

**OAKLEY (UK) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**



# OAKLEY (UK) LIMITED

## COMPANY INFORMATION

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**Directors**

C. Ward  
D. Gordon  
L. Newcomb  
P. Ansell (Appointed 1 July 2000)  
J. Pollard (Appointed 1 July 2000)

**Secretary**

P. Ansell

**Company number**

1310079

**Registered office**

Icknield Way  
Letchworth  
Herts  
SG6 1GD

**Auditors**

Morton Thornton  
Torrington House  
47 Holywell Hill  
St. Albans  
Herts  
AL1 1HD

**Business address**

Icknield Way  
Letchworth  
Herts  
SG6 1GD

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# OAKLEY (UK) LIMITED

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# OAKLEY (UK) LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their report and financial statements for the year ended 31 December 2000.

### Principal activities and review of the business

The principal activity of the company continued to be that of wholesalers of optical, sports and leisure goods.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

### Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

### Future developments

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

### Directors

The following directors have held office since 1 January 2000:

C. Ward	
R. Tilbrook	(Resigned 17 January 2000)
M. Parnell	(Resigned 1 July 2000)
D. Gordon	
L. Newcomb	
P. Ansell	(Appointed 1 July 2000)
J. Pollard	(Appointed 1 July 2000)

### Directors' interests

The directors' beneficial interests in the shares of the company and the holding company were as stated below:

	31 December 2000		1 January 2000	
	Ordinary shares Holding company	Company	Ordinary shares Holding company	Company
C. Ward	-	-	-	-
L. Newcomb	20,389	-	8,308	-
D. Gordon	-	-	1,522	-
P. Ansell	-	-	-	-
J. Pollard	-	-	-	-

Share options were granted and exercised as follows:

	31 December 2000		1 January 2000	
	Granted	Exercised	Granted	Exercised
C. Ward	5,000	-	-	-
L. Newcomb	628,833	185,581	814,414	-
D. Gordon	62,167	15,784	74,262	-
P. Ansell	1,500	2,500	2,500	-
J. Pollard	4,000	-	2,500	-

### Charitable contributions

During the year the company made charitable donations of £810 (1999 : £150).

# OAKLEY (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

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### Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Morton Thornton, will be deemed to be reappointed for each succeeding financial year.

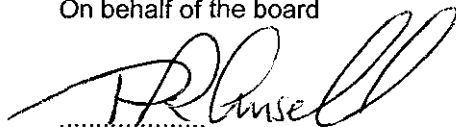
### Directors' responsibilities

Company law requires the directors to prepare 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. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



P. Ansell

Director

8 February 2001

# OAKLEY (UK) LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS OF OAKLEY (UK) LIMITED

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We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

### Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

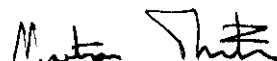
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

9 February 2001



MORTON THORNTON  
CHARTERED ACCOUNTANTS  
& REGISTERED AUDITORS  
TORRINGTON HOUSE  
47 HOLYWELL HILL  
ST ALBANS  
HERTS. AL1 1HD

# OAKLEY (UK) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
<b>Turnover</b>	<b>2</b>	14,825,090	10,101,853
Cost of sales		(9,797,413)	(6,331,713)
<b>Gross profit</b>		5,027,677	3,770,140
Administrative expenses		(3,025,219)	(2,260,055)
Other operating income		60,137	159,701
<b>Operating profit</b>	<b>3</b>	2,062,595	1,669,786
Other interest receivable and similar income		33,350	35,752
Interest payable and similar charges	<b>4</b>	113	(1,029)
<b>Profit on ordinary activities before taxation</b>		2,096,058	1,704,509
Tax on profit on ordinary activities	<b>5</b>	(650,135)	(533,855)
<b>Profit on ordinary activities after taxation</b>		1,445,923	1,170,654
Dividends	<b>6</b>	-	(1,000,000)
<b>Retained profit for the year</b>	<b>14</b>	1,445,923	170,654

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# OAKLEY (UK) LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2000

	Notes	2000 £	£	1999 £	£
<b>Fixed assets</b>					
Tangible assets	7		877,927		653,179
<b>Current assets</b>					
Stocks	8	1,541,636		1,129,043	
Debtors	9	2,617,207		1,164,083	
Cash at bank and in hand		255,190		106,406	
		<u>4,414,033</u>		<u>2,399,532</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,021,699)</u>		<u>(1,217,567)</u>	
<b>Net current assets</b>			<u>2,392,334</u>		<u>1,181,965</u>
<b>Total assets less current liabilities</b>			<u>3,270,261</u>		<u>1,835,144</u>
<b>Provisions for liabilities and charges</b>	11		<u>-</u>		<u>(10,806)</u>
			<u>3,270,261</u>		<u>1,824,338</u>
<b>Capital and reserves</b>					
Called up share capital	13		1,000		1,000
Profit and loss account	14		<u>3,269,261</u>		<u>1,823,338</u>
<b>Shareholders' funds - equity interests</b>	15		<u>3,270,261</u>		<u>1,824,338</u>

The financial statements were approved by the board on 8 February 2001



P. Ansell  
Director



# OAKLEY (UK) LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £	1999 £
<b>Net cash inflow from operating activities</b>	966,171	1,693,747
<b>Returns on investments and servicing of finance</b>		
Interest received	33,350	35,752
Interest paid	113	(1,029)
	<u>33,463</u>	<u>34,723</u>
<b>Net cash inflow for returns on investments and servicing of finance</b>	33,463	34,723
<b>Taxation</b>	(369,447)	(520,388)
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(491,503)	(291,024)
Receipts from sales of tangible assets	10,100	24,800
	<u>(481,403)</u>	<u>(266,224)</u>
<b>Net cash outflow for capital expenditure</b>	(481,403)	(266,224)
<b>Equity dividends paid</b>	-	(1,000,000)
	<u>-</u>	<u>(1,000,000)</u>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>	148,784	(58,142)
<b>Net cash outflow from financing</b>	-	-
	<u>-</u>	<u>-</u>
<b>Increase/(decrease) in cash in the year</b>	<u>148,784</u>	<u>(58,142)</u>

# OAKLEY (UK) LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

1	Reconciliation of operating profit to net cash inflow from operating activities	2000 £	1999 £
	Operating profit	2,062,595	1,669,786
	Depreciation of tangible assets	253,959	205,256
	Loss on disposal of tangible assets	2,696	5,459
	Increase in stocks	(412,593)	(203,360)
	Increase in debtors	(1,453,124)	(513,519)
	Increase in creditors within one year	512,638	530,125
	<b>Net cash inflow from operating activities</b>	<u>966,171</u>	<u>1,693,747</u>

2	Analysis of net funds	1 January 2000 £	Cash flow £	Other non-cash changes £	31 December 2000 £
	Net cash:				
	Cash at bank and in hand	106,406	148,784	-	255,190
	<b>Net funds</b>	<u>106,406</u>	<u>148,784</u>	<u>-</u>	<u>255,190</u>

3	Reconciliation of net cash flow to movement in net funds	2000 £	1999 £
	Increase/(decrease) in cash in the year	148,784	(58,142)
	<b>Movement in net funds in the year</b>	148,784	(58,142)
	Opening net funds	106,406	164,548
	<b>Closing net funds</b>	<u>255,190</u>	<u>106,406</u>

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

#### 1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Short term leasehold land and buildings	Over term of the leases
Display stands	Over 4 years
Plant and machinery	Over 5 years
Fixtures and fittings	Over 7 years (Included in fixtures and fittings is computer equipment which is being depreciated over 5 years)
Motor vehicles	Over 5 years

#### 1.5 Leasing

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

#### 1.6 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

#### 1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### 1.9 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.

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

### 2 Turnover

All the turnover is derived from the principal activities of the company.

#### Geographical market

	Turnover	
	2000	1999
	£	£
United Kingdom	14,634,836	9,915,417
Eire	190,254	186,436
	<u>14,825,090</u>	<u>10,101,853</u>

### 3 Operating profit

	2000	1999
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	253,959	205,256
Operating lease rentals	68,198	50,535
Auditors' remuneration	11,000	9,800
	<u>333,157</u>	<u>265,591</u>

### 4 Interest payable

	2000	1999
	£	£
On bank loans and overdrafts	(113)	1,029
	<u>(113)</u>	<u>1,029</u>

### 5 Taxation

	2000	1999
	£	£
<b>U.K. current year taxation</b>		
U.K. corporation tax at 30% (1999 - 30%)	651,834	533,855
Deferred taxation	(10,806)	-
	<u>641,028</u>	<u>533,855</u>
<b>Prior years</b>		
U.K. corporation tax	9,107	-
	<u>650,135</u>	<u>533,855</u>

### 6 Dividends

	2000	1999
	£	£
Ordinary interim paid	-	1,000,000
	<u>-</u>	<u>1,000,000</u>

Ordinary interim dividend £nil per share (1999 : £1,000 per share).

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

### 7 Tangible fixed assets

	Short term leasehold land and buildings	Display stands	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2000	176,937	344,644	180,620	407,807	191,696	1,301,704
Additions	95,827	96,470	72,927	69,077	157,202	491,503
Disposals	-	-	-	(4,435)	(35,291)	(39,726)
At 31 December 2000	272,764	441,114	253,547	472,449	313,607	1,753,481
<b>Depreciation</b>						
At 1 January 2000	43,488	140,759	137,440	254,114	72,724	648,525
On disposals	-	-	-	(2,366)	(24,564)	(26,930)
Charge for the year	22,601	92,966	42,956	43,919	51,517	253,959
At 31 December 2000	66,089	233,725	180,396	295,667	99,677	875,554
<b>Net book value</b>						
At 31 December 2000	206,675	207,389	73,151	176,782	213,930	877,927
At 31 December 1999	133,449	203,885	43,180	153,693	118,972	653,179

### 8 Stocks

	2000 £	1999 £
Finished goods and goods for resale	1,541,636	1,129,043

### 9 Debtors

	2000 £	1999 £
Trade debtors	2,397,287	1,107,629
Amounts owed by parent and fellow subsidiary undertakings	155,489	5,601
Other debtors	9,933	38,964
Prepayments and accrued income	54,498	11,889
	2,617,207	1,164,083

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

10 Creditors: amounts falling due within one year	2000 £	1999 £
Trade creditors	712,910	649,614
Amounts owed to parent and fellow subsidiary undertakings	598,624	182,171
Corporation tax	559,800	268,306
Other taxes and social security costs	102,788	110,881
Accruals and deferred income	47,577	6,595
	<u>2,021,699</u>	<u>1,217,567</u>

### 11 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 January 2000	10,806
Profit and loss account	(10,806)
Balance at 31 December 2000	<u>-</u>

Deferred taxation provided in the financial statements is as follows:

	2000 £	Fully provided 1999 £
Accelerated capital allowances	<u>-</u>	<u>10,806</u>

### 12 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £12,147 (1999 - £14,329).

13 Share capital	2000 £	1999 £
<b>Authorised</b>		
10,000 Ordinary shares of £ 1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

### 14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2000	1,823,338
Retained profit for the year	1,445,923
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Balance at 31 December 2000	3,269,261
	<hr/>

### 15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the financial year	1,445,923	1,170,654
Dividends	-	(1,000,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,445,923	170,654
Opening shareholders' funds	1,824,338	1,653,684
	<hr/>	<hr/>
Closing shareholders' funds	3,270,261	1,824,338
	<hr/>	<hr/>

### 16 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 or losses of which, upon their exercising, will be borne by Oakley (UK) Limited.

	US \$	Exchange rate on forward contract	Sterling equivalent
March	1,299,158.53	1.4498	896,095.00
April	1,386,231.40	1.4504	955,758.00
May	1,293,689.03	1.4511	891,523.00
June	1,411,876.97	1.4516	972,635.00
July	1,569,686.70	1.4521	1,080,977.00
August	1,338,209.81	1.4527	921,188.00
September	1,284,262.59	1.4532	883,748.00
October	1,193,115.55	1.4537	820,744.00
November	996,892.11	1.4543	685,479.00
December	923,517.75	1.4547	634,851.00
	<hr/>		<hr/>
	12,696,640.44		8,742,998.00
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# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

### 17 Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2000	1999
	£	£
Expiry date:		
Between two and five years	63,686	6,450
In over five years	197,410	48,250
	<u>261,096</u>	<u>54,700</u>

The company has committed to buy goods from Oakley International Inc during the year ended 31 December 2001. The contract is for goods with a value up to \$11,160,000 and there is a payment schedule which runs from March 2001 to March 2002 to pay for this commitment. These instalments vary with expected seasonal demand for the goods.

At the year end the company had entered into commitments for office furniture and equipment. These commitments amounted to approximately £210,000.

### 18 Directors' emoluments

	2000	1999
	£	£
Emoluments for qualifying services	337,967	388,146
Company pension contributions to money purchase schemes	58,795	9,987
Compensation for loss of office	50,000	-
	<u>446,762</u>	<u>398,133</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (1999 - 2).

The number of directors who exercised share options during the year was 1 (1999 - 0).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	232,279	194,467
Company pension contributions to money purchase schemes	<u>4,971</u>	<u>5,015</u>



# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

### 19 Transactions with directors

C. Ward had an interest in Axo Sport (UK) Limited, the shares of which he disposed of during the year. Axo Sport (UK) Limited had received management services from the company at open market value up to its sale. These amounted to £60,137 (1999 : £159,701). During the year Axo Sport (UK) Limited had received goods of £nil (1999 :£15,865) from Oakley (UK) Limited and had sold goods of £33,123 (1999: £1,264) to Oakley (UK) Limited.

At 31 December 2000 Axo Sport (UK) Limited owed Oakley (UK) Limited £9,933 (1999: £37,984).

During the year C. Ward purchased goods from the company on normal commercial terms amounting to £3,902, of which £1,685 was outstanding at the year end.

C. Ward is a beneficiary of the Serval Marketing Limited Retirement Benefits Scheme which holds 652 shares in the ultimate parent company.

### 20 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2000 Number	1999 Number
Directors	5	5
Administration	43	38
	<u>48</u>	<u>43</u>

#### Employment costs

	£	£
Wages and salaries	1,346,365	1,046,527
Social security costs	137,859	109,389
Other pension costs	62,147	14,329
	<u>1,546,371</u>	<u>1,170,245</u>

### 21 Control

The directors consider the ultimate parent company to be Oakley Inc, a company incorporated in the United States of America.

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2000

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### 22 Related party transactions

Oakley Europe, Oakley (GMBH) and Oakley (UK) Limited are all subsidiaries of Oakley Inc. At 31 December 2000 Oakley Europe owed Oakley (UK) Limited £4,236 (1999 : £5,601) and Oakley (GMBH) owed £151,252 (1999 : £nil). During the year Oakley Europe received goods and services of £29,080 (1999 : £8,881) from Oakley (UK) Limited and supplied goods of £30,685 (1999 : £nil) to Oakley (UK) Limited; Oakley (GMBH) received goods and services of £149,496 (1999 : £nil) from Oakley (UK) Limited.

At 31 December 2000 Oakley (UK) Limited owed Oakley Inc £598,624 (1999 : £182,171). Oakley Inc supplied goods to the company amounting to £8,532,862 (1999 : £5,654,304) during the year.

The company has entered into an agreement with Oakley International Inc to purchase goods in the year ended 31 December 2001 details of which are given in note 17. Oakley International Inc is a subsidiary of Oakley Inc.

R Tilbrook resigned from the company on 17 January 2000. He signed a twelve month consultancy agreement effective from 1 January 2000. This tied him to the company until 31 December 2000. His consultancy charge for this period was £30,000.