EBITDA and adjusted EBIT. These two indicators are Alternative Performance Indicators defined in the last section of this note, and are reconciled with operating income.

Within the Group's segment reporting by geographical area, two activities are naturally classified in "Other countries":

- Our trading company specialising in exclusive eyeglass frames, based in Switzerland (AAB)
- Our Luxembourg franchisor company (AAI), which holds supplier contracts for the entire group.

The trading and supplier contract activities impact the entire Group. The geographical location in which they are legally based does not necessarily imply an exclusive activity in the "Other countries" segment. To facilitate the readability of the results, the Group has decided to allocate the results of the trading and supplier contract activities across all three segments, using the following allocation key:

- the result of the AAB trading subsidiary in Switzerland is reallocated on the basis of the originating country of franchisees' purchases in proportion to the number of exclusive eyeglass frames delivered during the year.
- Commissions earned on the Group's international supplier contract activity and recognised as revenue by the AAI international franchisor subsidiary are reallocated by country of origin in proportion to the purchasing volumes of the relevant suppliers.

The chief operating decision maker does not review information regarding the Group's assets and liabilities.

No customer accounts for more than 10% of the Group's revenue.

The information on the Group's various activities and services is provided in Notes 1.2, Note 3.20 on revenue recognition and Note 6.1.1 on revenue by activity.

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
France	278,717	255,982	227,185
Spain	81,673	79,954	75,228
Other countries	12,432	9,727	8,586
Revenue	**372,822**	**345,663**	**310,999**
France	66,302	61,896	55,475
Spain	10,294	10,645	7,956
Other countries	1,055	1,836	1,713
Adjusted EBITDA	**77,651**	**74,377**	**65,144**
France	-7,116	-6,353	-8,071
Spain	-2,184	-1,878	-2,263
Other countries	380	78	-443
Depreciation, amortisation and impairment	**-8,920**	**-8,153**	**-10,777**
France	59,164	55,310	47,544
Spain	7,935	8,641	5,989
Other countries	1,436	1,872	1,288
Adjusted EBIT	**68,535**	**65,823**	**54,821**
France	775,405	780,688	765,783
Spain	119,263	116,681	111,147
Other countries	17,609	17,139	16,416
Property, plant and equipment, and intangible assets	**912,277**	**914,508**	**893,346**

5.2. Reconciliation of Adjusted EBIT and Adjusted EBITDA with operating income from ordinary activities

Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements, less depreciation and amortisation of property, plant and equipment, and intangible assets, changes in provisions for trade receivables and inventories, and shareholders' management fees. It is calculated as follows:

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Operating income from ordinary activities	67,454	64,814	53,733
Amortisation of intangible assets	2,143	1,668	986
Depreciation of property, plant and equipment	6,034	6,042	6,102
Change in customer provisions and inventories	941	844	3,235
Shareholders' management fees	1,081	1,009	1,088
Adjusted EBITDA	**77,651**	**74,377**	**65,144**

Adjusted EBIT is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements before the impact of shareholder' management fees. It is calculated as follows:

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Operating income from ordinary activities	67,454	64,814	53,733
Shareholders' management fees	1,081	1,009	1,088
Adjusted EBIT	**68,535**	**65,823**	**54,821**

6. Notes to the consolidated financial statements

6.1. Notes to the income statement

6.1.1.Revenue

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Network sales revenue	91,217	79,738	78,377
Network purchases revenue	164,160	148,781	119,012
Revenue from directly owned stores	117,445	117,144	113,610
Consolidated revenue	**372,822**	**345,663**	**310,999**

The breakdown of revenue by product is as follows:

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Optical revenue	365,964	343,867	309,362
Audio revenue	6,858	1,796	1,637
Consolidated revenue	**372,822**	**345,663**	**310,999**

6.1.2.Wages and salaries including social security contributions

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Wages	-41,205	-37,893	-37,145
Social security contributions	-16,733	-15,220	-14,365
Research tax credit	453	1,124	
Competitiveness and employment tax credit (CICE)	1,023	874	855
Employee profit sharing	-1,169	-1,175	-1,442
Wages and salaries including social security contributions	**-57,630**	**-52,290**	**-52,097**

The competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was recorded as a reduction in personnel expenses in the amount of €1,023 thousand in the fiscal year 2017 (€874 thousand in the fiscal year 2016 and €855 thousand in the fiscal year 2015).

The research tax credit (*crédit d'impôt recherche* – CIR) was recorded as a reduction in expenses in the amount of €683 thousand in the fiscal year 2017 (€453 thousand as a reduction in personnel expenses and €230 thousand as a reduction in other purchases and external expenses). In the fiscal year 2016, the reduction in expenses was €1,691 thousand (€1,124 thousand as a reduction in personnel expenses and €567 thousand as a reduction in other purchases and external expenses).

6.1.3.Registered workforce at year-end

(Registered workforce)	31/07/2017	31/07/2016	31/07/2015
France	722	690	710
Spain	657	671	636
Other countries	38	37	31
Registered workforce	**1,417**	**1,398**	**1,377**

6.1.4.Other purchases and external expenses

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Rental fees and related costs	-19,692	-19,353	-20,304
Outsourcing, fees and miscellaneous services	-6,988	-3,461	-3,643
Maintenance and repair expenses	-2,815	-3,341	-3,217
Other purchases	-12,981	-13,307	-11,286
Other purchases and external expenses	**-42,476**	**-39,462**	**-38,450**

6.1.5. Depreciation, amortisation and impairment

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Amortisation of intangible assets	-2,143	-1,668	-986
Depreciation of property, plant and equipment	-6,034	-6,042	-6,102
Additions/Reversals – Provisions for trade receivables and inventories	-941	-844	-3,235
Additions/Reversals – Provisions for retirement benefits	-36	-279	39
Additions/Reversals – Current provisions for risks and charges	233	680	-493
Depreciation, amortisation and impairment	**-8,920**	**-8,153**	**-10,777**

6.1.6. Other non-recurring operating items

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Capital gains/(losses) on disposal	-4,718	-7,145	-3,278
Additions/Reversal of impairments	-535	7,187	-18,296
Additions/Reversals of non-current provisions for risks and charges	1,281	2,782	1,953
Other	-8,816	-6,103	-2,260
Other non-recurring operating items	**-12,788**	**-3,279**	**-21,881**

Capital gains/(losses) on disposal include the transfer of LOA and AAO leasehold rights recognised over the period and the impact of store closures.

Additions and reversals of provisions for impairment of assets primarily include impairment of leasehold rights recognised over the period (see Note 6.2.5). As of 31 July 2017, this heading also includes:

- a €2,273 thousand impairment of the OPTIMIL trademark and the cancellation of the earn-out debt of €1,125 thousand which will not be paid due to changes to the performance outlook,
- a €1,079 thousand provision reversal following the write-off of receivables from former franchisees (see the breakdown of the Other line below).

Additions and reversals of non-current provisions for risks and charges include:

- for the year ended 31 July 2017, primarily the net reversal of provisions for vacant premises in the amount of €296 thousand and the net reversal of provisions no longer required following the favourable outcome of a dispute with a former franchisee in the amount of €948 thousand, given its age and its materiality.
- for the years ended 31 July 2015 and 31 July 2016
    a. reversals of provisions for tax risks in the amount of €2,333 thousand for the year ended 31 July 2016,
    b. reversals of provisions for rent for vacant premises of €739 thousand, compared with €2,267 thousand for the year ended 31 July 2015,
    c. charges to provisions for rent for vacant premises of €290 thousand, compared with €313 thousand for the year ended 31 July 2015.

The Other line primarily includes:

- for the year ended 31 July 2017: expenses related to the aborted IPO in the amount of €5,548 thousand; the write-off of receivables from former franchisees following their liquidation given their age and individual materiality in the amount of €829 thousand; a net charge of €468 thousand in respect of earn-outs payable to Optical Finance managers, comprising a charge of €1,000 thousand in respect of the initial earn-out and a downward adjustment of €532 thousand to the second earn-out following a review of the performance outlook of Optical Finance to 31 July 2018; rent of €379 thousand for vacant premises,

- for the year ended 31 July 2016: rent for vacant premises in the amount of €829 thousand, IPO project costs of €1,729 thousand and earn-out payments to Optical Finance managers of €2,444 thousand,
- for the year ended 31 July 2015: rent of €1,743 thousand for vacant premises.

6.1.7.Net financial income/(expense)

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Income from other investments	339	425	284
Other financial income	677	1,785	4,118
Reversals of financial provisions	1,603	1,318	2,074
Financial income	**2,619**	**3,528**	**6,476**
Interest on convertible bonds	-44,889	-38,379	-32,647
Interest on other bonds (high yield)	-28,815	-28,814	-28,742
Other financial expense	-920	-670	-755
Gross borrowing costs	**-74,623**	**-67,863**	**-62,144**
Financial provisions	-2,992	-1,304	-1,343
Miscellaneous financial expense	-2,318	-2,815	-2,774
Financial expense	**-79,933**	**-71,982**	**-66,261**
Net financial income/(expense)	**-77,314**	**-68,454**	**-59,785**

Financial income of €2,619 thousand in the year ended 31 July 2017 was derived chiefly from interest on vendor loans, application fees and interest on advances to franchisees, as well as foreign exchange gains. In the year ended 31 July 2016, financial income amounted to €3,528 thousand and was of the same nature. In the year ended 31 July 2015, financial income amounted to €6,476 thousand and was of the same nature.

The miscellaneous financial expense of €2,318 thousand reported in the year ended 31 July 2017 related chiefly to losses on non-performing loans and foreign exchange losses. In the year ended 31 July 2016, the miscellaneous financial expense amounted to €2,815 thousand and was of the same nature. In the year ended 31 July 2015, the miscellaneous financial expense amounted to €2,774 thousand and was of the same nature.

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Gross borrowing costs	**-74,623**	**-67,863**	**-62,144**
Capitalised interest expense	44,889	38,379	32,646
Accrued interest	2,343	2,360	3,862
Net interest paid	**-27,392**	**-27,124**	**-25,636**

6.1.8.Income tax

6.1.8.1. Tax group

A tax group agreement was applied during the fiscal year between AFFLELOU and the following companies: LSF2, 3ABOD, ALAIN AFFLELOU FRANCHISEUR, 3ABOE, OPTICAL FINANCE, LOA (formerly FP2A) and LSFA. It does not provide for the reallocation to loss-making subsidiaries of tax savings generated by the parent company and its French subsidiaries. The parent keeps such tax savings.

In Spain, the tax group comprises Alain Afflelou Espãna, Alain Afflelou Optico, AA Latam, Optical Finance Espagne and Alain Afflelou Audiologo.

6.1.8.2. Income tax

Tax proof	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Consolidated profit before tax	-22,649	-6,919	-27,933
Theoretical tax rate	-34.43%	-34.43%	-34.43%
Theoretical Group tax	7,798	2,382	9,617
Effect of differences in tax rate	2,455	1,970	1,139
Tax losses created but not recognised during the period	-925	-107	-1,708
Unrecognised tax losses utilised			-152
Effect of change in Tax rate	27,983		
Non-deductible interest	-3,475	-5,723	-5,281
Other permanent differences	-11,296	-514	1,471
French corporate value added tax (CVAE)	-1,086	-1,277	-1,170
Tax credits	235	582	25
Accruals			6
Income tax income (expense) recognised	21,690	-2,687	3,948
of which current tax	-3,853	-5,164	-4,528
of which deferred tax	25,543	2,477	8,476
Average effective tax rate	95.77%	-38.84%	14.13%

The line "Effect of change in tax rates" reflects the impact of the future change in the income tax rate payable by French and Spanish entities, as taken into account in the deferred tax calculation as of 31 July 2017 from 34.43% to 28.92% in France and from 28% to 25% in Spain.

6.1.8.3. Current taxes

(in thousands of euros)	31/07/2016 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2017 (12 months)
Current tax receivables	6,554	0	1,023	-1,742	5,835
Current tax liabilities	5,264	0	1,135	-1	6,399
Current tax	**-1,291**	**0**	**112**	**1,741**	**563**

(in thousands of euros)	01/08/2015 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2016 (12 months)
Current tax receivables	6,537				6,554
Current tax liabilities	3,151				5,264
Current tax	**-3,386**	**5,164**	**-2,887**	**-181**	**-1,291**

(in thousands of euros)	01/08/2014 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2015 (12 months)
Current tax receivables	6,030				6,537
Current tax liabilities	3,830				3,151
Current tax	**-2,200**	**4,528**	**-6,127**	**413**	**-3,386**

6.1.8.4. Deferred tax

(in thousands of euros)	31/07/2016	Impact in net income	Other comprehensive income	Change in scope	Other movements	31/07/2017
Tax loss carryforwards	76 478	-14,122				62,357
Elimination of intragroup provisions	0					0
Purchase cost of securities	3 048	-448				2,601
Retirement provisions	611	-70	-23		12	530
Employee profit sharing	494	-81				412
Financial instruments	-29 929	3,512				-26,418
Measurement to fair value of trademarks and other intangible assets (1)	-235 633	37,510		124		-197,999
Regulated provisions	-5 570	418				-5,152
Impairment of intangible assets	9 539	-977		-92		8,471
Other temporary differences	2 159	-199	41		-252	1,749
Net deferred tax	**-178 803**	**25,543**	**18**	**32**	**-240**	**-153,450**
Balance sheet presentation:						
Deferred tax assets	3 161	-271	18	-42	-240	2,626
Deferred tax liabilities	-181 964	25,814		74		-156,076

(in thousands of euros)	01/08/2015 (adjusted)	Impact in net income	Other comprehensive income	Change in scope	Other movements	31/07/2016
Tax loss carryforwards	68,247	5,552		2,680		76,478
Elimination of intragroup provisions	-46	45				0
Purchase cost of securities	2,994	73		-19		3,048
Retirement provisions	491	96	11	13		611
Employee profit sharing	499	-5				494
Financial instruments	-27,825	-1,729			-375	-29,929
Measurement to fair value of trademarks and other intangible assets (1)	-235,550	904		-194	-793	-235,633
Regulated provisions	-4,868	-702				-5,570
Impairment of intangible assets	8,792	-922		0	1,669	9,539
Other temporary differences	3,504	-836		152	-661	2,159
Net deferred tax	**-183,761**	**2,476**	**11**	**2,632**	**-161**	**-178,803**
Balance sheet presentation:						
Deferred tax assets	879	-414	11	2,632	53	3,161
Deferred tax liabilities	-184,640	2,891			-214	-181,964

(in thousands of euros)	01/08/2014 (adjusted)	Impact in net income	Other comprehensive income	Change in scope	Other movements	31/07/2015 (adjusted)
Tax loss carryforwards	58,796	9,451				68,247
Elimination of intragroup provisions	-46					-46
Purchase cost of securities	2,775	219				2,994
Retirement provisions	380	-14	112	13		491
Employee profit sharing	558	-59				499
Financial instruments	-26,500	-1,325				-27,825
Measurement to fair value of trademarks and other intangible assets (1)	-233,536	468		-2,582	100	-235,550
Regulated provisions	-4,305	-557		-6		-4,868
Impairment of intangible assets	8,900	-108				8,792
Other temporary differences	3,018	400	-4	65	25	3,504
Net deferred tax	**-189,960**	**8,476**	**108**	**-2,510**	**125**	**-183,761**
Balance sheet presentation:						
Deferred tax assets	994	928	108	-2,510	1,359	879
Deferred tax liabilities	-190,954	7,548			-1,234	-184,640

(1) The updated fair value of trademarks and other intangible assets results from the allocation to trademarks and other intangible assets of business combinations performed by the Group.

Deferred tax assets representing tax losses are not recognised in the following situations:

- When they relate to companies outside the tax group that have been loss-making for several years and for which a return to profit is not deemed likely in the near future.
- When they relate to tax losses that are unlikely to be used in view of the earnings outlooks of the companies in question and the information available as of the date of the financial statements.

As of the balance sheet date, the stock of unrecognised tax losses was as follows:

(in thousands of euros)	31/07/2017		31/07/2016		31/07/2015 (adjusted)	
	Tax losses	Amount of tax	Tax losses	Amount of tax	Tax losses	Amount of tax
French companies:						
Tax losses of companies belonging to a tax group	21,128	6,110	21,128	7,274	21,128	7,274
Tax losses generated prior to entry into the tax group	4,581	1,325	5,524	1,841	6,605	2,202
Tax losses excluding the tax group	5,301	1,484	4,131	1,377	4,500	1,462
Foreign companies:						
Tax losses of the Portuguese company	2,348	493	1,415	297	751	173
Tax losses of UK companies					350	70
Tax losses of other companies	554	92				
Total	**33,912**	**9,504**	**32,198**	**10,790**	**33,333**	**11,181**

The losses of the French tax group including AFFLELOU, LSF2, AAFR, 3ABOD, 3ABOE, OPTICAL FINANCE, LOA and LSFA can be carried forward for an unlimited period. Losses before the entry into the tax group of L'Opticien Afflelou (LOA), formerly known as FP2A, can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of F2L can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of OPTICAL FINANCE can be carried forward for an unlimited period on an individual basis. For French companies, the amount of tax losses offset in a given fiscal year may not exceed €1 million, plus 50% of the amount of the profit in respect of which deficits are offset above this threshold. Losses can only be carried back to the year prior to that in respect of which the tax loss is recognised, within a limit of €1 million.

In Portugal, losses generated by AAP between 2010 and 2013 must be used within five years. Losses generated since 2014 must be used within 12 years. In addition, effective 1 January 2012, the amount of the loss attributable in respect of a given fiscal year is capped at 75% of taxable income for that year.

The tax losses of Spanish companies can be carried forward for a period of no more than 18 years. The absorption of Ankasur Opticos, Usera Opticos and Optica UFE by AAO resulted in the loss of unused tax losses on 31 July 2016.

6.1.9. Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares less the weighted average number of shares held by consolidated companies.

Diluted earnings per share are based on the weighted average number of shares defined above, plus the weighted average number of dilutive potential common shares. Potentially dilutive shares are: first, those granted in connection with convertible bonds at the time of the Group's refinancing on 17 July 2012, which include convertible bonds (OCA), i.e. potentially 201,489,998 shares, and bonds convertible into preference shares (ADP OC), i.e. potentially 1,820,000 shares; and, second, those granted in conjunction with the Company's refinancing on 17 July 2012, which include class A mezzanine equity warrants, or potentially 6,596,000 shares, and class B mezzanine equity warrants, or potentially 9,520,000 shares.

The instruments issued by the Group did not have any dilutive effect in fiscal 2017, 2016 or 2015. The maximum number of potential dilutive shares in a subsequent year is 219,425,998.

6.2. Notes to the balance sheet

6.2.1. Trademarks

As of 31 July 2017, the trademarks were valued at a total of €660,982 thousand. As of 31 July 2015, the trademarks were valued at a total of €655,600 thousand, unchanged on 31 July 2016.

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Alain Afflelou	650,000	650,000	650,000
Optical Discount	5,600	5,600	5,600
HappyView	1,400		
Malentille.com	2,000		
Optimil	1,982		
Total	**660,982**	**655,600**	**655,600**

The Group was the subject of two successive acquisitions following its delisting in 2007, with a final acquisition on 17 July 2012 by Lion Seneca Lux 2 (LSL2) via its LSF1 holding company subsidiary. This resulted in the valuation of the Alain Afflelou trademark at €650 million as part of the accounting for the takeover pursuant to IFRS 3.

6.2.2. Goodwill

(in thousands of euros)	31/07/2016	Additions (1)	Other movements	31/07/2017
Gross amount	176,419	136	-4,129	172,426
Accumulated impairment	-820	-128		-948
Net amount	**175,599**	**8**	**-4,129**	**171,478**

(1) See Notes 4.1, 4.2 and 4.4

Other movements (-€4,129 thousand) mainly regard the reallocation of the purchase price of the shares of URSA VISION , from Goodwill to Trademarks.

(in thousands of euros)	01/08/2015 (adjusted)	Additions (1)	Other movements	31/07/2016
Gross amount	154,573	21,846		176,419
Accumulated impairment	-750	-70		-820
Net amount	153,823	21,776	0	175,599

(1) See Notes 4.1, 4.2 and 4.4

(in thousands of euros)	01/08/2014 (adjusted)	Additions (1)	Other movements	31/07/2015 (adjusted)
Gross amount	154,334	750	-511	154,573
Accumulated impairment	-511	-750	511	-750
Net amount	**153,823**	**0**	**0**	**153,823**

(1) See Note 4.4

6.2.3. Intangible assets

6.2.3.1. Net intangible assets

(in thousands of euros)	31/07/2017			31/07/2016			31/07/2015 (adjusted)		
	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net
Leasehold rights – Franchisor	4,866	-105	4,761	4,770	-87	4,684	8,770	-1,361	7,409
Leasehold rights – LOA group	58,351	-27,721	30,630	60,413	-28,574	31,839	67,532	-35,422	32,110
Leasehold rights – AAO group	30,859	-12,415	18,444	33,460	-12,185	21,275	30,122	-11,513	18,609
Concessions, patents	11,774	-7,593	4,181	9,696	-6,214	3,481	7,464	-4,823	2,641
Other intangible assets	216	-135	81	496	-191	306	810	-191	619
Total	**106,066**	**-47,970**	**58,096**	**108,835**	**-47,250**	**61,585**	**114,698**	**-53,310**	**61,388**

6.2.3.2. Gross amounts

Changes in intangible assets during the period are as follows:

(in thousands of euros)	31/07/2016	Additions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2017
Leasehold rights – Franchisor	4,770	96				0	4,866
Leasehold rights – LOA group	60,413	637	-1,992			-708	58,351
Leasehold rights – AAO group	33,460	868	-3,637			168	30,859
Concessions, patents	9,696	3,242	-1,608	308		136	11,774
Other intangible assets	496	81	-55	-306			216
Total	**108,835**	**4,924**	**-7,292**	**2**		**-403**	**106,066**

Acquisitions of intangible assets in fiscal 2017 totalled €4,924 thousand, breaking down as €1,601 thousand in leasehold rights and €3,323 thousand in concessions and patents invested in the amounts of €2,851 thousand in France and €472 thousand in Spain.

(in thousands of euros)	01/08/2015	Additions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2016
Leasehold rights – Franchisor	8,770		-557	-3,487		45	4,770
Leasehold rights – LOA group	67,532	2,693	-9,912	100			60,413
Leasehold rights – AAO group	30,122	1,248	-2,704	3,487		1,306	33,460
Concessions, patents	7,464	2,021	-489	511		188	9,696
Other intangible assets	810	298		-611			496
Total	**114,698**	**6,260**	**-13,662**			**1,539**	**108,835**

Acquisitions of intangible assets in fiscal 2016 totalled €6,260 thousand, breaking down as €3,941 thousand in leasehold rights and €2,319 thousand in concessions and patents invested in the amounts of €2,072 thousand in France and €247 thousand in Spain.

(in thousands of euros)	01/08/2014	Additions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2015
Leasehold rights – Franchisor	8,501	139				130	8,770
Leasehold rights – LOA group	61,979	8,851	-8,520	86		5,137	67,532
Leasehold rights – AAO group	27,618	3,059	-2,180	-149		1,773	30,122
Concessions, patents	5,436	2,034	-167	37		125	7,464
Other intangible assets	372	626		-188			810
Total	**103,906**	**14,709**	**-10,867**	**-214**		**7,165**	**114,698**

Acquisitions of intangible assets in fiscal 2015 totalled €14,709 thousand, breaking down as €12,048 thousand in leasehold rights and €2,660 thousand in concessions and patents invested in the amounts of €2,258 thousand in France and €402 thousand in Spain.

The "Leasehold rights – Franchisor" line includes the leasehold to the store on the Champs Elysées, 75008 Paris, held by AAFR, as well as leasehold rights held directly by AAE and AAP.

6.2.3.3. Impairment and loss of value

(in thousands of euros)	31/07/2016	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2017
Leasehold rights – Franchisor	-87	-19				-105
Leasehold rights – LOA group	-28,574	-1,484	2,063		275	-27,721
Leasehold rights – AAO group	-12,185	-2,114	1,884			-12,415
Concessions, patents	-6,214	-2,124	758	0	-13	-7,593
Other intangible assets and assets under construction	-191		55			-135
Total	**-47,250**	**-5,740**	**4,759**	**0**	**262**	**-47,970**

(in thousands of euros)	01/08/2015 (adjusted)	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2016
Leasehold rights – Franchisor	-1,362	-18	257	1,035		-87
Leasehold rights – LOA group	-35,422	-2,136	8,985			-28,574
Leasehold rights – AAO group	-11,512	-396	831	-1,012	-95	-12,185
Concessions, patents	-4,823	-1,650	395		-136	-6,214
Other intangible assets and assets under construction	-191					-191
Total	**-53,310**	**-4,200**	**10,468**	**23**	**-231**	**-47,250**

(in thousands of euros)	01/08/2014 (adjusted)	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2015 (adjusted)
Leasehold rights – Franchisor	-1,848	-9	495			-1,362
Leasehold rights – LOA group	-17,262	-23,636	5,476			-35,422
Leasehold rights – AAO group	-11,676	-560	570	149	5	-11,512
Concessions, patents	-3,945	-968	139		-50	-4,823
Other intangible assets and assets under construction	-188	-3				-191
Total	**-34,919**	**-25,174**	**6,680**	**149**	**-45**	**-53,310**

6.2.4.Property, plant and equipment

(in thousands of euros)	31/07/2017			31/07/2016			31/07/2015 (adjusted)		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
Buildings	97	-97		154	-154		155	-155	
Industrial machinery and equipment	28,425	-17,751	10,674	27,078	-16,705	10,373	24,993	-14,565	10,428
Technical equipment under finance leases	776	-517	259	1,726	-1,122	604	2,160	-1,757	402
Other property, plant and equipment	26,953	-16,259	10,693	26,919	-16,327	10,592	29,505	-17,881	11,624
Assets under construction	95		95	155		155	80		80
Total	**56,345**	**-34,625**	**21,720**	**56,032**	**-34,308**	**21,724**	**56,893**	**-34,358**	**22,535**

6.2.4.1. Gross amounts

(in thousands of euros)	31/07/2016	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2017
Buildings	155		-57				97
Industrial machinery and equipment	27,078	3,454	-2,066	29		-68	28,425
Technical equipment under finance leases	1,726		-950				776
Other property, plant and equipment	26,919	3,627	-3,581	118		-131	26,953
Assets under construction	155	95		-155			95
Gross total	**56,032**	**7,176**	**-6,655**	**-8**		**-200**	**56,345**

Acquisitions of property, plant and equipment in fiscal 2017 totalled €7,176 thousand, breaking down as €4,270 thousand in France, €2,342 thousand in Spain and €564 thousand in Other countries.

(in thousands of euros)	01/08/2015	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2016
Buildings	155		0				155
Industrial machinery and equipment	24,993	3,342	-2,189	23		908	27,078
Technical equipment under finance leases	2,160	776	-1,209				1,726
Other property, plant and equipment	29,505	3,449	-6,635	55	-1	546	26,919
Assets under construction	80	142		-80		13	155
Gross total	**56,893**	**7,709**	**-10,033**	**-2**	**-1**	**1,467**	**56,032**

Acquisitions of property, plant and equipment in fiscal 2016 totalled €7,708 thousand, breaking down as €5,076 thousand in France, €2,183 thousand in Spain and €448 thousand in Other countries.

(in thousands of euros)	01/08/2014	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2015
Buildings	156		-1				155
Industrial machinery and equipment	22,898	3,719	-1,647	-285		309	24,993
Technical equipment under finance leases	3,133		-973				2,160
Other property, plant and equipment	29,401	3,855	-5,645	183	2	1,710	29,505
Assets under construction	91	1		-12			80
Gross total	**55,680**	**7,575**	**-8,266**	**-114**	**2**	**2,019**	**56,893**

Acquisitions of property, plant and equipment in fiscal 2015 totalled €7,575 thousand, breaking down as €4,015 thousand in France, €3,063 thousand in Spain and €497 thousand in Other countries.

Additions relate to fittings in the directly owned store network and acquisitions of stores during the period. Disposals and transfers mainly concern the assets of stores sold by the directly owned store network over the period.

6.2.4.2. Depreciation and impairment

(in thousands of euros)	31/07/2016	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2017
Buildings	-155		57			-97
Industrial machinery and equipment	-16,705	-2,565	1,469		50	-17,751
Technical equipment under finance leases	-1,121	-332	936			-517
Other property, plant and equipment	-16,328	-3,231	3,192	0	105	-16,259
Assets under construction						
Total	**-34,309**	**-6,127**	**5,655**	**0**	**155**	**-34,625**

(in thousands of euros)	01/08/2015 (adjusted)	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2016
Buildings	-155		0			-155
Industrial machinery and equipment	-14,565	-2,611	1,135	-45	-618	-16,705
Technical equipment under finance leases	-1,756	-505	1,139			-1,121
Other property, plant and equipment	-17,882	-3,827	5,567	-22	-164	-16,328
Assets under construction						
Total	**-34,358**	**-6,943**	**7,842**	**-67**	**-782**	**-34,309**

(in thousands of euros)	01/08/2014 (adjusted)	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2015 (adjusted)
Buildings	-156		1			-155
Industrial machinery and equipment	-13,166	-2,650	1,152	105	-6	-14,565
Technical equipment under finance leases	-1,967	-423	634			-1,756
Other property, plant and equipment	-17,078	-2,725	3,089	-105	-1,063	-17,882
Assets under construction						
Total	**-32,367**	**-5,798**	**4,876**		**-1,069**	**-34,358**

6.2.5.Impairment testing of non-current intangible assets

A – Nature of impairment testing

The Group first tests lease and similar rights on directly owned stores, then trademarks and ultimately goodwill. Directly owned stores are a first-level asset CGU; operating segments are a goodwill CGU.

Impairment testing of leasehold rights is performed on a store-by-store basis, based on the estimated market value. When in the course of negotiations the Group has indicative offers, it uses them to measure the recoverable amount. In other cases, the recoverable amount is the probable selling price, calculated on the basis of a percentage of the annual revenue before VAT of each store, in line with potential market conditions.

In 2015, goodwill was allocated entirely to the Franchise operating segment, in view of the marginal weight of the directly owned stores. Insofar as the Alain Afflelou trademark does not on its own account generate cash flows substantially independent from those generated by other corporate assets, it was allocated to the Franchise CGU and is tested with these other assets.

In 2016, the original goodwill was allocated, following the change in the Group's internal reporting structure, to the "France", "Spain" and "Other countries" operating segments in proportion to their contribution to adjusted EBITDA. Insofar as the Alain Afflelou trademark does not on its own account generate cash flows substantially independent from those generated by other corporate assets, it was allocated to the three country CGUs as described above for goodwill. The OPTICAL DISCOUNT, Happyview and Malentille.com trademarks and goodwill were allocated to the "France" operating segment. The Optimil trademark was allocated to the "Spain" operating segment.

B – Impairment testing methodology – Estimates for the calculation of value in use

Future cash flow projections are made on the basis of budgets and medium-term business plans approved by the Board of Directors. These plans are built on a five-year timeframe. In addition to the five-year business plan established by the Group, the key assumptions used as of 31 July 2016 and 31 July 2015 are a perpetual growth rate of 1.5% and a discount rate of 7.5% (except for the Spain CGU, for which a discount rate of 8% was used as of 31 July 2017).

C – Results of impairment testing

Impairment testing of leasehold rights

The leasehold rights held by LOA and AAO were tested as of 31 July 2015, 2016 and 2017. Impairment losses were recognised on these assets in the amounts of €3,598 thousand as of 31 July 2017, €3,475 thousand as of 31 July 2016 and €23,901 thousand as of 31 July 2015, with reversals in the amounts of €3,590 thousand as of 31 July 2017, €10,662 thousand as of 31 July 2016 and €6,540 thousand as of 31 July 2015.

Impairment testing of goodwill and trademarks in 2017

Impairment testing of goodwill and trademarks in 2017 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. Except a € 2 million depreciation of Optimil trademark, no impairment of goodwill or trademarks was necessary.

A 5.0% variation in adjusted EBITDA in 2017, projected over subsequent years, including the terminal year, would have an impact of approximately €48 million on the recoverable amount of the France CGU, €8 million of the Spain CGU and €2 million of the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2017.

The table below shows the potential impact on the expense in fiscal 2017 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing performed as of 31 July 2017.

- For the France CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	**1.0%**	**1.5%**	**2.0%**	**2.5%**
WACC	**6.5%**	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

- For the Spain CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	**7.0%**	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-
	9.0%	--	-	-	-	-

- For the Other countries CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	**6.5%**	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

Impairment testing of goodwill and trademarks in 2016

Impairment testing of goodwill and trademarks in 2016 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. As such, no impairment of goodwill or trademarks was necessary.

A 5.0% variation in adjusted EBITDA in 2016, projected over subsequent years, including the terminal year, would have an impact of approximately €34.4 million on the recoverable amount of the France CGU, €8.1 million of the Spain CGU and €2.9 million of the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2016.

The table below shows the potential impact on the expense in fiscal 2016 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing performed as of 31 July 2016.

- For the France CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	**6.5%**	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-24,498	-	-	-	-
	8.5%	-64,136	-33,709	-	-	-

- For the Spain CGU:

(in thousands of euros)		Perpetual growth rate				
(in thousands of euros)		Long-term growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

- For the Other countries CGU:

(in thousands of euros)		Perpetual growth rate				
(in thousands of euros)		Long-term growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

Impairment testing of goodwill and trademarks in 2015

Impairment testing of goodwill and trademarks in 2015 revealed values in use in excess of the net carrying amount of the Franchise CGU. As such, no impairment of goodwill or trademarks was necessary.

A 5.0% variation in adjusted EBITDA in 2015, projected over subsequent years, including the terminal year, would have an impact of approximately €46 million on the recoverable amount of the Franchise CGU in 2015, with no impact on the valuation of goodwill or trademarks as of these dates.

The table below shows the potential impact on the expense in fiscal 2015 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing of the Franchise CGU performed as of 31 July 2015.

(in thousands of euros)		Perpetual growth rate				
2015		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-6,173	-	-	-	-
	8.5%	-53,840	-17,269	-	-	-
	9.0%	-95,883	-64,131	-28,144	-	-

6.2.6.Other financial assets

(in thousands of euros)	31/07/2016	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2017
Available-for-sale financial assets	1,913	0	0	-195		0	1,718
Loans	12,112	2,999	-4,535	1,833		-117	12,290
Other financial assets	6,609	1,295	-691	-47		-8	7,160
Gross total	**20,634**	**4,293**	**-5,226**	**1,591**		**-125**	**21,168**
Impairment	-2,107	-2,679	1,539	0		0	-3,247
Net total	**18,527**	**1,615**	**-3,687**	**1,591**		**-125**	**17,921**

(in thousands of euros)	01/08/2015	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2016
Available-for-sale financial assets	1,418	495					1,913
Loans	14,862	2,170	-3,635	4		-1,289	12,112
Other financial assets	6,776	1,430	-1,643		-7	53	6,609
Gross total	**23,056**	**4,095**	**-5,278**	**4**	**-7**	**-1,236**	**20,634**
Impairment	-2,445	-1,304	1,303			339	-2,107
Net total	**20,611**	**2,791**	**-3,975**	**4**	**-7**	**-897**	**18,527**

(in thousands of euros)	01/08/2014	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2015
Available-for-sale financial assets		1,418					1,418
Loans	18,108	3,636	-4,242			-2,640	14,862
Other financial assets	6,027	2,121	-1,673	132	13	156	6,776
Gross total	**24,134**	**7,175**	**-5,915**	**132**	**13**	**-2,484**	**23,056**
Impairment	-4,126	-1,264	1,840			1,105	-2,445
Net total	**20,008**	**5,911**	**-4,075**	**132**	**13**	**-1,379**	**20,611**

Available-for-sale financial assets in the amount of €1,718 thousand as of 31 July 2017 represent Optivisao securities. Other movements in the negative amount of €195 million reflect changes in fair value.

Other movements on Loans (€1,833 thousand) reflect the reclassification from the shareholder current account (current assets) to Loans, of the Master Loan Agreement between the Group and its shareholder (presented in current assets for the year ended 31 July 2016).

Changes in acquisitions and disposals include vendor loans made on the disposal of stores by AAO and LOA, as well as staggering agreements in respect of receivables granted to certain franchisees by Alain Afflelou Spain. Other financial assets are primarily security deposits.

Optivisao securities are recorded under "Available-for-sale financial assets" and are measured at fair value. The fair value used by the Group to measure Optivisao equity securities is based on the price of the most recent transactions known (see Note 2.1.2). The investment in Optivisao is not equity accounted, as the Group does not have significant influence over the company, within the meaning of IAS 28.6. The Group is not represented on the company's governing bodies, and has no other way to influence the strategy and management of the entity's activities.

6.2.7.Inventories

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Directly owned stores	18,094	16,139	19,816
Trading activity	8,671	6,788	5,688
Other	1,636	2,019	609
Total merchandise inventories	**28,401**	**24,947**	**26,113**
Provisions	-2,210	-1,502	-1,367
Net total	**26,192**	**23,444**	**24,746**

6.2.8.Trade receivables

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Franchise and communication fees	53,315	52,740	41,782
Listing fees, and delcredere and distribution commissions	10,039	7,732	5,608
Sales of exclusive products	17,700	12,476	4,143
Directly owned store activity	8,676	8,181	9,932
Other receivables	1,896	4,243	2,029
Gross total	**91,626**	**85,373**	**63,493**
Provisions	-8,503	-8,475	-7,848
Net total	**83,123**	**76,897**	**55,646**

The following table shows the maturity of trade receivables:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Gross total	**91,626**	**85,373**	**63,493**
Not due	51,763	51,530	44,650
Less than 30 days	5,751	6,065	2,814
30 days to 60 days	3,430	8,043	1,656
60 days to 90 days	2,662	961	831
More than 90 days	28,020	18,774	13,542

6.2.9.Other current assets and liabilities

6.2.9.1. Other current assets

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Personnel	372	249	298
State: income tax receivables	5,835	6,554	6,537
State: other tax receivables	14,592	12,997	12,665
Sundry debtors	71,082	69,539	74,723
Shareholder current account	0	1,833	1,392
Receivables on disposal of assets	604	1,295	707
Prepaid expenses	3,782	3,816	4,768
Total	**96,267**	**96,286**	**101,090**

The main items classified under sundry debtors are as follows:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Amounts due from franchisees to the central payment structure	57,730	51,869	52,092
Credit notes receivable from the central purchasing structure	5,914	10,430	14,309
Cash advances	79	87	3,825
Other receivables	7,359	7,152	4,498
Total	**71,082**	**69,539**	**74,723**

6.2.9.2. Other current liabilities

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Trade and other payables	**43,295**	**40,478**	**34,079**
Social security liabilities	8,806	8,441	9,300
Tax liabilities	11,360	11,756	11,739
Sundry creditors	73,330	75,377	78,357
Deferred income	12,642	11,957	11,687
Total other current liabilities	**106,138**	**107,531**	**111,083**

The following table shows the maturity of trade and other receivables:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Gross total	**43,295**	**40,478**	**34,079**
Not due	38,158	34,587	25,575
Less than 30 days	1,561	2,073	3,458
30 days to 60 days	517	1,213	1,217
60 days to 90 days	409	330	241
More than 90 days	2,650	2,275	3,589

The table below shows the maturity of accounts payable:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Central payment activity	55,191	50,445	46,353
Central lens purchasing structure	14,327	21,293	16,121
Other liabilities	3,812	3,639	15,883
Total	**73,330**	**75,377**	**78,357**

6.2.10. Cash and cash equivalents

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Cash at bank and in hand	35,326	39,381	27,773
Marketable securities	0	0	0
Total	**35,326**	**39,381**	**27,774**

Group cash at bank and in hand consists exclusively of bank current accounts.

6.2.11. Share capital

As of 31 July 2017, the share capital amounted to €78,332,461.07, consisting of 146,690,002 fully paid-up shares with a par value of 0.534 euro each, of which 140,000,001 common shares, as well as preference shares without voting rights breaking down as 1 class B preference share, 5,460,000 million class D preference shares and 1,230,000 million class R preference shares.

The Group's common shares carry one vote; they give rights to dividends and the liquidation surplus, after the rights attached to preference shares have been satisfied. Preference shares do not carry voting rights. Class D preference shares have priority rights to dividends until full payment of the cumulative annual priority dividend equal to 14% of the par value of such shares. In cases where the return on investment is greater than 8%, holders of class R preference shares enjoy "specific" and "exit" preferential rights. So-called "specific" preferential rights entitle holders to an amount of €1,230 thousand plus an annual interest rate of 14%, capitalised. This right is exclusive of all other rights to distributable amounts, reserves, premiums or liquidation surpluses. In cases where the return on investment is equal to or greater than 8%, so-called "exit" preferential rights entitle holders to the payment of an amount based on the profitability of the investment, before other shares. In cases where the return on investment is less than 8%, holders of class B preference shares enjoy the right to a payment of €2,060 thousand at a rate of 14% annualised.

In addition, in conjunction with the Company's refinancing on 17 July 2012, the repayment of the mezzanine debt resulted in the issuance by LSF2 of 6,596,000 class A mezzanine warrants with an exercise price of 1 euro entitling holders to subscribe for shares of the Company and 9,520,000 class B mezzanine warrants with an exercise price of 1 euro entitling holders to subscribe for shares of the Company, subject to the conversion of convertible bonds issued by the company.

No dividends were paid in respect of fiscal 2015 in 2016 or in respect of fiscal 2016 in 2017.

6.2.12. Employee benefits and similar

These benefits primarily cover retirement allowances in France.

Retirement allowances in France

In France, the retirement allowance is a lump sum paid to employees when they retire. The amount depends on the length of the individual's service as of the date of retirement. It is determined on the basis of collective and/or company agreements. The plan does not entitle employees to any allowance until they reach retirement age (unvested). Retirement allowances are not linked to other standard pension benefits such as pensions paid by Social Security or supplementary pension funds (ARRCO and AGIRC).

The assumptions used by the collecting body are as follows:

- mortality table: TF00-02,
- rules governing retirement benefits: from the national collective agreement for eyewear retail,

- retirement age: 65 years for the Manager category, 62 years for the Supervisor category, 62 years for the Worker/Employee category,
- type of retirement: voluntary departure,

Assumptions	31/07/2017	31/07/2016	31/07/2015
Rate of employers' contributions (franchisor)	52.0%	52.0%	52.0%
Rate of employers' contributions (directly owned stores)	48.0%	48.0%	49.0%
Rate of wage increases (franchisor)	1.5%	2.0%	1.4%
Rate of wage increases (directly owned stores)	1.0%	2.0%	1.0%
Rate of staff turnover (franchisor)	5.2%	5.0%	7.6%
Rate of staff turnover (directly owned stores)	13.5%	23.0%	22.4%
Discount rate	1.4%	1.1%	1.1%

Actuarial gains and losses were recognised in Other comprehensive income in accordance with IAS 19R in the amount of €56 thousand net of deferred taxes in fiscal 2017, €22 thousand net of deferred taxes in fiscal 2016 and €217 thousand net of deferred taxes in fiscal 2015.

Defined benefit plans accounted for the full expense of +€43 thousand in fiscal 2017 -€317 thousand in fiscal 2016 and -€39 thousand in fiscal 2015).

Mandatory supplementary pensions (LPP) in Switzerland
In Switzerland, the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risk, and transfers some of the risk to an insurance company.
The Group has no liabilities in respect of medical expenses.

6.2.13. Current and non-current provisions

(in thousands of euros)	31/07/2016	Additions	Utilisation	Reversals of surplus provisions	Change in scope	Other movements	31/07/2017
Provisions for litigation	669	135	-115	-54			632
Other provisions	3,295	869	-650	-1,538		142	2,118
Total non-current provisions	**3,964**	**1,004**	**-766**	**-1,593**		**142**	**2,750**
Provisions for other expenses	460	32	-45	-96		-12	339
Provisions for risks	390	129	-183	-25	0	-162	150
Provisions for goods return risk							
Total current provisions	**850**	**161**	**-227**	**-121**	**0**	**-173**	**489**
Total provisions	**4,814**	**1,165**	**-993**	**-1,713**	**0**	**-32**	**3,239**

(in thousands of euros)	01/08/2015	Additions	Utilisation	Reversals of surplus provisions	Change in scope	Other movements	31/07/2016
Provisions for litigation	678	252	-263	-18	20		669
Tax provisions	2,333			-2,333			
Other provisions	2,796	920	10	-101		-330	3,295
Total non-current provisions	**5,807**	**1,172**	**-253**	**-2,452**	**20**	**-330**	**3,964**
Provisions for other expenses	1,554		-1,032	-11		-53	460
Provisions for risks	658	118	-385				390
Provisions for goods return risk	929			-648		-280	0
Total current provisions	**3,141**	**118**	**-1,417**	**-659**		**-333**	**850**
Total provisions	**8,948**	**1,290**	**-1,670**	**-3,110**	**20**	**-663**	**4,814**

Non-current provisions:

Provisions for litigation mainly comprise cases before industrial tribunals.

Tax provisions as of 1 August 2015 concern a revised tax assessment covering the years 2007 to 2010 and concerning 3ABOE. They were reversed in fiscal 2015.

Other provisions mainly comprise:
As of 31 July 2017:
- research tax credit provisions of €1,016 thousand;
- franchisee provisions of €444 thousand
- PROVISIONS relating to disputes with suppliers for €323 thousand.

As of 31 July 2016:
- provisions for disputes between the Group and former franchisees in the amount of €667 thousand as of 31 July 2016;
- a provision for the former office buildings (Aubervilliers, Kleber and Haussmann) and the Rennes St Grégoire store for premises left vacant until the end of leases; this provision amounted to €587 thousand as of 31 July 2016, of which €274 thousand for the non-current portion and €313 thousand for the current portion (less than one year).

Current provisions:

Provisions for other expenses cover the portion due within one year of the provision for vacant premises in the amount of €274 thousand as of 31 July 2017 and €313 thousand as of 31 July 2016.
Provisions for risks cover various amounts set aside in respect of suppliers.

6.2.14. Financial liabilities

6.2.14.1. Analysis of borrowings and other financial liabilities

(in thousands of euros)	31/07/2017		31/07/2016		31/07/2015	
	Current portion	Non-current portion	Current portion	Non-current portion	Current portion	Non-current portion
Bonds convertible into shares		302,590		258,103		220,068
Bonds convertible into class D preference shares		2,733		2,331		1,988
I) Total convertible bonds		**305,323**		**260,434**		**222,056**
Senior secured notes	4,424	363,490	4,424	361,518	4,142	359,547
Senior notes	909	74,689	909	74,285	1,191	73,879
II) Medium-term external borrowings	**5,333**	**438,179**	**5,333**	**435,803**	**5,333**	**433,426**
Finance leases	259		362	243	459	
Medium-term loans	0	1	27	0	256	578
Bank overdrafts and assignment of trade receivables	82		17,751		1,759	
Security deposits	0	1,532		1,986	11	2,121
III) Total other financial borrowings	**340**	**1,533**	**18,140**	**2,229**	**2,484**	**2,699**
Total (I+II+III)	**5,674**	**745,035**	**23,473**	**698,466**	**7,817**	**658,181**

The current portion of the Senior secured notes and Senior notes corresponds to the interest accrued as of 31 July 2017, 31 July 2016 and 31 July 2015.

Assignments of trade receivables correspond to drawings on discounted receivables, mainly in respect of franchisees.

6.2.14.2. Change in borrowings

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Opening borrowings	**721,937**	**665,998**	**631,602**
Loans	198	216	261
Change in the assignment of trade receivables	-17,318	17,318	
Repayment of loans	-1,223	-1,747	-2,830
Interest expense for the period	47,265	40,754	36,476
Change in bank overdrafts	-351	-1,335	-1,563
New loans/finance leases		776	
Change in scope	199	-44	2,066
Other movements			-14
Closing borrowings	**750,709**	**721,937**	**665,998**

6.2.14.3. Breakdown of the main sources of funding

6.2.14.3.1. High-yield bond debt

The main features of these two notes are:

- A loan carried by 3ABOD in the form of senior secured notes in the amount of €365 million, issued on 6 May 2014, redemption at maturity on 15 April 2019. Interest is payable at a fixed rate of 5.625%. The securities of Alain Afflelou, LSF2, 3ABOD, AAFR and LOA have been pledged as collateral, as have the main bank accounts. The amount outstanding as of 31 July 2017 was €365 million.
- A loan carried by LSF2 in the form of senior secured notes in the amount of €75 million, issued on 6 May 2014, redemption at maturity on 15 April 2019. Interest is payable at a fixed rate of 7.875%. The securities of Alain Afflelou, LSF2 and 3ABOD have been pledged as collateral, as have as the main bank accounts. The amount outstanding as of 31 July 2017 was €75 million.

These notes are repayable prematurely without penalty, commencing on 15 October 2017.

Both high-yield bonds are subject to limited financial constraints:

- The Group is not subject to compliance with financial ratios such as a leverage ratio (Net Debt/EBITDA).
- The restrictions primarily relate to the realisation of transactions related to additional funding (incurring additional indebtedness, making investments, etc.).
- In terms of collateral, the new bonds mainly benefit from the pledge in favour of their holders of shares of the major Group companies, as well as the pledge of the Group's main bank accounts.

Under the terms of these bonds, the Group must report its quarterly condensed consolidated financial statements and its annual audited consolidated financial statements within two and four months respectively.

The Group considers itself to have been in compliance with all the conditions of these bonds as of 31 July 2017.

6.2.14.3.2. Loans from credit institutions

The issuance of high-yield bonds in the amounts of €75 million and €365 million was accompanied by the establishment of a €30 million revolving credit facility (RCF). This is a precautionary facility allowing the Group to cover its current requirements. It was established on 6 May 2014, and matures on 5 November 2018. The applicable interest rate is a variable rate combining Euribor and a margin, the margin being calculated on the basis of a leverage ratio. A non-use commission is applicable in proportion to the margin by draws. The securities of AFFLELOU, LSF2 and 3ABOD have been pledged as collateral, as have the securities of potentially borrowing subsidiaries (3ABOD, AAFR, LOA, 3ABOE, AAE and AAO) and the main bank accounts. The early repayment of the RCF would not generate penalties. This credit facility has been undrawn since its establishment.

Reporting obligations are the same as for bond lenders. The Group must also certify, period-by-period, that the adjusted EBITDA of the prior 12 months is above €45 million. The most recent such report was made for the quarter ended 30 April 2017. The Group considers itself to have been in compliance with terms of this credit facility as of 31 July 2017.

6.2.14.3.3. Convertible bonds issued by AFFLELOU

(in thousands of euros)	01/08/2016	Additions	31/07/2017
Issuance of convertible bonds	137,036		137,036
Capitalisation of interest	123,398	44,889	168,287
Total	**260,434**	44,889	**305,323**

(in thousands of euros)	01/08/2015	Additions	31/07/2016
Issuance of convertible bonds	137,036		137,036
Capitalisation of interest	85,020	38,378	123,398
Total	**222,056**	**38,378**	**260,434**

(in thousands of euros)	01/08/2014	Additions	31/07/2015
Issuance of convertible bonds	137,036		137,036
Capitalisation of interest	52,373	32,647	85,020
Total	**189,409**	**32,647**	**222,056**

On 17 July 2012, AFFLELOU issued 201,489,998 convertible bonds (OCA) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2017, the OCA were valued at €393,270,988, after the capitalisation of interest. Interest on the OCA is capitalised (the first capitalisation took place on 31 July 2013), the payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO.

On 17 July 2012, AFFLELOU issued 1,820,000 bonds convertible into class R preference shares (OC ADP) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2017, the OC ADP were valued at €3,552,301, after the capitalisation of interest. Interest on the OC ADP is capitalised (the first capitalisation took place on 31 July 2013), the payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO.

Equity component of convertible bonds
The convertible bonds were recorded as debt and as equity. As of the date of issue, in accordance with IAS 32, the debt component was measured by discounting the value of the contractual cash flows of the convertible debt at an estimated market rate of 17% (see Note 3.16.2). The difference between the value of the compound instrument and the debt component has been recorded in equity in Other reserves in the initial amount of €66,274 thousand.

6.2.14.4. Breakdown of borrowings by maturity

(in thousands of euros)	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total as of 31/07/2017
Carrying amount of convertible bonds		305,323					305,323	305,323
I) Total convertible bonds		**305,323**					**305,323**	**305,323**
Senior secured notes	4,424	363,490	363,490					367,914
Senior notes	909	74,689	74,689					75,599
II) Medium-term external borrowings	**5,333**	**438,179**	**438,179**					**443,513**
Finance leases	259							259
Medium-term loans	0	1	1					1
Bank overdrafts and assignment of trade receivables	82							82
Security deposits	0	1,532	58	1,474				1,532
III) Total other financial borrowings	**340**	**1,533**	**59**	**1,474**				**1,874**
Total (I+II+III)	**5,674**	**745,035**	**438,238**	**1,474**			**305,323**	**750,709**

6.2.15. Hedging instruments

The Group did not have any interest rate hedges as of 31 July 2017.

6.3. Notes on risk exposure

As of 31 July 2017, exposure to various market risks can be analysed as follows:

6.3.1. The Group's position in relation to interest rate risk

The Group's exposure to interest rate risk was not material as of 31 July 2017, 31 July 2016 or 31 July 2015, all of the Group's borrowings being at fixed rates.

6.3.2. The Group's position in relation to currency risk

The Group has little exposure to currency risk, which relates primarily to the euro/dollar exchange rate, reflecting the Group's purchases, which are predominantly denominated is US dollars. To address this risk, the Group has:

- established agreements on purchasing conditions with some of its suppliers, on the basis of a fixed dollar/euro exchange rate, and more specifically with Okia, its main supplier, with which a derivative embedded in the supply contract allows the impact of changes in the dollar/euro exchange rate compared with the rate set in the contract to be shared equally between the two parties, and
- ensured that the terms of purchasing agreements can be renegotiated in the event of an appreciation of the dollar against the euro.

6.3.3. The Group's position in relation to equity risk

The Group's exposure to equity risk was limited to its investment in Optivisao in the years ended 31 July 2017, 31 July 2016 and 31 July 2015.

6.3.4. The Group's position in relation to credit risk

The large number of customers means that there is no concentration of credit risk on the receivables held by the Group. Generally speaking, the Group considers that it is not exposed to specific credit risk on its financial assets, except in France, where secured transactions in payments to suppliers result in delcredere commissions.

6.3.5. The Group's position in relation to liquidity risk

Management of liquidity risk by the Group and each of its subsidiaries is monitored closely and periodically assessed, based on Group financial reporting procedures. The Group has a €30 million undrawn revolving credit facility to cover any short-term liquidity risk, in addition to an unconfirmed bank overdraft and discounted trade receivables.

6.4. Notes on the accounting classification and fair value of financial instruments

(in thousands of euros)	31/07/2017 Carrying amount	Market value	Breakdown by accounting classification Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Available-for-sale financial assets	1,718	1,718	1,718		
Non-current financial assets	16,203	16,203		16,203	
Current assets					
Trade receivables	83,123	83,123			83,123
Cash and cash equivalents	35,326	35,326		35,326	
Current and non-current liabilities					
Convertible bonds	305,323	305,323			305,323
Medium-term external borrowings	443,513	442,395			442,395
Other financial borrowings	1,874	1,874			1,874
Trade payables	43,295	43,295			43,295

(in thousands of euros)	31/07/2016 Carrying amount	Market value	Breakdown by accounting classification Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Available-for-sale financial assets	1,913	1,913	1,913		
Non-current financial assets	16,614	16,614		16,614	
Current assets					
Trade receivables	76,897	76,897			76,897
Cash and cash equivalents	39,381	39,381		39,381	
Current and non-current liabilities					
Convertible bonds	260,434	260,434			260,434
Medium-term external borrowings	441,136	411,183			441,136
Other financial borrowings	20,369	20,369			20,369
Trade payables	40,478	40,478			40,478

(in thousands of euros)	31/07/2015 (adjusted) Carrying amount	Market value	Breakdown by accounting classification Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Available-for-sale financial assets	1,418	1,418	1,418		
Non-current financial assets	19,193	19,193		19,193	
Current assets					
Trade receivables	55,646	55,646			55,646
Cash and cash equivalents	27,774	27,774		27,774	
Current and non-current liabilities					
Convertible bonds	218,181	218,181			218,181
Medium-term external borrowings	438,759	423,894			438,759
Other financial borrowings	5,183	5,183			5,183
Trade payables	34,079	34,079			34,079

The valuation methods used for financial instruments as of 31 July 2017 are as follows:

- derivative financial instruments in the balance sheet are valued at their market value;
- financial instruments recorded as liabilities, specifically other loans, are measured using other valuation methods such as discounted cash flows, taking into account the Group's credit risk and interest rate conditions at the closing date.

The Group distinguishes three classes of financial instrument:

- Level 1: financial instruments measured using prices quoted in an active market;
- Level 2: financial instruments measured at fair value using valuation techniques based on observable market parameters;
- Level 3: financial instruments measured at fair value using valuation techniques based on unobservable parameters (parameters yielding valuations resulting from assumptions not based on observable market transaction prices for the same instrument or observable market data available as of the balance sheet date) or that are based only partially on such parameters.

The Group's medium-term external borrowings (high-yield bonds traded in Dublin) belong to the Level 1 category; all other financial instruments belong to the Level 3 category.
The tables above provide the following information for the various classes of financial instrument:
- in the first column: the carrying amount
- in the second column: fair value pursuant to IFRS 7.25
- in the third column: the IAS 39 category under which they are valued pursuant to IFRS 7.8.

6.5. Notes on the statement of cash flows

6.5.1. Cash and variations

Cash net of overdrafts amounted to €35,245 thousand as of 31 July 2017 (€38,948 thousand as of 31 July 2016 and €26,015 thousand as of 31 July 2015), corresponding to the amount of cash and cash equivalents presented in the statement of cash flows.

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Cash and cash equivalents	35,326	39,381	27,774
Bank overdrafts	-82	-433	-1,759
Total	**35,245**	**38,948**	**26,015**

6.6. Contingent liabilities, off-balance sheet contractual commitments and contingencies

6.6.1. Off-balance sheet commitments

(in thousands of euros)	31/07/2015	31/07/2016	31/07/2017	Less than 1 year	1 to 5 years	More than 5 years
A – Commitments given						
Lease commitments – office space	9,653	7,471	6,130	2,081	3,415	633
Lease commitments – stores	33,279	28,845	30,995	14,014	16,253	729
Lease commitments – operating leases	1,050	850	1,140	750	390	
Sundry guarantees to third parties	4,665	5,942	6,201	3,446	2,711	44
Securities and bank guarantees – Spain	6,929	9,966	12,986	2,065	10,280	641
Securities and bank guarantees – France	11,702	9,018	5,763	4,491	1,272	
Total commitments given	**67,278**	**62,093**	**63,215**	**26,830**	**34,287**	**2,046**
B – Commitments received						
Lease commitments – office space	2,766	1,902	1,000	150	600	250
Guarantees related to businesses sold by the Group	17,186	14,390	13,677	3,582	6,953	3,142
Liabilities related to the central listing structure	2,969	6,455	6,108	1,173	4,567	367
Total commitments received	**22,921**	**22,747**	**20,785**	**4,905**	**12,120**	**3,759**

Lease payments relate to the buildings occupied by the Group, either as offices or commercial premises (opticians), with marginal lease payments on operating leases corresponding primarily to leased computer hardware without purchase commitments.

Sundry guarantees to third parties correspond chiefly to rental obligations that the Group has kept with some lessors on stores sold, in exchange for similar commitments received in the Group's favour, from franchisee buyers.

Lastly, bonds and bank guarantees given cover liabilities to banks financing franchisees, either as part of acquisitions or openings of outlets or assistance with funding refurbishments or working capital. Secured loans are part of the overall budgets. The Group is involved in these transactions in its capacity as guarantor to these banks of the financing they provide to franchisees in the proportion of 100% of each application for financing, up to a maximum portion usually set at approximately 30%.

Commitments received related to the central payment structure consist mainly of pledges and guarantees made by the franchisees on schedules or agreements covering the repayment of the debts of the central listing structure.

- Measurement of commitments

Property lease commitments are measured on the basis of the period remaining until the end of the lease (without possibility of early release), as are other leases, which relate chiefly to computer hardware. It is also noted that commitments in respect of finance leases and operating leases relating primarily to the assets of stores (furniture, optical equipment, etc.) are not included in the Group's debt as reported in the table above if they do not include specific commitments.

- Commitments received as part of the relationship with franchisees

Under franchise agreements, franchisees are encouraged to make personal guarantees in favour of the Group for the obligations and liabilities they incur to the Group's central payment structure. These guarantees are generally prorated at 30% of annual net sales excluding VAT in France and Spain; only guarantees and sureties related to franchisees' specific debts (agreements, staggered payments, vendor loans) are shown in the table of commitments received.

6.6.2. Dependence of the Group on patents, licences and supply contracts

The Group is not significantly dependent on patents, licenses or supply contracts.

6.6.3. Notification, lawsuits and disputes

Companies belonging to the Group may become involved in lawsuits or litigation in the normal course of their business, including disputes with tax, social security or customs authorities.

On 27 May 2015, the French Competition Authority notified Alain Afflelou Franchiseur of grievances, accusing it of "having colluded with providers of eye- and sunglass frames, from 2003 at the latest and until 2009, to fix retail prices and to impede the fixing of prices through free competition in violation of the provisions of Article L.420-1 of the French Commercial Code and Article 101 paragraph 1 of the TFEU".

Alain Afflelou Franchiseur responded to the grievances laid out by the French Competition Authority on 27 July 2015, vigorously contesting them on all points. In July 2016, Alain Afflelou Franchiseur received a report from the French Competition Authority in response. The report rejects the arguments put forward by Alain Afflelou Franchiseur, but nevertheless narrows the period of the alleged practices, stating that the practices at issue were spread as regards Alain Afflelou Franchiseur between 25 February 2005 and 31 December 2009. The report also caps the potential penalty at approximately €12.5 million.

The French Competition Authority issued a decision on the vertical agreement grievances on 24 February 2017. The Authority decided to refer the issue back for further investigations. It is difficult to predict the outcome of the new investigation, bearing in mind that it was deemed at this stage of the proceedings that collusion had not been identified. The new investigation should result in a supplementary notification, which could take several months. It is not possible to assess the amount of the fine to which Alain Afflelou Franchiseur may be liable if the French Competition Authority's new investigation brings any new facts to light.

Alain Afflelou Franchiseur, which continues to believe itself to be in the right, intends to continue contesting the French Competition Authority's allegations vigorously. Accordingly, no provision for this litigation has been recorded in the Group's consolidated financial statements.

No litigation involving companies belonging to the Group is underway that, in the opinion of legal experts, poses a risk to the Group's normal and foreseeable operations or planned development. The Group does not believe there to be any other disputes involving significant prospective risks liable to affect its assets, results or financial condition for which provisions had not been set aside as of the year-end. No dispute, taken individually, is significant at either the individual company or Afflelou Group level. The Group is not aware of any other litigation or arbitration liable to have or having had in the recent past a significant impact on the Afflelou Group's financial position, business or earnings.

6.7. Related parties

6.7.1. Related-party transactions and balances

The main related parties with which the Group carried out transactions are as follows:

- Lion Seneca Lux 2, leading shareholder of the Company and the entities that control it:
  - Lion Capital provides management services to Lion Seneca France 2. In respect of such services, the Group recorded expenses of €1,081 thousand in fiscal 2017, €1,009 thousand in fiscal 2016 and €1,088 thousand in fiscal 2015.
  - Lion Seneca Lux 2 has subscribed 172,443,497 bonds convertible into common shares and 711,895 bonds convertible into class D preference shares of the Company. The corresponding investments amounted to €337,781 thousand as of 31 July 2017, €295,275 thousand as of 31 July 2016 and €258,484 thousand as of 31 July 2015, of which €41,986 thousand, €36,791 thousand and €32,128 thousand in capitalised interest in respect of fiscal 2017, 2016 and 2015 respectively.
  - Afflelou has also signed a €2,000 thousand loan agreement with Lion Seneca Lux 2. The balance was €2,318 thousand as of 31 July 2017, €1,620 thousand as of 31 July 2016 and €1,134 thousand as of 31 July 2015. Interest income amounted to €288 thousand in the year ended 31 July 2017. Interest income was capitalised in the amounts of €213 thousand and €137 thousand as of 31 July 2016 and 2015 respectively.

- Alain Afflelou, his family members and the entities they control:
  - The AA-OC holding company has subscribed 29,046,501 bonds convertible into common shares of the Company. The corresponding investments amounted to €57,473 thousand as of 31 July 2017, €50,329 thousand as of 31 July 2016 and €44,058 thousand as of 31 July 2015, of which €7,144 thousand, €6,271 thousand and €5,476 thousand in capitalised interest in respect of fiscal 2017, 2016 and 2015 respectively.
  - The AA-OC and AA CONSEIL LIMITED holding companies, managed by Alain Afflelou, provide services to AAI. The AA-OC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou, the expense of which was €100 thousand in fiscal 2017, €433 thousand in fiscal 2016 and €930 thousand in fiscal 2015. The Group's debt to the AA-OC holding company was €29 thousand as of 31 July 2017, €68 thousand as of 31 July 2016 and €176 thousand as of 31 July 2015. AA CONSEIL LIMITED provides business strategy consulting services, the expense of which was €138 thousand in fiscal 2017, €125 thousand in fiscal 2016 and €300 thousand in fiscal 2015. The Group's debt to AA CONSEIL LIMITED was €138 thousand as of 31 July 2017 and €50 thousand as of 31 July 2015.
  - AA OC Mag., which managed seven stores operating under the ALAIN AFFLELOU banner and two under the OD banner as of 31 July 2017. AA-OC has mandated LOA to manage these stores on its behalf. The Group invoiced €2,899 thousand in fiscal 2017, €3,309 thousand in fiscal 2016 and €2,302 thousand in fiscal 2015, and was invoiced €32 thousand in fiscal 2017, €138 thousand in fiscal 2016 and €150 thousand in fiscal 2015. The Group's debt was €1,035 thousand as of 31 July 2017, €443 thousand as of 31 July 2016 and €1,143 thousand as of 31 July 2015.
  - AA OC MAG and L'OPTICIEN AFFLELOU entered into put and call options on 31 January 2017 covering the sale to L'OPTICIEN AFFLELOU and the acquisition by L'OPTICIEN AFFLELOU of 9 Group franchisee businesses respectively. The put option may be exercised between 1 February and 30 March of each of the years 2018, 2019 and 2020 (at a rate of 3 businesses per year) and the call option may be exercised between 1 January and 1 February of each of the years 2018, 2019 and 2020 (at a rate of 3 businesses per year), at a price to be determined on the date of exercise of the options subject, for the 9 businesses, to a floor of €6,200 thousand and a cap of €6,800 thousand.
  - The Fondation ALAIN AFFLELOU, a corporate foundation created by AAE. The fund received €26 thousand in fiscal 2017.
  - The Fonds de Dotation ALAIN AFFLELOU, an endowment fund created by AAFR and chaired by Alain Afflelou. The fund received no endowments in fiscal 2017.

- Members of the Board of Directors:
  - CAP DEPO, based in Rouen, whose sole shareholder is Emmanuel Poux, brother of Frédéric Poux, provides supply chain and logistics services to the Group. CAP DEPO invoiced €402 thousand in fiscal 2017, €389 thousand in fiscal 2016 and €116 thousand in fiscal 2015. The Group's debt was €199 thousand as of 31 July 2017, €137 thousand as of 31 July 2016 and €48 thousand as of 31 July 2015.
  - The ALAIN AFFLELOU association, chaired by Frédéric Poux, aims to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising).
  - Frédéric Poux, manager of LJV Capital, which is the holding company of both AFFLELOU and LSF2, invoiced €450 thousand in fiscal 2017, €484 thousand in fiscal 2016 and €448 thousand in fiscal 2015.

6.7.2. Compensation paid to corporate officers

6.7.2.1. Short-term benefits

The compensation paid by the Group to the members of the Board of Directors, both in respect of their employment contract and as executives, amounted to €840 thousand in fiscal 2017, €866 thousand in fiscal 2016 and €826 thousand in fiscal 2015.

6.7.2.2. Long-term benefits

Executives are not currently entitled to any post-employment benefits other than benefits related to the defined-benefit pension plan, described in Note 6.2.12, and severance payments. Officers whose terms are not renewed or who are removed from office receive a lump sum of 18 months' compensation. If the non-compete clause is activated, the Company is also required to pay, during the duration of the clause (i.e. 12 months), a gross monthly salary of a fixed aggregate amount equal to 50% of average monthly compensation.

6.8. Statutory auditors' fees

(in thousands of euros)	31/07/2017				31/07/2016				31/07/2015			
	Deloitte network	EY	Other	**Total**	Deloitte network	EY	Other	**Total**	Deloitte network	EY	Other	**Total**
Statutory audit	218	310	31	**559**	184	299	22	**506**	173	304	21	**497**
Other complementary assignments related to the statutory audit					7			**7**	10			**10**
Total audit	**218**	**310**	**31**	559	**191**	**299**	**22**	512	**183**	**304**	**21**	507
Other	612	710	1	**1 323**	4	109	12	**125**	179	0	0	**179**
Total other services	**612**	**710**	**1**	1 323	**4**	**109**	**12**	125	**179**	**0**	**0**	179
Total	**830**	**1020**	**32**	**1 882**	**195**	**408**	**34**	**637**	**362**	**304**	**21**	**686**

7. Correction of errors

The information presented herein for the year ended 31 July 2015 corresponds to the financial statements for the year ended 31 July 2015 as approved by AFFLELOU's Board of Directors on 16 November 2015. These financial statements have been restated to reflect the following changes:

- Deferred tax: given the existence of significant deferred tax liabilities recorded at the time of the acquisition of the Afflelou group by LSF2 in July 2012:
    - recognition of tax loss carryforwards (France) on the date of the takeover of the Group by AFFLELOU in the amount of €32,165 thousand, of which €29,596 thousand, existing at the date of acquisition (17 July 2012), set off against goodwill and €2,569 thousand relating to net losses incurred in fiscal 2013 recorded in "Other reserves",
    - recognition of annual tax loss carryforwards (France) in the amount of €9,452 thousand in the year ended 31 July 2015, of which €11,151 thousand recorded as deferred tax assets and €1,699 thousand recorded as deferred tax liabilities, and €12,950 thousand in the year ended 31 July 2014, of which €13,736 thousand recorded as deferred tax assets and €786 thousand recorded as deferred tax liabilities,
- Valuation of the derivative embedded in the OKIA supplier contract: recognition of the financial instrument in accordance with IAS 39, *Financial Instruments* (see Note 6.3.2) in the amount of €679 thousand in the year ended 31 July 2015
- Staggering of entry fees: historically, entry fees were recognised in full in revenue on the date the franchise agreement took effect. Entry fees notably cover exclusive rights to a specific area and access to the trademark and the expertise of the franchisor. These rights, in accordance with IAS 18, are now spread over a period of three years, the initial and firm term of the franchise agreement, with the recognition of deferred revenue of €1,507 thousand as of 31 July 2015
- Impairment of property, plant and equipment of directly owned stores: reclassifications to impairment of property, plant and equipment in the amount €967 thousand in fiscal 2015
- Impairment of trade receivables: reclassification to impairment of other current assets of receivables in respect of franchisee purchases via the payment structure in the amount of €5,636 thousand in fiscal 2015

A break-down of these changes and their impacts are shown below in respect of the year ended 31 July 2015:

Assets	31/07/2015	Tax loss carryforwards	Reclassification of deferred tax	Replenishment of the stock of comprehensive income	Reclassification of impairment of fixed assets	Reclassification of trade receivables	Valuation of derivatives	Staggering of entry fees	31/07/2015 (adjusted)
Trademarks	655,600								655,600
Goodwill	183,419	-29,596							153,823
Intangible assets	60,421				967				61,388
Property, plant and equipment	23,502				-967				22,535
Other financial assets	20,611								20,611
Deferred tax assets	652	59,956	-59,956				227		879
Non-current assets	**944,205**	**30,360**	**-59,956**	**0**	**0**	**0**	**227**	**0**	**914,836**
Inventories	24,746								24,746
Trade receivables	50,010					5,636			55,646
Other current assets	106,727					-5,636			101,091
Cash and cash equivalents	27,774								27,774
Assets held for sale	1,361								1,361
Current assets	**210,618**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**210,618**
Total assets	**1,154,823**	**30,360**	**-59,956**	**0**	**0**	**0**	**227**	**0**	**1,125,454**
Liabilities									
Share capital	146,690								146,690
Share premium									0
Other reserves	-21,524	15,519		228				-1,268	-7,044
Net income for the period	-33,207	9,452					-452	220	-23,986
Other comprehensive income				-228					-228
Total equity	**91,959**	**24,971**	**0**	**0**	**0**	**0**	**-452**	**-1,048**	**115,432**
Non-current borrowings	658,181								658,181
Deferred tax liabilities	239,667	5,389	-59,956					-460	184,640
Employee benefits and similar	1,441								1,441
Non-current provisions	5,807								5,807
Other non-current liabilities	0								0
Non-current liabilities	**905,096**	**5,389**	**-59,956**	**0**	**0**	**0**	**0**	**-460**	**850,069**
Current borrowings	7,817								7,817
Current provisions	3,141								3,141
Trade payables	34,079								34,079
Derivative financial liabilities	0						679		679
Tax payable	3,151								3,151
Other current liabilities	109,579							1,507	111,086
Current liabilities	**157,768**	**0**	**0**	**0**	**0**	**0**	**679**	**1,507**	**159,954**
Total liabilities and equity	**1,154,823**	**30,360**	**-59,956**	**0**	**0**	**0**	**227**	**0**	**1,125,454**

(in thousands of euros)	31/07/2015 (12 months)	Tax loss carryforwards	Valuation of derivatives	Staggering of entry fees	31/07/2015 (12 months) Adjusted
Revenue	310,659			340	310,999
Cost of purchases	-153,032				-153,032
Wages and salaries including social security contributions	-52,097				-52,097
Other purchases and external expenses	-38,450				-38,450
Duties and taxes other than income tax	-2,910				-2,910
Depreciation, amortisation and impairment	-10,777				-10,777
Operating income from ordinary activities	**53,393**			**340**	**53,733**
Other non-recurring operating items	-21,881				-21,881
Operating profit	**31,512**			**340**	**31,852**
Financial income	6,476				6,476
Borrowing costs	-62,144				-62,144
Other financial expense	-3,439		-678		-4,117
Net financial income/(expense)	**-59,107**		**-678**		**-59,785**
Net income before tax of consolidated companies	**-27,595**		**-678**	**340**	**-27,933**
Tax income/(expense)	-5,611	9,452	227	-120	3,948
Net income	**-33,207**	**9,452**	**-452**	**220**	**-23,985**
Earnings per share, basic and diluted (in €)	**-0.23**	**0.06**	**0.00**	**0.00**	**-0.16**

8. List of consolidated companies

List of consolidated companies as of 31 July 2017:

			31 July 2017			31 July 2016			31 July 2015		
Name	Registered office	Country	Basis of consolidation	% control	% interest	Basis of consolidation	% control	% interest	Basis of consolidation	% control	% interest
Afflelou	Paris	France	Parent company	100%	100%	Parent company	100%	100%	Parent company	100%	100%
Lion Seneca France 2 (LSF2)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
3AB Optique Développement (3ABOD)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Franchiseur (AAFR)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou International (AAI) (1)	Luxembourg	Luxembourg	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Belgique (AABEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Espãna (AAE)	Madrid	Spain	FC	100%	100%	FC	100%	100%	FC	100%	100%
Optical Finance Espana (OFE)	Madrid	Spain	FC	100%	100%	FC	100%	100%			
Alain Afflelou Audiologo (AAU)	Madrid	Spain	FC	100%	100%	FC	100%	100%			
Alain Afflelou Portugal (AAP)	Porto	Portugal	FC	100%	100%	FC	100%	100%	FC	100%	100%
3AB Optique Expansion (3ABOE)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Digital Ltd (AAD) (2)	London	UK				FC	100%	100%	FC	100%	100%
Optical Finance (OF)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
AA Asia limited (AAA)	Hong Kong	China	FC	100%	100%	FC	100%	100%	FC	100%	100%
Optical Finance Belgique (OFBEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%			
Lion Seneca France Audio (LSFA)	Paris	France	FC	100%	100%	FC	100%	100%			
Ursa Vision (OPT) (3)	Madrid	Spain		Merger		FC	100%	100%			
Digital Eyewear (4)	Paris	France	FC	100%	100%						
Alain Afflelou Latam (5)	Madrid	Spain	FC	100%	100%						
AAO Group:											
F2L	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Optico (AAO)	Madrid	Spain	FC	100%	100%	FC	100%	100%	FC	100%	100%
ALDEBARÁN (6)	Madrid	Spain	FC	100%	100%						
FAQE 2015 (7)	Madrid	Spain		Merger							

Ankasur Opticos	Madrid	Spain					Merger				
Usera Opticos	Madrid	Spain					Merger				
Optica Ufe	Madrid	Spain					Merger				
Jaubert Óptico	Madrid	Spain								Merger	
Azul y Rojo	Madrid	Spain								Merger	
Za&Bell	Madrid	Spain								Merger	
LOA Group:											
L'opticien Afflelou (LOA), ex-FP2A	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
CNF Optic [8]	Paris	France				FC	100%	100%	FC	100%	100%
VGM Finance	Paris	France								Merger	
VL Optiland	Paris	France					Merger		FC	100%	100%
Claire Optique	Paris	France					Merger		FC	100%	100%
Optic MKL	Paris	France					Merger		FC	100%	100%
PML Optic	Paris	France					Merger		FC	100%	100%

(1) AA Brands is a subsidiary of Alain Afflelou International; it is not mentioned in the scope of consolidation.
(2) Liquidated on 1 April 2017.
(3) Merged retroactively with Optical Finance España (OFE) effective 1 August 2016.
(4) Established on 30 September 2016.
(5) Established in December 2016.
(6) Acquired on 1 July 2017.
(7) Acquired on 1 January 2017 and merged with Alain Afflelou Optico (AAO) effective 30 April 2017.
(8) Sold in December 2016.

The Group has a Foundation in Spain, the purpose of which is to promote screening for visual impairments, especially among children. It also has an Endowment Fund in France, the purpose of which is to raise funds for work carried out directly or through associations. The Group also has a charity in France, the purpose of which is to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising). These three interests are not material, and are not consolidated by the Group.

9. Subsequent events

No significant events have taken place since the year-end.