



BENETTON (UK) LIMITED

Report and Financial Statements

31 December 1998

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN



**REPORT AND FINANCIAL STATEMENTS 1998**

CONTENTS	Page
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The company owns the leasehold interest in one property which it sublets.

REVIEW OF THE BUSINESS

Trading for the year has been satisfactory. The company acquired an additional £3,000,000 investment in Benetton Formula during the year to increase its investment to 100% of the share capital.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. The profit for the year of £7,998 (1997 – loss of £221,680) has been transferred to/(from) reserves.

DIRECTORS AND THEIR INTERESTS

The following served as directors during the year:

P Panizzo (Chairman)

M Benetton

No directors held any beneficial interest in the shares required to be disclosed by Schedule 7(2) of the Companies Act 1985.

YEAR 2000

The "Millennium bug" or "Year 2000 issue" refers to potential problems in the processing of data or operation of electronic equipment affected by the transition from 1999 to 2000.

The directors fully recognise that there are other potential risks associated with this issue and are taking all reasonable steps to ensure that the company is prepared for this transition.

AUDITORS

The company has introduced the Elective Regime by which it has dispensed with the laying of accounts, the holding of the annual general meeting and the annual reappointment of auditors.

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

P Panizzo
Director

**STATEMENT OF 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 as at the end of the financial year 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
- 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.



AUDITORS' REPORT TO THE MEMBERS OF

BENETTON (UK) LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

21 April 1999

Chartered Accountants and Registered Auditors


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER	1	190,000	190,000
Operating expenses		(183,109)	(319,881)
OPERATING PROFIT/(LOSS)		6,891	(129,881)
Interest receivable and similar income	3	1,461	3,331
Interest payable and similar charges	4	(354)	(130)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	7,998	(126,680)
Tax on profit/(loss) on ordinary activities	6	-	(95,000)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		7,998	(221,680)
Retained (loss)/profit brought forward		(204,688)	16,992
Retained loss carried forward		(196,690)	(204,688)

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses is given.



BALANCE SHEET
31 December 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Investments	7		3,000,000		-
CURRENT ASSETS					
Debtors	8	49,382		49,583	
Cash at bank and in hand		41,653		60,973	
		<u>91,035</u>		<u>110,556</u>	
CREDITORS: amounts falling due within one year	9	<u>(62,725)</u>		<u>(148,065)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>28,310</u>		<u>(37,509)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,028,310		(37,509)
PROVISIONS FOR LIABILITIES AND CHARGES	10		-		(114,845)
			<u>3,028,310</u>		<u>(152,354)</u>
CAPITAL AND RESERVES					
Called up share capital	11		3,225,000		52,334
Profit and loss account			<u>(196,690)</u>		<u>(204,688)</u>
EQUITY SHAREHOLDERS' FUNDS	12		<u>3,028,310</u>		<u>(152,354)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

7 April 1999

P Panizzo
Director





NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidation

Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of a company registered in the European Community.

Turnover

Turnover represents rental income receivable.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors who were the company's only employees received no emoluments from the company during the year (1997 - £Nil).

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £	1997 £
Interest receivable on bank deposits	1,461	3,331

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts, and other loans, repayable within five years	354	130


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):	1998 £	1997 £
(Release of provision)/provision for rent arrears on an assigned property guarantee	(13,753)	114,845
Rents receivable	(190,000)	(190,000)
Rents payable	190,000	190,000
Auditors' remuneration		
Audit services	1,439	1,190
	<u> </u>	<u> </u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation tax	-	95,000
	<u> </u>	<u> </u>

The corporation tax in 1997 related to the reduction of the company's investment in Benetton Formula following that company's capital reconstruction. There is no corporation tax charge for the year as a result of losses brought forward.

7. INVESTMENTS HELD AS FIXED ASSETS

	Shares in Benetton Group undertaking £
Cost	
At 1 January 1998	900,000
Additions	3,000,000
	<u> </u>
At 31 December 1998	3,900,000
	<u> </u>
Provision	
At 1 January 1998 and 31 December 1998	900,000
	<u> </u>
Net book value	
At 31 December 1998	3,000,000
	<u> </u>
At 31 December 1997	-
	<u> </u>

The investment represents 3,900,000 ordinary £1 shares in Benetton Formula Limited, a company registered and operating in England. Its principal activity is that of running a Formula One Grand Prix racing team. Following the acquisition of 3,000,000 £1 Ordinary shares on 26 May 1998 from Benetton International NV this investment now represents 100% of the ordinary share capital of that company.

8. DEBTORS

	1998 £	1997 £
Amounts falling due within one year		
Prepayments and accrued income	49,382	49,583
	<u> </u>	<u> </u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Accruals and deferred income	62,725	53,065
Corporation tax payable	-	95,000
	<u>62,725</u>	<u>148,065</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 1 January 1998	114,845
Utilised	(101,093)
Transfer to profit and loss account	13,752
	<u>-</u>
At 31 December 1998	-

The provision related to a claim for rent arrears on an assigned property guarantee.

11. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
4,500,000 Ordinary shares of £1 each	4,500,000	4,500,000
	<u>4,500,000</u>	<u>4,500,000</u>
Called up, allotted and fully paid		
3,225,000 (1997 - 52,334) Ordinary shares of £1 each	3,225,000	52,334
	<u>3,225,000</u>	<u>52,334</u>

During the year the company allotted the following share capital:

- (a) 3,000,000 Ordinary shares of £1 each on 26 May 1998 in exchange for 3,000,000 Ordinary shares of £1 each in Benetton Formula Limited.
- (b) 172,666 Ordinary shares of £1 each to provide additional working capital.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit/(loss) for the financial year	7,998	(221,680)
Issue of share capital	3,172,666	-
	<u>3,180,664</u>	<u>(221,680)</u>
Net addition to/(reduction in) shareholders' funds	3,180,664	(221,680)
Opening shareholders' funds	(152,354)	69,326
Closing shareholders' funds	<u>3,028,310</u>	<u>(152,354)</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
13. FINANCIAL COMMITMENTS
Operating lease commitments

At 31 December 1998, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	1998	1997
	£	£
Leases which expire:		
After five years	<u>190,000</u>	<u>190,000</u>

14. CONTINGENT LIABILITIES

The company has guaranteed a lease on a property for the benefit of Benetton Retail (1988) Limited, a group undertaking. The annual rental on this property is £258,500 per annum (1997 - £258,500).

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption within Financial Reporting Standard 8 from reporting transactions with other group companies.

16. ULTIMATE PARENT COMPANY

The largest group of which Benetton (UK) Limited is a member and for which group accounts are drawn up is that headed by Benetton Group S.p.A., incorporated in Italy. These consolidated accounts have been lodged with this company's accounts with the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ. The smallest such group is that headed by Benetton International N.V., incorporated in the Netherlands.

17. POST BALANCE SHEET EVENT

On 25 February 1999, the company increased its authorised share capital to 10,000,000 Ordinary shares of £1 each and allotted 5,000,000 Ordinary shares of £1 each at par to its parent undertaking. On the same date the company increased its investment in its wholly owned subsidiary Benetton Formula Limited by subscribing for a further £5,000,000 of share capital in that company.