

Oakley (UK) Limited

Annual Report and
Financial Statements
for the year ended
31 December 2012

Company Registration No 1310079

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OAKLEY (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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OAKLEY (UK) LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

J Perreault
R Maher

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

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1

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 2012

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 was acquired by Luxottica Group S p A 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 and has incorporated the European E-Commerce activities as part of the Company's operations

As from 1 January 2012 the Company's principal activity has been the marketing and distribution of Oakley branded products in the UK for the wholesale sports channel as well as operating Oakley retail stores and European E-Commerce operations

The Directors, at the date of this report, are not aware of any significant changes in the Company's activities planned for the next year

RESULTS AND DIVIDENDS

The results for the year are set out on page 11. As shown in the Profit and Loss account, revenue for the year ended 31 December 2012 was £21,869,983 compared with £19,257,914 for the prior year, a 13.6% increase year on year. This was mainly due to the increase in web sales.

Gross margin for the year was up 1.2%, 49.6% compared to 48.4% in the prior year. This was due to the increase in margin made on web sales and the higher proportion of web sales over total sales.

Administrative expenses increased (£10,406,334 compared to £10,405,836 in the prior year) and can be attributed to an increase in Marketing spend with the London Olympics a key factor. The profit before taxation was £241,536, compared with a loss of £1,938,272 in the prior year.

The Balance Sheet on page 12 of the financial statements shows a decrease in fixed assets of £395,262 due to the impairment and depreciation during the year, offset by marginal additions.

The directors do not recommend payment of a dividend. No dividend was paid in 2012 (2011: £Nil).

Details of the number of employees and related costs can be found in note 5 on page 14 of the financial statements.

POST BALANCE SHEET EVENTS

There were no significant events occurring post balance sheet date.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

There were no research and development costs during the year.

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 2012 and are foreseen to continue into 2013

Price Risk

The Company does not have direct exposure to 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 2012 the Company has in place a foreign exchange forward portfolio which mitigates against the risk of foreign exchange exposure

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 manage 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

OAKLEY (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND SECRETARY'S INTEREST

The Directors and Secretary who held office at 31 December 2012 had no interests in the share capital of the Company at the beginning date of their appointment or at the end of the year

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

Ordinary shares in Luxottica Group SpA	At 31/12/2012	At 1/1/2012
Josee Perreault	-	-
Robert Maher	-	-
<hr/>		
Options on ordinary shares in Luxottica Group SpA	At 31/12/2012	At 1/1/2012
Josee Perreault	25,500	25,500
Robert Maher	-	-
<hr/>		

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

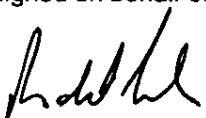
- a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that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

PricewaterhouseCoopers were appointed as auditors for the 2012 financial year and have expressed a willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM

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



Director

Date 12.05.13

ROBERT MAHER

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, 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.



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 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 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 standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- has 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.




INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OAKLEY (UK) LIMITED - continued

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 for 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


Alisa Hayden (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin

22 May 2013

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

CASH FLOW

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 the cash flow statement is disclosed in its ultimate parent Company's group accounts

FINANCIAL INSTRUMENTS

Financial assets 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 as 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

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
Displays	4 years
Motor vehicles	5 years (company cars over 4 years)
Fixtures and fittings	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

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 complete including relevant selling and distribution costs

LEASES

Rentals payable under operating leases are charged against income on a straight line basis over the lease term, even if the payments are not made on such a basis 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. The Company earns revenue via three revenue streams as follows:

- Wholesales sales within the UK
- Sales from Retail stores within the UK
- Web sales across the Europe, Middle East and Africa region

The terms and conditions for wholesale and web sales are free on board shipping and are settled net 30 – 90 days for wholesale and at time of online transaction for web sales. Retail sales are settled with cash.

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 has 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.

TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. Trade receivables are recognised initially at the value of the transaction and subsequently measured at carrying value less provision for impairment. The terms and conditions for wholesale and web sales are free on board shipping and are settled net 30 – 90 days for wholesale and at time of online transaction for web sales. Retail sales are settled with cash.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at cost. Creditor payments are made 30 days after the date of invoice.

OAKLEY (UK) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £	2011 £
Turnover	1	21,869,983	19,257,914
Cost of sales		<u>(11,032,652)</u>	<u>(9,942,313)</u>
Gross profit:		10,837,331	9,315,601
Administrative expenses		(10,406,334)	(10,405,836)
Other operating expenses	2	<u>(45,978)</u>	<u>(2,306)</u>
Operating profit/(loss):		385,019	(1,092,541)
Restructuring of continuing operations	3	<u>(108,972)</u>	<u>(795,162)</u>
Profit/(Loss) on ordinary activities before financial income		276,047	(1,887,703)
Interest payable and other expense	6	<u>34,511</u>	<u>50,569</u>
Profit/(Loss) on ordinary activities before taxation	7	241,536	(1,938,272)
Taxation on ordinary activities	8	<u>(196,526)</u>	<u>469,573</u>
Profit/(Loss) on ordinary activities after taxation	18 & 19	<u>45,010</u>	<u>(1,468,699)</u>

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

The notes to these accounts form an integral part of the financial statements

OAKLEY (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible fixed assets	9	<u>1,127,826</u>	<u>1,523,088</u>
Current assets			
Stocks	10	1,493,954	1,301,236
Debtors (Amounts falling due within one year)	11	10,215,136	9,331,292
Cash at bank and in hand		<u>874,275</u>	<u>541,778</u>
		<u>12,583,365</u>	<u>11,174,306</u>
Creditors: (Amounts falling due within one year)	14	<u>(13,011,740)</u>	<u>(11,610,416)</u>
Net current assets		<u>(428,375)</u>	<u>(436,110)</u>
Total assets less current liabilities		<u>699,451</u>	<u>1,086,978</u>
Creditors: (Amounts falling due after one year)	15	<u>(55,352)</u>	<u>(286,226)</u>
Provisions for liabilities and charges	16	<u>(242,667)</u>	<u>(444,330)</u>
Net assets		<u>401,432</u>	<u>356,422</u>
Capital and reserves			
Called-up share capital	17	1,000	1,000
Profit and loss account	18	<u>400,432</u>	<u>355,422</u>
Shareholders' funds	19	<u>401,432</u>	<u>356,422</u>

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



Director

Date 10.05.13

ROBERT MAHER

OAKLEY (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. TURNOVER

All turnover is derived from the principal activity of the company

	2012 £	2011 £
Geographical market (destination)		
United Kingdom continuing activities	18,802,225	16,916,390
Rest of EU	2,490,931	1,949,614
Outside of EU	576,827	391,910
	<u>21,869,983</u>	<u>19,257,914</u>

2. FINANCE INCOME/ (EXPENSE) NON OPERATING COSTS

Other non operating expenses include net fair value losses on forward foreign exchange contracts amounting to £100,335 (2011 £122,333)

3. RESTRUCTURING OF CONTINUING OPERATIONS

	2012 £	2011 £
Impairment of fixed assets	59,693	336,652
Redundancy and outplacement cost	49,279	458,510
	<u>108,972</u>	<u>795,162</u>

The assets of stores in Bluewater and Bristol were impaired based on future expected results
The Company has negotiated exiting lease contracts for both stores in June 2013

4. TRANSACTIONS WITH DIRECTORS

No transactions with Directors in financial year 2012

OAKLEY (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012****5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2012 £	2011 £
Directors' remuneration		
Emoluments for qualifying services	-	159,178
Company pension contributions to money purchase schemes	-	10,094
	<u>-</u>	<u>169,272</u>
Remuneration disclosed above includes the following amounts to the highest paid director	-	-
Emoluments for qualifying services	-	159,178
Company pension contributions to money purchase schemes	-	10,094

	No.	No.
Average number of persons employed		
Directors	-	1
Sales	90	72
Administration	6	20
	<u>96</u>	<u>93</u>

	2012 £	2011 £
Staff costs during the year		
Wages and salaries	2,232,577	2,229,902
Social security costs	266,358	287,822
Other Pension costs	50,253	45,654
	<u>2,549,188</u>	<u>2,563,378</u>

There are no directors for whom retirement benefits are accruing under money purchase pension schemes
The actual pension employer contributions for the year are £50,253

6. INTEREST PAYABLE AND OTHER EXPENSE

	2012 £	2011 £
Bank interest (income)/expense	(125)	(33)
Other interest (income)/expense	34,636	50,602
	<u>34,511</u>	<u>50,569</u>

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £	2011 £
Profit/(loss) on ordinary activities before taxation has been arrived at after charging.		
Depreciation	502,653	550,018
Operating lease rentals – other assets	1,209,664	1,589,101
Auditor's remuneration		
- audit fees	20,000	18,000
- other assurance services	-	-
- tax advisory services	-	-
- other non-audit services	-	-
Restructuring of continuing operations	108,972	795,162

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

8 TAXATION ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current Tax Charge		
United Kingdom corporation tax at 24.5% (2011: 25%)	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Deferred taxation		
Origination of timing differences	(210,142)	463,375
Reversal of timing differences	13,615	-
Prior Year Adjustment	-	6,198
	<u>(196,526)</u>	<u>469,573</u>
Deferred tax (charge)/credit	<u>(196,526)</u>	<u>469,573</u>
Tax on profit/(loss) on ordinary activities	<u>(196,526)</u>	<u>469,573</u>
Factors affecting the tax charge for the year:		
Profit/(Loss) on ordinary activities before taxation	<u>241,536</u>	<u>(1,938,272)</u>
Profit/(Loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.5% (2011: 25%)	59,176	(484,568)
Effects of:		
Non deductible expenses	4,112	13,164
Non qualifying depreciation & loss on disposal	47,436	25,333
Depreciation in excess of capital allowances	75,697	110,817
Loss on Disposal in previous Period	-	1,422
Other short term timing differences	-	(1,375)
Losses (utilised)/created in current period	(210,110)	195,533
Non trade deficit carried forward	-	55,511
Provisions tax adjustment	9,065	-
Impairment charges	14,624	84,163
Current tax charge	<u>-</u>	<u>-</u>

The impairment charges are in relation to Bluewater and Bristol fixed assets which have been impaired by £59,690

OAKLEY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

9. TANGIBLE FIXED ASSETS

	Assets under construction £	Leasehold improve- ments £	Displays £	Fixtures & fittings £	Total £
Cost:					
At 1 January 2012	42,530	3,781,054	513,561	591,953	4,929,098
Additions	11,541	24,735	75,099	55,709	167,084
Disposals	-	-	(116,484)	-	(116,484)
AUC Transfers	(42,436)	42,436	-	-	-
At 31 December 2012	11,635	3,848,225	472,176	647,662	4,979,698
Accumulated depreciation:					
At 1 January 2012	-	2,882,987	263,955	259,068	3,406,010
Charge for the year	-	267,498	107,673	127,482	502,653
Disposals	-	-	(116,484)	-	(116,484)
Impairment	-	51,212	-	8,481	59,693
At 31 December 2012	-	3,201,697	255,144	395,031	3,851,872
Net book value.					
At 31 December 2012	11,635	646,528	217,032	252,631	1,127,826
At 31 December 2011	42,530	898,067	249,606	332,885	1,523,088

OAKLEY (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012****10. STOCKS**

	2012 £	2011 £
Finished goods and goods for resale	<u>1,493,954</u>	<u>1,301,236</u>

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

11. DEBTORS. (Amounts falling due within one year)

	2012 £	2011 £
Trade debtors	2,226,207	2,208,077
Amounts owed by fellow group companies	6,440,855	5,225,924
Other debtors	168,897	165,756
Prepayments and accrued income	489,916	645,748
Deferred tax asset (Note 12)	889,261	1,085,787
	<u>10,215,136</u>	<u>9,331,292</u>

12. DEFERRED TAX ASSET

	2012 £	2011 £
Brought Forward	1,085,787	616,214
Profit and loss charge/tax losses available	(210,142)	463,375
Prior year adjustment	-	6,198
Prior year rate changes	13,616	-
Balance at 31 December	<u>889,261</u>	<u>1,085,787</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

OAKLEY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

13 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 are 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 2012, the net nominal value of the forward foreign exchange contracts was £10,698,958 (2011: £4,050,523) and the fair value included under amounts owed to group undertakings in the balance sheet was a net asset of £77,192 (2011: net liability of £47,916). 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.

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

	2012 £	2011 £
Trade creditors	194,556	521,768
Amounts owed to fellow group companies	12,215,140	10,575,490
Vat (Receivable) Payable	(16,897)	32,707
Other taxes and social security	48,046	73,154
Accruals	570,895	407,297
	<u>13,011,740</u>	<u>11,610,416</u>

15. CREDITORS (Amounts falling due after one year)

	2012 £	2011 £
Lease Incentives	55,352	286,226
	<u>55,352</u>	<u>286,226</u>

The variance year on year is due to the acceleration of the Rent Free Period in both White City and Bristol.

OAKLEY (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012****16 PROVISIONS FOR LIABILITIES AND CHARGES**

	2012 £	2011 £
Redundancy and lease commitment	242,667	444,330
	<u>242,667</u>	<u>444,330</u>

17. CALLED-UP SHARE CAPITAL

	2012 £	2011 £
Authorised: 10,000 ordinary shares of £1 each	10,000	10,000
Called-up, allotted and fully paid 1,000 ordinary shares of £1 each	1,000	1,000

18. RECONCILIATION OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
Balance at beginning of year	355,422	1,824,121
Profit/(Loss) for the year	45,010	(1,468,699)
Balance at end of year	<u>400,432</u>	<u>355,422</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	356,422	1,825,121
Profit/(Loss) for the year	45,010	(1,468,699)
Closing shareholders' funds	<u>401,432</u>	<u>356,422</u>

OAKLEY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

20. FINANCIAL COMMITMENTS

At 31 December 2012, the Company was committed to making the following payments under non-cancellable operating leases as set out below

	Land and buildings 2012 £	Land and buildings 2011 £
Operating Leases which expire		
- within one year	344,000	20,625
- between two to five years	164,000	1,681,077
- after five years	4,020,377	8,027,440
	<u>4,528,377</u>	<u>9,729,142</u>

21. CAPITAL COMMITMENTS

At 31 December 2012 capital commitments were nil (2011 nil)

22. 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 à 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.

23. 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.

Transactions with Directors of the Company are disclosed in note 5.

24. COMPARATIVE FIGURES

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

25. SUBSEQUENT EVENTS

There have been no events subsequent to the balance sheet date requiring disclosure in the financial statements.

OAKLEY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

26. CREDIT FACILITY

There is a credit facility with the bank of a limit of £180,000. The assets of the Company are held as security resulting in restricted cash of £123,994 (2011 nil) included in prepaids at year end December 2012.

27. RESEARCH & DEVELOPEMENT

There was no expense in relation to Research & Development in the year ending December 2012 (2011 nil).