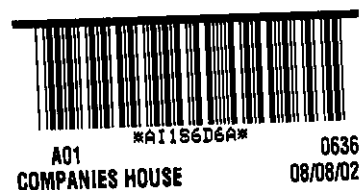


Company Registration No. 1310079 (England and Wales)

**OAKLEY (UK) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**



# OAKLEY (UK) LIMITED

## COMPANY INFORMATION

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**Directors**

C. Ward  
D. Gordon  
L. Newcomb  
G. Lee (Appointed 1 January 2002)  
P. Ansell  
J. Tennyson (Appointed 1 January 2002)  
J. Pollard

**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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Cash flow statement	6
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# OAKLEY (UK) LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

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The directors present their report and financial statements for the year ended 31 December 2001.

### 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.

An interim ordinary dividend was paid amounting to £1,409,741. The directors do not recommend payment of a final 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 2001:

C. Ward	
D. Gordon	
L. Newcomb	
G. Lee	(Appointed 1 January 2002)
P. Ansell	
J. Tennyson	(Appointed 1 January 2002)
J. Pollard	

### Directors' interests

None of the directors have a beneficial interest in the shares of the company.

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

	Common stock of \$0.01 each	
	31 December 2001	1 January 2001
C. Ward	1,000	-
L. Newcomb	32,845	20,389
D. Gordon	-	-
P. Ansell	-	-
J. Pollard	-	-

The directors have been granted options in the holding company, during the year, as stated below:

	31 December 2001	31 December 2000
C. Ward	1,000	5,000
L. Newcomb	50,000	-
D. Gordon	24,980	3,669
P. Ansell	1,000	1,500
J. Pollard	1,000	1,500

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# OAKLEY (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

The directors have exercised options, during the year, as stated below:

	31 December 2001	31 December 2000
C. Ward	-	-
L. Newcomb	139,764	185,581
D. Gordon	14,909	15,784
P. Ansell	-	2,500
J. Pollard	2,500	-

### Charitable contributions

During the year the company made charitable donations of £2,007 (2000 : £810).

### 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.

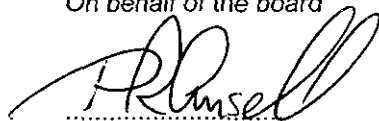
### Directors' responsibilities

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



3/2/2002

Director

# OAKLEY (UK) LIMITED

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

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We have audited the financial statements of Oakley (UK) Limited on pages 4 to 15 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

### Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

12th February 2002

*Morton Thornton*

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 2001

	Notes	2001 £	2000 £
Turnover	2	20,234,559	14,825,090
Cost of sales		(12,925,678)	(9,797,413)
<b>Gross profit</b>		7,308,881	5,027,677
Administrative expenses		(4,332,839)	(3,025,219)
Other operating income		-	60,137
<b>Operating profit</b>	3	2,976,042	2,062,595
Other interest receivable and similar income		38,050	33,350
Interest payable and similar charges	4	(252,893)	113
<b>Profit on ordinary activities before taxation</b>		2,761,199	2,096,058
Tax on profit on ordinary activities	5	(839,353)	(650,135)
<b>Profit on ordinary activities after taxation</b>		1,921,846	1,445,923
Dividends	6	(1,409,741)	-
<b>Retained profit for the year</b>	14	512,105	1,445,923

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

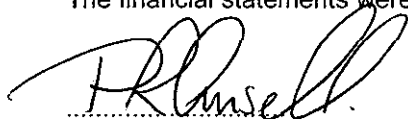
There are no recognised gains and losses other than those passing through the profit and loss account.

# OAKLEY (UK) LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	2001 £	£	2000 £	£
<b>Fixed assets</b>					
Tangible assets	7		1,299,655		877,927
<b>Current assets</b>					
Stocks	8	2,362,761		1,541,636	
Debtors	9	2,244,679		2,617,207	
Cash at bank and in hand		253,010		255,190	
		<u>4,860,450</u>		<u>4,414,033</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,377,049)</u>		<u>(2,021,699)</u>	
<b>Net current assets</b>			<u>2,483,401</u>		<u>2,392,334</u>
<b>Total assets less current liabilities</b>			<u>3,783,056</u>		<u>3,270,261</u>
<b>Provisions for liabilities and charges</b>	11		<u>(690)</u>		<u>-</u>
			<u>3,782,366</u>		<u>3,270,261</u>
<b>Capital and reserves</b>					
Called up share capital	13		1,000		1,000
Profit and loss account	14		<u>3,781,366</u>		<u>3,269,261</u>
<b>Shareholders' funds - equity interests</b>	15		<u>3,782,366</u>		<u>3,270,261</u>

The financial statements were approved by the Board on ...8/2/2002...



Director



# OAKLEY (UK) LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
Net cash inflow from operating activities	3,195,178	966,171
Returns on investments and servicing of finance		
Interest received	38,050	33,350
Interest paid	(252,893)	113
Net cash (outflow)/inflow for returns on investments and servicing of finance	(214,843)	33,463
Taxation	(779,614)	(369,447)
Capital expenditure		
Payments to acquire tangible assets	(815,784)	(491,503)
Receipts from sales of tangible assets	22,624	10,100
Net cash outflow for capital expenditure	(793,160)	(481,403)
Equity dividends paid	(1,409,741)	-
Net cash (outflow)/inflow before management of liquid resources and financing	(2,180)	148,784
(Decrease)/increase in cash in the year	(2,180)	148,784

# OAKLEY (UK) LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

1	Reconciliation of operating profit to net cash inflow from operating activities	2001 £	2000 £
	Operating profit	2,976,042	2,062,595
	Depreciation of tangible assets	345,617	253,959
	Loss on disposal of tangible assets	25,815	2,696
	Increase in stocks	(821,125)	(412,593)
	Decrease/(increase) in debtors	372,528	(1,453,124)
	Increase in creditors within one year	296,301	512,638
	<b>Net cash inflow from operating activities</b>	<b>3,195,178</b>	<b>966,171</b>

2	Analysis of net funds	1 January 2001 £	Cash flow £	Other non-cash changes £	31 December 2001 £
	Net cash:				
	Cash at bank and in hand	255,190	(2,180)	-	253,010
	<b>Net funds</b>	<b>255,190</b>	<b>(2,180)</b>	<b>-</b>	<b>253,010</b>

3	Reconciliation of net cash flow to movement in net funds	2001 £	2000 £
	(Decrease)/increase in cash in the year	(2,180)	148,784
	<b>Movement in net funds in the year</b>	<b>(2,180)</b>	<b>148,784</b>
	Opening net funds	255,190	106,406
	<b>Closing net funds</b>	<b>253,010</b>	<b>255,190</b>

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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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:

Leasehold improvement	Over the term of the lease (if the assets are integral to the premises) otherwise over 5 years
Display stands	Over 4 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 2001

### 2 Turnover

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

#### Geographical market

	Turnover 2001 £	2000 £
United Kingdom	19,851,789	14,634,836
Eire	382,770	190,254
	<u>20,234,559</u>	<u>14,825,090</u>

### 3 Operating profit

Operating profit is stated after charging:

	2001 £	2000 £
Depreciation of tangible assets	345,617	253,959
Operating lease rentals	249,762	68,198
Auditors' remuneration	14,700	11,000
	<u>609,079</u>	<u>333,157</u>

### 4 Interest payable

	2001 £	2000 £
On bank loans and overdrafts	1,297	(113)
On overdue tax	3,821	-
On promissory notes	247,775	-
	<u>252,893</u>	<u>(113)</u>

### 5 Taxation

#### Domestic current year taxation

	2001 £	2000 £
U.K. corporation tax	836,906	651,834
Adjustment for prior years	1,757	9,107
Deferred taxation	690	(10,806)
	<u>839,353</u>	<u>650,135</u>

### 6 Dividends

	2001 £	2000 £
Ordinary interim paid	1,409,741	-
	<u>1,409,741</u>	<u>-</u>

Ordinary interim dividend £1409.741 (2000- £nil) per share was paid during the year.

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

### 7 Tangible fixed assets

	Leasehold improvement	Display stands	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2001	526,311	441,114	472,449	313,607	1,753,481
Additions	191,695	177,710	334,114	112,265	815,784
Disposals	(2,744)	-	(220,968)	(62,490)	(286,202)
At 31 December 2001	715,262	618,824	585,595	363,382	2,283,063
<b>Depreciation</b>					
At 1 January 2001	246,485	233,725	295,667	99,677	875,554
On disposals	(897)	-	(199,587)	(37,279)	(237,763)
Charge for the year	79,987	115,596	84,372	65,662	345,617
At 31 December 2001	325,575	349,321	180,452	128,060	983,408
<b>Net book value</b>					
At 31 December 2001	389,687	269,503	405,143	235,322	1,299,655
At 31 December 2000	279,826	207,389	176,782	213,930	877,927

The company has reviewed its categorisation of fixed assets. The previous categories of short term leasehold and plant and machinery have been combined into one category entitled leasehold improvements. The plant and machinery assets were generally items such as new storage facilities which are correctly classified as leasehold improvements. The former category of leasehold costs did not actually include expenses relating to the leases themselves, but rather improvements to the premises and therefore are correctly included in the new category.

### 8 Stocks

	2001 £	2000 £
Finished goods and goods for resale	2,362,761	1,541,636

### 9 Debtors

	2001 £	2000 £
Trade debtors	2,117,858	2,397,287
Amounts owed by parent and fellow subsidiary undertakings	59,970	155,489
Other debtors	1,399	9,933
Prepayments and accrued income	65,452	54,498
	2,244,679	2,617,207

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

10 Creditors: amounts falling due within one year	2001 £	2000 £
Trade creditors	378,707	712,910
Amounts owed to parent and fellow subsidiary undertakings	1,171,485	598,624
Corporation tax	618,849	559,800
Other taxes and social security costs	101,103	102,788
Other creditors	5,834	-
Accruals and deferred income	101,071	47,577
	<u>2,377,049</u>	<u>2,021,699</u>

### 11 Provisions for liabilities and charges

	Deferred taxation £
Profit and loss account	690
	<u>690</u>

Deferred taxation provided in the financial statements is as follows:

	2001 £	Fully provided 2000 £
Accelerated capital allowances	690	-
	<u>690</u>	<u>-</u>

### 12 Pension costs

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £14,199 (2000 - £62,147). At the balance sheet date there was an outstanding creditor of £5,884 (2000- £nil).

13 Share capital	2001 £	2000 £
<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 2001

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

	Profit and loss account £
Balance at 1 January 2001	3,269,261
Retained profit for the year	512,105
	<hr/>
Balance at 31 December 2001	3,781,366
	<hr/>

### 15 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	1,921,846	1,445,923
Dividends	(1,409,741)	-
	<hr/>	<hr/>
Net addition to shareholders' funds	512,105	1,445,923
Opening shareholders' funds	3,270,261	1,824,338
	<hr/>	<hr/>
Closing shareholders' funds	3,782,366	3,270,261
	<hr/>	<hr/>

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 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 the exercising of which will be borne by Oakley (UK) Limited.

Two types of contract have been entered into, with Forward Extra contracts Oakley Inc have an option not to take the contract unless the exchange rate exceeds the trigger rate, with Forward contracts no such option exists.

#### Forward Extra Contracts

	US \$	Exchange rate on forward contract	Sterling equivalent	Trigger rate
January	750,000	1.4500	517,242	1.5300
February	1,250,000	1.4500	862,069	1.5350
March	500,000	1.4500	344,828	1.5400
April	1,400,000	1.4500	965,517	1.5450
May	500,000	1.4500	344,828	1.5500
May	1,000,000	1.4000	714,286	1.5067
June	1,750,000	1.4500	1,206,897	1.5550
July	1,600,000	1.4500	1,103,448	1.5600
August	1,500,000	1.4500	1,034,483	1.5650
September	1,500,000	1.4500	1,034,483	1.5700
October	1,250,000	1.4500	862,069	1.5750
November	1,000,000	1.4500	689,655	1.5800
December	1,000,000	1.4500	689,655	1.5850

#### Forward Contract

March	1,000,000	1.4130	707,714	N/A
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### 17 Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2001	2000
	£	£
Expiry date:		
Between two and five years	15,000	63,686
In over five years	275,000	197,410
	<u>290,000</u>	<u>261,096</u>

The company had entered into a contract to purchase four vehicles at a cumulative cost of £57,359 just prior to the year end.



# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

18 Directors' emoluments	2001 £	2000 £
Emoluments for qualifying services	488,131	337,967
Company pension contributions to money purchase schemes	11,439	58,795
Compensation for loss of office	-	50,000
	<u>499,570</u>	<u>446,762</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2000 - 3).

The number of directors who exercised share options during the year was 3 (2000 - 1).

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

Emoluments for qualifying services	263,282	232,279
Company pension contributions to money purchase schemes	4,971	4,971

The share options are for shares in the parent company, Oakley Inc, details are disclosed in the directors' report.

### 19 Transactions with directors

During the year C. Ward purchased goods from the company on normal commercial terms amounting to £4,356 (2000- £3,902), of which £nil (2000- £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.

# OAKLEY (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 20 Employees

#### Number of employees

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

	2001 Number	2000 Number
Directors	5	5
Administration	63	43
	<u>68</u>	<u>48</u>

#### Employment costs

	£	£
Wages and salaries	1,938,317	1,346,365
Social security costs	171,916	137,859
Other pension costs	14,199	62,147
	<u>2,124,432</u>	<u>1,546,371</u>

### 21 Control

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

### 22 Related party transactions

Oakley Europe, Oakley (GMBH) and Oakley (UK) Limited are all subsidiaries of Oakley Inc. At 31 December 2001 Oakley (UK) Limited was owed £4,997 (2000- £4,236) by Oakley Europe and £54,973 (2000- £151,252) by Oakley (GMBH), in addition Oakley (UK) Limited owed Oakley Europe £2,493 (2000- £20,985). During the year Oakley Europe received goods and services of £56,972 (2000- £29,080) from Oakley (UK) Limited and supplied goods of £71,240 (2000- £30,685) to Oakley (UK) Limited; Oakley (GMBH) received goods and services of £113,230 (2000- £149,496) from Oakley (UK) Limited.

At 31 December 2001 Oakley (UK) Limited owed Oakley Inc £1,168,992 (2000- £598,624). Oakley Inc supplied goods to the company amounting to £12,133,376 (2000- £8,532,862) during the year.

C. Ward is a director of Axo Sport (UK) Limited. During the year this company received goods amounting to £81,742 (2000- £33,123) from Oakley (UK) Limited. At the year end Axo Sport (UK) Limited owed Oakley (UK) Limited £33,369 (2000- £9,933).

During 2000 the company entered into a promissory note agreement with Oakley International Inc, a subsidiary of Oakley Inc. This resulted in interest of £247,775 accruing during the year ended 31 December 2001, this was all paid prior to the year end.