

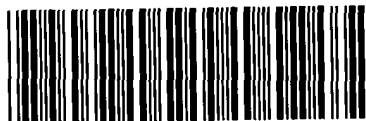
Company Registration No. 02682271

Vivienne Westwood Limited

Annual report and financial statements

for the year ended 31 December 2017

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Vivienne Westwood Limited

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Vivienne Westwood Limited

Report and financial statements 2017

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
Statutory Auditors
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 2017.

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 repositioning the brand perception of the various Vivienne Westwood lines. In addition we are reviewing the lines currently available with the objective of streamlining the portfolio. 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 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 us to optimise processes and the overall efficiency of the business.

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

Net assets increased from £12.6M in 2016 to £13.5M in 2017.

The position of the company can be seen on page 10 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.

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 other accessories, fragrances and homeware. The turnover is mainly based on retail and wholesale sales. As of 2017 the economic ownership of the trademarks has been transferred from the parent company Latimo SA to Vivienne Westwood Limited. Thanks to the new business model of the Group the turnover rose by 8.67% compared to the previous year, gross profit rose by 28.01%, gross profit margin increased from 46% to 53.3% and cost of sales decreased by 7.32%.

2017 proved to still be a challenging year as the company has seen a decrease in wholesale sales (6.14%) and the cash flow from operations went from (£1.6K) in 2016 to (£2.6K) in 2017 but there were also some positive signs as retail sales increased slightly by 3.16%. Margins are still under pressure due to the nature of wider retail conditions. The company has been focussing on alleviating this pressure by reviewing pricing to improve gross profit margins and this policy will be applied going forward on an ongoing basis.

We are working on repositioning the brand perception of both the main and diffusion lines by rationalising our line portfolio. We have implemented a new ERP and warehouse management system. This is still in development and it will help enhancing the efficiency of the business. We have invested in the redevelopment our website which should better convey our brand message and improve the customer journey in order to boost online sales. During 2017 we have worked hard to control inventory management and cash flow and this will continue to improve in alliance with our 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".

Vivienne Westwood Limited

Strategic report (continued)

Key performance indicators

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

| | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 |
|---------------------------|---------------|---------------|---------------|---------------|
| Turnover | 40,753 | 37,502 | 33,786 | 31,968 |
| Gross profit margin | 53.3% | 46.0% | 49.3% | 48.4% |
| Profit before tax | 1,907 | 1,933 | 2,346 | 2,991 |
| Cash flow from operations | (2,600) | (1,614) | 5,398 | 1,449 |

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

On behalf of the board

C. D'Amario
Director

14/11/2018

Westwood Studios
9-15 Elcho Street
London SW1 4AU

Vivienne Westwood Limited

Directors' report

The directors submit their report and the financial statements of Vivienne Westwood Limited for the year ended 31 December 2017.

Principal activities & future developments

The principal activities of the company during the year were those of designers, manufacturers, wholesalers and retailers of fashion apparel.

The directors don't foresee any changes in the turnover and the company's activities other than the change described in the post balance sheet events' paragraph.

Dividends

The directors do not propose a final dividend for 2017 (2016: £nil).

Directors

The following directors held office since 1 January 2017:

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 3, 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.

Disabled persons

The Company will continue to employ 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.

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.

Vivienne Westwood Limited

Directors' report

Charitable donations

The company made charitable donations of £ 254,002 (2016: £273,011) to national charities in the year.

Miscellaneous

Vivienne Westwood Limited has an overseas branch in Thailand. The Representative Office was constituted on 11th October 2016. It is consolidated into this financial statement.

Post balance sheet events

The lease of the Newcastle store expired in August 2018. The company decided not to renew the lease and the shop closed on 20th August 2018.

A Licensing Agreement has been signed in July 2018 with Itochu Corporation for 5 years with effect from 1st January 2019 to 31st December 2023.

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

14/11/2018

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, 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 31/12/2017 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 profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 23.

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)

²⁴ 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 strategic report or] 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



Sukhbinder Kooner
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 November 2018

Vivienne Westwood Limited

Statement of comprehensive income For the year ended 31 December 2017

| | Note | 2017 £ | 2016 £ |
|--|------|--------------|--------------|
| Turnover | 3 | 40,753,496 | 37,501,674 |
| Cost of sales | | (19,025,576) | (20,528,488) |
| Gross profit | | 21,727,920 | 16,973,186 |
| Distribution costs | | (3,298,445) | (1,539,175) |
| Administrative expenses | | (16,512,629) | (14,067,882) |
| Operating profit | | 1,916,846 | 1,366,129 |
| Interest receivable and similar income | 4 | - | 566,742 |
| Interest payable and similar expenses | 5 | (9,999) | (41) |
| Profit before taxation | 6 | 1,906,847 | 1,932,830 |
| Taxation | 8 | (983,991) | (2,393,015) |
| Profit for the year | | 922,856 | (460,185) |

Profit is generated from continuing operations and there are no other items of comprehensive income.

Vivienne Westwood Limited

Balance sheet

At 31 December 2017

| | Note | 2017 £ | 2016 £ |
|---|------|-------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 11,032,000 | - |
| Tangible assets | 11 | 1,325,547 | 1,436,980 |
| | | <u>12,357,547</u> | <u>1,436,980</u> |
| Current assets | | | |
| Stocks | 12 | 4,690,030 | 4,797,391 |
| Debtors | 13 | 10,365,492 | 6,270,411 |
| Cash at bank and in hand | | 5,683,219 | 8,617,050 |
| | | <u>20,738,741</u> | <u>19,684,852</u> |
| Creditors: amounts falling due within one year | 14 | (19,466,539) | (8,398,698) |
| Net current assets | | <u>1,272,202</u> | <u>11,286,154</u> |
| Total assets less current liabilities | | <u>13,629,749</u> | <u>12,723,134</u> |
| Provisions for liabilities | 16 | (42,228) | (58,468) |
| Net assets | | <u>13,587,521</u> | <u>12,664,666</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 100 | 100 |
| Profit and loss account | 18 | 13,587,421 | 12,664,566 |
| Total equity | | <u>13,587,521</u> | <u>12,664,666</u> |

The financial statements of Vivienne Westwood Limited (registered number 02682271) were approved by the board of directors and authorised for issue on 14/11/2018. They were signed on its behalf by:

C. D'Amico
Director

Vivienne Westwood Limited

Statement of changes in equity

At 31 December 2017

| | Share capital £ | Profit and loss account £ | Total £ |
|---|-----------------------|------------------------------------|-------------|
| Balance at 1 January 2016 | 100 | 14,124,747 | 14,124,847 |
| Total comprehensive loss for the year | - | (460,185) | (460,185) |
| Dividends | - | (1,000,000) | (1,000,000) |
| Balance at 31 December 2016 | 100 | 12,664,566 | 12,664,666 |
| Total comprehensive income for the year | - | 922,856 | 922,856 |
| Dividends | - | - | - |
| Balance at 31 December 2017 | 100 | 13,587,421 | 13,587,521 |

Vivienne Westwood Limited

Cash flow statement

For the year ended 31 December 2017

| | Note | 2017 £ | 2016 £ |
|---|------|-------------------------|-------------------------|
| Operating activities | 19 | | |
| Cash generated from operations | | (1,646,110) | (1,293,720) |
| Interest paid | | (360) | (41) |
| Income taxes paid | | (953,733) | (320,146) |
| Net cash from operating activities | | <u>(2,600,203)</u> | <u>(1,613,907)</u> |
| Investing activities | | | |
| Interest received | | - | - |
| Payments to acquire property, plant and equipment | | (323,989) | (513,715) |
| Net cash used in investing activities | | <u>(323,989)</u> | <u>(513,715)</u> |
| Financing | | | |
| Dividends paid | | - | (1,000,000) |
| Net cash used in financing activities | | <u>-</u> | <u>(1,000,000)</u> |
| Net increase in cash and cash equivalents | | <u>(2,924,192)</u> | <u>(3,127,622)</u> |
| Cash and cash equivalents at beginning of year | | 8,617,050 | 11,177,930 |
| Effect of foreign exchange rate changes | | (9,639) | 566,742 |
| Cash and cash equivalents at end of year | | <u><u>5,683,219</u></u> | <u><u>8,617,050</u></u> |

Vivienne Westwood Limited

Detailed trading and profit and loss account

For the year ended 31 December 2017

Notes to the financial statements

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

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 |
|------------|----------------------------|

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

Detailed trading and profit and loss account

For the year ended 31 December 2017

Notes to the financial statements

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 recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Vivienne Westwood Limited

Detailed trading and profit and loss account

For the year ended 31 December 2017

Notes to the financial statements

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

Detailed trading and profit and loss account

For the year ended 31 December 2017

Notes to the financial statements

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 £4,690,030 after provision.

Critical judgements in applying the Company's accounting policies

The Directors do not believe there to be any critical judgements in the preparation of these financial statements.

3. Turnover

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

| | 2017 £ | 2016 £ |
|------------------------------------|-------------------|-------------------|
| Continuing operations: | | |
| Sale of goods | 29,339,271 | 30,542,162 |
| Commissions | 2,657,378 | 2,459,493 |
| Consultancy recharges to Latimo SA | - | 2,786,367 |
| Royalties | 6,229,475 | 609,293 |
| Miscellaneous sales | 2,527,372 | 1,104,359 |
| | <u>40,753,496</u> | <u>37,501,674</u> |

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

| | 2017 £ | 2016 £ |
|--------------------------|-------------------|-------------------|
| U.K. | 23,701,673 | 23,083,433 |
| Italy | 9,244,178 | 4,249,684 |
| Japan | 3,385,472 | 2,878,908 |
| Luxembourg | 10,933 | 3,166,244 |
| South Korea | 624,942 | 730,738 |
| U.S. | 530,298 | 723,925 |
| H.K. | 519,354 | 669,508 |
| France | 474,658 | 552,852 |
| European Community Other | 1,502,687 | 501,703 |
| Rest of the World | 759,301 | 944,679 |
| | <u>40,753,496</u> | <u>37,501,674</u> |

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4. Interest receivable and similar income

| | 2017 £ | 2016 £ |
|-------------------------|-----------|----------------|
| Bank and other interest | - | - |
| Exchange differences | - | 566,742 |
| | <u>-</u> | <u>566,742</u> |

5. Interest payable and similar expenses

| | 2017 £ | 2016 £ |
|------------------------|--------------|-----------|
| Exchange differences | 9,639 | - |
| Other interest payable | 360 | 41 |
| | <u>9,999</u> | <u>41</u> |

6. Profit before taxation

Profit before taxation is stated after charging:

| | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Auditor's remuneration - statutory audit | 48,000 | 48,000 |
| - taxation services | 10,400 | 8,000 |
| Stock recognised as an expense | 14,108,675 | 13,874,156 |
| Depreciation/Amortisation - owned assets | 1,809,520 | 563,134 |
| Operating lease charges | 2,434,562 | 2,435,842 |
| | <u>18,800,157</u> | <u>17,325,032</u> |

7. Employees

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

| | 2017 No. | 2016 No. |
|--------------------------------|------------------|------------------|
| Administration | 48 | 60 |
| Design and production | 66 | 77 |
| Retail and marketing | 182 | 160 |
| | <u>296</u> | <u>297</u> |
| | £ | £ |
| Staff costs for above persons: | | |
| Wages and salaries | 8,359,881 | 8,258,542 |
| Social security costs | 770,076 | 799,506 |
| Pension costs | 69,553 | 67,161 |
| | <u>9,199,510</u> | <u>9,125,209</u> |

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7. Employees (continued)

The total remuneration including 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 £769,853 (2016: £718,914).

| Directors' remuneration | 2017 | 2016 |
|-------------------------|----------------|----------------|
| Directors' emoluments | <u>£56,000</u> | <u>£56,000</u> |

There were no directors receiving retirement benefits (2016: None).

8. Taxation

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Current tax: | | |
| UK corporation tax on profits of the year | 1,266,649 | 1,294,345 |
| Adjustments in respect of prior periods | <u>(266,418)</u> | <u>1,144,446</u> |
| Total current tax | <u>1,000,231</u> | <u>2,438,792</u> |
| Deferred taxation: | | |
| Origination and reversal of timing differences | (7,539) | (53,767) |
| Adjustment in respect of previous periods | <u>(8,701)</u> | <u>7,990</u> |
| | <u>(16,240)</u> | <u>(45,777)</u> |
| Tax on profit | <u>983,991</u> | <u>2,393,015</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 19.25% (2016: 20%): | | |
| Profit before tax | <u>1,906,847</u> | <u>1,932,830</u> |
| Profit multiplied by effective rate of corporation tax UK of 19.25% (2016: 20%) | 367,068 | 386,566 |
| Effects of: | | |
| Transfer Pricing Adjustments | 370,473 | 860,775 |
| Expenses not deductible for tax purposes | 520,572 | 3,555 |
| Expenses not deductible for tax purposes – fixed assets | | |
| Adjustments in respect of previous periods | (275,119) | 1,152,436 |
| Other reconciling differences | - | (10,318) |
| Roundings | 997 | 1 |
| | <u>983,991</u> | <u>2,393,015</u> |

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 March 2017.

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Notes to the financial statements

9. Dividends

Ordinary:

Dividends paid

Dividend paid in the year £ nil per share (2016: £ nil per share)

| 2017 | 2016 |
|------|------|
| £ | £ |
| | |
| | |

10. Intangible assets

| | Trademarks £ | Total £ |
|-----------------------|-------------------|-------------------|
| Cost | | |
| 1 January 2017 | - | - |
| Additions | 12,411,000 | 12,411,000 |
| | <u>12,411,000</u> | <u>12,411,000</u> |
| 31 December 2017 | 12,411,000 | 12,411,000 |
| | <u>12,411,000</u> | <u>12,411,000</u> |
| Depreciation | | |
| 1 January 2017 | - | - |
| Charged in the year | 1,379,000 | 1,379,000 |
| | <u>1,379,000</u> | <u>1,379,000</u> |
| 31 December 2017 | 1,379,000 | 1,379,000 |
| | <u>1,379,000</u> | <u>1,379,000</u> |
| Net book value | | |
| 31 December 2017 | 11,032,000 | 11,032,000 |
| | <u>11,032,000</u> | <u>11,032,000</u> |
| 31 December 2016 | - | - |
| | <u>-</u> | <u>-</u> |

Intangible assets represent the Vivienne Westwood's Trademarks transferred from Latimo SA as of January 2017.

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11. Tangible fixed assets

| | Leasehold property improvements £ | Plant and Machinery £ | Fixtures and fittings £ | Office & computer equipment £ | Motor vehicles £ | Total £ |
|-----------------------|--|--------------------------------|----------------------------------|--|------------------------|------------------|
| Cost | | | | | | |
| 1 January 2017 | 1,410,757 | 163,748 | 1,646,076 | 920,097 | 157,879 | 4,298,557 |
| Additions | 90,544 | 88,791 | 124,519 | 20,135 | - | 323,989 |
| Disposals | (217,609) | | (787,401) | (742,660) | (113,861) | (1,861,532) |
| 31 December 2017 | <u>1,283,692</u> | <u>252,539</u> | <u>983,194</u> | <u>197,572</u> | <u>44,018</u> | <u>2,761,014</u> |
| Depreciation | | | | | | |
| 1 January 2017 | 838,765 | 21,118 | 1,059,532 | 816,836 | 129,692 | 2,865,943 |
| Charged in the year | 138,524 | 60,917 | 177,201 | 42,874 | 11,004 | 430,520 |
| Disposals | (217,614) | | (786,862) | (742,660) | (113,860) | (1,860,996) |
| 31 December 2017 | <u>759,675</u> | <u>82,035</u> | <u>449,871</u> | <u>117,050</u> | <u>26,836</u> | <u>1,435,467</u> |
| Net book value | | | | | | |
| 31 December 2017 | <u>524,016</u> | <u>170,504</u> | <u>533,323</u> | <u>80,522</u> | <u>17,182</u> | <u>1,325,547</u> |
| 31 December 2016 | <u>571,992</u> | <u>142,630</u> | <u>586,544</u> | <u>103,261</u> | <u>28,187</u> | <u>1,432,614</u> |

Vivienne Westwood Limited

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For the year ended 31 December 2017

Notes to the financial statements

12. Stocks

| | 2017 £ | 2016 £ |
|-------------------------------------|------------------|------------------|
| Raw materials and consumables | 9,158 | 12,774 |
| Finished goods and goods for resale | 4,680,872 | 4,784,617 |
| | <u>4,690,030</u> | <u>4,797,391</u> |

13. Debtors

| | 2017 £ | 2016 £ |
|---------------------------------------|-------------------|------------------|
| Due within one year | | |
| Trade debtors | 3,535,653 | 1,940,340 |
| Amounts due from related undertakings | | |
| Amounts due from group undertakings | 5,646,398 | 3,410,689 |
| Other debtors | 235,774 | 188,444 |
| Prepayments and accrued income | 841,323 | 399,594 |
| | <u>10,259,148</u> | <u>5,939,067</u> |
| Due after more than one year | | |
| Amounts due from related undertakings | - | 225,000 |
| Other debtors | 106,344 | 106,344 |
| | <u>10,365,492</u> | <u>6,270,411</u> |

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

14. Creditors: Amounts falling due within one year

| | 2017 £ | 2016 £ |
|------------------------------------|-------------------|------------------|
| Trade creditors | 4,386,068 | 4,146,658 |
| Amounts due to group undertakings | 10,562,789 | 4,625 |
| Corporation tax | 2,341,162 | 2,294,664 |
| Other taxation and social security | 963,223 | 1,120,975 |
| Other creditors | 24,592 | (183) |
| Accruals | 619,275 | 831,959 |
| Deferred Income | 569,430 | - |
| | <u>19,466,539</u> | <u>8,398,698</u> |

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

Vivienne Westwood Limited

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Notes to the financial statements

15. Financial instruments

| | 2017 £ | 2016 £ |
|---|------------|-----------|
| Financial assets that are debt instruments measured at amortised cost | 10,246,348 | 6,175,319 |
| Financial liabilities measured at amortised cost | 16,162,154 | 4,983,059 |

16. Provisions for liabilities

Deferred tax accounted for in the financial statements is as follows:

| | Amount provided | |
|--|-----------------|-----------------------------------|
| | 2017 £ | 2016 £ |
| Excess of tax allowances over depreciation | 42,228 | 58,468 |
| Movement on provisions: | | |
| | | Deferred tax provision £ |
| Liability at 1 January 2017 | | 58,468 |
| Charge to profit or loss | | (16,240) |
| Liability at 31 December 2017 | | 42,228 |

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

17. Share capital

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Allotted, issued and fully paid: | | |
| 100 ordinary shares of £1 each | 100 | 100 |

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

18. Reserves

Reserves of the Company represent the following:

| | 2017 £ | 2016 £ |
|---|------------|------------|
| Retained earnings | | |
| Cumulative profit and loss net of distributions to owners | 13,587,421 | 12,664,566 |

Vivienne Westwood Limited

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Notes to the financial statements

19. Reconciliation of profit after tax to net cash generated from operations

| | 2017 £ | 2016 £ |
|--|--------------------|--------------------|
| Profit after tax | 922,856 | (460,185) |
| Adjustments for: | | |
| Depreciation and amortisation | 1,809,520 | 563,134 |
| Interest receivable | - | - |
| Interest payable | 360 | 41 |
| Foreign exchange | 9,639 | (566,742) |
| Taxation | 983,991 | 2,393,015 |
| Operating cash flows before movements in working capital | 3,726,366 | 1,929,262 |
| Decrease/(Increase) in stocks | 107,361 | (18,398) |
| Decrease /(Increase) in trade and other debtors | (4,095,081) | (2,884,213) |
| (Decrease)/Increase in trade and other creditors | (1,384,756) | (320,371) |
| Cash generated from operations | <u>(1,646,110)</u> | <u>(1,293,720)</u> |

20. Commitments under operating leases

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

| | 2017 £ | 2016 £ |
|----------------------------|------------------|-------------------|
| Amounts due: | | |
| Within one year | 1,252,500 | 136,780 |
| Between one and five years | 3,012,823 | 3,697,300 |
| After five years | 5,192,000 | 7,485,292 |
| | <u>9,457,323</u> | <u>11,319,372</u> |

21. Control

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

22. Subsequent Events

There are no subsequent events to report other than the ones described in the Director's Report.

Vivienne Westwood Limited

Detailed trading and profit and loss account

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Notes to the financial statements

23. Related party transactions

There are no terms and conditions between related parties.

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Directors' current accounts | | |
| Included in other debtors/(creditors) at the year end: | | |
| C. D'Amario | 67,402 | 6,826 |
| V.I. Westwood | 119,703 | 88,087 |
| A. Kronthaler (spouse of V.I. Westwood) | 48,670 | 26,432 |

The maximum amounts outstanding during the year in regard to the directors' current accounts were £67,402 for C. D'Amario, £134,212 for V.I. Westwood and £48,670 for A. Kronthaler. 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.

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Rent paid to Vivienne Westwood (Property) Limited | 650,000 | 650,000 |
| Administration charges | 2,000 | 2,000 |

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

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Rent paid to Elcho Property Limited | 595,000 | 595,000 |
| Administration charges | 2,000 | 2,000 |
| Included within debtors at the year end: | | |
| Due from related undertakings after more than one year | - | 225,000 |

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Notes to the financial statements

23. Related party transactions (continued)

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

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Amount receivable from Vivienne Westwood S.r.l. in respect of commission | 2,481,732 | 2,369,581 |
| Amount receivable from Vivienne Westwood S.r.l. in respect of royalties | 5,376,906 | - |
| Amount receivable from Vivienne Westwood S.r.l. in respect of PR agreement | 747,134 | 764,215 |
| Amount receivable from Vivienne Westwood S.r.l. in respect of sampling and travel expenses | 41,107 | 163,392 |
| Amount receivable from Vivienne Westwood S.r.l. in respect of goods sold | 245,344 | 220,721 |
| Amount receivable from Vivienne Westwood S.r.l. in respect of miscellaneous sales | 70,061 | 224,571 |
| Amount payable to Vivienne Westwood S.r.l. in respect of commission | 38,598 | 56,170 |
| Amount payable to Vivienne Westwood S.r.l. in respect of IT costs | 352,980 | 55,033 |
| Amount payable to Vivienne Westwood S.r.l. in respect of goods purchased | 4,190,254 | 3,953,777 |
| Amount payable to Vivienne Westwood S.r.l. in respect of consulting services, insurance, miscellaneous purchases | 109,053 | 95,946 |
| Included within debtors at the year end: | | |
| Due from group undertakings in less than one year | <u>4,904,851</u> | <u>1,183,202</u> |

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

| | 2017 £ | 2016 £ |
|--|------------------|--------------|
| Amount receivable from Vivienne Westwood S.a.r.l. in respect of goods sold | 150,167 | 236,557 |
| Amounts receivable from Vivienne Westwood S.a.r.l. in respect of miscellaneous sales | 159,654 | 81,727 |
| Amount payable to Vivienne Westwood S.a.r.l. in respect of commission | 140,112 | 145,906 |
| Amount payable to Vivienne Westwood S.a.r.l. in respect of PR agreement | 560,817 | 101,128 |
| Amount payable to Vivienne Westwood S.a.r.l. in respect of goods purchased and miscellaneous purchases | 170,448 | - |
| Included within debtors at the year end: | | |
| Due to group undertakings in less than one year | <u>1,267,376</u> | <u>4,625</u> |

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23. Related party transactions (continued)

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

| | 2017 £ | 2016 £ |
|---|------------|-----------|
| Amount receivable from Latimo SA in respect of design agreement | - | 2,786,367 |
| Amount receivable from Latimo SA in respect of miscellaneous sale | (16,540) | 17,665 |
| Amount payable to Latimo SA in respect of trademarks | 12,411,000 | - |
| Licence fees paid to Latimo SA | 314,067 | 1,858,760 |
| Included within creditors at the year end: | | |
| Due to group undertaking in less than one year | 9,295,412 | - |
| Included within debtors at the year end: | | |
| Due from group undertaking in less than one year | - | 1,587,648 |

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

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Amount receivable from Rio Bravo Inc in respect of goods sold | 218,824 | 481,874 |
| Amount receivable from Rio Bravo in respect of miscellaneous sales | 70,709 | 110,199 |
| Amount payable to Rio Bravo in respect of PR agreement | 172,992 | 45,327 |
| Included within debtors at the year end: | | |
| Due from group undertakings in less than one year | 725,248 | 639,839 |

VIW Vertrieb GmbH is a company incorporated in Germany. V.I. Westwood controls the company.

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Amounts receivable from VIW Vertrieb GmbH in respect of goods sold | 35,948 | 64,698 |
| Amount receivable from VIW Vertrieb GmbH in respect of miscellaneous sales | 13,349 | 136,383 |
| Amount payable to VIW Vertrieb GmbH in respect of goods purchased | 156,363 | - |
| Amount payable to VIW Vertrieb GmbH in respect of travel expenses | 517 | - |
| Included within debtors at the year end: | | |
| Due from related undertakings in less than one year | 295,852 | 466,055 |