

Company Registration No. 1310079

Oakley (UK) Limited

Report and Financial Statements

31 December 2007

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Oakley (UK) Limited

Report and financial statements 2007

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Oakley (UK) Limited

Report and financial statements 2007

Officers and professional advisers

Directors

C Ward (Resigned 31 December 2007)
D Gordon
G Lee
P Ansell
J Tennyson
J Pollard
A Franks (Appointed 1 March 2007)
C Lykos (Resigned 11 January 2008)
R Shields

Secretary

P Ansell

Registered Office

Icon House
Icknield Way
Letchworth
Herts
SG6 1GD

Bankers

National Westminster

Solicitors

Foreman Laws

Auditors

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
St Albans, United Kingdom

Oakley (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Activities

Oakley (UK) Ltd is a wholly owned subsidiary of Oakley Inc , a company incorporated in the United States of America Oakley Inc merged with Luxottica Group S p A on 14 November 2007

The company's principal activity is the marketing and distribution of Oakley branded products in the UK and Ireland There have not been any significant changes in the company's principal activities during the year The directors, at the date of this report, are not aware of any significant changes in the company's activities in the next year

As shown in the Profit and Loss account on page 7, sales for the year ended 31 December 2007 were £22,571,211 compared with £21,815,184 for the prior year, a 3.5% increase year on year

Gross margin for the year was 44.79% compared to 38.15% in the prior year Profit before taxation was £417,878, compared with £886,470 in the prior year

The Balance Sheet on page 7 of the financial statements shows an increase of £102,787 in stock levels, an increase in cash on hand of £398,417, an increase in creditors falling due in one year of £515,223 With an increase in fixed assets of £200,032 and small increase in debtors there is an overall increase in shareholders funds of £255,408

Details of the number of employees and related costs can be found in note 3 on page 9 of the financial statements

Principal risks and uncertainties

Competitive pressure in the UK retail market and the recent uncertainty in financial markets provide challenges for 2008 The company continues to promote the Oakley brand and support the launch of new and exciting products during the year

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that it might cause

Review of developments and future prospects

The company intends to continue its present management policies for the foreseeable future

Results and Dividends

The results for the year are set out on page 6

The directors do not recommend payment of a dividend No dividend was paid in 2007

Oakley (UK) Limited

Directors' report

Directors

The present membership of the board, and all the directors who served during the year, are set out on page 1

Charitable contributions

During the year the company made charitable donations of £999 (2006 £1,089)

Statement of disclosure to auditor

In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'P Ansell', written in a cursive style.

P Ansell
Director

Oakley (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

Oakley (UK) Limited

Independent auditors' report to the members of Oakley (UK) Limited

We have audited the financial statements of Oakley (UK) Limited for the year ended 31 December 2007 which comprise the profit and loss account, balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
St Albans, United Kingdom

18 February 2008

Oakley (UK) Limited

Profit and Loss account Year ended 31 December 2007

	Note	2007 £	2006 £
Turnover: continuing operations	2	22,571,211	21,815,184
Cost of sales		(12,484,843)	(13,492,651)
		<hr/>	<hr/>
Gross profit		10,086,368	8,322,533
		<hr/>	<hr/>
Administrative expenses		(9,000,656)	(7,258,624)
Other operating (expense) / income		(726,642)	325,305
		<hr/>	<hr/>
Operating profit: continuing operations	5	359,070	1,389,214
Other interest receivable and similar income	6	58,809	51,630
		<hr/>	<hr/>
Profit on ordinary activities before taxation		417,879	1,440,844
Tax on profit on ordinary activities	7	(162,470)	(294,024)
		<hr/>	<hr/>
Profit on ordinary activities after taxation for the financial year	15	255,409	1,146,820
		<hr/>	<hr/>

There are no recognised gains and losses other than those passing through the profit and loss account accordingly no statement of total recognised gains and losses has been presented

Oakley (UK) Limited

Balance sheet 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	8	2,246,423	2,046,391
Current assets			
Stocks	9	2,123,144	2,020,357
Debtors	10	2,690,556	2,621,162
Cash at bank and in hand		854,384	455,967
		<u>5,668,084</u>	<u>5,097,486</u>
Creditors: amounts falling due within one year	12	(2,913,017)	(2,397,794)
Net current assets		<u>2,755,068</u>	<u>2,699,692</u>
Net assets		<u>5,001,491</u>	<u>4,746,083</u>
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account	14	5,000,491	4,745,083
Shareholders' funds		<u>5,001,491</u>	<u>4,746,083</u>

These financial statements were approved by the Board of Directors on 13th February 2008
Signed on behalf of the Board of Directors



P Ansell
Director

Oakley (UK) Limited

Notes to the accounts Year ended 31 December 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking whose cashflows are disclosed in its parent company's group accounts.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	Over the term of the lease (if the assets are integral to the premises) otherwise over 5 years
Display stands	Over 4 years
Motor vehicles	Over 5 years (company cars over 4 years)
Fixtures, fittings	Over 7 years (included in fixtures and fittings is computer equipment which is being depreciated over 4 years, excluding laptops which are depreciated over 3 years)

Stocks

Stock is stated at the lower of cost and net realisable value. Cost is determined on an average cost basis and includes transport, freight and duty costs. Net realisable value is based on estimated selling price less all further costs to completion including relevant marketing, selling and distribution costs.

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution scheme and the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Oakley (UK) Limited

Notes to the accounts

Year ended 31 December 2007

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

2. Turnover

All turnover is derived from the principal activity of the company

	2007 £	2006 £
Geographical market (destination)		
United Kingdom	20,334,340	19,486,555
Rest of EU	2,236,871	2,328,629
	<u>22,571,211</u>	<u>21,815,184</u>

3. Information regarding directors and employees

	2007 £	2006 £
Directors' remuneration		
Emoluments for qualifying services	863,931	683,009
Company Pension contributions to money purchase scheme	56,049	37,666
	<u>919,980</u>	<u>720,675</u>

Remuneration disclosed above include the following amounts to the highest paid director

Emoluments for qualifying services	279,736	190,000
Company pension contributions to money purchase schemes	3,600	3,600

	No.	No.
Average number of persons employed		
Directors	10	8
Administration	125	115
	<u>135</u>	<u>123</u>

	2007 £	2006 £
Staff costs during the year		
Wages and salaries	3,718,229	3,369,263
Social security costs	448,331	386,162
Other Pension costs	85,065	67,896
	<u>4,251,625</u>	<u>3,823,321</u>

Oakley (UK) Limited

Notes to the accounts Year ended 31 December 2007

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (2006 5)

The share options are for shares in the parent company, Oakley Inc

4. Transactions with directors

	Purchases during 2007 £	Purchases during 2006 £	Balance at 31 December 2007 £	Balance at 31 December 2006 £
A Franks	201	-	-	-
P Ansell	625	9,245	-	-
C Ward	22,742	4,984	20,675	-
J Tennyson	421	906	-	-
J Pollard	3,831	2,915	-	-
G Lee	169	65	-	45

5 Operating profit

	2007 £	2006 £
Operating profit is after charging / (crediting):		
Depreciation and amortisation	613,074	564,371
Loss on foreign exchange transactions	629,799	-
Operating lease rentals – other assets	949,521	722,808
Audit fees	13,500	12,000
Profit on disposal of tangible assets	(7,355)	(14,234)
Profit on foreign exchange transactions	-	(337,141)
	<u>613,074</u>	<u>564,371</u>

6. Interest receivable and other income

	2007 £	2006 £
Bank interest	57,851	51,630
Other interest	958	-
	<u>58,809</u>	<u>51,630</u>

Oakley (UK) Limited

Notes to the accounts Year ended 31 December 2007

7. Tax on profit on ordinary activities

	2007 £	2006 £
United Kingdom corporation tax at 30% (2006 - 30%) based on the profit for the year	141,745	288,164
	<u>141,745</u>	<u>288,164</u>
Current tax charge		
Deferred taxation		
Deferred tax charge current year	20,725	5,860
	<u>162,470</u>	<u>294,024</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>417,879</u>	<u>886,470</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2006 – 30%)	125,364	265,941
Effects of		
Non deductible expenses	33,386	16,254
Depreciation add back	163,543	165,041
Capital allowances	(181,478)	(159,515)
Movement in short term timing differences	928	-
Other tax adjustments	2	443
	<u>16,381</u>	<u>22,223</u>
Current tax charge	<u>141,745</u>	<u>288,164</u>

Oakley (UK) Limited

Notes to the accounts Year ended 31 December 2007

8. Tangible fixed assets

	Leasehold improve- ments £	Display stands £	Fixtures, fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2007	1,872,744	705,495	871,562	652,902	4,102,703
Additions	198,881	337,264	92,469	390,397	1,019,011
Disposals	(14,485)	(235,298)	(132,140)	(411,176)	(793,099)
At 31 December 2007	<u>2,057,140</u>	<u>807,461</u>	<u>831,891</u>	<u>632,123</u>	<u>4,328,615</u>
Accumulated depreciation					
At 1 January 2007	814,758	341,883	635,720	263,951	2,056,312
Charge for the year	123,748	203,888	116,462	168,976	613,074
Eliminated on disposal	(14,485)	(210,227)	(131,131)	(231,351)	(587,194)
At 31 December 2007	<u>924,021</u>	<u>335,544</u>	<u>621,051</u>	<u>201,576</u>	<u>2,082,192</u>
Net book value					
At 31 December 2007	<u>1,133,119</u>	<u>471,917</u>	<u>210,840</u>	<u>430,547</u>	<u>2,246,423</u>
At 31 December 2006	<u>1,057,986</u>	<u>363,612</u>	<u>235,842</u>	<u>388,951</u>	<u>2,046,391</u>

9. Stocks

	2007 £	2006 £
Finished goods and goods for resale	<u>2,123,144</u>	<u>2,020,357</u>

10. Debtors

	2007 £	2006 £
Trade debtors	2,082,893	2,197,731
Amounts owed by group undertakings		
Parent company	364,582	148,490
Current corporation tax	48,632	-
Other debtors	5,700	1,200
Prepayments and accrued income	181,622	245,889
Deferred tax asset	7,127	27,852
	<u>2,690,556</u>	<u>2,621,162</u>

Oakley (UK) Limited

Notes to the accounts Year ended 31 December 2007

11. Deferred Tax

	2007 £	2006 £
Balance at 1 January 2007	27,852	33,712
Profit and loss account	(20,725)	(5,860)
Balance at 31 December 2007	<u>7,127</u>	<u>27,852</u>
	2007 £	2006 £
Accelerated capital allowances	4,571	26,042
Other timing differences	2,556	1,810
	<u>7,127</u>	<u>27,852</u>

12. Creditors: amounts falling due within one year

	2007 £	2006 £
Overdraft	190,689	-
Trade creditors	373,856	924,101
Amounts owed to group undertakings		
Subsidiaries	1,729,582	1,011,748
Current corporation tax	-	113,792
Other taxes and social security	372,447	241,984
Accruals and deferred income	246,443	106,169
	<u>2,913,017</u>	<u>2,397,794</u>

13. Called up share capital

	2007 £	2006 £
Authorised:		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Called up, allotted and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Oakley (UK) Limited

Notes to the accounts Year ended 31 December 2007

14. Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2007	4,745,083
Profit for the year	255,408
	<hr/>
Balance at 31 December 2007	5,000,491
	<hr/>

15. Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	255,408	592,446
Opening shareholders' funds	4,746,083	4,153,637
	<hr/>	<hr/>
Closing shareholders' funds	5,001,491	4,746,083
	<hr/>	<hr/>

16. Financial commitments

At 31 December 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2008

	Land and buildings 2007 £	Land and buildings 2006 £
Operating Leases which expire		
- within one year	14,634	-
- between two to five years	285,115	281,585
- after five years	755,000	485,000
	<hr/>	<hr/>
	1,054,749	766,585
	<hr/>	<hr/>

17. Capital commitments

At 31 December 2007 the company had capital commitments as follows

	2007 £	2006 £
Capital commitments		
Contracted for but not provided	-	24,219
	<hr/>	<hr/>

Oakley (UK) Limited

Notes to the accounts

Year ended 31 December 2007

18. Contingent liabilities

At the year end Oakley Inc, the parent company of Oakley (UK) Limited, had outstanding forward exchange contracts in its own name. The gains and losses upon the exercising of these contracts will be borne by Oakley (UK) Limited.

	US Dollars	US \$ Exchange rate on forward contract	Sterling Equivalent
January	495,650	1.9826	250,000
February	990,650	1.9813	500,000
March	1,484,925	1.9799	750,000
April	1,483,725	1.9783	750,000
May	1,482,525	1.9767	750,000
June	1,481,400	1.9752	750,000
July	1,508,025	2.0107	750,000
August	1,510,725	2.0143	750,000
September	1,509,150	2.0122	750,000
October	1,507,425	2.0099	750,000

19. Parent company

The immediate parent undertaking is Oakley Inc, a company incorporated in the USA. Following Oakley Inc's merger with Luxottica S.p.A. on 14 November 2007, the ultimate parent undertaking and controlling party is Luxottica S.p.A. of Milan, Italy. Luxottica S.p.A. is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member. Consolidated accounts can be obtained from Luxottica Group S.p.A. of Milan, Italy. Oakley Inc is the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member.

20. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8, related party transactions, that allows it not to disclose transactions with group undertakings 90% or more of whose working rights are controlled within the group.