

Oakley (UK) Limited

Annual Report and Financial Statements for the year ended 31 December 2011

Company Registration No 1310079

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OAKLEY (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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OAKLEY (UK) LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

J Tennyson (Resigned 26th January 2012)
R Shields (Resigned 11th May 2011)
J Perreault
R Maher (Appointed 11th May 2011)

SECRETARY

Pennsec Limited
Da Vinci House
Basing View
Basingstoke
Hampshire
RG21 4EQ
United Kingdom

REGISTERED OFFICE

Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE
United Kingdom

AUDITORS

Deloitte & Touche
Chartered Accountants and Registered Auditors
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

SOLICITORS

Foreman Laws
25 Bancroft
Hitchin
Hertfordshire
SG5 1JW
United Kingdom

BANKERS

National Westminster
St Albans
Hertfordshire
AL1 5HE
United Kingdom

OAKLEY (UK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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 SpA on 14 November 2007.

The company continued to distribute Oakley branded products and support the launch of new and exciting products during the year. It also continues to operate Oakley retail stores throughout the UK.

As from 1 January 2010 the company's principal activity is the marketing and distribution of Oakley branded products in the UK and Ireland for the wholesale Sport Channel as well as operating Oakley retail stores. Prior to this date, the company also distributed Oakley branded products to the Optical Channel. However, as part of the European restructuring of Oakley activities, the company no longer distributes to this business channel.

In January 2011, the company ceased operations at its store in Liverpool.

The directors, at the date of this report, are not aware of any significant changes in the company's activities in the next year.

RESULTS AND DIVIDENDS

The results for the year are set out on page 10. As shown in the Profit and Loss account, sales for the year ended 31 December 2011 were £19,257,914 compared with £19,645,554 for the prior year, a 2% decrease year on year.

Gross margin for the year was down 1.2% year on year (48.4% compared to 49.6% in the prior year). This was due to the royalty charge paid to Oakley Icon Limited for e-commerce sales made in Oakley Icon Limited's legal territories.

Administrative expenses increased (£10,405,836 compared to £8,498,367 in the prior year), reflecting an increase in marketing, e-commerce and expenses in relation to termination of contracts. The loss before taxation was £1,938,272, compared with £1,174,003 in the prior year.

The Balance Sheet on page 11 of the financial statements shows a decrease in fixed assets of £226,701 primarily due to the impairment of certain fixed assets of a continuing store.

The directors do not recommend payment of a dividend. No dividend was paid in 2011 (2010: £Nil).

GOING CONCERN

The directors wish to draw attention to note 1 on page 12 regarding the basis of preparation of the financial statements.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

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

OAKLEY (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Commercial Risk

The continued difficult economic conditions resulted in increased competitive pressure in the UK wholesale and retail markets for 2011 and are foreseen to continue into 2012

Price Risk

The company does not have direct exposure to the commodity price risk. The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Foreign Exchange Risk

The company is exposed to foreign exchange risk in the normal course of business. The company's foreign exchange risk is managed according to group risk policy approved by the Luxottica Group SpA board. The risk policy contemplates the use of hedges to minimise exposure to foreign exchange risk. At 31 December 2011 the company has in place a foreign exchange forward portfolio that hedges the principal and the future interest cash flows of the USD intercompany payables

Credit Risk

Oakley UK's principal financial assets are the bank and debtor balances. The amount presented in the balance sheet is net of allowances for doubtful debts. The company has no significant concentration of credit risk

Liquidity Risk

Working capital requirements are funded principally from retained profits. The company holds no external loans. The company is a participant in the Luxottica zero balance cash pooling arrangement that allows the company to optimise the management of liquidity

Cash Flow Risk

The company has both interest bearing assets and interest bearing liabilities. Cash balances and loans from group companies pay interest at both a fixed and variable rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

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

DIRECTORS

The present membership of the board, and all the directors who served during the year, are set out on page 2

CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £Nil (2010 £Nil)

OAKLEY (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND SECRETARY'S INTEREST

The directors and secretary who held office at 31 December 2011 had no interests in the share capital of the company at the beginning, date of their appointment or end of the year

They held the following interests in the company's group parent company, Luxottica Group SpA

Options on ordinary shares in Luxottica Group SpA	At 31/12/2011	At 1/1/2011
Jim Tennyson	-	-
Josee Perreault	44,250	44,250
Robert Maher	-	-

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 S418 of the Companies Act 2006

AUDITORS

Deloitte & Touche, Chartered Accountants, 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



Director **ROBERT MAHER.**

Date **26.03.12**

OAKLEY (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the financial statements of Oakley (UK) Limited for the year ended 31 December 2011 which comprise the profit and loss account, balance sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those statements require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

THOMAS CASSIN

Thomas Cassin, Senior Statutory Auditor
for and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Auditor
Dublin
Ireland

Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Date

7 June 2012

Members of
Deloitte Touche Tohmatsu

OAKLEY (UK) LIMITED

STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and UK statute comprising the Companies Act 2006

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention as modified to include the revaluation of forward exchange contracts

FINANCIAL INSTRUMENTS

Financial assets are valued at fair value through profit or loss ("FVTPL") Financial instruments are classified at FVTPL when they are either held for trading or designated upon initial recognition at FVTPL Forward foreign currency contracts are not designated and effective as hedging instruments and are therefore deemed as held for trading Forward foreign currency contracts are initially measured at fair value and re-measured at fair value at subsequent reporting dates Subsequent changes in fair value are recognised in the profit and loss account The company did not have any other financial assets classified as FVTPL

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment 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 and 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)
Assets under construction	Are not depreciated

STOCKS

Stocks are valued on an average cost basis at the lower of cost and net realisable value Cost includes transport, freight and duty costs plus any other costs incurred in bringing stocks to their present location and condition Net realisable value comprises the estimated selling price less all further costs to completion including relevant marketing, selling and distribution costs

LEASES

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the lease term Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

OAKLEY (UK) LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

TURNOVER

Turnover represents the total amount invoiced for goods sold and is net of trade discounts and Value Added Tax

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 at the balance sheet date are translated at the rates of exchange ruling at that date. Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the dates on which the transaction occurred. All differences are taken to the 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.

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.

OAKLEY (UK) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
TURNOVER: continuing operations	2	19,257,914	19,300,405
discontinued operations	2	-	345,149
Total turnover		19,257,914	19,645,554
Cost of sales continuing operations		(9,942,313)	(9,798,302)
discontinued operations		-	(103,640)
GROSS PROFIT. continuing operations		9,315,601	9,502,103
discontinued operations		-	241,509
Administrative expenses continuing operations		(10,405,836)	(7,880,928)
discontinued operations		-	(617,439)
Other operating expenses continuing operations	3	(56,507)	(41,795)
discontinued operations		-	-
OPERATING (LOSS)/PROFIT:			
continuing operations		(1,146,742)	1,579,380
discontinued operations		-	(375,930)
Restructuring of continuing operations	4	(795,162)	(738,325)
Restructuring due to discontinued operations	5	-	(1,664,806)
LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE INCOME		(1,941,904)	(1,199,681)
Interest receivable and similar income	8	3,632	25,678
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	9	(1,938,272)	(1,174,003)
Taxation	10	469,573	(47,107)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	20/21	(1,468,699)	(1,221,110)

There are no recognised gains and losses in the current year and the prior year other than those dealt with in the profit and loss account

OAKLEY (UK) LIMITED


BALANCE SHEET AS AT 31 DECEMBER 2011

	<i>Notes</i>	2011 £	2010 £
FIXED ASSETS			
Tangible fixed assets	11	<u>1,523,088</u>	<u>1,749,789</u>
CURRENT ASSETS			
Stocks	12	1,301,236	1,756,625
Debtors (Amounts falling due within one year)	13	9,331,292	5,958,490
Cash at bank and in hand		<u>541,778</u>	<u>629,574</u>
		11,174,306	8,344,689
CREDITORS (Amounts falling due within one year)	16	<u>(11,610,416)</u>	<u>(7,198,681)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(436,110)</u>	<u>1,146,008</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,086,978</u>	<u>2,895,797</u>
CREDITORS: (Amounts falling due after one year)	17	(286,226)	(131,830)
PROVISION FOR LIABILITIES AND CHARGES	18	<u>(444,330)</u>	<u>(938,846)</u>
NET ASSETS		<u>356,422</u>	<u>1,825,121</u>
CAPITAL AND RESERVES			
Share capital	19	1,000	1,000
Profit and loss account	20	<u>355,422</u>	<u>1,824,121</u>
SHAREHOLDERS' FUNDS	21	<u>356,422</u>	<u>1,825,121</u>

The financial statements were approved by the Board of Directors on behalf by

26.03.12

and signed on its



Director

ROBERT MAHER

OAKLEY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. BASIS OF PREPARATION - GOING CONCERN

The company made a loss for the year before taxation of £1,938,272 (2010 loss of £1,174,003) and had net assets of £356,422 (2010 £1,825,121) at the balance sheet date. The current economic conditions create uncertainty particularly over (a) the level of demand for Oakley products, and (b) the exchange rate between sterling and the US dollar and thus the cost of purchases. In addition, the company incurred restructuring charges on ongoing operations of £795,162 covering an impairment to a retail outlet and redundancy charges.

The company has obtained written confirmation of continued support from its fellow group company, Oakley Inc, for a period of not less than twelve months from the date of approval of the financial statements to enable the company to meet its liabilities as they fall due.

On that basis, the directors consider it appropriate to prepare the financial statements of the company on a going concern basis.

Accordingly, these financial statements do not include any adjustment to the carrying amount or classification of assets and liabilities that may arise if the company was unable to continue as a going concern.

2. TURNOVER

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

	2011 £	2010 £
Geographical market (destination)		
United Kingdom continuing activities	16,916,390	18,110,593
United Kingdom discontinued activities	-	345,149
Rest of EU	1,949,614	1,189,812
Outside of EU	391,910	-
	<u>19,257,914</u>	<u>19,645,554</u>

3. OTHER OPERATING EXPENSES

Other operating expenses include net fair value losses on forward foreign exchange contracts amounting to £122,333 (2010 gain of £6,483).

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

4. RESTRUCTURING OF CONTINUING OPERATIONS

	2011	2010
	£	£
Impairment of fixed assets	336,652	527,402
Redundancy and outplacement cost	458,510	133,840
Onerous lease	-	77,083
	<u>795,162</u>	<u>738,325</u>

The impairment relates to the write down of fixed assets in one of the company's stores and costs relating to redundancy payments associated with the closure of the Letchworth office and relocation thereof to St Albans

5. RESTRUCTURING DUE TO DISCONTINUED OPERATIONS

	2011	2010
	£	£
Impairment of fixed assets	-	779,960
Redundancy and outplacement cost	-	14,700
Onerous lease	-	500,000
Other lease costs	-	255,846
Dilapidations	-	114,300
	<u>-</u>	<u>1,664,806</u>

6. TRANSACTIONS WITH DIRECTORS

During the year the company had no transactions with the directors

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011 £	2010 £
Directors' remuneration		
Emoluments for qualifying services	159,178	571,259
Company pension contributions to money purchase schemes	10,094	49,551
	<u>169,272</u>	<u>620,810</u>
Remuneration disclosed above includes the following amounts to the highest paid director		
Emoluments for qualifying services	159,178	262,263
Company pension contributions to money purchase schemes	10,094	-
	<u>169,272</u>	<u>262,263</u>
Average number of persons employed	No.	No.
Directors	1	1
Sales	72	68
Administration	20	20
	<u>92</u>	<u>89</u>
Staff costs during the year	2011 £	2010 £
Wages and salaries	2,229,902	2,593,259
Social security costs	287,822	329,161
Other pension costs	45,654	77,526
	<u>2,563,378</u>	<u>2,999,946</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2010 1)

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

8. INTEREST RECEIVABLE AND OTHER INCOME

	2011	2010
	£	£
Bank interest	34	2,091
Other interest	3,598	23,587
	3,632	25,678

9. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011	2010
	£	£
Loss on ordinary activities before taxation has been arrived at after charging/(crediting):		
Depreciation	550,018	680,764
Loss/(Profit) on foreign exchange transactions	179,707	(70,476)
Operating lease rentals – other assets	1,589,101	1,129,317
Operating lease rentals – plant and machinery	-	103,081
Auditor's remuneration		
- audit fees	18,000	18,000
- other assurance services	-	-
- tax advisory services	-	-
- other non-audit services	-	-
Restructuring of continuing operations	795,162	738,325
Restructuring due to discontinued operations	-	1,664,806

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

10. TAXATION

	2011 £	2010 £
Current Tax Charge		
United Kingdom corporation tax at 25% (2010 28%)	-	-
	-	-
Deferred taxation		
Origination and reversal of timing differences	(463,375)	78,236
Prior year adjustment	(6,198)	(54,819)
Rate change on brought forward balances	-	23,690
Deferred tax (credit)/charge	(469,573)	47,107
Tax on loss on ordinary activities	(469,573)	47,107
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	(1,938,272)	(1,174,003)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25% (2010 – 28%)	(484,568)	(328,721)
Effects of:		
Non deductible expenses	13,164	23,510
Non qualifying depreciation	25,333	47,654
Depreciation in excess of capital allowances	110,817	139,148
Loss on disposal in previous period	1,422	-
Other short term timing differences	(1,375)	3,920
Losses created/(utilised) in current period	195,533	(253,418)
Non trade deficit carried forward	55,511	2,829
Impairment charges	84,163	365,078
Current tax charge	-	-

OAKLEY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

11 TANGIBLE FIXED ASSETS

	Assets under construction £	Leasehold improve- ments £	Display stands £	Fixtures, fittings £	Motor vehicles £	Total £
Cost:	103,698	3,931,503	823,520	1,319,476	14,835	6,193,032
At 1 January 2011						
Additions	401,812	179,671	74,480	15,060	-	671,023
Disposals	-	(789,484)	(384,439)	(746,199)	(14,835)	(1,934,957)
Transfers	(462,980)	459,364	-	3,616	-	-
At 31 December 2011	42,530	3,781,054	513,561	591,953	-	4,929,098
Accumulated depreciation:						
At 1 January 2011	-	3,044,924	515,489	870,776	12,054	4,443,243
Charge for the year	-	290,894	129,659	129,156	309	550,018
Disposals	-	(789,483)	(381,193)	(740,864)	(12,363)	(1,923,903)
Impairment	-	336,652	-	-	-	336,652
At 31 December 2011	-	2,882,987	263,955	259,068	-	3,406,010
Net book value:						
At 31 December 2011	42,530	898,067	249,606	332,885	-	1,523,088
At 31 December 2010	103,698	886,579	308,031	448,700	2,781	1,749,789

12. STOCKS

	2011 £	2010 £
Finished goods and goods for resale	<u>1,301,236</u>	<u>1,756,625</u>

There are no material differences between the replacement cost of stock and the balance sheet amounts

13 DEBTORS: (Amounts falling due within one year)

	2011 £	2010 £
Trade debtors	2,208,077	1,895,668
Amounts owed by group undertakings	5,225,924	2,944,799
Other debtors	165,756	10,554
Prepayments and accrued income	645,748	491,255
Deferred tax asset (Note 14)	1,085,787	616,214
	<u>9,331,292</u>	<u>5,958,490</u>

OAKLEY (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011****14. DEFERRED TAX ASSET**

	2011 £	2010 £
Balance at beginning of year	616,214	663,321
Credit/(charge) for year	463,375	(78,236)
Prior year adjustment	6,198	54,819
Change in rate adjustment	-	(23,690)
Balance at end of year	<u>1,085,787</u>	<u>616,214</u>

The deferred tax asset which has been recognised is primarily in respect of trading losses generated in both the current and preceding year which are available to carry forward and offset against future profits arising from the same trade

15 FORWARD FOREIGN EXCHANGE CONTRACTS

The company has entered into forward foreign exchange contracts with Luxottica Trading and Finance Limited (a related entity) to hedge Euro and USD foreign currency exposures. Forward foreign exchange contracts are initially recorded at their fair value and re-measured at fair value at subsequent reporting dates. The fair value of the open contracts is calculated by reference to the difference between the contracted rate and the rate required to close out the contracts on the reporting date.

Realised and movements in unrealised gains and losses on forward foreign exchange contracts are included in the profit and loss account under "Other operating expenses". At 31 December 2011, the net nominal value of the forward foreign exchange contracts was £4,050,523 (2010 £3,054,045) and the fair value included under amounts owed to group undertakings in the balance sheet was a net liability of £47,916 (2010 net asset of £30,375). The forward foreign exchange contracts mature within three months from the balance sheet date.

The company is a subsidiary undertaking with 100% of the voting rights being controlled within the group and therefore, the company has availed of the exemption under FRS 29 Financial Instruments: Recognition and Measurements. The company's results are included in the consolidated financial statements of Luxottica, which include disclosures that comply with this standard.

16. CREDITORS: (Amounts falling due within one year)

	2011 £	2010 £
Trade creditors	521,768	470,435
Amounts owed to group undertakings	10,575,490	5,995,910
Other taxes and social security	73,154	76,438
VAT payable	32,707	201,159
Accruals	407,297	454,739
	<u>11,610,416</u>	<u>7,198,681</u>

OAKLEY (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011****17. CREDITORS: (Amounts falling due after one year)**

	2011 £	2010 £
Deferred income	286,226	131,830
	<u>286,226</u>	<u>131,830</u>

Deferred income relates to rent free periods on White City and Bristol retail outlets

18. PROVISION FOR LIABILITIES AND CHARGES

	2011 £	2010 £
Redundancy and lease commitments	444,330	938,846
	<u>444,330</u>	<u>938,846</u>

19. SHARE CAPITAL

	2011 £	2010 £
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>

20. PROFIT AND LOSS ACCOUNT

	2011 £	2010 £
Balance at beginning of year	1,824,121	3,045,231
Loss for the year	<u>(1,468,699)</u>	<u>(1,221,110)</u>
Balance at end of year	<u>355,422</u>	<u>1,824,121</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds	1,825,121	3,046,231
Loss for the year	<u>(1,468,699)</u>	<u>(1,221,110)</u>
Closing shareholders' funds	<u>356,422</u>	<u>1,825,121</u>

OAKLEY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

22. PENSION COSTS

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions for the year charged to the profit and loss account amounted to £45,654 (2010: £77,526). Contributions owed to the scheme at the year-end were £10,609 (2010: £14,000).

23. FINANCIAL COMMITMENTS

At 31 December 2011, the company was committed to making the following payments under non-cancellable operating leases as set out below:

	Land and buildings 2011 £	Land and buildings 2010 £	Other 2011 £	Other 2010 £
Operating Leases which expire				
- within one year	20,625	123,107	-	184,563
- between two to five years	1,681,077	392,300	-	20,214
- after five years	8,027,440	10,390,493		-

24. CAPITAL COMMITMENTS

At 31 December 2011 and 31 December 2010 the company had no capital commitments.

25. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Oakley Inc, a company incorporated in the United States of America. The company's ultimate holding company is Delfin S a r l, a company incorporated in Luxembourg.

Luxottica Group SpA is the parent undertaking of the smallest and largest group in which the group is consolidated. Financial statements of Luxottica Group SpA can be obtained from Via Cantù 2, 20123 Milano, Italy.

26. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures from disclosing transactions with other members of the group, which are wholly owned subsidiaries of the group, headed by Luxottica Group SpA and which are eliminated upon consolidation.

27. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to ensure consistency with current year presentation.