

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

Levi Strauss (U.K.) Limited

Accounts - 30 November 1995
together with directors' and auditors' reports

Registered number : 892419



Directors' report

For the year ended 30 November 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 November 1995.

Principal activity and business review

The principal activity of the company continues to be the manufacture and sale of clothes.

The results for 1995 represent an excellent achievement by the company. Sales and profit for the financial year showed a further increase during the year. The directors expect trading levels in 1996 to be similar to those achieved in 1995.

The directors wish to record their appreciation of the continued efforts of all employees and to thank the company's customers and suppliers for their continuing support and interest in the company.

Results and dividends

Results for the year were as follows:

	£'000
Retained profit at 30 November 1994	13,761
Profit for the financial year	11,716
Dividends paid	(14,352)
Retained profit at 30 November 1995	<u>11,125</u>

Directors and their interests

The directors who served during the year were as follows:

J Ligon (Chairperson)

N Glasenk

A Malmfalt

G Grellman

T W Tusher

None of the directors held any beneficial interest in the shares of the company during the year.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the accounts.

In the opinion of the directors, there is no material difference between the book value and the market value of land and buildings.

Charitable and political contributions

The company contributed £355,463 (1994 - 304,256) to charities during the year. No political contributions were made.

Disabled employees

It is company policy to give fair consideration to the employment needs of disabled persons and to comply with current legislation with regard to such persons.

Employee consultation

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular briefing meetings.

Directors' report (continued)

Liability insurance for directors

As permitted by the Companies Act 1985 (as amended), the company maintains insurance cover for the directors against liabilities in relation to the company.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

100 New Bridge Street
London
EC4V 6JA

By order of the Board,

J Ligon
Director

A handwritten signature in dark ink, appearing to read 'J Ligon', written in a cursive style.

14 March 1996

Auditors' report

Birmingham

To the Shareholders of Levi Strauss (U.K.) Limited:

We have audited the accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 November 1995 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Victoria Square

Birmingham

B1 1BD

14 March 1996

Profit and loss account

For the year ended 30 November 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	182,729	168,612
Cost of sales		(142,855)	(133,463)
Gross profit		39,874	35,149
Other operating expenses (net)	3	(22,820)	(20,668)
Operating profit		17,054	14,481
Interest receivable	4	1,289	1,215
Interest payable	5	(65)	(281)
Profit on ordinary activities before taxation	6	18,278	15,415
Tax on profit on ordinary activities	8	(6,562)	(5,317)
Profit for the financial year		11,716	10,098
Dividend paid	9	(14,352)	(12,452)
Retained loss for the year		(2,636)	(2,354)
Retained profit brought forward		13,761	16,115
Retained profit carried forward		11,125	13,761

In both years there were no recognised gains or losses other than the profit for the financial year.

The accompanying notes are an integral part of this profit and loss account.

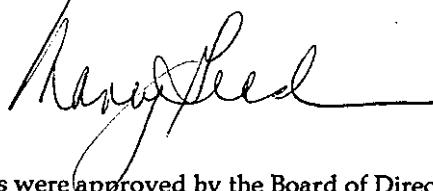
Balance sheet

30 November 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	10	11,218	11,891
Current assets			
Stocks	12	15,792	14,076
Debtors	13	26,121	30,583
Cash at bank and in hand		4,177	2,882
		46,090	47,541
Creditors: amounts falling due within one year	14	(44,367)	(43,203)
Net current assets		1,723	4,338
Total assets less current liabilities		12,941	16,229
Provisions for liabilities and charges	15	-	(294)
Deferred income	16	(966)	(1,324)
Net assets		11,975	14,611
Capital and reserves			
Called-up share capital	17	1	1
Share premium account		849	849
Profit and loss account		11,125	13,761
Total shareholders' funds - all equity	18	11,975	14,611

Signed on behalf of the Board:

N Glasenk



Director

The accounts were approved by the Board of Directors on 14 March 1996.

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

For the year ended 30 November 1995

	1995 £'000	1994 £'000
Net cash inflow from operating activities (Note 19)	22,571	11,422
Returns on investments and servicing of finance		
Interest received	1,289	1,215
Interest paid	(65)	(281)
Dividends paid	(14,352)	(12,452)
Net cash outflow from returns on investments and servicing of finance	(13,128)	(11,518)
Taxation		
Corporation tax paid (including ACT)	(5,868)	(2,479)
Investing activities		
Purchase of fixed assets at cost	(2,280)	(1,969)
Government grants received	-	230
Proceeds from the sale of fixed assets	-	29
Net cash outflow from investing activities	(2,280)	(1,710)
Net increase/(decrease) in cash and cash equivalents	1,295	(4,285)
Cash balance at beginning of year	2,882	7,167
Cash balance at end of year	4,177	2,882

The accompanying notes are an integral part of this statement.

Notes to the accounts

30 November 1995

1. Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are as follows:

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. Assets and liabilities are recognised in the accounts where, as a result of past transactions or events, the company has rights or access to future economic benefits controlled by the company, or obligations to transfer economic benefits.

b) Tangible fixed assets

Tangible fixed assets are shown at cost, net of accumulated depreciation. Any related government grants are accounted for as deferred income and amortised over the expected useful life of the asset concerned.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets, on a straight-line basis over their expected useful lives as follows -

Buildings and leasehold improvements	- 20 years
Machinery and equipment	- 5 years
Office furniture and equipment	- 3 - 10 years

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or proposed in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred tax (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Tax deferred or accelerated by the effect of timing differences is accounted for where it is probable that a liability or asset will crystallise, at the rate of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Notes to the accounts

30 November 1995

1. Accounting policies (continued)

e) Foreign currency transactions

Transactions denominated in foreign currency are recorded in sterling using actual exchange rates ruling as of the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported using the rates of exchange prevailing at the balance sheet date or, where appropriate, at the rate of exchange in a related forward exchange contract. Differences on exchange are dealt with in the profit and loss account.

f) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

g) Leasing charges

Rentals paid under operating leases are charged to the profit and loss account as incurred.

h) Pension costs

Details of the pension scheme operated by the company and the accounting policy for pension costs are given in note 20(c).

2. Segment information

All turnover was derived from the company's principal activity. The analysis of turnover by geographical area is as follows:

	1995 £'000	1994 £'000
UK and Ireland	135,206	124,304
Rest of Europe	47,523	44,308
	<hr/> 182,729	<hr/> 168,612

Substantially all of the net assets of the company are located in the UK and substantially all of the profit before taxation of the company was earned in the UK.

Turnover includes sales to other group undertakings amounting to £47,523,000 (1994 - £44,308,000).

Notes to the accounts

30 November 1995

3. Other operating expenses (net)

Other operating expenses comprise:

	1995 £'000	1994 £'000
Selling, distribution and marketing costs	16,250	14,510
Administrative expenses	6,756	6,516
Other operating income	(186)	(358)
	<u>22,820</u>	<u>20,668</u>

4. Interest receivable

Interest receivable comprises:

	1995 £'000	1994 £'000
Interest on balances due from other group undertakings	1,200	1,098
Interest on bank deposits	89	117
	<u>1,289</u>	<u>1,215</u>

5. Interest payable

Interest payable comprises:

	1995 £'000	1994 £'000
Interest on bank overdrafts repayable within 5 years, not by instalments	-	5
Interest on balances owed to other group undertakings	65	276
	<u>65</u>	<u>281</u>

Notes to the accounts

30 November 1995

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1995 £'000	1994 £'000
Depreciation of tangible fixed assets	2,904	3,135
Amortisation of government grants	358	316
Rentals payable under operating leases		
- property	630	608
- machinery and equipment	762	733
Staff costs (note 7)	25,459	23,035
Auditors' remuneration		
- audit fees	47	45
- non-audit fees	55	93

7. Staff costs

Staff costs during the year (including the remuneration of directors) amounted to:

	1995 £'000	1994 £'000
Wages and salaries	22,804	20,402
Social security costs	2,283	2,258
Pension charge (note 20c)	372	375
	25,459	23,035

The average number of persons employed by the company during the year was as follows:

	1995 Number	1994 Number
Manufacturing	1,428	1,411
Distribution and sales	140	134
Administration	48	51
	1,616	1,596

Notes to the accounts

30 November 1995

7. Staff costs (continued)

Directors' remuneration:

The staff costs shown above include the following remuneration in respect of directors of the company:

	1995 £'000	1994 £'000
Emoluments for management services	<u>650</u>	<u>600</u>

Directors received emoluments (excluding pensions and pension contributions) for services wholly or mainly performed in the United Kingdom in the following ranges:

	1995 Number	1994 Number
£nil - £5,000	3	4
£60,001 - £65,000	-	1
£100,001 - £105,000	-	1
£105,001 - £110,000	-	1
£285,001 - £290,000	1	-
£320,001 - £325,000	-	1
£360,001 - £365,000	<u>1</u>	<u>-</u>

The directors' emoluments shown above (excluding pensions and pension contributions) include:

	1995 £'000	1994 £'000
Chairperson		
- from 1 December 1993 to 1 August 1994	-	325
- from 1 August 1994 to 30 November 1994	-	103
- for the year ended 30 November 1995	<u>361</u>	<u>-</u>
	<u>361</u>	<u>428</u>
Highest paid director	<u>361</u>	<u>325</u>

Notes to the accounts

30 November 1995

8. Tax on profit on ordinary activities

The tax charge is based on the taxable profit for the year and comprises:

	1995 £'000	1994 £'000
Corporation tax at 33%	6,856	5,608
Deferred tax	(294)	(186)
Adjustment of current taxation in respect of prior year	-	(105)
	<u>6,562</u>	<u>5,317</u>

9. Dividends paid

	1995 £'000	1994 £'000
Dividend paid of £14,352 per share (1994 - £12,452 per share)	<u>14,352</u>	<u>12,452</u>

10. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost -					
Beginning of year	7,691	1,198	12,955	2,872	24,716
Additions	126	9	1,682	463	2,280
Disposals	-	-	(1,185)	(172)	(1,357)
End of year	<u>7,817</u>	<u>1,207</u>	<u>13,452</u>	<u>3,163</u>	<u>25,639</u>
Depreciation -					
Beginning of year	1,642	745	9,071	1,367	12,825
Charge	394	190	1,641	679	2,904
Disposals	-	-	(1,156)	(152)	(1,308)
End of year	<u>2,036</u>	<u>935</u>	<u>9,556</u>	<u>1,894</u>	<u>14,421</u>
Net book value -					
Beginning of year	<u>6,049</u>	<u>453</u>	<u>3,884</u>	<u>1,505</u>	<u>11,891</u>
End of year	<u>5,781</u>	<u>272</u>	<u>3,896</u>	<u>1,269</u>	<u>11,218</u>

Freehold land amounting to £9,000 (1994 - £9,000) has not been depreciated.

Notes to the accounts

30 November 1995

11. Fixed asset investments

As permitted by Section 229 Companies Act 1985, the following wholly owned subsidiary undertakings have not been consolidated as, in the opinion of the directors, their inclusion is not material for the purpose of giving a true and fair view. The principal activity of each subsidiary undertaking is the sale of clothes purchased from the company. The nominal value of the issued share capital, profit for the financial year ended 30 November 1995 (Farvista Limited - period from incorporation on 19 June 1994 to 30 November 1995) and net assets (liabilities) at 30 November 1995 of each subsidiary undertaking are also shown.

Subsidiary undertaking	Country of registration or incorporation	Nominal value of issued share capital £	Profit (loss) period ended 30 November 1995 £'000	Net assets (liabilities) at 30 November 1995 £'000
RetailIndex Limited	England	2	84	183
Farvista Limited	England	2	(62)	(62)
Middlebrook Limited	Ireland	2	(15)	(46)

12. Stocks

	1995 £'000	1994 £'000
Raw materials	561	820
Work-in-progress	1,771	1,630
Finished goods	13,460	11,626
	<u>15,792</u>	<u>14,076</u>

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks.

Notes to the accounts

30 November 1995

13. Debtors

	1995 £'000	1994 £'000
Amounts falling due within one year:		
Trade debtors	14,488	14,673
Amounts owed by subsidiary undertakings	1,210	1,191
Amounts owed by other group undertakings	9,564	14,579
Other debtors	614	-
Prepayments and accrued income	245	140
	<u>26,121</u>	<u>30,583</u>

14. Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Trade creditors	3,609	4,329
Amounts owed to other group undertakings	22,674	23,948
Other creditors		
- UK corporation tax payable	2,814	2,171
- ACT payable	2,601	2,256
- VAT	2,531	1,679
- social security and PAYE	670	539
Accruals and deferred income	9,468	8,281
	<u>44,367</u>	<u>43,203</u>

15. Provisions for liabilities and charges

Provisions for liabilities and charges represent deferred taxation calculated at 33% as follows:

	1995 £'000	1994 £'000
Amounts deferred by -		
Capital allowances in excess of depreciation	-	182
Short-term timing differences	-	112
	<u>-</u>	<u>294</u>

There was no unprovided contingent deferred tax liability at either year end.

Notes to the accounts

30 November 1995

15. Provisions for liabilities and charges (continued)

The movement on deferred taxation comprises:

	1995 £'000	1994 £'000
Beginning of year	294	480
(Credited) / charged to profit and loss, in respect of:		
- capital allowances	(182)	(219)
- other timing differences	(112)	33
End of year	-	294

16. Deferred income

This comprises government grants and the movement during the year was:

	1995 £'000	1994 £'000
Balance at beginning of year	1,324	1,410
Government grant received	-	230
Amortised to the profit and loss account	(358)	(316)
Balance at end of year	966	1,324

17. Called-up share capital

Called-up share capital comprises:

	1995 £'000	1994 £'000
Authorised, allotted, called-up and fully-paid - 1,000 shares of £1 each	1	1

18. Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Profit for the financial year	11,716	10,098
Dividend paid	(14,352)	(12,452)
Net reduction to shareholders' funds	(2,636)	(2,354)
Opening shareholders' funds	14,611	16,965
Closing shareholders' funds	11,975	14,611

Notes to the accounts

30 November 1995

19. Net cash inflow from operating activities

	1995 £'000	1994 £'000
Operating profit	17,054	14,481
Depreciation charges	2,904	3,135
Loss on sale of tangible fixed assets	49	3
Amortisation of government grant	(358)	(316)
Increase/decrease in stock	(1,716)	2,749
Decrease/(increase) in debtors	4,462	(9,370)
Increase in creditors	176	740
Net cash inflow from operating activities	<u>22,571</u>	<u>11,422</u>

20. Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were:

	1995 £'000	1994 £'000
Authorised but not contracted for	<u>1,380</u>	<u>1,894</u>

b) Lease commitments

The company has rental commitments under operating leases in respect of certain items of land and buildings, machinery and equipment. The total annual rental for 1995 was £1,392,000 (1994 - £1,341,000).

Notes to the accounts

30 November 1995

20. Guarantees and other financial commitments (continued)

b) Lease commitments (continued)

The minimum future annual rentals payable in respect of these leases are as follows:

	Property £'000	Machinery and equipment £'000	Total £'000
1995			
Leases which expire:			
- within one year	30	17	47
- within 2 - 5 years	481	485	966
- after 5 years	119	-	119
	<u>630</u>	<u>502</u>	<u>1,132</u>
1994			
Leases which expire:			
- within one year	14	24	38
- within 2 - 5 years	553	143	696
- after 5 years	119	2	121
	<u>686</u>	<u>169</u>	<u>855</u>

c) Pension arrangements

The company has a defined benefit, contributory, self-administered pension scheme, available to all full time employees over twenty five years of age. The scheme is funded by contributions made by the company and employees.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are based upon the recommendations of the scheme's actuary, William M. Mercer Fraser Limited, using triennial valuations on the basis of the projected unit credit method. The most recent formal valuation was at 1 April 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. For the purposes of the 1 April 1995 valuation it was assumed that the annual investment returns would be 9%, that the annual salary increases would be 7.5% on a long term basis, that pension increases would be 4.5% and that there would be an annual long term dividend yield of 4.3%. Using these assumptions, the actuarial valuation showed the market value of the scheme's assets was £10.9 million and that the actuarial value of those assets represented 113% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Notes to the accounts

30 November 1995

20. Guarantees and other financial commitments (continued)

c) *Pension arrangements (continued)*

The pension charge for the year was £372,000 (1994 - £375,000). This comprised a regular pension cost of £534,000 (1994 - £552,000) less £162,000 (1994 - £177,000) in respect of the amortisation of experience surpluses that are being recognised over 15 years, the average remaining service lives of scheme participants. During the year the company paid no contributions to the scheme because of this surplus.

The pension credit for the year did not take account of the effects of the Social Security Act 1990 or Barber -v- GRE. Both the trustees of the pension scheme and the directors of the company are presently evaluating the options available with regard to these matters, although the directors do not believe their implementation will have a significant adverse effect on the company.

21. Ultimate parent company

The company is a subsidiary undertaking of Levi Strauss International Inc., incorporated in the USA. The ultimate parent company is Levi Strauss Associates Inc., incorporated in the USA.

The accounts of Levi Strauss Associates Inc. are the only accounts in which those of the company are consolidated. The accounts of Levi Strauss Associates Inc. are available at The Securities and Exchange Commission, 901 Market Street, San Francisco, California, USA.