

Edgar Filing: GARMIN LTD - Form 10-K/A

GARMIN LTD
Form 10-K/A
April 02, 2002

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the year ended December 29, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to ___
Commission file number 0-31983

GARMIN LTD.

(Exact name of Company as specified in its charter)

Cayman Islands	98-0229227
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification no.)
5th Floor, Harbour Place, P.O. Box 30464 SMB, 103 South Church Street	N/A (Zip Code)
George Town, Grand Cayman, Cayman Islands (Address of principal executive offices)	

Company's telephone number, including area code: (345)-946-5203*

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Common Shares, \$0.01 Per Share Par Value
(Title of Class)

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Company's knowledge, in a definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the voting and non-voting shares held by non-affiliates of the Company as of March 22, 2002, based on the closing price of the Registrant's common shares on the Nasdaq Stock Market for that date

Common Shares, \$.01 par value - \$1,166,074,202

Number of shares outstanding of the Company's common shares as of March 22, 2002:

Common Shares, \$.01 par value - 107,779,568

Documents incorporated by reference:

Portions of the following documents are incorporated herein by reference into Part of the Form 10-K as indicated:

Edgar Filing: GARMIN LTD - Form 10-K/A

Document Part of Form 10-K into which Incorporated Part III Company's Definitive Proxy Statement for the 2002 Annual Meeting of Shareholders which will be filed no later than 120 days after December 29, 2001

*The executive offices of the Registrant's principal United States subsidiary are located at 1200 East 151st Street, Olathe, Kansas 66062. The telephone number there is (913) 397-8200.

On March 27, 2002, the Company filed an Annual Report on Form 10-K for the fiscal year ended December 29, 2001. This amendment on Form 10-K/A is filed for the sole purpose of adding the name and conformed signature of the independent auditors to the Report in Item 8. The name and conformed signature were inadvertently omitted in the March 27, 2002 electronic filing.

Item 8. Financial Statements and Supplementary Data

Garmin Ltd. and Subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Contents

Report of Independent Auditors.....37
Consolidated Balance Sheets at December 29, 2001 and December 30, 2000.....38
Consolidated Statements of Income for the Years Ended December 29, 2001, December 30, 2000, and December 25, 1999.....39
Consolidated Statements of Stockholders' Equity for the Years Ended December 29, 2001, December 30, 2000, and December 25, 1999.....40
Consolidated Statements of Cash Flows for the Years Ended December 29, 2001, December 30, 2000, and December 25, 1999.....41
Notes to Consolidated Financial Statements.....43

Report of Independent Auditors

The Board of Directors and Stockholders
Garmin Ltd.

We have audited the accompanying consolidated balance sheets of Garmin Ltd. and subsidiaries (the Company) as of December 29, 2001 and December 30, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 29, 2001. Our audits also included the financial statement schedule listed in the index at Item 14(a)(2). These financial statements and schedule are the responsibility of

Edgar Filing: GARMIN LTD - Form 10-K/A

the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Garmin Ltd. and subsidiaries at December 29, 2001 and December 30, 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 29, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP
Ernst & Young LLP

Kansas City, Missouri
February 1, 2002

Garmin Ltd. and Subsidiaries

Consolidated Balance Sheets (In Thousands, Except Share Information)

	December 29, 2001	Decemb 20
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$192,842	\$25
Marketable securities (Note 3)	40,835	
Accounts receivable, less allowance for doubtful accounts of \$2,627 in 2001 and \$1,866 in 2000	47,998	3
Inventories	61,132	8
Deferred income taxes (Note 8)	7,007	1
Prepaid expenses and other current assets	2,921	
	-----	-----
Total current assets	352,735	38
Property and equipment (Note 5):		
Land and improvements	20,414	2

Edgar Filing: GARMIN LTD - Form 10-K/A

Building and improvements	32,864	2
Office furniture and equipment	11,365	
Manufacturing equipment	17,282	1
Engineering equipment	11,671	
Vehicles	1,671	

	95,267	8
Accumulated depreciation	25,181	2

	70,086	6
Restricted cash (Note 5)	1,600	
Marketable securities (Note 3)	90,749	
Intangible assets	16,985	

Total assets	\$532,155	\$46
	=====	
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 18,837	\$ 2
Salaries and benefits payable	3,308	
Accrued warranty costs	4,777	
Accrued sales program costs	2,518	
Other accrued expenses (Note 9)	2,967	
Income taxes payable	12,444	1
Current portion of long-term debt (Note 5)	4,177	

Total current liabilities	49,028	4
Long-term debt (Note 5)	28,011	4
Deferred income taxes (Note 8)	1,147	
Other liabilities	-	
Stockholders' equity:		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none issued	-	
Common stock, \$0.01 par value 500,000,000 shares authorized (Notes 12 and 13):		
Shares issued and outstanding - 107,774,918 in 2001 and 108,242,111 in 2000	1,078	
Additional paid-in capital	127,131	13
Retained earnings (Notes 5 and 6)	365,087	25
Accumulated other comprehensive loss	(39,327)	(2)

Total stockholders' equity	453,969	36

Total liabilities and stockholders' equity	\$532,155	\$46
	=====	

See accompanying notes.

Garmin Ltd. and Subsidiaries

Consolidated Statements of Income
(In Thousands, Except Share and Per Share Information)

Edgar Filing: GARMIN LTD - Form 10-K/A

	Year Ended		
	December 29, 2001	December 30, 2000	December
Net sales	\$369,119	\$345,741	\$23
Cost of goods sold	170,960	162,015	10
Gross profit	198,159	183,726	12
Selling, general, and administrative expenses	38,709	32,669	2
Research and development expense	28,164	21,764	1
	66,873	54,433	4
Operating income	131,286	129,293	8
Other income (expense):			
Interest income	11,164	6,925	
Interest expense	(2,174)	(2,287)	
Foreign currency	11,573	6,962	(
Other	186	29	
	20,749	11,629	
Income before income taxes	152,035	140,922	8
Income tax provision (benefit):			
Current	33,781	39,723	1
Deferred	4,806	(4,464)	
	38,587	35,259	1
Net income	\$113,448	\$105,663	\$ 6
Basic and diluted net income per share (Note 14)	\$ 1.05	\$ 1.05	\$

See accompanying notes.

Consolidated Statements of Stockholders' Equity
(In Thousands, Except Per Share Information)

	Common Shares	Stock Dollars	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss
Balance at December 26, 1998	55,555	\$ 555	\$ 17,585	\$132,247	\$ (14,447)
Net income	-	-	-	64,167	-
Translation adjustment	-	-	-	-	2,022

Edgar Filing: GARMIN LTD - Form 10-K/A

Comprehensive income					
Cash dividend (\$0.13 per share)	-	-	-	(7,530)	-
80% stock dividend	44,445	445	12,008	(12,453)	-
<hr/>					
Balance at December 25, 1999	100,000	1,000	29,593	176,431	(12,425)
Net income	-	-	-	105,663	-
Translation adjustment	-	-	-	-	(10,483)
<hr/>					
Comprehensive income					
Cash dividend (\$0.29 per share)	-	-	-	(28,954)	-
Issuance of common stock in initial public offering, net of offering costs	8,242	82	104,332	-	-
<hr/>					
Balance at December 30, 2000	108,242	1,082	133,925	253,140	(22,908)
Net income	-	-	-	113,448	-
Translation adjustment	-	-	-	-	(15,519)
Adjustment related to effective portion of cash flow hedges, net of deferred taxes of \$579	-	-	-	-	(900)
<hr/>					
Comprehensive income					
Issuance of common stock from exercise of stock options	5	1	70	-	-
Issuance of common stock through stock purchase plan	123	1	1,463	-	-
Purchase and retirement of common stock	(595)	(6)	(8,327)	(1,501)	-
<hr/>					
Balance at December 29, 2001	107,775	\$1,078	\$127,131	\$365,087	\$(39,327)
<hr/> <hr/>					

See accompanying notes.

Garmin Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended		
	December 29, 2001	December 30, 2000	December 29, 1999
<hr/>			
Operating activities			
Net income	\$113,448	\$105,663	\$6,663
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,341	7,104	7,104
Amortization	3,527	465	465
Loss on disposal of property and equipment	23	1,605	1,605

Edgar Filing: GARMIN LTD - Form 10-K/A

Provision for doubtful accounts	1,137	911	
Provision for obsolete and slow-moving inventories	4,000	5,915	
Foreign currency translation	(5,593)	(4,831)	
Deferred income taxes	4,806	(4,464)	
Net sale of trading securities	-	-	
Changes in operating assets and liabilities:			
Accounts receivable	(17,894)	(3,250)	(1)
Inventories	22,958	(48,024)	(1)
Prepaid expenses and other current assets	(447)	(373)	
Accounts payable	(2,657)	7,961	
Accrued expenses	(1,016)	999	
Income taxes payable	358	13,812	
Net cash provided by operating activities	129,991	83,493	4
Purchases of property and equipment	(14,883)	(24,821)	(3)
Proceeds from sale of property and equipment	239	5,919	
Purchases of marketable securities	(1,684,985)	-	
Sales of marketable securities	1,553,401	-	
Purchase of assets of Sequoia Instruments, Inc.	(3,625)	-	
Purchases of licenses	(12,028)	(4,251)	
Change in restricted cash	4,239	(5,856)	
Other	(748)	95	
Net cash used in investing activities	(158,390)	(28,914)	(3)
Financing activities			
Dividends	-	(28,954)	
Proceeds from issuance of common stock, net of offering costs	-	104,414	
Proceeds from issuance of common stock through stock purchase plan	1,464	-	
Proceeds from issuance of common stock from exercise of stock options	71	-	
Proceeds from issuance of notes payable and long-term debt	-	-	
Proceeds from issuance of Industrial Revenue Bonds	-	20,000	
Principal payments on long-term debt	(14,189)	-	
Principal payments on notes payable	-	(5)	
Purchases of common stock	(9,834)	-	
Net cash (used in) provided by financing activities	(22,488)	95,455	
Effect of exchange rate changes on cash	(8,002)	(2,382)	
Net (decrease) increase in cash and cash equivalents	(58,889)	147,652	
Cash and cash equivalents at beginning of year	251,731	104,079	
Cash and cash equivalents at end of year	\$192,842	\$251,731	\$1

GARMIN LTD.SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
(In Thousands)

Year Ended

Edgar Filing: GARMIN LTD - Form 10-K/A

	December 29, 2001	December 30, 2000	Decemb
Supplemental disclosures of cash flow information			
Cash paid during the year for income taxes	\$ 38,844	\$ 28,788	\$
Cash received during the year from income tax refunds	\$ -	\$ 12	\$
Cash paid during the year for interest, net of \$405 of capitalized interest in 2000	\$ 2,011	\$ 2,223	\$
Supplemental disclosures of noncash investing and financing activities			
Liability recognized in accrued expenses related to cash flow hedges and charge to accumulated other comprehensive loss	\$ 1,479	\$ -	\$
Issuance of stock dividends	\$ -	\$ -	\$

See accompanying notes.

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization

On July 24, 2000, the stockholders of Garmin Corporation (GARMIN) incorporated Garmin Ltd. (the Company) under the laws of the Cayman Islands. Subsequently, the stockholders of GARMIN executed a Shareholders Agreement to transfer to Garmin Ltd. their investments in 88,988,394 common shares of stock of GARMIN. These shares, which represented approximately 100% of the issued and outstanding common stock of GARMIN as of July 24, 2000, were used by the stockholders to pay for their subscriptions to 100,000,000 common shares of Garmin Ltd. at a par value of \$0.01 or an aggregate value of \$1,000. As such, the exchange of shares in this reorganization between GARMIN and the newly formed holding company, Garmin Ltd., completed on September 22, 2000, has been accounted for at historical cost similar to that in pooling-of-interests accounting. In addition to the shares of GARMIN owned by Garmin Ltd., one share of GARMIN is held by each of six shareholders pursuant to the requirement of Taiwan law that a company have at least seven shareholders and 4,000 shares owned by two related stockholders who did not convert GARMIN shares to shares of the Company. These 4,006 shares are not reported as or considered to be held by minority interests in the accompanying consolidated financial statements due to immateriality. As a result, GARMIN is considered herein to be a wholly owned subsidiary of Garmin Ltd. As discussed in Note 12, Garmin Ltd. completed an initial public offering of its common stock in December 2000.

Edgar Filing: GARMIN LTD - Form 10-K/A

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Accordingly, the accompanying consolidated financial statements

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (continued)

reflect the accounts of Garmin Ltd. and its wholly owned subsidiaries as if the reorganization described in Note 1 was effective for all periods presented. All significant inter-company balances and transactions have been eliminated.

Nature of Business

Garmin Ltd. and subsidiaries (together, the Company) manufacture, market, and distribute Global Positioning System-enabled products and other related products. GARMIN was incorporated in Taiwan, Republic of China on January 16, 1990. GARMIN is primarily responsible for the manufacturing of the Company's consumer and portable aviation products and, to a lesser extent, new product development and sales and marketing of the Company's products in Asia and the Far East. Effective April 2001, the Company now acts as distributor for GARMIN. In April 1990, a 100%-owned subsidiary, Garmin International, Inc. (GII), was incorporated in the United States. GII is primarily responsible for sales and marketing of the Company's products in many international markets and in the United States as well as research and new product development. GII also manufactures certain products for the Company's aviation segment. During June 1992, GII formed Garmin (Europe) Limited (GEL), a wholly owned subsidiary in the United Kingdom, to sell its products principally within the European market. During 2000, GII sold its interest in GEL to Garmin Ltd. As a result, GEL is now a direct subsidiary of Garmin Ltd. Also during 2000, Garmin Realty LLC was formed by GII to hold certain real estate. In December 2001, GII formed Garmin USA as a sales organization.

Fiscal Year

The Company has adopted a 52-53-week period ending on the last Saturday of the calendar year. Due to the fact that there are not exactly 52 weeks in a calendar year and there is slightly more than one additional day per year (not including the effects of leap year) in each calendar year as compared to a 52-week fiscal year, the Company will have a fiscal year comprising 53 weeks in certain fiscal years, as determined by when the last Saturday of the calendar year occurs. In those resulting fiscal years that have 53 weeks, the Company will record an extra week of sales, costs, and related financial activity. Therefore, the financial results of those fiscal years, and the associated 14-week quarter, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. Fiscal 2001 and 1999 include 52 weeks while fiscal 2000 was comprised of 53 weeks.

Foreign Currency Translation

GARMIN utilizes the New Taiwan Dollar as its functional currency. Prior to 2001,

Edgar Filing: GARMIN LTD - Form 10-K/A

GEL utilized the British pound sterling as its functional currency. However, as a result of an increase in United States dollar-denominated transactions, GEL changed its functional currency to the United States dollar effective December 31, 2000. The impact of this change was not material. In accordance with Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation, the financial statements of GARMIN for all periods presented and GEL for fiscal 2000 and 1999 have been translated into United States dollars, the functional currency of Garmin Ltd. and GII, and the reporting currency herein, for purposes of consolidation at rates prevailing during the year for sales, costs, and expenses and at end-of-year rates for all assets and liabilities. The effect of this translation is recorded in a separate component of stockholders' equity.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (continued)

Transactions in foreign currencies are recorded at the approximate rate of exchange at the transaction date. Assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. All differences are recorded in results of operations and amounted to exchange gains (losses) of approximately \$11,573, \$6,962, and \$(1,469) for the years ended December 29, 2001, December 30, 2000, and December 25, 1999, respectively. These gains (losses) are included in other income (expense) in the accompanying consolidated statements of income. The gain in fiscal 2001 is the result of the strengthening of the United States dollar compared to the New Taiwan Dollar in the second and fourth quarters of fiscal 2001 while the gain in fiscal 2000 is principally attributable to the strengthening of the United States dollar compared to the New Taiwan Dollar in the fourth quarter of fiscal 2000.

Cumulative translation adjustments of \$38,427 and \$22,908 as of December 29, 2001 and December 30, 2000, respectively, have been included in accumulated other comprehensive loss in the accompanying consolidated balance sheets.

Earnings Per Share

Basic earnings per share amounts are computed based on the weighted-average number of common shares outstanding. For purposes of diluted earnings per share, the number of shares that would be issued from the exercise of dilutive stock options has been reduced by the number of shares which could have been purchased from the proceeds of the exercise at the average market price of the Company's stock during the period the options were outstanding. See Note 14.

Common Stock

The amount of retained earnings capitalized in connection with the stock dividends previously issued by the Company has been based on the par value of the underlying GARMIN common stock, which was the United States dollar equivalent of ten New Taiwan Dollars.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, operating accounts, money market funds, and securities with maturities of three months or less when purchased. The carrying amount of

Edgar Filing: GARMIN LTD - Form 10-K/A

cash and cash equivalents approximates fair value, given the short maturity of those instruments.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted-average method (which approximates the first-in, first-out (FIFO) method) by GARMIN and the FIFO method by GII and GEL. Inventories consisted of the following:

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (continued)

	December 29, 2001	December 30, 2000
Raw materials	\$26,381	\$46,418
Work-in-process	9,582	8,116
Finished goods	34,723	41,825
Inventory reserv	(9,554)	(6,504)
	\$61,132	\$89,855

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	8-55 years
Office furniture and equipment	3-8 years
Manufacturing and engineering equipment	3-8 years
Vehicles	3 years

Long-Lived Assets

In accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable. SFAS No. 121 has not had an impact on the Company's consolidated financial statements.

Intangible Assets

Intangible assets principally consist of costs incurred with certain licensing agreements totaling approximately \$11,400 and \$4,700 at December 29, 2001 and December 30, 2000, respectively. Licenses are being amortized over the lives of the related license agreements, which are generally three years. Accumulated amortization is approximately \$5,100 and \$2,300 at December 29, 2001 and December 30, 2000, respectively.

Other intangible assets consist of patents as well as goodwill and other intangible assets acquired in the Company's purchase of Sequoia Instruments, Inc. in November 2001. The total purchase price of \$3,625 was

Edgar Filing: GARMIN LTD - Form 10-K/A

allocated to goodwill, developed technology, and other intangibles. The purchase includes additional consideration of \$1,000 contingent on the completion of certain activities expected to occur in 2002 and thereafter.

Patents and other intangible assets are being amortized over the useful lives of the related assets, which is generally five to ten years. Accumulated amortization is \$391 and \$204 at December 29, 2001 and December 30, 2000, respectively.

Investments in Debt Securities

Management determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation as of each balance sheet date.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (continued)

Debt securities not classified as held-to-maturity and marketable equity securities not classified as trading are classified as available-for-sale. All of the Company's marketable securities are considered available-for-sale at December 29, 2001. See Note 3. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. During 2001, there were no significant unrealized gains or losses reported in other comprehensive income.

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is included in interest income from investments. Realized gains and losses, and declines in value judged to be other-than-temporary are included in net securities gains (losses). The cost of securities sold is based on the specific identification method. Realized gains and losses on available-for-sale securities were not material.

Financial Instruments

GII has entered into interest rate swap agreements to modify the interest characteristics of portions of its outstanding long-term debt from a floating rate to a fixed rate basis. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from the counterparty is included in other liabilities or assets. See Note 9.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with SFAS No. 109, Accounting for Income Taxes. The liability method provides that deferred tax assets and liabilities are recorded based

Edgar Filing: GARMIN LTD - Form 10-K/A

on the difference between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes as measured by the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income taxes have not been accrued at the GARMIN level for the unremitted earnings of GII or GEL totaling approximately \$96,948 and \$77,544 at December 29, 2001 and December 30, 2000, respectively, because such earnings are intended to be reinvested in these subsidiaries indefinitely.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company grants credit to certain customers who meet the Company's pre-established credit requirements. Generally, the Company does not require security when trade credit is granted to customers. Credit losses are provided for in the Company's consolidated financial statements and consistently have been within management's expectations.

Revenue Recognition

The Company recognizes revenue from product sales when the product is shipped to the customer and title has transferred. The Company assumes no remaining significant obligations associated with the product sale other than that related to its warranty programs discussed below.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (continued)

Shipping and handling costs are included in cost of sales in the accompanying consolidated financial statements.

Product Warranty

The Company provides for estimated warranty costs at the time of sale. The warranty period is generally for one year from date of shipment with the exception of certain aviation products for which the warranty period is two years from the date of installation.

Sales Programs

The Company provides certain monthly and quarterly incentives for its dealers based on various factors including dealer purchasing volume and growth. Additionally, the Company provides rebates to end users on certain products. Estimated rebates and incentives payable to distributors are regularly reviewed and recorded as accrued expenses on a monthly basis. These rebates and incentives are recorded as reductions to net sales in the accompanying consolidated statements of income.

Advertising Costs

Edgar Filing: GARMIN LTD - Form 10-K/A

The Company expenses advertising costs as incurred. Advertising expense charged to operations amounted to approximately \$14,714, \$11,529, and \$8,574 for the years ended December 29, 2001, December 30, 2000, and December 25, 1999, respectively.

Research and Development

Substantially all research and development is performed by GII in the United States. Research and development costs, which are expensed as incurred, amounted to approximately \$28,164, \$21,764, and \$17,339 for the years ended December 29, 2001, December 30, 2000, and December 25, 1999, respectively.

Accounting for Stock-Based Compensation

In accordance with Accounting Principles Board (APB) Opinion No. 25 and related interpretations, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of Company common stock at the grant date over the amount the employee must pay for the stock. Required pro forma disclosures of compensation expense determined under the fair value method of SFAS No. 123, Accounting for Stock-Based Compensation, are presented in Note 13.

Derivative Investments and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 2000. The Company adopted the new statement effective December 31, 2000, the beginning of fiscal 2001. This statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives not considered hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability or firm commitment through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. See Note 9.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (continued)

Recent Pronouncements

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations, for a disposal of a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company expects to adopt SFAS No. 144 as of December 30, 2001, and it does not expect that the adoption of the statement will have a significant impact on the

Edgar Filing: GARMIN LTD - Form 10-K/A

Company's financial position and results of operations.

In June 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 supercedes APB Opinion No. 16, Business Combinations, and FASB Statement No. 28, Accounting for Preacquisition Contingencies of Purchased Enterprises. This statement requires accounting for all business combination using the purchase method, and changes the criteria for recognizing intangible assets apart from goodwill. This statement is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 supercedes APB Opinion No. 17, Intangible Assets, and addresses how purchased intangibles should be accounted for upon acquisition. The statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. All intangibles will be subject to periodic impairment testing and will be adjusted to fair value.

The Company will adopt SFAS No. 142 beginning in the first quarter of 2002. Application of the nonamortization and impairment provisions of the statement is not expected to be significant.

Reclassifications

Certain amounts in the fiscal 1999 and 2000 consolidated financial statements have been reclassified to conform with the fiscal 2001 presentation.

Note 3. Investments

The following is a summary of the Company's marketable securities classified as available-for-sale-securities at December 29, 2001:

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (continued)

	Amortized Cost	Gross Unrealized Gains/Losses	Estimat Valu Carryi
Mortgage-backed securities	\$ 31,320	\$ -	\$ 31
Obligations of states and political subdivisions	55,116	-	55
U.S. corporate bonds	39,575	-	39
Other	5,573	-	5
Total	\$131,584	\$ -	\$131

The amortized cost and estimated fair value of debt securities at December 29, 2001, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

Edgar Filing: GARMIN LTD - Form 10-K/A

	Cost	Estimated Fair Value
Due in one year or less	\$ 40,835	\$ 40,835
Due after one year through five years	11,948	11,948
Due after five years through ten years	3,126	3,126
Due after ten years	75,675	75,675
	-----	-----
	\$131,584	\$131,584
	=====	=====

Note 4. Line of Credit

During December 2000, the Company renewed a line of credit agreement with a bank providing for maximum borrowings of \$5,000 less indirect borrowings under certain standby letters of credit which totaled approximately \$4,000 at December 30, 2000. There were no direct or indirect borrowings outstanding under the line of credit as of December 30, 2000. The line of credit, which bears interest at the bank's prime rate less 1% or LIBOR plus 1.5%, expired June 28, 2001 and was unsecured.

Note 5. Long-Term Debt

During 1995, GII entered into an agreement with the City of Olathe, Kansas for the construction of a new corporate headquarters (the project) which was financed through issuance of Series 1995 Industrial Revenue Bonds (the Bonds) totaling \$9,500. Upon completion of the project in 1996, GII retired bonds totaling \$155. At December 29, 2001 and December 30, 2000, outstanding principal under the Bonds totaled \$9,345. Interest on the Bonds is payable monthly at a variable interest rate (1.75% and 5.15% at December 29, 2001 and December 30, 2000, respectively), which is adjusted weekly to the current market rate as determined by the remarketing agent for the Bonds with principal due upon maturity on January 1, 2025. See Note 9.

The Bonds are secured by an irrevocable letter of credit totaling \$9,650, with facility fees of 0.75% annually, through September 30, 2004, renewable on an annual basis thereafter. The bank has the option of requiring GII to establish a sinking fund related to the principal balance outstanding on the Bonds, which it had not exercised through December 29, 2001. The letter of credit is secured by a mortgage on all assets financed with the proceeds of the Bonds and is guaranteed by GARMIN.

In connection with the letter of credit agreement entered into with the bank, GII is required to comply with various covenants, including minimum tangible net worth requirements of both GARMIN and GII and various financial performance ratios.

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 5. Long-Term Debt (continued)

During 1999, GARMIN borrowed \$18,040 to finance the purchase of land and a new manufacturing facility in Taiwan. The balance was due in 60 equal payments of principal plus interest beginning in November 2001. Through November 2001, interest was payable at a fixed rate of 6.155%. Subsequent to November 2001, interest is adjustable based on the Republic of China's government preferential rate on term deposits plus 0.18%. The Company opted to prepay a significant portion of the outstanding principal during 2001.

Edgar Filing: GARMIN LTD - Form 10-K/A

The outstanding balance of \$2,843 at December 29, 2001 was paid in full in January 2002.

During 2000, GII entered into another agreement with the City of Olathe, Kansas to finance the Company's expansion of its manufacturing facilities through the issuance of Series 2000 Industrial Revenue Bonds (the 2000 Bonds) totaling \$20,000. The proceeds from the issuance of the 2000 Bonds were placed in an interest-bearing restricted cash account controlled by a trustee appointed by the issuer. Disbursements from the account are restricted to purchases of equipment and construction related to the project and amounted to \$5,694 and \$14,304 during the years ended December 29, 2001 and December 30, 2000, respectively. Unexpended bond proceeds in this restricted cash account amounted to \$2 at December 29, 2001.

At December 29, 2001, outstanding principal under the 2000 Bonds totaled \$20,000. Interest on the 2000 Bonds is payable monthly at a variable interest rate (2.1% at December 29, 2001), which is adjusted weekly to the current market rate as determined by the remarketing agent of the 2000 Bonds with principal due upon maturity at April 15, 2020. See Note 9.

The 2000 Bonds are secured by an irrevocable letter of credit totaling \$20,288 with facility fees of 0.75%. This renewable letter of credit initially expires on September 20, 2004. The bank has required a sinking fund be established with semiannual payments of \$667 beginning April 2002.

Principal payments on long-term debt through 2006 and thereafter are:

Year	Amount
2002	\$4,177
2003	1,334
2004	1,334
2005	1,334
2006	1,334
Thereafter	22,675

	\$32,188
	=====

Note 6. Leases and Other Commitments

Rental expense related to office and warehouse space for GEL amounted to \$232, \$139 and \$140 for the years ended December 29, 2001, December 30, 2000, and December 25, 1999, respectively. Future minimum lease payments on the related lease are \$236 per year through 2006. In the years 2007 through lease expiration in 2015, total future minimum lease payments are \$2,122.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Leases and Other Commitments (continued)

At December 29, 2001 and December 30, 2000, standby letters of credit amounting to \$871 and \$869, respectively, were issued by banks on behalf of the Company.

Approximately \$39,000 and \$35,000 of Garmin's retained earnings are indefinitely restricted from distribution to stockholders pursuant to the law of Taiwan at December 29, 2001 and December 30, 2000, respectively.

Edgar Filing: GARMIN LTD - Form 10-K/A

Substantially all of the assets of GEL are held as collateral by a bank securing payment of the United Kingdom value-added tax requirements.

Note 7. Employee Benefit Plans

GII has an employee savings plan under which its employees may contribute up to 15% of their annual compensation subject to Internal Revenue Code maximum limitations. Additionally, GEL has a defined contribution plan under which its employees may contribute up to 5% of their annual compensation. Both GII and GEL contribute an amount determined annually at the discretion of the Board of Directors. During the years ended December 29, 2001, December 30, 2000, and December 25, 1999, expense related to these plans of \$1,172, \$1,144, and \$930, respectively, was charged to operations.

Additionally, GII has a defined contribution money purchase plan (the MPP Plan) which covers substantially all employees. GII contributes a specified percentage of each participant's annual compensation up to certain limits as defined in the MPP Plan. During the years ended December 29, 2001, December 30, 2000, and December 25, 1999, GII recorded expense related to the Plan of \$1,184, \$849, and \$721, respectively.

Note 8. Income Taxes

The Company's income tax provision consists of the following:

	Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Federal:			
Current	\$10,208	\$14,638	\$ 8,883
Deferred	(338)	(450)	(710)
	9,870	14,188	8,173
State:			
Current	2,237	3,479	1,332
Deferred	(74)	(2,051)	(85)
	2,163	1,428	1,247
Foreign:			
Current	21,336	21,606	8,915
Deferred	5,218	(1,963)	1,630
	26,554	19,643	10,545
Total	\$38,587	\$35,259	\$19,965

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Income Taxes (continued)

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The sources and

Edgar Filing: GARMIN LTD - Form 10-K/A

tax effects of the differences are as follows:

	Year Ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Federal income tax expense at U.S. statutory rate	\$53,212	\$49,323	\$29,446
State income tax expense, net of federal tax effect	1,406	928	810
Foreign tax rate differential	(13,640)	(9,623)	(5,604)
Taiwan tax incentives and credits	(3,260)	(5,181)	(3,817)
Other, net	869	(188)	(870)
Income tax expense	\$38,587	\$35,259	\$19,965

The Company's income before income taxes attributable to foreign operations was \$120,550, \$99,171, and \$58,467 for the years ended December 29, 2001, December 30, 2000, and December 25, 1999, respectively. The tax incentives and credits received from Taiwan included in the table above reflect \$0.03, \$0.05, and \$0.04 per weighted-average common share outstanding for the years ended December 29, 2001, December 30, 2000, and December 25, 1999, respectively. The Company currently expects to benefit from the incentives and credits being offered by Taiwan through 2004, at which time these tax benefits expire.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 29, 2001	December 30, 2000
Deferred tax assets:		
Product warranty accruals	\$1,833	\$1,808
Allowance for doubtful accounts	888	705
Inventory carrying value	2,241	7,678
Sales program allowances	1,696	1,668
Vacation accrual	438	324
Interest-rate swaps	579	-
Other	46	452
	7,721	12,635
Deferred tax liabilities:		
Unrealized foreign currency gains	844	1,098
Depreciation	1,017	930
	1,861	2,028
Net deferred tax assets	\$5,860	\$10,607

Edgar Filing: GARMIN LTD - Form 10-K/A

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9. Interest Rate Risk Management

During 1996, GII entered into an interest rate swap agreement to effectively convert a portion of its floating rate long-term debt associated with the Bonds to a fixed rate basis, thus, reducing the impact of interest rate changes on future income. The agreement was renewed in 2001. Pursuant to this 'pay-fixed' swap agreement, GII agreed to exchange, at specified intervals, the difference between the fixed and the floating interest amounts calculated on the notional amount of the swap agreement totaling \$5,000 at December 29, 2001 and December 30, 2000. GII's fixed interest rate under the swap agreement is 5.1%. The counterparty's floating rate is based on the nontaxable PSA Municipal Swap Index and amounted to 1.75% and 5.15% at December 29, 2001 and December 30, 2000, respectively. Notional amounts do not quantify risk or represent assets and liabilities of the Company, but are used in the determination of cash settlements under the agreement. The Company is exposed to credit losses from counterparty nonperformance but does not anticipate any losses from its agreement, which is with a major financial institution. The agreement expires June 6, 2004.

During 2000, GII entered into an additional swap agreement to effectively convert a portion of additional floating rate long-term debt associated with the 2000 Bonds to a fixed rate basis. Pursuant to this pay-fixed swap agreement, GII agreed to exchange, at specified intervals, the difference between the fixed and the floating interest amounts calculated on the notional amount of the swap agreement totaling \$10,000 at December 29, 2001 and December 30, 2000. GII's fixed interest rate under the swap agreement is 7.26% compared to the counterparty's floating rate of 2.1% and 6.7% at December 29, 2001 and December 30, 2000, respectively. The counterparty's floating rate is based on the bank's Taxable Low Floater Rate. The agreement expires June 1, 2004.

The fair value of the interest rate swap agreements is a liability of \$1,479 at December 29, 2001. The fair value of the agreement was not significant at December 30, 2000. The liability has been included in other accrued expenses in the consolidated balance sheets. None of the Company's cash flow hedges were deemed ineffective.

At December 29, 2001, the Company expects to reclassify \$621 of loss on the interest rate swaps from accumulated other comprehensive loss to earnings during the next 12 months related to the payment of variable interest on floating rate debt, assuming market interest rates remain consistent with rates at that date.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10. Fair Value of Financial Instruments

In accordance with SFAS No. 107, Disclosures about Fair Value of Financial Instruments, the following summarizes required information about the fair value of certain financial instruments for which it is currently practicable to estimate such value. None of the financial instruments are held or issued for trading purposes. The carrying amounts and fair values of the Company's financial instruments are as follows:

Edgar Filing: GARMIN LTD - Form 10-K/A

	December 29, 2001		December 30, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$192,842	\$192,842	\$251,731	\$251,731
Restricted cash	1,600	1,600	5,848	5,848
Marketable securities	131,584	131,584	-	-
Interest rate swap agreements (liability)	1,479	1,479	-	-
Long-term debt:				
Term loan	2,843	2,843	17,601	17,601
Series 1995 Bonds	9,345	9,345	9,345	9,345
Series 2000 Bonds	20,000	20,000	20,000	20,000

The carrying value of cash and cash equivalents, restricted cash, marketable securities, and interest rate swap agreements approximates their fair value. The fair values of the Company's long-term floating-rate debt have been estimated using discounted cash flow analyses, based on an estimate of the interest rate the Company would have to pay on the issuance of debt with a similar maturity and terms. The fair values of long-term debt as reported are not necessarily the amounts the Company would currently have to pay to extinguish any of this debt.

Note 11. Segment Information

The Company operates within its targeted markets through two reportable segments, those being related to products sold into the consumer and aviation markets. Both of the Company's reportable segments offer products through the Company's network of independent dealers and distributors. However, the nature of products and types of customers for the two segments vary significantly. As such, the segments are managed separately. The Company's consumer segment includes portable global positioning system (GPS) receivers and accessories for marine, recreation, land, and automotive use sold primarily to retail outlets. The Company's aviation products are portable and panel mount avionics for Visual Flight Rules and Instrument Flight Rules navigation and are sold primarily to retail outlets and certain aircraft manufacturers.

The Company's Co-Chief Executive Officers have been identified as the Chief Operating Decision Makers (CODM). The CODM evaluates performance and allocates resources based on income before income taxes of each segment. Income before income taxes represents net sales less operating expenses including certain allocated general and administrative costs, interest income and expense, foreign currency adjustments, and other nonoperating corporate expenses. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There are no intersegment sales or transfers.

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Segment Information (continued)

The identifiable assets associated with each reportable segment reviewed by CODM include accounts receivable and inventories. The Company does not report property and equipment, depreciation and amortization, or capital

Edgar Filing: GARMIN LTD - Form 10-K/A

expenditures by segment to the CODM.

Revenues, interest income and interest expense, income before income taxes, and identifiable assets for each of the Company's reportable segments are presented below:

	Year Ended December 29, 2001		
	Consumer	Aviation	Total
Sales to external customers	\$263,358	\$105,761	\$369,119
Allocated interest income	7,960	3,204	11,164
Allocated interest expense	1,550	624	2,174
Income before income taxes	102,511	49,524	152,035
Assets:			
Accounts receivable	34,222	13,776	47,998
Inventory	43,587	17,545	61,132

	Year Ended December 30, 2000		
	Consumer	Aviation	Total
Sales to external customers	\$230,183	\$115,558	\$345,741
Allocated interest income	4,610	2,315	6,925
Allocated interest expense	1,522	765	2,287
Income before income taxes	88,103	52,819	140,922
Assets:			
Accounts receivable	21,791	10,928	32,719
Inventory	59,843	30,012	89,855

	Year Ended December 25, 1999		
	Consumer	Aviation	Total
Sales to external customers	\$169,164	\$63,422	\$232,586
Allocated interest income	3,147	1,180	4,327
Allocated interest expense	420	157	577
Income before income taxes	60,449	23,683	84,132
Assets:			
Accounts receivable	22,804	8,549	31,353
Inventory	31,093	20,155	51,248

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Segment Information (continued)

Net sales and long-lived assets (property and equipment) by geographic area are as follows as of and for the years ended December 29, 2001, December 30, 2000, and December 25, 1999:

North America	Asia	Europe	Tot
---------------	------	--------	-----

Edgar Filing: GARMIN LTD - Form 10-K/A

December 29, 2001					
Sales to external customers	\$275,630	\$15,039	\$78,450	\$36	
Long-lived assets	40,183	29,321	582	7	
December 30, 2000					
Sales to external customers	\$256,782	\$16,569	\$72,390	\$34	
Long-lived assets	32,737	31,453	514	6	
December 25, 1999					
Sales to external customers	\$172,742	\$11,146	\$48,698	\$23	
Long-lived assets	17,433	38,228	190	5	

No single customer accounted for 10% or more of the Company's consolidated net sales in any period.

Note 12. Initial Public Offering

On December 8, 2000, the Company completed an underwritten initial public offering of 12,075,000 (including shares sold pursuant to the underwriters' over-allotment option) shares of its common stock, 8,242,111 shares of which were offered by the Company (the Offering) at an offering price of \$14.00 per share. Prior to but in connection with the offering, the Board of Directors approved a 1.12379256-for-1 stock split of the Company's common shares, effected through a stock dividend on November 6, 2000. All share and per share information included in the accompanying consolidated financial statements has been adjusted to give retroactive effect to the common stock split.

Note 13. Stock Compensation Plans

During 2000, the Company adopted several stock compensation plans. The Company accounts for all of these plans under APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, as all awards are granted at the fair market value on the date of grant, no compensation expense is recognized.

The various plans are summarized below:

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13. Stock Compensation Plans (continued)

2000 Equity Incentive Plan

In October 2000, the stockholders adopted an equity incentive plan (the Plan) providing for grants of incentive and nonqualified stock options and 'other' stock compensation awards to employees of the Company and its subsidiaries, pursuant to which up to 3,500,000 shares of common stock are available for issuance. The stock options generally vest over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of

Edgar Filing: GARMIN LTD - Form 10-K/A

grant, if not exercised. Option activity under the Plan during 2000 and 2001 is summarized below. There have been no 'other' stock compensation awards granted under the Plan.

2000 Nonemployee Directors' Option Plan

Also in October 2000, the stockholders adopted a stock option plan for nonemployee directors (the Directors Plan) providing for grants of options for up to 50,000 common shares of the Company's stock. The term of each award is ten years. All awards vest evenly over a three-year period. During 2001, options to purchase 5,325 shares were granted under this plan. No options associated with the Directors Plan had been granted as of December 30, 2000.

A summary of the Company's stock option activity and related information under the Equity Incentive Plan and 2000 Nonemployee Directors' Plan for the years ended December 29, 2001 and December 30, 2000 is provided below:

	Weighted- Average Exercise Price	Number of Shares
(In Thousands)		
Outstanding at December 25, 1999	\$ -	-
Granted	14.00	1,201
Exercised	-	-
Canceled	-	-
Outstanding at December 30, 2000	14.00	1,201
Granted	19.96	369
Exercised	14.00	(5)
Canceled	-	-
Outstanding at December 29, 2001	15.59	1,565
	December 29, 2001	December 30, 2000
Weighted-average fair value of options granted during the year	\$12.28	\$8.53

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13. Stock Compensation Plans (continued)

The weighted-average remaining contract life for options outstanding at December 29, 2001 is approximately nine years. Options outstanding at December 29, 2001 have exercise prices ranging from \$14.00 to \$22.54. At December 29, 2001, options to purchase 234,150 shares are exercisable. No options were exercisable at December 30, 2000.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. SFAS No. 123 requires the pro forma information be determined as if the Company has accounted for its employee stock

Edgar Filing: GARMIN LTD - Form 10-K/A

options under the fair value method of that statement. As described below, the fair value accounting provided under SFAS No. 123 requires the use of option valuation models that were not developed for use in valuing employee stock options. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001 and 2000 (no options were granted prior to 2000): risk-free interest rate of 5.11% and 5.75%, respectively; no dividend yield; volatility factor of the expected market price of the Company's common stock of 0.591 and 0.530, respectively; and a weighted-average expected life of the option of seven years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. The Company's pro forma information for the years ended December 29, 2001 and December 30, 2000 is as follows:

	December 29, 2001	December 30, 2000
	-----	-----
Pro forma net income	\$112,150	\$105,580
Pro forma net income per share:		
Basic	\$ 1.04	\$ 1.05
Diluted	\$ 1.03	\$ 1.05

Employee Stock Purchase Plan

The stockholders also adopted an employee stock purchase plan (ESPP). Up to 1,000,000 shares of common stock have been reserved for the ESPP. Shares will be offered to employees at a price equal to the lesser of 85% of the fair market value of the stock on the date of purchase or 85% of the fair market value on the enrollment date. The ESPP is intended to qualify as an 'employee stock purchase plan' under Section 423 of the Internal Revenue Code. During 2001, 123,007 shares were purchased under the plan for a total purchase price of \$1,464. No shares were purchased during 2000.

GARMIN LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 14. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share:

Edgar Filing: GARMIN LTD - Form 10-K/A

	Year Ended		
	December 29, 2001	December 30, 2000	Decem 19
Numerator:			
Numerator for basic and diluted net income per share - net income	\$113,448	\$105,663	\$ 6
Denominator (in thousands):			
Denominator for basic net income per share - weighted-average common shares	108,097	100,489	10
Effect of dilutive securities - employee stock options (Note 13)	350	17	
Denominator for diluted net income per share - adjusted weighted-average common shares	108,447	100,506	10
Basic net income per share	\$ 1.05	\$ 1.05	\$
Diluted net income per share	\$ 1.05	\$ 1.05	\$

Options to purchase 361,875 shares of common stock at prices ranging from \$20.25 to \$22.54 per share were outstanding during 2001 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Note 15. Share Repurchase Program

On September 24, 2001, the Board of Directors authorized the Company to repurchase up to 5,000,000 shares of the Company's common stock through December 31, 2002. At December 29, 2001, the Company had purchased 595,200 shares at \$9,834.

Note 16. Shareholder Rights Plan

On October 24, 2001, Garmin's Board of Directors adopted a shareholder rights plan (the 'Rights Plan'). Pursuant to the Rights Plan, the Board declared a dividend of one preferred share purchase right on each outstanding common share of Garmin to shareholders of record as of November 1, 2001. The rights trade together with Garmin's common shares. The rights generally will become exercisable if a person or group acquires or announces an intention to acquire 15 percent or more of Garmin's outstanding common shares. Each right (other than those held by the new 15 percent shareholder) will then be exercisable to purchase preferred shares of Garmin (or in certain instances other securities of Garmin) having at that time a market value equal to two times the then current exercise price. Garmin's Board of Directors may redeem the rights at \$0.002 per right at any time before the rights become exercisable. The rights expire October 31, 2011.

Edgar Filing: GARMIN LTD - Form 10-K/A

Note 17. Selected Quarterly Information (Unaudited)

	Year Ended December 29, 2001			
	Quarter Ended			
	March 31	June 30	September 29	December 29
Net sales	\$85,534	\$103,634	\$86,930	\$99,430
Gross profit	45,918	55,050	47,729	47,729
Net income	23,799	36,603	25,001	25,001
Net income per share	\$ 0.22	\$ 0.34	\$ 0.23	\$ 0.23

	Year Ended December 30, 2000			
	Quarter Ended			
	March 25	June 24	September 23	December 23
Net sales	\$76,576	\$ 93,964	\$89,539	\$89,539
Gross profit	41,913	50,025	49,031	49,031
Net income	20,599	29,161	28,292	28,292
Net income per share	\$ 0.21	\$ 0.29	\$ 0.28	\$ 0.28

The above quarterly financial data is unaudited, but in the opinion of management, all adjustments necessary for a fair presentation of the selected data for these interim periods presented have been included.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GARMIN LTD.

By /s/ Min H. Kao
 Min H. Kao
 Co-Chief Executive Officer

Dated: April 2, 2002