

REGISTRAR'S COPY

VIVIENNE WESTWOOD LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998

Company Number: 2682271



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

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 5UQ

VIVIENNE WESTWOOD LIMITED**REPORT OF THE DIRECTOR**

The director submits her report and the audited financial statements for the year ended 31st December 1998.

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 £1,349,572 (1997 : £299,655). 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:

	1997 and 1998 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

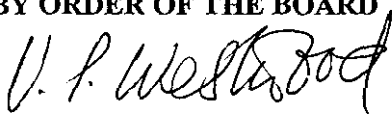
Year 2000 issues

The Company is well advanced in the process of addressing the risks to the business resulting from the date change to year 2000. The cost of any replacement or modifications of computer or other date sensitive equipment is not anticipated to be significant. The financial statements include no specific provision to meet this cost.

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

A handwritten signature in black ink, appearing to read 'V. P. Westwood', is written over the printed name.

V I WESTWOOD

Director

Dated: 21st October 1999

**AUDITORS' REPORT TO THE SHAREHOLDERS 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 Standards 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 1998 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 5UQ

Dated: 21st October 1999

VIVIENNE WESTWOOD LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1998

	Notes	1998 £	1997 £
Turnover	2	11,197,643	8,086,629
Cost of sales		(5,305,640)	(4,024,368)
Gross profit		<u>5,892,003</u>	<u>4,062,261</u>
Distribution costs		(846,247)	(572,006)
Administrative expenses		(3,344,381)	(2,851,111)
		<u>(4,190,628)</u>	<u>(3,423,117)</u>
Operating profit	3	1,701,375	639,144
Interest receivable and similar income	6	219,059	155,810
Interest payable and similar charges	7	(7,457)	(35,299)
Profit on ordinary activities before taxation		<u>1,912,977</u>	<u>759,655</u>
Tax on profit on ordinary activities	8	(563,405)	(460,000)
Retained profit for the year	18	<u>£1,349,572</u>	<u>£299,655</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*

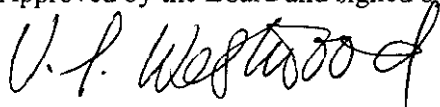
VIVIENNE WESTWOOD LIMITED

BALANCE SHEET

As at 31st December 1998

	Notes	1998 £	1997 £
Fixed assets			
Intangible assets	9	16,879	10,749
Tangible assets	10	1,082,710	943,127
		<u>1,099,589</u>	<u>953,876</u>
Current assets			
Stock	12	537,331	486,990
Debtors due within one year	13	3,192,782	993,569
Debtors falling due after more than one year	14	2,714,389	2,213,367
Cash at bank and in hand		135,771	412,440
		<u>6,580,273</u>	<u>4,106,366</u>
Creditors: amounts falling due within one year	15	(4,430,061)	(3,208,053)
Net current assets		<u>2,150,212</u>	<u>898,313</u>
Total assets less current liabilities		<u>3,249,801</u>	<u>1,852,189</u>
Creditors: amounts falling due after more than one year	16	(121,229)	(73,189)
Net assets		<u>£3,128,572</u>	<u>£1,779,000</u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account	18	3,128,472	1,778,900
Equity shareholders' funds		<u>£3,128,572</u>	<u>£1,779,000</u>

Approved by the Board and signed by:


V. WESTWOOD
Director

Dated: 21st October 1999

VIVIENNE WESTWOOD LIMITED

CASH FLOW STATEMENT

For the year ended 31st December 1998

	Notes	1998 £	1997 £
Net cash inflow from operating activities	1	214,829	724,800
Returns on investments and servicing of finance:			
Interest received		219,059	155,810
Interest paid		(7,457)	(35,299)
Net cash inflow from returns on investments and servicing of finance		211,602	120,511
Corporation tax paid		(306,152)	(341,502)
Capital expenditure and financial investment:			
Purchase of intangible assets		(8,467)	(1,353)
Purchase of tangible fixed assets		(314,124)	(178,795)
Sale of tangible fixed assets		7,000	-
Net cash outflow from capital expenditure and financial investment		(315,591)	(180,148)
Net cash (outflow)/inflow before financing		(195,312)	323,661
Financing			
Decrease in debts due within a year		(38,754)	(110,820)
Decrease in debts due beyond a year		(50,123)	(61,430)
Capital element of finance lease rentals		7,520	(3,833)
Net cash outflow from financing		(81,357)	(176,083)
(Decrease)/increase in cash	2	£(276,669)	£147,578

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 1998

1 Reconciliation of operating cash inflow from operating activities

	1998 £	1997 £
Operating profit	1,701,375	639,144
Depreciation	117,481	74,754
Loss on disposal of fixed assets	52,399	-
(Increase)/decrease in stocks	(50,341)	192,723
Increase in loans to related undertaking	(532,582)	(686,700)
Increase in debtors	(2,167,653)	(7,077)
Increase in creditors	1,094,150	511,956
Net cash inflow from operating activities	£214,829	£724,800

2 Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the year	(276,669)	147,578
Cash outflow from increase in debt and loan financing	81,357	176,083
Movement in net debt in the year	(195,312)	323,661
Net debt at 1st January 1998	215,735	(107,926)
Net debt at 31st December 1998	£20,423	£215,735

3 Analysis of net funds/(debt)

	At 1st January 1998 £	Cash flow £	At 31st December 1998 £
Debt due within 1 year	(119,683)	38,754	(80,929)
Debt due after 1 year	(71,272)	50,123	(21,149)
Finance leases and hire purchase contracts	(5,750)	(7,520)	(13,270)
	(196,705)	81,357	(115,348)
Cash at bank and in hand	412,440	(276,669)	135,771
Total net funds/(debt)	£215,735	£(195,312)	£20,423

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 and computer 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 crystallised 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.

	1998 £	1997 £
European community	7,930,741	5,592,023
Rest of the world	3,266,902	2,494,606
	<u>£11,197,643</u>	<u>£8,086,629</u>

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

Auditors' remuneration:		
- audit services	9,500	8,000
- other services	34,830	13,503
Depreciation - owned fixed assets	103,473	70,388
- assets held under finance leases	11,670	2,875
- intangible assets	2,338	1,353
Operating leases	253,960	186,627
Royalties received	(1,472,967)	(648,167)
	<u></u>	<u></u>

4. Staff costs

Wages and salaries	2,031,188	2,097,726
Social security costs	201,682	207,437
	<u>£2,232,870</u>	<u>£2,305,163</u>

	Number	Number
The average monthly number of employees during the year was:		
Administration	12	12
Design and production	40	30
Retail and marketing	20	16
	<u>72</u>	<u>58</u>

5. Directors remuneration

For management services (and highest paid director)	£369,792	£818,580
	<u></u>	<u></u>

VIVIENNE WESTWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6.	Interest receivable and similar income	1998	1997
		£	£
	Bank interest	31,722	2,698
	Interest on loan to relating undertaking	187,337	153,112
		<hr/>	<hr/>
		£219,059	£155,810
		<hr/>	<hr/>
7.	Interest payable and similar charges		
	Bank loans and overdrafts	6,309	32,122
	Finance leases and hire purchase contracts	775	2,965
	Other interest	373	212
		<hr/>	<hr/>
		£7,457	£35,299
		<hr/>	<hr/>
8.	Tax on profit on ordinary activities		
	UK Corporation tax at 31% (1997 : 33%)	610,000	260,000
	Adjustment in respect of previous years	(46,595)	200,000
		<hr/>	<hr/>
		£563,405	£460,000
		<hr/>	<hr/>
9.	Intangible fixed assets		
			Trade Marks
			£
	Cost		
	At 1st January 1998		14,909
	Additions		8,467
			<hr/>
	At 31st December 1998		23,376
			<hr/>
	Depreciation		
	At 1st January 1998		4,159
	Charge for the year		2,338
			<hr/>
	At 31st December 1998		6,497
			<hr/>
	Net book value		
	At 31 December 1998		£16,879
			<hr/>
	At 31 December 1997		£10,750
			<hr/>

VIVIENNE WESTWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Tangible fixed assets

	Land and Buildings £	Fixtures and fittings £	Office and computer equipment £	Motor vehicles £	Total £
Cost					
At 1st January 1998	711,172	207,854	210,604	8,417	1,138,047
Additions	17,500	117,465	133,479	45,680	314,124
Disposals	-	(77,337)	(81,106)	(8,417)	(166,860)
At 31st December 1998	728,672	247,982	262,977	45,680	1,285,311
Depreciation					
At 1st January 1998	19,738	75,726	92,938	6,517	194,919
Charge for the year	10,264	33,325	59,884	11,670	115,143
Disposals	-	(47,766)	(52,928)	(6,767)	(107,461)
At 31st December 1998	30,002	61,285	99,894	11,420	202,601
Net book value					
At 31st December 1998	£698,670	£186,697	£163,083	£34,260	£1,082,710
At 31st December 1997	£691,434	£132,128	£117,666	£1,900	£943,127

Included in the total net book value above are assets held under finance leases and hire purchase contracts with a net book value of £34,260 (1997: nil).

12. Stock

	1998 £	1997 £
Raw materials and consumables	53,931	61,439
Finished goods and goods for resale	483,400	425,551
	£537,331	£486,990

13. Debtors: amounts falling due within one year

Trade debtors	1,514,661	563,779
Loan due from relating undertaking	84,893	53,333
Amount due from related undertakings	1,430,366	329,387
Other debtors	82,505	11,611
Prepayments and accrued income	80,357	35,459
	£3,192,782	£993,569

VIVIENNE WESTWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14.	Debtors: amounts falling due after more than one year	1998	1997
		£	£
	Loan to relating undertaking	2,263,807	2,213,367
	Other loan	450,582	-
		<hr/>	<hr/>
		£2,714,389	£2,213,367
		<hr/>	<hr/>

The loan to relating undertaking has been made to Vivienne Westwood (Property) Limited, a company in which V. I. 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.	Creditors: amounts falling due within one year	1998	1997
		£	£
	Bank overdraft (secured)	56,385	50,975
	Bank loans (note 17)	24,544	68,708
	Trade creditors	2,072,164	898,202
	Amount due to relating undertakings	405,369	198,650
	Obligations under finance leases and hire purchase contracts	13,270	3,833
	Corporation tax	464,150	306,977
	Other taxes and social security	230,415	284,505
	Other creditors	381,962	34,633
	Accruals and deferred income	781,802	1,361,570
		<hr/>	<hr/>
		£4,430,061	£3,208,053
		<hr/>	<hr/>

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

16.	Creditors: amounts falling due after more than one year	1998	1997
		£	£
	Bank loans (note 17)	21,149	71,272
	Obligations under finance leases and hire purchase contracts	-	1,917
	Corporation tax	100,080	-
		<hr/>	<hr/>
		£121,229	£73,189
		<hr/>	<hr/>

VIVIENNE WESTWOOD LIMITED
NOTES TO THE FINANCIAL STATEMENTS

17. Bank loan	1998	1997
	£	£
Within one year	24,544	68,708
Within one to two years	21,149	51,812
Within two to five years	-	19,460
Total due for repayment after more than one year	21,149	71,272
Total bank loan	£45,693	£139,980

The bank loan is repayable by instalments and carries interest at 2% above Lloyds Bank plc base rate. It is 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 1998	100	1,778,900	1,779,000
Retained profit for the year	-	1,349,572	1,349,572
At 31st December 1998	£100	£3,128,472	£3,128,572

The authorised share capital of the company is 10,000 ordinary shares of £1 each (1997: 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 Regency Investment Property Limited (formerly Vivienne Westwood (Property) Limited), a related undertaking.

20. **Lease commitments**

At 31st December 1998 the company had commitments under non-cancellable operating leases as set out below:

	1998 Land and buildings £	1998 Other £	1997 Land and buildings £	1997 Other £
Leases expiring:				
- within one year	-	-	-	867
- between two and five years	-	10,092	-	-
- over five years	245,000	-	175,000	-
	£245,000	£10,092	£175,000	£867

VIVIENNE WESTWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. Controlling party and related party transactions

Controlling party

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, Vivienne Westwood S.r.l., and Ciclamino S.r.l.. Vivienne Westwood S.r.l. and Ciclamino S.r.l. are both incorporated in Italy.

Vivienne Westwood (Property) Limited

Vivienne Westwood (Property) Limited received rental income of £245,000 (1997: £175,000) and services charges of £2,037 (1997: £17,700) during the year from Vivienne Westwood Limited. Vivienne Westwood Limited received loan interest of £186,962 (1997: £153,112) during the year from Vivienne Westwood (Property) Limited. All transactions between Vivienne Westwood Limited and Vivienne Westwood (Property) Limited are on normal commercial terms.

Vivienne Westwood S.r.l.

Vivienne Westwood Limited received management fees of £2,015,804 (1997: £766,344) during the year Vivienne Westwood S.r.l. All transactions between Vivienne Westwood Limited and Vivienne Westwood S.r.l. on normal commercial terms.

Ciclamino S.r.l.

Vivienne Westwood Limited received loan interest of £375 (1997: nil) during the year from Ciclamino S.r.l. All transactions between Vivienne Westwood Limited and Ciclamino S.r.l. are on normal commercial terms.

Debtors

Included in debtors are the following amounts due from relating undertakings:-

Due within one year:

Vivienne Westwood S.r.l. £1,280,496 (1997: £206,897)

Vivienne Westwood (Property) Limited £234,763 (1997: £175,823)

Due after more than one year:

Vivienne Westwood (Property) Limited £2,236,807 (1997: £2,213,367)

Ciclamino S.r.l. £450,582 (1997: nil)

Creditors

Included in creditors amounts falling due within one year are the following amounts due to relating undertakings:-

Vivienne Westwood (Property) Limited £402,836 (1997: £191,250)

VW Parfum Limited £2,533 (1997: £7,400)