

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

Levi Strauss (U.K.) Limited

Accounts - 30 November 1994
together with directors' and auditors' reports

Registered number : 892419



Directors' report

For the year ended 30 November 1994

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 1994.

Principal activity and business review

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

The results for 1994 represent an excellent achievement by the company. Sales and profit showed a further increase during the year. The directors expect trading levels in 1995 to be similar to those achieved in 1994.

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 1993	16,115
Profit for the financial year	10,098
Dividends paid	(12,452)
Retained profit at 30 November 1994	<u>13,761</u>

Directors and their interests

The directors who served during the year were as follows:

J Ligon (appointed 1 August 1994)
N Glasenk (appointed 13 October 1994)
A Malmfalt (appointed 1 August 1994)
G Grellman
T W Tusher
J L Westfall (resigned 30 July 1994)
M H Lonn (resigned 13 October 1994)
M E Howard (resigned 26 May 1994)

J Ligon was appointed chairperson following the resignation of J L Westfall.

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 £304,256 (1993 - 196,556) 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

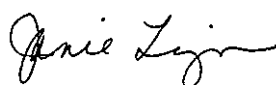
As permitted by the Companies Act 1985 (as amended), the company maintains insurance cover for the directors against liabilities in relation to the company.

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

26 April 1995

Auditors' report

Birmingham

Auditors' report to the members 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 1994 and of its loss 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

26 April 1995

Profit and loss account

For the year ended 30 November 1994

	Notes	1994 £'000	1993 £'000
Turnover	2	168,612	161,635
Cost of sales		(133,463)	(129,779)
Gross profit		35,149	31,856
Other operating expenses (net)	3	(20,668)	(21,068)
Operating profit		14,481	10,788
Interest receivable	4	1,215	1,482
Interest payable	5	(281)	(700)
Profit on ordinary activities before taxation	6	15,415	11,570
Tax on profit on ordinary activities	8	(5,317)	(4,183)
Profit for the financial year		10,098	7,387
Dividends paid	9	(12,452)	(8,380)
Retained loss for the year		(2,354)	(993)
Retained profit brought forward		16,115	17,108
Retained profit carried forward		13,761	16,115

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

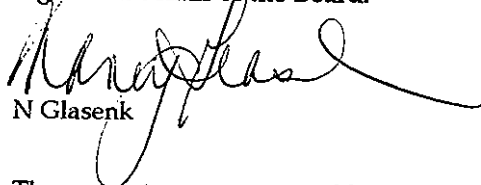
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 November 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	10	11,891	13,089
Current assets			
Stocks	12	14,076	16,825
Debtors	13	30,583	21,213
Cash at bank and in hand		2,882	7,167
		47,541	45,205
Creditors: amounts falling due within one year	14	(43,203)	(39,439)
Net current assets		4,338	5,766
Total assets less current liabilities		16,229	18,855
Provisions for liabilities and charges	15	(294)	(480)
Deferred income	16	(1,324)	(1,410)
Net assets		14,611	16,965
Capital and reserves			
Called-up share capital	17	1	1
Share premium account		849	849
Profit and loss account		13,761	16,115
Total shareholders' funds - all equity	18	14,611	16,965

Signed on behalf of the Board:



N Glasenk

Director

The accounts were approved by the Board of Directors on 26 April 1995.

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

Cash flow statement

For the year ended 30 November 1994

	1994 £'000	1993 £'000
Net cash inflow from operating activities (Note 19)	11,422	22,167
Returns on investments and servicing of financing		
Interest received	1,215	1,482
Interest paid	(281)	(700)
Dividends paid	(12,452)	(8,380)
Net cash outflow from returns on investments and servicing of finance	(11,518)	(7,598)
Taxation		
Corporation tax paid (including ACT)	(2,479)	(6,631)
Investing activities		
Purchase of fixed assets at cost	(1,969)	(2,543)
Government grants received	230	1,060
Proceeds from the sale of fixed assets	29	5
Net cash outflow from investing activities	(1,710)	(1,478)
Net (decrease)/increase in cash and cash equivalents	(4,285)	6,460
Cash balance at beginning of year	7,167	707
Cash balance at end of year	2,882	7,167

The accompanying notes are an integral part of this statement.

Notes to the accounts

30 November 1994

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.

b) *Tangible fixed assets*

Tangible fixed assets are shown at cost, net of accumulated depreciation. Any related government grants are reported 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	- 4 - 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 is computed under 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.

Notes to the accounts (continued)

e) Foreign currency transactions

Transactions denominated in foreign currencies 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.

2. Segment information

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

	1994 £'000	1993 £'000
UK and Ireland	124,304	119,183
Rest of Europe	44,308	42,452
	<hr/> 168,612	<hr/> 161,635

Substantially all net assets of the company are located in the UK.

Turnover includes sales to other group undertakings amounting to £44,308,000 (1993 - £42,452,000).

3. Other operating expenses

Other operating expenses comprise:

	1994 £'000	1993 £'000
Selling, distribution and marketing costs	14,510	14,368
Administrative expenses	6,516	7,001
Other operating income	(358)	(301)
	<hr/> 20,668	<hr/> 21,068

Notes to the accounts (continued)

4. Interest receivable

Interest receivable comprises:

	1994 £'000	1993 £'000
Interest on balances due from other group undertakings	1,098	1,386
Interest on bank deposits	117	96
	<u>1,215</u>	<u>1,482</u>

5. Interest payable

Interest payable comprises:

	1994 £'000	1993 £'000
Interest on bank overdrafts repayable within 5 years, not by instalments	5	-
Interest on balances owed to other group undertakings	276	700
	<u>281</u>	<u>700</u>

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1994 £'000	1993 £'000
Depreciation of tangible fixed assets	3,135	2,999
Rentals payable under operating leases		
- property	608	425
- machinery and equipment	733	812
Staff costs (note 7)	23,035	21,632
Auditors' remuneration		
- audit fees	45	40
- non-audit fees	93	84
	<u></u>	<u></u>

Notes to the accounts (continued)

7. Staff costs

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

	1994 £'000	1993 £'000
Wages and salaries	20,402	18,960
Social security costs	2,258	2,502
Pension charge (note 20)	375	170
	<u>23,035</u>	<u>21,632</u>

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

	1994 Number	1993 Number
Manufacturing	1,411	1,357
Distribution and sales	134	142
Administration	51	50
	<u>1,596</u>	<u>1,549</u>

Directors' remuneration:

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

	1994 £'000	1993 £'000
Emoluments for management services	<u>600</u>	<u>475</u>

Notes to the accounts (continued)

7. Staff costs (continued)

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

	1994 Number	1993 Number
£nil - £5,000	4	3
£60,001 - £65,000	1	-
£100,001 - £105,000	1	-
£105,001 - £110,000	1	-
£125,001 - £130,000	-	1
£320,001 - £325,000	1	-
£345,001 - £350,000	-	1

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

	1994 £'000	1993 £'000
Chairperson		
- from 1 December 1993 to 1 August 1994 (1993 - for the year)	325	349
- from 1 August 1994 to 30 November 1994	103	-
	<u>428</u>	<u>349</u>
Highest paid director	<u>325</u>	<u>349</u>

8. Tax on profit on ordinary activities

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

	1994 £'000	1993 £'000
Corporation tax at 33%	5,608	3,897
Deferred tax	(186)	172
Adjustment of current taxation in respect of prior year	(105)	48
Adjustment of deferred taxation in respect of timing differences from prior year	-	66
	<u>5,317</u>	<u>4,183</u>

Notes to the accounts (continued)

9. Dividends paid

	1994 £'000	1993 £'000
Interim dividend of £ nil per share (1993-£6,300 per share)	-	6,300
Final dividend of £12,452 per share (1993 -£2,080 per share)	12,452	2,080
	<u>12,452</u>	<u>8,380</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	7,405	1,175	12,186	2,241	23,007
Additions	286	23	996	664	1,969
Disposals	-	-	(227)	(33)	(260)
End of year	<u>7,691</u>	<u>1,198</u>	<u>12,955</u>	<u>2,872</u>	<u>24,716</u>
Depreciation -					
Beginning of year	1,260	546	7,280	832	9,918
Charge	382	199	2,005	549	3,135
Disposals	-	-	(214)	(14)	(228)
End of year	<u>1,642</u>	<u>745</u>	<u>9,071</u>	<u>1,367</u>	<u>12,825</u>
Net book value -					
Beginning of year	6,145	629	4,906	1,409	13,089
End of year	<u>6,049</u>	<u>453</u>	<u>3,884</u>	<u>1,505</u>	<u>11,891</u>

Freehold land amounting to £9,000 (1993 - £9,000) has not been depreciated.

11. Fixed asset investment

RETAILINDEX Limited is a wholly owned subsidiary undertaking. RETAILINDEX Limited is registered in England and its principal activity is the sale of clothes which it purchases from the company.

As permitted by S229 Companies Act 1985, RETAILINDEX Limited has not been consolidated as in the opinion of the directors its inclusion is not material for the purposes of giving a true and fair view. The nominal value of the issued share capital of RETAILINDEX is £2 and its profit for the financial year ended 30 November 1994 was £62,273.

Notes to the accounts (continued)

11. Fixed asset investment (continued)

Middlebrook Limited is a wholly owned subsidiary undertaking. Middlebrook Limited is registered in Ireland and its principal activity is the sale of clothes which it purchases from the company.

As permitted by S229 Companies Act 1985, Middlebrook Limited has not been consolidated as in the opinion of the directors its inclusion is not material for the purposes of giving a true and fair view. The nominal value of the issued share capital of Middlebrook Limited is £2 and its loss for the financial year ended 30 November 1994 was £4,449.

The company set up Farvista Limited during the year as a wholly owned subsidiary undertaking. Farvista Limited is registered in England and its principal activity is the sale of clothes which it purchases from the company.

As permitted by S229 Companies Act 1985, Farvista has not been consolidated as in the opinion of the directors its inclusion is not material for the purposes of giving a true and fair view. The nominal value of the issued share capital of Farvista Limited is £2 and its loss for the year ended 30 November 1994 was £54,000.

12. Stocks

The following are included in the net book value of stocks:

	1994 £'000	1993 £'000
Raw materials	820	844
Work-in-progress	1,630	2,413
Finished goods	11,626	13,568
	<u>14,076</u>	<u>16,825</u>

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

13. Debtors

The following are included in the net book value of debtors:

	1994 £'000	1993 £'000
Amounts falling due within one year:		
Trade debtors	14,673	11,136
Amounts owed by subsidiary undertakings	1,191	-
Amounts owed by other group undertakings	14,579	9,049
Other debtors	-	913
Other prepayments and accrued income	140	115
	<u>30,583</u>	<u>21,213</u>

Notes to the accounts (continued)

14. Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1994 £'000	1993 £'000
Trade creditors	4,329	3,725
Amounts owed to other group undertakings	23,948	24,007
Other creditors		
- UK corporation tax payable	2,171	942
- ACT payable	2,256	461
- VAT	1,679	1,295
- social security and PAYE	539	508
Accruals and deferred income	8,281	8,501
	<u>43,203</u>	<u>39,439</u>

15. Provisions for liabilities and charges

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

	1994 £'000	1993 £'000
Amounts deferred by -		
Capital allowances in excess of depreciation	182	401
Short-term timing differences	112	79
	<u>294</u>	<u>480</u>

There was no unprovided contingent deferred taxation at either year end.

The movement on deferred taxation comprises:

	1994 £'000	1993 £'000
Beginning of year	480	242
(Credited) / charged to profit and loss, in respect of:		
- capital allowances	(219)	(5)
- other timing differences	33	243
End of year	<u>294</u>	<u>480</u>

Notes to the accounts (continued)

16. Deferred income

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

	1994 £'000	1993 £'000
Balance at beginning of year	1,410	475
Government grant received	230	1,060
Amortised to the profit and loss account	(316)	(125)
Balance at end of year	<u>1,324</u>	<u>1,410</u>

17. Called-up share capital

Called up share capital comprises:

	1994 £'000	1993 £'000
Authorised, allotted, called-up and fully-paid - 1,000 shares of £1 each	<u>1</u>	<u>1</u>

18. Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit for the financial year	10,098	7,387
Dividends	(12,452)	(8,380)
Net reduction to shareholders' funds	<u>(2,354)</u>	<u>(993)</u>
Opening shareholders' funds	16,965	17,958
Closing shareholders' funds	<u>14,611</u>	<u>16,965</u>

Notes to the accounts (continued)

19. Net cash inflow from operating activities

	1994 £'000	1993 £'000
Operating profit	14,481	10,788
Depreciation charges	3,135	2,999
Loss/(profit) on sale of tangible fixed assets	3	(2)
Amortisation of government grant	(316)	(125)
Decrease/(increase) in stock	2,749	(3,686)
Increase in debtors	(9,370)	(1,487)
Increase in creditors	740	13,680
Net cash inflow from operating activities	<u>11,422</u>	<u>22,167</u>

20. Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were:

	1994 £'000	1993 £'000
Authorised but not contracted for	<u>1,894</u>	<u>451</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 1994 was approximately £1,341,000 (1993 - £1,237,000).

Notes to the accounts (continued)

20. Guarantees and other financial commitments (continued)

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

	Property £'000	Machinery and equipment £'000	Total £'000
1994			
Leases which expire:			
- within one year	14	24	38
- within 2 - 5 years	553	143	696
- after 5 years	119	2	121
	<hr/> 686	<hr/> 169	<hr/> 855
1993			
Leases which expire:			
- within one year	14	173	187
- within 2 - 5 years	464	353	817
- after 5 years	208	58	266
	<hr/> 686	<hr/> 584	<hr/> 1,270

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 1992. 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 1992 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 and that there would be discretionary pension increases. Using these assumptions, the actuarial valuation showed the market value of the scheme's assets was £7.8 million and that the actuarial value of those assets represented 123% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the year was £375,000 (1993 - £170,000). This comprised a regular pension cost of £552,000 (1993 - £389,000) and a credit of £177,000 (1993 - £219,000) in respect of the amortisation of experience surpluses that are being recognised over 13.5 years, the average remaining service lives of scheme participants. During the year the company paid no contributions to the scheme because of this surplus.

Notes to the accounts (continued)

20. Guarantees and other financial commitments (continued)

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 USA. The ultimate parent company is Levi Strauss Associates Inc., incorporated in 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.

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