

Company Registration No. 02682271

Vivienne Westwood Limited

Annual report and financial statements

for the year ended 31 December 2019



Vivienne Westwood Limited

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Vivienne Westwood Limited

Report and financial statements 2019

Officers and professional advisers

Directors

V. I. Westwood
C. D'Amario

Secretary

C. D'Amario

Company Number

02682271 (England and Wales)

Registered Office

Westwood Studios
9-15 Elcho Street
London SW11 4AU

Auditor

Deloitte LLP
London
United Kingdom

Vivienne Westwood Limited

Strategic report

The directors present their strategic report and the audited financial statements of Vivienne Westwood Limited for the year ended 31 December 2019.

Review of the business and future developments

The brand continues to remain attractive to its wide customer base and sales continue to be consistent. The focus remains on improving the existing stores and clarifying the positioning of the Vivienne Westwood brand by focusing the offer through a streamlining of the portfolio of lines. The Company still has major ambitions to establish a better presence in relatively new markets such as China and USA as well as increasing market share in Europe (in particular France, Italy and Germany) and Asia. The policy of closely monitoring expenditures will continue and should maximise profitability going forward.

The Company is also undergoing a strategic review to create a new operating structure. This would allow the Company to optimise processes and the overall efficiency of the business. The United Kingdom left the European Union on 31 January 2020 and is in a transition period until 31 December 2020. The terms on which the United Kingdom may withdraw are not clear and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy. However, the Company is not affected by the continued uncertainty surrounding the United Kingdom's membership of the European Union, as the structure of the Group, which has a strong presence in Europe, will be able to minimise the negative impact of a hard Brexit.

The Company experienced the profound impact of the COVID-19 pandemic, as detailed in the post balance sheet event section on page 5, during early 2020. The full effect on the business is still unknown but the Company believes its cash reserves and careful cash flow management will mitigate any major repercussions.

The fight against Climate Change is at the heart of the business. The brand voice is used to raise awareness of the environmental impact of overconsumption urging people to buy less and buy better quality items. The Company focuses on sourcing sustainable materials, choosing natural over synthetic alternatives. Over 95% of the cotton jersey used in the collections is made from certified organic yarns and the company is working to increase this to 100%. The Company is part of the Canopy Style initiative and has committed to only use FSC certified viscose by 2021. Retail packaging is now 100% plastic free and the company is working to eliminate all single use virgin plastic from transit packaging. The Company is also committed to tackling textile waste seeking opportunities to reuse and upcycle leftover fabric and discarded materials. The Company is consolidating labels and reducing the size of the collections. Fashion SWITCH to Green is the Company's flagship campaign: together with the British Fashion Council and the Mayor of London the Company is reaching out to fashion brands and businesses to commit to switch to a green energy supplier. The Company is now planning to extend this campaign to include all its supply chain partners across Europe.

KPI's can be seen on the Key Performance Indicators section on page 3.

Net assets increased from £8.8M in 2018 to £10.6M in 2019.

The position of the Company can be seen on page 11 in the balance sheet.

Risk management and financial instruments

The Company has no derivatives and does no trade in financial instruments.

The directors regularly monitor the risks and uncertainties of the business.

- **Operating risk:** the Company management system provides a framework to ensure that operational policies and procedures are communicated, understood and adhered to.
- **Market risk:** the Company maintains its competitive position by actively managing its operational risk. It also provides a high level of service to its customers and maintains a good relationship with its suppliers and partners. As a consequence of Brexit the Company aims to minimise foreign exchange risk by utilising foreign currency bank accounts and by monitoring prices.
- **Personnel risk:** the Company places great emphasis on ongoing assessment of competent staff. The Directors consider succession planning issues on a regular basis.

Vivienne Westwood Limited

Strategic report (continued)

Matters of strategic importance

Vivienne Westwood is one of the last independent fashion companies within the international arena. Currently, the Company produces four clothing labels, leather goods, jewellery and a range of soft accessories and homeware. The turnover is mainly based on retail and wholesale sales.

2019 still proved to be a challenging year for the Company as cash flow from operations went from £7.6M in 2018 to (£1.2M) in 2019, partly due to marketing contribution to related parties, but there were some very positive signs as turnover rose by 19% compared to the previous year. The Company has seen an increase in retail sales of 10% and in particular in wholesale sales which increased 59% compared to 2018. However, cost of sales also increased by 19% which is reflected in the small increase of gross profit margin which went from 53.5% to 53.8%.

Margins are still under pressure due to the nature of wider retail conditions. The Company has been focusing on alleviating this pressure by reviewing pricing to improve gross profit margins and this policy will continue on an ongoing basis.

The new ERP and warehouse management systems that have been implemented two years ago are still in development to further enhance the efficiency of the business. The Company continues to invest in the development of the website which should better convey the brand message and improve the customer journey to boost online sales. The Company will keep focusing its marketing plans to drive increased revenues through the online platform. During 2019, the Company has worked hard to control inventory management and cash flow and this will continue to improve in alliance with a prudent cost cutting.

Paramount to the Company will be to constantly improve the quality of our products as well as working to minimize the Company's environmental footprint in line with our founder's motto "Buy less, choose well, make it last".

Statement by the directors in performance of their statutory duties in accordance with s172 Companies Act 2006.

In the decisions taken during the year ended 31.12.2019 the directors have always acted in good faith and in a way that they consider would be most likely to promote the success of the company.

In making decisions concerning the business, the directors must consider a variety of matters including the interest of various stakeholders, the consequences of their decisions in the short and long term and the overarching reputation of the company.

A key decision made during the year was in relation to our logistical structure. After management presented its due diligence findings, the directors considered that it was in the best interest of the Company to merge the retail/wholesale operation with the e-commerce operation. The directors considered several factors, including that warehouse employees working at the e-commerce warehouse would be relocated to a different facility. After consultation with affected employees a final decision was made with the objective of having a positive impact on customer service amongst other benefits.

Annually the directors consider and approve the gender pay gap report, our whistleblowing policy and our modern slavery statement, which explains the activities we have undertaken during the year to demonstrate our commitment to seeking to ensure that there is no slavery, forced labour or human trafficking within any part of our business or in our supply chains. This report can be found at www.viviennewestwood.com

We value all our suppliers and have multi-year contracts in place with our key suppliers. The directors discuss payment terms with management at high level to make sure they are in line with industry and market benchmarks. The directors are also kept informed about the company's payment performance which is published every six months.

The company is committed to be a responsible business. Each year the directors undertake a review of the company strategy which revolves around our sustainability plans. We strive to promote arts and culture, and always use our voice to mobilise and engage people to think about areas such as climate change and human rights. Our approach can also be found at www.viviennewestwood.com

Vivienne Westwood Limited


Key performance indicators

To track the financial performance of the Company, the directors monitor key performance indicators. These include the following:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Turnover	46,305	38,762	40,753	37,502
Gross profit margin	53.8%	53.5%	53.3%	46.0%
(Loss)/profit before tax	2,703	(2,500)	1,907	1,933
Cash flow (used)/from operations	(1,185)	7,615	(2,600)	(1,614)

No additional key performance indicators, either financial or otherwise, are necessary to understand the Company's position and performance.

Approved by the board of Directors



C. D. Amario
Director

8th July 2020

Westwood Studios
9-15 Elcho Street
London SW11 4AU

Vivienne Westwood Limited

Directors' report

The directors present their annual report on the affairs of Vivienne Westwood Limited ('the Company'), together with the audited financial statements and auditor's report, for the year ended 31 December 2019.

Going concern

On the basis of current financial projections, the directors are confident that the company has adequate resources considering its profit, net current assets and cash to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements; and, accordingly, they consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Company experienced the profound impact of the COVID-19 pandemic, as detailed in the post balance sheet event section on page 5, during early 2020. The full effect on the business is still unknown but the Company believes its cash reserves and careful cash flow management will mitigate any major repercussions.

Principal activities & future developments

The principal activities of the Company during the year were those of designer, manufacturer, wholesaler and retailer of fashion apparel.

The directors do not foresee any changes in the Company's activities.

Dividends

The directors do not propose a final dividend for 2019 (2018: £nil).

Directors

The following directors held office since 1 January 2019 and to the date of this report:

V. I. Westwood
C. D'Amario

Strategic report

Information (review of the business and future developments, key performance indicators) is not shown within the Directors' Report as it is instead included with the Strategic Report on page 2, under S414C (11) of the Companies Act 2006.

Financial risk

Financial monitoring, forecasting and planning is a continuous process, with particular emphasis on cash flow management and delivering a cost effective service to customers while maintaining an acceptable return to shareholders.

There is exposure to foreign exchange fluctuations in relation mainly to sales and purchases in foreign currency. The Company aims to minimise foreign exchange risk and does not speculate on currency exchange rate movements. A large proportion of trade is made in Euros, US Dollars and Japanese Yen and the Company hedges the exchange risk by using its Euro, USD and Yen bank accounts.

Credit risk related to wholesale sales is mitigated by the implementation of clear policies: risk-based credit terms are applied to different customers, credit checks are carried out on potential customers and debts collection follows fixed procedures and regular reviews.

Liquidity risk is not considered to be significant for the business.

The main financial instruments held by the Company are trade debtors, trade creditors and cash.

Employee involvement

The Company encourages the involvement of its employees in its management through regular meetings which have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy. Employees are provided with weekly catch up meetings held by the manager of the department. Such meetings allow employees to stay up to date with Company's policies and information including financial and economic factors affecting the performance of the company.

Vivienne Westwood Limited

Directors' report (continued)

Disabled persons

The Company's policy includes the continued employment of disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. Under the Equality Act 2010, the Company is committed to promote equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

During employment the Company seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential. Employees with disabilities are encouraged to contact their line manager or the Human Resources Department to discuss any reasonable adjustment that would help overcome or minimise the difficulty.

We monitor the physical features of our premises to consider whether they place disabled workers, job applicants or service users at a substantial disadvantage compared to other staff.

Charitable donations

The Company made charitable donations of £89,655 (2018: £99,359) to national charities in the year.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in the force at the date of this report

Existence of branches outside the UK

Vivienne Westwood Limited has an overseas branch in Thailand as defined in section 1046(3) of the Company Act 2006. The Representative Office was constituted on 11th October 2016. It is consolidated into this financial statement.

Post balance sheet events

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. A review of the financial impact on the Company in responding to COVID-19 has been assessed as significant. This is because a large number of countries have closed borders and retailers across the globe have temporarily closed their stores. Although this unprecedented event brings economic uncertainty, the full extent of the disruption is not known at this moment. The Company has been able to keep trading online and has retained all employees. This is due to the overall strength of the business and was assisted by the UK Government job retention scheme. The Company believes its cash reserves and careful cash flow management will mitigate any major repercussions.

Vivienne Westwood Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

C. D'Amario
Director

8th July 2020

Westwood Studios
9-15 Elcho Street
London SW11 4AU

Vivienne Westwood Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Vivienne Westwood Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Vivienne Westwood Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Vivienne Westwood Limited (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:


- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Vivienne Westwood Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed



Emily Cheevers FCA
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 July 2020

Vivienne Westwood Limited

Statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	46,305,231	38,762,292
Cost of sales		(21,404,942)	(18,014,585)
Gross profit		24,900,289	20,747,707
Distribution costs		(5,761,482)	(4,692,569)
Administrative expenses		(16,440,251)	(18,555,278)
Operating profit/(loss)		2,698,556	(2,500,140)
Interest receivable and similar income	4	4,802	295
Profit/(loss) before taxation	5	2,703,358	(2,499,845)
Tax on profit/(loss)	7	(867,082)	(2,300,294)
Profit/(loss) for the financial year attributable to owners of the company and total comprehensive income/(expense)		1,836,276	(4,800,139)

Revenue and operating profit/(loss) are all derived from continuing operations.

Vivienne Westwood Limited

Balance sheet

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	8	8,274,000	9,653,000
Tangible assets	9	379,497	674,919
		<u>8,653,497</u>	<u>10,327,919</u>
Current assets			
Stocks	10	4,827,886	5,209,398
Debtors	11	9,940,368	7,533,041
Cash at bank and in hand		12,077,992	12,901,680
		<u>26,846,246</u>	<u>25,644,119</u>
Creditors: amounts falling due within one year	12	(21,068,036)	(21,956,089)
Net current assets		<u>5,778,210</u>	<u>3,688,030</u>
Total assets less current liabilities		14,431,707	14,015,949
Creditors: amount falling due after more than one year		(3,727,123)	(4,969,498)
Provisions for liabilities	13	(80,925)	(259,068)
Net assets		<u>10,623,659</u>	<u>8,787,383</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	10,623,559	8,787,283
Total equity		<u>10,623,659</u>	<u>8,787,383</u>

The financial statements of Vivienne Westwood Limited (registered number 02682271) were approved by the board of directors and authorised for issue on 8th July 2020. They were signed on its behalf by:


 C. D'Amario
 Director

Vivienne Westwood Limited

Statement of changes in equity For the year ended 31 December 2019

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2018	100	13,587,422	13,587,522
Total comprehensive expense for the year	-	(4,800,139)	(4,800,139)
Balance at 31 December 2018	100	8,787,283	8,787,383
Total comprehensive income for the year	-	1,836,276	1,836,276
Balance at 31 December 2019	100	10,623,559	10,623,659

Vivienne Westwood Limited

Cash flow statement

For the year ended 31 December 2019

	Note	2019 £	2018 £
Operating activities	16		
Cash used in operations		(317,457)	9,497,200
Income taxes paid		(867,082)	(1,882,202)
Net cash (used in)/from operating activities		<u>(1,184,539)</u>	<u>7,614,998</u>
Investing activities			
Interest received		4,802	295
Payments to acquire property, plant and equipment		(148,197)	(129,734)
Net cash used in investing activities		<u>(143,395)</u>	<u>(129,439)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,327,934)</u>	<u>7,485,559</u>
Cash and cash equivalents at beginning of year		12,901,680	5,683,219
Effect of foreign exchange rate changes		504,246	(267,098)
Cash and cash equivalents at end of year		<u>12,077,992</u>	<u>12,901,680</u>

Vivienne Westwood Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

a. General information

Vivienne Westwood Limited ("the Company") is a private limited company by way of shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the Company's registered office and principal place of business is Westwood Studios, 9-15 Elcho Street, London, SW11 4AU.

The Company's principal activities are disclosed in the Directors' Report.

b. Basis of accounting

These financial statements are prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention.

c. Going concern

On the basis of current financial projections, the directors are confident that the company has adequate resources considering its profit, net current assets and cash to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements; and, accordingly, they consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Company experienced the profound impact of the COVID-19 pandemic, as detailed in the post balance sheet event section on page 5, during early 2020. The full effect on the business is still unknown but the Company believes its cash reserves and careful cash flow management will mitigate any major repercussions

d. Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value over its expected useful life, as follows:

Leasehold property improvements	over life of lease from commencement of use with a maximum of 10 years
Fixtures and fittings	20% straight line
Office and computer equipment	25% straight line
Motor Vehicles	25% straight line
Plant and Machinery	straight line over 3 years

e. Intangible assets

Intangible assets are initially measured at cost and subsequently measured at cost, net of amortisation and any impairment losses. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset to its estimated residual value over its expected useful life, as follows:

Trademarks	straight line over 9 years
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f. Stock

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost basis and for finished goods and work in progress, includes direct labour costs and overheads appropriate to the stage of manufacture.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

g. Leases

Operating leases

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rent-free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

h. Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

i. Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains and losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

j. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Turnover from the sale of goods is recognised when the goods are physically delivered to the customer or at the point of sale for retail stores. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

k. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

l. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sales of a financial asset is under a contract whose terms require delivery of a financial asset within the timeframe established by the market concerned, and are initially measured at a fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

m. Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

n. Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

In case of delay in payment, the Buyer shall be bound to pay interest, equal to the official interest rate, on the outstanding amounts. This is in accordance with Statutory European Late Payment Legislation.

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Critical accounting estimates & judgments

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty

Closing Stock requires an estimation of the seasonal stock value.

The value of old season stock requires an estimation of items which are not sold in the following year. Their value is determined using a suitable discount rate. The carrying amount of stock at the balance sheet date is £4,827,886 after provision.

Critical judgements in applying the Company's accounting policies

Onerous lease provisions and fixed asset impairments require critical judgement.

3. Turnover

An analysis of the Company's turnover by class of business is as follows:

	2019	2018
	£	£
Continuing operations:		
Sale of goods	35,366,811	28,128,472
Commissions	1,916,920	2,336,407
Royalties	7,605,636	6,266,743
Miscellaneous sales	1,415,864	2,030,670
	<u>46,305,231</u>	<u>38,762,292</u>

Miscellaneous sales relate to PR and Marketing consultancy, special events and intercompany services provided.

An analysis of the geographical location of the Company's turnover is as follows:

	2019	2018
	£	£
U.K.	28,644,043	23,353,025
Italy	7,690,648	8,975,250
Japan	6,103,645	3,239,986
Luxembourg	15,246	39,082
South Korea	991,111	737,089
U.S.	860,154	644,688
H.K.	556,458	381,428
France	232,541	271,122
European Community Other	273,003	444,926
Rest of the World	938,382	675,696
	<u>46,305,231</u>	<u>38,762,292</u>

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Interest receivable and similar income

	2019	2018
	£	£
Bank and other interest	4,802	295
	<u>4,802</u>	<u>295</u>

5. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for:		
- the audit of the Company's annual accounts	62,000	75,000
- taxation compliance services	0	7,200
- other services	13,559	3,500
Stock recognised as an expense	16,163,560	13,782,459
Amortisation of intangible assets (see note 8)	1,379,000	1,379,000
Depreciation of tangible fixed assets (see note 9)	365,678	408,955
Impairment of tangible fixed assets (see note 9)	25,084	281,643
Operating lease charges	<u>2,544,395</u>	<u>2,524,803</u>

The impairment of tangible fixed assets arose as a result of the onerous contracts of loss-making stores.

Amortisation of intangible assets is included in administrative expenses.

6. Employees

The average monthly number of full time equivalent persons (including directors) employed by the Company during the year was:

	2019	2018
	No.	No.
Administration	45	44
Design and production	65	63
Retail and marketing	160	164
	<u>270</u>	<u>271</u>

	£	£
Staff costs for above persons:		
Wages and salaries	8,171,577	8,838,829
Social security costs	786,666	875,999
Pension costs	188,332	126,385
	<u>9,146,575</u>	<u>9,841,213</u>

The total remuneration excluding employer's NI of the directors and the area managers of each division, who are considered to be the key management personnel of the Company, was £652,733 (2018: £1,565,699).

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

6. Employees (continued)

	2019	2018
	£	£.
Directors' remuneration		
Directors' emoluments	56,000	616,000

There were no directors receiving retirement benefits (2018: None).

The highest paid director received £28,000 (2018: £308,000) gross salary during the year.

7. Tax on profit/(loss)

	2019	2018
	£	£
Current tax:		
UK corporation tax on profits/(loss) of the year	879,607	2,206,032
Adjustments in respect of prior periods	210	187,847
Total current tax	<u>879,817</u>	<u>2,393,879</u>
Deferred taxation:		
Origination and reversal of timing differences	(12,735)	(93,900)
Adjustment in respect of previous periods	-	(9,356)
Effect of changes in tax rates	-	9,671
	<u>(12,735)</u>	<u>(93,585)</u>
Tax on profit/(loss)	<u>867,082</u>	<u>2,300,294</u>

Factors affecting tax expense for the year:

The tax assessed for the year is the effective rate of corporation tax in the UK of 19% (2018: 19%):

Profit/(loss) before tax	2,703,358	(2,499,845)
Profit multiplied by effective rate of corporation tax UK of 19% (2018: 19%)	513,638	(474,971)
Effects of:		
Transfer Pricing Adjustments	-	2,244,106
Fixed asset differences	292,108	-
Expenses not deductible for tax purposes	19,930	342,998
Adjustments in respect of previous periods	210	178,491
Unknown	39,286	-
Tax rate changes	1,910	9,670
	<u>867,082</u>	<u>2,300,294</u>

The standard rate of tax applied to reported profit is 19 per cent (2018: 19 per cent). On 26 October 2015, the Finance (No.2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April, 2017. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020. In the March 2020 Budget the reduction in the corporation tax rate was withdrawn and it will now stay at 19%; the impact will be accounted for

Vivienne Westwood Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

7. Tax on profit/(loss) (continued)

in the accounts for the year ended 31 December 2019. During the year beginning 1 January 2019, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £1,433,212.

8. Intangible assets

	Trademarks £	Total £
Cost		
At 1 January 2019	12,411,000	12,411,000
At 31 December 2019	12,411,000	12,411,000
Amortisation		
At 1 January 2019	2,758,000	2,758,000
Charge for the year	1,379,000	1,379,000
At 31 December 2019	4,137,000	4,137,000
Net book value		
At 31 December 2019	8,274,000	8,274,000
At 31 December 2018	9,653,000	9,653,000

Intangible assets represent the Vivienne Westwood's Trademarks transferred from Latimo SA as of January 2017 and the trademark has an estimated remaining useful life of nine years. There are no contractual commitments in relation to acquisition of intangibles.

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Tangible fixed assets

	Leasehold property improvements £	Plant and machinery £	Fixtures and fittings £	Office & computer equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2019	1,283,692	157,232	1,026,750	213,591	44,018	2,725,283
Additions	39,740	1,579	81,330	33,897	-	156,546
Consolidation Adj	-	(1,712)	(6,637)	-	-	(8,349)
Disposals	(84,385)	-	(34,900)	-	-	(119,285)
At 31 December 2019	<u>1,239,047</u>	<u>157,099</u>	<u>1,066,543</u>	<u>247,488</u>	<u>44,018</u>	<u>2,754,195</u>
Depreciation						
At 1 January 2019	887,729	58,174	911,527	155,093	37,841	2,050,364
Reallocation of prior period impairment*	98,097	-	(100,780)	2,683	-	-
Charge for the year	89,579	53,917	180,647	35,358	6,177	365,678
CY Impairment	17,025	-	6,121	1,937	-	25,083
Eliminated on Disposals	(45,719)	-	(20,708)	-	-	(66,427)
At 31 December 2019	<u>1,046,711</u>	<u>112,091</u>	<u>976,807</u>	<u>195,071</u>	<u>44,018</u>	<u>2,374,698</u>
Net book value						
At 31 December 2019	<u>192,336</u>	<u>45,008</u>	<u>89,736</u>	<u>52,417</u>	<u>-</u>	<u>379,497</u>
At 31 December 2018	<u>395,963</u>	<u>99,058</u>	<u>115,223</u>	<u>58,498</u>	<u>6,177</u>	<u>674,919</u>

There are no contractual commitments in relation to acquisition of property, plant and equipment.

*Relates to the current year reallocation of prior period impairment previously fully recorded under furniture and fittings. This has no impact on the current and prior period of statement of comprehensive income and balance sheet.

10. Stocks

	2019 £	2018 £
Raw materials and consumables	35,671	12,709
Finished goods and goods for resale	4,792,215	5,196,689
	<u>4,827,886</u>	<u>5,209,398</u>

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

11. Debtors

	2019	2018
	£	£
Due within one year		
Trade debtors	4,766,132	4,774,879
Amounts due from group undertakings	2,081,297	1,872,964
Other debtors	103,072	25,866
Prepayments and accrued income	2,891,678	750,613
	<u>9,842,179</u>	<u>7,424,322</u>
Due after more than one year		
Other debtors	98,189	108,719
	<u>9,940,368</u>	<u>7,533,041</u>

Amounts due from group undertakings are not interest bearing and unsecured.

12. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	2,837,995	4,336,444
Amounts due to group undertakings	11,032,074	11,369,092
Corporation tax	2,732,811	2,852,838
Other taxation and social security	1,177,964	1,061,198
Other creditors	85,596	147,634
Accruals	812,652	772,282
Deferred income	2,388,944	1,416,601
	<u>21,068,036</u>	<u>21,956,089</u>

Amounts due from group undertakings are not interest bearing and unsecured.

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

13. Provisions for liabilities

	Deferred taxation £	Other £	Total £
At 1 January 2019	(51,357)	310,425	259,068
Charged to profit and loss account	(12,735)	(165,408)	(178,143)
At 31 December 2019	<u>(64,092)</u>	<u>145,017</u>	<u>80,925</u>

Deferred tax

Deferred tax is provided as follows:

	2019 £	2018 £
Excess of tax allowances over depreciation	<u>(64,092)</u>	<u>(51,357)</u>
Provision for deferred tax	<u>(64,092)</u>	<u>(51,357)</u>

The Directors do not expect a significant reversal of these deferred tax items to occur in the 12 months following the balance sheet date.

Other

Other provisions include a provision for onerous lease at 31 December 2019 of £145,017 (2018: £310,425).

14. Share capital

	2019 £	2018 £
Authorised, allotted, issued and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The Ordinary shares carry all rights normally ascribed to Ordinary shares.

15. Reserves

Reserves of the Company represent the following:

	2019 £	2018 £
Retained earnings		
Cumulative profit and loss net of distributions to owners	<u>10,623,559</u>	<u>8,787,283</u>

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Reconciliation of profit/(loss) after tax to net cash generated from operations

	2019	2018
	£	£
Profit/(loss) before tax	2,703,358	(4,800,139)
Adjustments for:		
Depreciation and amortisation	1,744,678	1,787,954
Interest receivable	(4,802)	(295)
Foreign exchange	(504,246)	267,099
Taxation	867,082	2,300,294
	<u>4,806,070</u>	<u>(445,087)</u>
Operating cash flows before movements in working capital	4,806,070	(445,087)
(Increase)/Decrease in stocks	381,512	(519,368)
(Increase)/Decrease in trade and other debtors	(2,407,327)	2,832,451
(Decrease)/Increase in trade and other creditors	(3,097,712)	7,629,204
	<u>(317,457)</u>	<u>9,497,200</u>
Cash generated from operations	<u>(317,457)</u>	<u>9,497,200</u>

17. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases for fixed assets are as follows:

	2019	2018
	£	£
Amounts due:		
Within one year	2,544,395	1,286,470
Between one and five years	8,341,503	3,531,615
After five years	1,780,250	1,495,433
	<u>12,666,148</u>	<u>6,313,518</u>

18. Control

V. I. Westwood and A. Kronthaler are the ultimate controlling shareholders of the Company. The parent company of Vivienne Westwood Ltd is Latimo SA, incorporated in Luxembourg and 41 Isabella SA, 8 Rue Du Marche'-Aux-Herbes, 1728 Luxembourg, is the ultimate parent company. The consolidated financial statements of Latimo SA are available from its registered office, 8 Rue Du Marche'-Aux-Herbes, 1728 Luxembourg.

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Related party transactions

There are no terms and conditions between related parties.

	2019	2018
	£	£
Directors' current accounts		
Included in other debtors/(creditors) at the year end:		
C. D'Amario	87,397	(11,392)
V.I. Westwood	15,675	(16,008)
A. Kronthaler (spouse of V.I. Westwood)	<u>(55,209)</u>	<u>(77,347)</u>

The maximum amounts owed to the company during the year regarding the directors' current accounts were £87,397 for C. D'Amario, £15,675 for V.I. Westwood and £(55,209) for A. Kronthaler respectively. No interest is charged on these balances.

Vivienne Westwood (Property) Limited is a company incorporated in the United Kingdom. V.I. Westwood is a director and has ultimate control of the Company.

	2019	2018
	£	£
Rent paid to Vivienne Westwood (Property) Limited	700,000	650,000
Administration charges	<u>2,000</u>	<u>2,000</u>

Elcho Property Limited is a company incorporated in the United Kingdom whose directors are V.I. Westwood and C. D'Amario.

	2019	2018
	£	£
Rent paid to Elcho Property Limited	595,000	595,000
Administration charges	<u>2,000</u>	<u>2,000</u>

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Related party transactions (continued)

Vivienne Westwood S.r.l. is a company incorporated in Italy which is a fellow subsidiary undertaking of Latimo SA.

	2019	2018
	£	£
Amount receivable from Vivienne Westwood S.r.l. in respect of commission	1,916,920	2,336,407
Amount receivable from Vivienne Westwood S.r.l. in respect of royalties	4,560,565	5,275,290
Amount receivable from Vivienne Westwood S.r.l. in respect of PR agreement	480,113	613,547
Amount receivable from Vivienne Westwood S.r.l. in respect of sampling and travel expenses	70,807	30,808
Amount receivable from Vivienne Westwood S.r.l. in respect of goods sold	134,010	187,819
Amount receivable from Vivienne Westwood S.r.l. in respect of miscellaneous sales	86,761	217,476
Amount payable to Vivienne Westwood S.r.l. in respect of commission	62,994	48,538
Amount payable to Vivienne Westwood S.r.l. in respect of IT costs	548,230	679,203
Amount payable to Vivienne Westwood S.r.l. in respect of goods purchased	6,214,150	6,511,974
Amount payable to Vivienne Westwood S.r.l. in respect of consulting services, insurance, miscellaneous purchases	413,777	39,730
Included within debtors at the year end:		
Due from group undertakings in less than one year	<u>1,903,404</u>	<u>1,872,964</u>

Vivienne Westwood S.a.r.l. is a company incorporated in France which is a fellow subsidiary undertaking of Latimo SA.

	2019	2018
	£	£
Amount receivable from Vivienne Westwood S.a.r.l. in respect of goods sold	158,198	136,773
Amounts receivable from Vivienne Westwood S.a.r.l. in respect of miscellaneous sales	31,571	112,775
Amount payable to Vivienne Westwood S.a.r.l. in respect of commission	181,817	149,425
Amount payable to Vivienne Westwood S.a.r.l. in respect of PR agreement	545,905	515,192
Amount payable to Vivienne Westwood S.a.r.l. in respect of goods purchased and miscellaneous purchases	32,109	40,311
Marketing Contribution – TP adjustment	920,552	876,078
Included within debtors at the year end:		
Due to group undertakings in less than one year	<u>2,220,060</u>	<u>2,009,133</u>

Vivienne Westwood Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Related party transactions (continued)

Latimo SA is a company incorporated in Luxembourg which is the immediate parent of Vivienne Westwood Limited.

	2019 £	2018 £
Licence fees paid to Latimo SA	431,872	369,361
Included within creditors at the year end:		
Due to group undertaking in less than one year	<u>6,354,165</u>	<u>8,870,948</u>

Rio Bravo Inc. is a company incorporated in the United States of America which is a fellow subsidiary undertaking of Latimo SA.

	2019 £	2018 £
Amount receivable from Rio Bravo Inc. in respect of goods sold	385,629	275,460
Amount receivable from Rio Bravo Inc in respect of miscellaneous sales	3,503	96,775
Amount payable to Rio Bravo Inc. in respect of PR agreement	20,875	20,841
Amount payable to Rio Bravo Inc. in respect of commission	53,058	35,024
Marketing Contribution – TP adjustment	1,108,716	1,181,508
Included within debtors at the year end:		
Due to group undertakings in less than one year	<u>1,585,024</u>	<u>141,941</u>

Castano Secondo Inc. is a company incorporated in the United States of America which is a fellow subsidiary undertaking of Latimo SA.

	2019 £	2018 £
Amount receivable from Castano Secondo Inc. in respect of goods sold	114,783	93,981
Amount receivable from Castano Secondo Inc. in respect of miscellaneous sales	1,023	6,042
Marketing Contribution – TP adjustment	569,623	463,642
Included within debtors at the year end:		
Due to group undertakings in less than one year	<u>477,526</u>	<u>347,071</u>