

**VIVIENNE WESTWOOD LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

Company Number: 2682271

FRASER RUSSELL  
Chartered Accountants  
4 London Wall Buildings  
Blomfield Street  
London EC2M 5NT



**VIVIENNE WESTWOOD LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**

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**VIVIENNE WESTWOOD LIMITED**

**COMPANY INFORMATION**

**Director**

V. Westwood

**Secretary**

Temple Secretarial Limited

**Registered office**

Westwood Studios  
9 - 15 Elcho Street  
London  
SW11 4AU

**Company number**

2682271

**Auditors**

Fraser Russell  
4 London Wall Buildings  
Blomfield Street  
London  
EC4M 5NT

**VIVIENNE WESTWOOD LIMITED****REPORT OF THE DIRECTOR**

The director submits her report and the audited financial statements for the year ended 31st December 1997.

**Principal activity**

The principal activity of the company during the year was that of designers, manufacturers, wholesalers and retailers of fashion apparel.

**Review of the business**

The director is pleased with the results for the year and the financial position of the company at the year end.

**Results and dividends**

The profit for the year after tax transferred to reserves was £299,655 (1996 : £436,665). The director does not recommend the payment of a dividend.

**Director and her interests**

The director who served during the year and her beneficial interest in the ordinary shares of £1 each were as follows:

	1996 and 1997 Number
V. Westwood	100
	<hr/>

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period 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 financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Close company status**

The company is a close company within the meaning of the Income and Corporation taxes Act 1988.

**VIVIENNE WESTWOOD LIMITED**

**REPORT OF THE DIRECTOR**

**Auditors**

In accordance with Section 385 Companies Act 1985, a resolution proposing the re-appointment of Fraser Russell, Chartered Accountants and registered Auditors, will be put to the Annual General Meeting.

**By order of the Board**



V.I WESTWOOD  
*Director*

Dated: 8<sup>th</sup> February 1999

**AUDITORS' REPORT TO THE MEMBERS OF  
VIVIENNE WESTWOOD LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

**Respective responsibilities of the director and auditors**

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

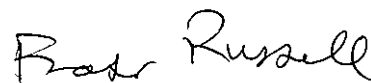
**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



FRASER RUSSELL  
Chartered Accountants  
and Registered Auditors

4 London Wall Buildings  
Blomfield Street  
London  
EC2M 5NT

Dated: 8<sup>th</sup> February 1998

## VIVIENNE WESTWOOD LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1997

	Notes	1997 £	1996 £
Turnover	2	8,086,629	6,272,965
Cost of sales		(4,024,368)	(3,523,319)
<b>Gross profit</b>		<u>4,062,261</u>	<u>2,749,646</u>
Distribution costs		(572,006)	(475,973)
Administrative expenses		(2,851,111)	(1,620,672)
		<u>(3,423,117)</u>	<u>(2,096,645)</u>
<b>Operating profit</b>	3	639,144	653,001
Interest receivable and similar income	6	155,810	95,128
Interest payable and similar charges	7	(35,299)	(31,880)
<b>Profit on ordinary activities before taxation</b>		<u>759,655</u>	<u>716,249</u>
Tax on profit on ordinary activities	8	(460,000)	(279,584)
<b>Retained profit for the year</b>	18	<u><u>£299,655</u></u>	<u><u>£436,665</u></u>

*All amounts relate to continuing operations.  
The company has no other recognised gains or losses.  
The notes on pages 9 to 15 form part of these financial statements*

## VIVIENNE WESTWOOD LIMITED

## BALANCE SHEET

As at 31st December 1997

	Notes	1997 £	1996 £
<b>Fixed assets</b>			
Intangible assets	9	10,749	10,887
Tangible assets	10	943,127	837,595
		<hr/>	<hr/>
		953,876	848,482
		<hr/>	<hr/>
<b>Current assets</b>			
Stock	12	486,990	679,713
Debtors due within one year	13	993,569	1,004,270
Debtors falling due after more than one year	14	2,213,367	1,508,889
Cash at bank and in hand		412,440	264,862
		<hr/>	<hr/>
		4,106,366	3,457,734
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	15	(3,208,053)	(2,688,419)
		<hr/>	<hr/>
<b>Net current assets</b>		898,313	769,315
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,852,189	1,617,797
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	16	(73,189)	(138,452)
		<hr/>	<hr/>
		£1,779,000	£1,479,345
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	18	100	100
Profit and loss account	18	1,778,900	1,479,245
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		£1,779,000	£1,479,345
		<hr/>	<hr/>

Approved by the Board and signed on its behalf


V. WESTWOOD  
Director

Dated: 8th February 1998



## VIVIENNE WESTWOOD LIMITED

## CASH FLOW STATEMENT

For the year ended 31st December 1997

	Notes	1997 £	1996 £
<b>Net cash inflow from operating activities</b>	1	724,800	601,196
<b>Returns on investments and servicing of finance:</b>			
Interest received		155,810	95,128
Interest paid		(35,299)	(31,880)
<b>Net cash inflow from returns on investments and servicing of finance</b>		120,511	63,248
<b>Corporation tax paid</b>		(341,502)	(448,174)
<b>Capital expenditure and financial investment:</b>			
Purchase of intangible assets		(1,353)	(6,982)
Purchase of tangible fixed assets		(178,795)	(67,593)
Sale of tangible fixed assets		-	178,000
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		(180,148)	103,425
<b>Net cash inflow before financing</b>		323,661	319,695
<b>Financing</b>			
(Decrease)/increase in debts due within a year		(110,820)	108,786
Decrease in debts due beyond a year		(61,430)	(214,088)
Capital element of finance lease rentals		(3,833)	(1,917)
<b>Net cash outflow from financing</b>		(176,083)	(107,219)
<b>Increase in cash</b>	2	£147,578	£212,476

*The notes on page 8 form part of this Cash Flow Statement*

**VIVIENNE WESTWOOD LIMITED**  
**NOTES TO THE CASH FLOW STATEMENTS**

**For the year ended 31st December 1997**

**1 Reconciliation of operating cash inflow from operating activities**

	1997 £	1996 £
Operating profit	639,144	653,001
Depreciation	74,754	48,033
Loss on disposal of fixed assets	-	39,966
Decrease/(increase) in stocks	192,723	(107,785)
Increase in loans to related undertaking	(686,700)	(330,957)
Increase in debtors	(7,077)	(240,017)
Increase in creditors	511,956	538,955
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>£724,800</b>	<b>£601,196</b>
	<hr/> <hr/>	<hr/> <hr/>

**2 Reconciliation of net cash flow to movement in net debt**

Increase in cash in the year	147,578	212,476
Cash outflow from increase in debt and loan financing	176,083	107,219
	<hr/>	<hr/>
Movement in net debt in the year	323,661	319,695
	<hr/>	<hr/>
<b>Net debt at 1st January 1997</b>	<b>(107,926)</b>	<b>(427,621)</b>
	<hr/>	<hr/>
<b>Net debt at 31st December 1997</b>	<b>£215,735</b>	<b>£(107,926)</b>
	<hr/> <hr/>	<hr/> <hr/>

**3 Analysis of net funds/(debt)**

	At 1st January 1997 £	Cash flow £	At 31st December 1997 £
Cash at bank and in hand	264,862	147,578	412,440
Debt due within 1 year	(230,503)	110,820	(119,683)
Debt due after 1 year	(132,702)	61,430	(71,272)
Finance leases and hire purchase contracts	(9,583)	3,833	(5,750)
	<hr/>	<hr/>	<hr/>
<b>Total net funds/(debt)</b>	<b>£(107,926)</b>	<b>£323,661</b>	<b>£215,735</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies

*(a) Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

*(b) Depreciation*

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write down the cost less estimated residual value, over their useful economic lives, as follows:

Land	- nil
Buildings	- over 50 years
Fixtures, fittings and equipment	- 15% reducing balance
Office equipment	- 25% reducing balance
Motor vehicles	- 25% reducing balance

*(c) Trade marks*

Trade marks are depreciated over ten years on a straight line basis.

*(d) Stock*

Stock is stated at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. Cost represents materials, direct labour and appropriate production overheads.

*(e) Leases and hire purchase contracts*

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease. Rentals in respect of operating leases are charged to the profit and loss account in the year to which they relate.

*(f) Deferred taxation*

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

*(g) Foreign exchange*

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

*(h) Royalties*

Royalties are recognised in the profit and loss account in the period in which the sales deriving the royalties are realised.

## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 2. Turnover

Turnover represents the value of goods sold and services provided during the year which fall within the company's principal activity, stated net of value added tax, and arises in the following geographical markets.

	1997 £	1996 £
European community	5,592,023	3,871,274
Rest of the world	2,494,606	2,401,691
	<u>£8,086,629</u>	<u>£6,272,965</u>

## 3. Operating profit is stated after charging or (crediting):

Auditors' remuneration:

- audit services	8,000	7,798
- other services	13,503	2,995
Depreciation - owned fixed assets	70,388	43,804
- assets held under finance leases	2,875	2,875
- intangible assets	1,353	1,354
Operating leases	186,627	235,158
Royalties received	(648,167)	(400,328)
	<u></u>	<u></u>

## 4. Staff costs

Wages and salaries	2,097,726	1,104,921
Social security costs	207,437	111,428
	<u>£2,305,163</u>	<u>£1,216,349</u>

	Number	Number
The average monthly number of employees during the year was:		
Administration	12	12
Design and production	30	27
Retail and marketing	16	16
	<u>58</u>	<u>55</u>

## 5. Directors remuneration

For management services (and highest paid director)	<u>£818,580</u>	<u>£18,624</u>
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## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

<b>6. Interest receivable and similar income</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Bank interest	2,698	3,508
Interest on loan to relating undertaking	153,112	91,485
Other interest	-	135
	<hr/>	<hr/>
	£155,810	£95,128
	<hr/>	<hr/>
<b>7. Interest payable and similar charges</b>		
Bank loans and overdrafts	32,122	26,411
Finance leases and hire purchase contracts	2,965	592
Other interest	212	4,877
	<hr/>	<hr/>
	£35,299	£31,880
	<hr/>	<hr/>
<b>8. Tax on profit on ordinary activities</b>		
UK Corporation tax at 31% (1996 : 33%)	260,000	280,000
Deferred tax	-	160,825
Adjustment in respect of previous years	200,000	(161,241)
	<hr/>	<hr/>
	£460,000	£279,584
	<hr/>	<hr/>

The adjustment in respect of previous years includes an estimated liability for past years not yet finalised.

<b>9. Intangible fixed assets</b>	<b>Trade Marks</b>
	<b>£</b>
<b>Cost</b>	
At 1st January 1997	13,556
Additions	1,353
	<hr/>
At 31st December 1997	14,909
	<hr/>
<b>Depreciation</b>	
At 1st January 1997	2,669
Charge for the year	1,491
	<hr/>
At 31st December 1997	4,160
	<hr/>
<b>Net book value</b>	
At 31 December 1997	£10,749
	<hr/>
At 31 December 1996	£10,887
	<hr/>

## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Tangible fixed assets

	Land and Buildings £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1st January 1997	706,669	119,065	125,100	8,417	959,251
Additions	4,503	88,787	85,505	-	178,795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1997	711,172	207,852	210,605	8,417	1,138,046
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1st January 1997	9,824	52,233	53,716	5,883	121,656
Charge for the year	9,914	23,493	39,222	634	73,263
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1997	19,738	75,726	92,938	6,517	194,919
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31st December 1997	£691,434	£132,126	£117,667	£1,900	£943,127
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1996	£696,845	£66,832	£71,384	£2,534	£837,595
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value above are assets held under finance leases and hire purchase contracts with a net book value of £5,750 (1996: £8,625)

The company owns the entire share capital of Casnell Limited, a dormant company incorporated in England and Wales.

## 12. Stock

	1997 £	1996 £
Raw materials and consumables	61,439	111,746
Work in progress	-	144,373
Finished goods and goods for resale	425,551	423,594
	<hr/>	<hr/>
	£486,990	£679,713
	<hr/>	<hr/>

## 13. Debtors: amounts falling due within one year

Trade debtors	770,676	783,142
Loan due from relating undertaking	53,333	71,111
Amount due from related undertaking	122,490	91,485
Other debtors	11,611	25,392
Prepayments and accrued income	35,459	33,140
	<hr/>	<hr/>
	£993,569	£1,004,270
	<hr/>	<hr/>

## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

14.	<b>Debtors:</b> amounts falling due after more than one year	<b>1997</b>	<b>1996</b>
		£	£
	Loan due from relating undertaking	£2,213,367	£1,508,889

The above loan has been made to Vivienne Westwood (Property) Limited, a company in which V. Westwood is a director and majority shareholder. The loan is secured by a fixed and floating charge on the assets of the company and is interest bearing at 1% above Lloyds Bank plc base rate.

15.	<b>Creditors:</b> amounts falling due within one year	<b>1997</b>	<b>1996</b>
		£	£
	Bank loans (note 17)	68,708	68,708
	Bank overdraft (secured)	50,975	161,795
	Trade creditors	898,202	1,154,159
	Amount due to relating undertaking	198,650	172,504
	Obligations under finance leases and hire purchase contracts	3,833	3,833
	Corporation tax	306,977	188,479
	Other taxes and social security	284,505	83,788
	Other creditors	34,633	13,690
	Accruals and deferred income	1,361,570	841,463
		£3,208,053	£2,688,419

Obligations under finance leases and hire purchase contracts are repayable within one to two years.

16.	<b>Creditors:</b> amounts falling due after more than one year	<b>1997</b>	<b>1996</b>
		£	£
	Bank loans (note 17)	71,272	132,702
	Obligations under finance leases and hire purchase contracts	1,917	5,750
		£73,189	£138,452

## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

17. Bank loans	1997 £	1996 £
Within one year	68,708	68,708
Within one to two years	51,812	68,712
Within two to five years	19,460	63,990
Total due for repayment after more than one year	71,272	132,702
Total bank loans	£139,980	£201,410

The bank loans are repayable by instalments and carry interest at 2% above Lloyds Bank plc base rate. They are secured by a fixed and floating charge over the company's properties and other assets:

## 18. Reconciliation of movements in shareholders' funds

	Called up Share capital £	Profit and Loss account £	Total £
At 1st January 1997	100	1,479,245	1,042,580
Retained profit for the year	-	299,655	299,655
At 31st December 1997	£100	£1,778,900	£1,779,000

The authorised share capital of the company is 10,000 ordinary shares of £1 each (1996: 10,000) with 100 ordinary shares allotted, issued and fully paid.

## 19. Contingent liabilities

The company has provided Lloyds Bank plc with an unlimited guarantee in respect of the borrowings of Vivienne Westwood (Property) Limited, a related undertaking.

## 20. Lease commitments

At 31st December 1997 the company had commitments under non-cancellable operating leases as set out below:

	1997 Land and buildings £	1997 Other £	1996 Land and buildings £	1996 Other £
Leases expiring:				
- within one year	-	-	16,900	-
- between two and five years	-	867	134,500	-
- over five years	175,000	-	56,500	-
	£175,000	£867	£207,900	-



## VIVIENNE WESTWOOD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 21. Controlling party and related party transactions

*Director*

V.I. Westwood, a director, is the controlling shareholder of the company and is a director and controlling shareholder of the related undertakings Vivienne Westwood (Property) Limited, VW Parfum Limited and Vivienne Westwood S.r.l., a company incorporated in Italy.

*Vivienne Westwood (Property) Limited*

Vivienne Westwood (Property) Limited received rental income of £175,000 (1996: £142,856) and services charges of £16,250 (1996: £38,403) during the period from Vivienne Westwood Limited. Vivienne Westwood Limited received loan interest of £153,112 (1996: £91,485) during the period from Vivienne Westwood (Property) Limited. All transactions between Vivienne Westwood Limited and Vivienne Westwood (Property) Limited are on normal commercial terms.

*Debtors*

Included in debtors, amounts falling due within one year, is an amount of £122,490 (1996: £91,485) and a loan balance of £53,333 (1996: £71,111) due from Vivienne Westwood (Property) Limited. Included in debtors, amounts falling due after more than one year, is an amount of £2,213,367 (1996: £1,508,889) due from Vivienne Westwood (Property) Limited.

*Creditors*

Included in creditors, amounts falling due within one year is an amount of £191,250 (1996: £172,504) due to Vivienne Westwood (Property) Limited and £7,400 (1996: £nil) due to VW Parfum Limited.