

# **Victoria Beckham Limited**

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 06517802

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# Victoria Beckham Limited

## Contents

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	Page
<b>Company Information</b>	
<b>Strategic Report</b>	1 - 3
<b>Directors' Report</b>	4 - 5
<b>Independent Auditors' Report</b>	6 - 8
<b>Statement of Comprehensive Income</b>	9
<b>Statement of Financial Position</b>	10 - 11
<b>Statement of Changes in Equity</b>	12
<b>Notes to the Financial Statements</b>	13 - 29

## Company Information

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<b>Directors</b>	V C Beckham D Belhassen S R Fuller E Hanouna A N Magnani O S Shipton R Toledano N J Howson
<b>Company secretary</b>	Abogado Nominees Limited
<b>Registered number</b>	06517802
<b>Registered office</b>	202 Hammersmith Road London W6 7DN
<b>Independent auditors</b>	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

# Victoria Beckham Limited

## Strategic Report For the Year Ended 31 December 2019

### Introduction

The directors present their review of the company's financial and strategic performance during the year ended 31 December 2019.

### Business review

The principal activity continued to be the operation of the "Victoria Beckham" global luxury fashion brand.

Total revenues for the company grew 2% to £35.6m (2018 - £35.1m). This was driven by growth in all channels, with the flagship Dover Street store performing strongly and, once again, achieving double-digit revenue growth.

The brand also launched with Farfetch marketplace giving access to a wider global customer base.

Other highlights include:

- The year saw the appointment of Marie LeBlanc de Reynies as CEO; Marie is implementing a new strategy to drive the company towards profitable growth and streamlined operations.
- The SS20 fashion show was held at the Foreign and Commonwealth Office's Durbar Court on 15th September. According to Media Impact Value metrics, Victoria Beckham was the most influential brand during London Fashion Week.

### Financial key performance indicators

The company has enhanced governance and the reporting of key performance indicators to ensure optimal business performance, including weekly and monthly reporting of key metrics to the senior leadership team and the board. The Directors monitor the progress on the strategy by reference to the following KPIs:

- Increase in Sales: +2% (2018 - 16% decline)
- Reduction In operating costs: 13%. Successful implementation and focus on cost management
- Improvement on Adjusted EBITDA: The directors are pleased with the adjusted EBITDA (Earnings before interest, tax, depreciation, amortisation, foreign exchange and one off costs) results for the year as losses reduced substantially (£5.6m improvement), from an EBITDA loss of £10.3m (FY18) to £4.6m (FY19). The reduced losses were a result of continued revenue growth, a 400 basis point margin improvement through tighter supply chain management, revenue shifting towards DTC channels and the continued priority of cost control management, which saw a 13% reduction in costs in FY19.

Total losses for the year were £11.8m (FY18: £12.3m). Contained within the operating losses are £4.7m of one off costs primarily relating to the ERP implementation in the year.

The Adjusted EBITDA to operating loss bridge is as follows:

	FY19 (£000)	FY18 (£000)	Variance (£000)	Variance (%)
<b>Adjusted EBITDA</b>	<b>(4,639)</b>	<b>(10,270)</b>	<b>5,639</b>	<b>54.8%</b>
One off costs	(4,711)	(943)	(3,769)	(400.1%)
Depreciation, amortisation and foreign exchange	(1,527)	(575)	(952)	(165.6%)
Interest	(928)	(493)	(435)	(88.2%)
<b>Operating loss</b>	<b>(11,805)</b>	<b>(12,280)</b>	<b>475</b>	<b>3.9%</b>

# Victoria Beckham Limited

## Strategic Report (continued) For the Year Ended 31 December 2019

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### Events since the end of the year

Since the year end, the COVID-19 pandemic has impacted trading, with stores carrying the company's products subject to varying lockdown restrictions. This led to a substantial closure of the Company's stores during 2020 (late March to end May, November, late December onwards) and a resulting impact on revenues. Over this period the company's ecommerce operations saw positive year-on-year growth.

Management has subsequently conducted an extensive cost-cutting program to enable the company to navigate through this pandemic. The Board is regularly monitoring the impact on the Group, with rolling forecasts being updated as the situation and restrictions evolve. The Company is taking all actions possible to conserve cash: all non-essential expenditure is being deferred and hiring freezes have been implemented for open positions.

The company also benefited from further shareholder cash injections in 2020 of £9,224,532, helping to sustain business operations amidst an unprecedentedly challenging economic backdrop and with part of that injection, in April 2020 the company repaid in full its HSBC loan facility by way of a repayment totalling £6,125,000.

The business undertook a company-wide restructure in September 2020 to streamline operations and increase efficiencies.

### Principal risks and uncertainties

The directors assess the principal risks and uncertainties facing the Company in both the short-term and long-term, these are grouped as liquidity risk, commercial risk, currency risk, trademarks & macroeconomic environment.

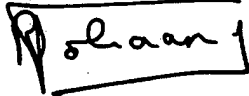
- **Liquidity Risk:** Liquidity risk for the Company arises from the management of working capital commitments and meeting its financial obligations as they fall due. The Company's policy is to review cash flow forecasts and projections regularly as well as information regarding cash balances to ensure that it has significant cash to allow it to meet its liabilities as they become due.
- **Commercial Risk:** The principal commercial risks in the activities of the Company relate to the ability of the brand to design and market products which attract customers to the Company's websites and to our stores. The Company aims to manage this risk by continuing to strengthen design, product, and marketing propositions.
- **Currency Risk:** The Company is also exposed to currency risk by virtue of the proportion of its business being invoiced in foreign currencies. The Company generates cash in foreign currencies enabling risk management.
- **Trademarks:** The Directors recognise the risks associated with not adequately protecting the brand's trademarks. As such, the Company invests strongly in securing and defending intellectual property rights in various product categories and countries.
- **Uncertain global economic environment:** As a result of the COVID-19 pandemic and the economic impact particularly felt by retailers, the directors continue to review cash forecasts on a regular basis and ensure costs are kept under control. The directors have also kept abreast of Brexit developments and do not expect the deal signed in December 2020 to have a significant impact on the Group. The Group will continue to look ahead and mitigate further risks as they arise.

# Victoria Beckham Limited

Strategic Report (continued)  
For the Year Ended 31 December 2019

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This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R Toledano', enclosed within a rectangular box.

R Toledano  
Director

Date: January 20<sup>th</sup>, 2021

# Victoria Beckham Limited

## Directors' Report For the Year Ended 31 December 2019

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The directors present their report and the financial statements for the year ended 31 December 2019.

### Results and dividends

The loss for the year, after taxation, amounted to £11,830,353 (2018 - £12,292,676).

The directors do not recommend the payment of a dividend.

### Going concern and future developments

The Company meets its day to day working capital requirements through equity funding as well as bank facilities. In 2019, VBL received a further £15.8m from its ultimate shareholders via its parent company to finance the working capital and reduce the current HSBC loan facility by £3.9m.

During the 2019 financial year the Company had a long-term bank loan which was subject to certain financial covenants. As a result of various breaches during the financial year, the loan facility has been recognized within current liabilities. In April 2020, the ultimate shareholders decided to repay the facility in full and the Company received a further £9.2m from the ultimate shareholders to both settle the remaining £6.1m due to HSBC and also to help sustain the business operations amidst an unprecedentedly challenging economic backdrop caused by the global COVID pandemic.

A new CEO was appointed in September 2019 and together with the board and leadership team, has developed a strategic three year plan for the business with specific focus on cost reduction and streamlined operations.

Further information on the going concern position of the Company is provided in note 2 of the financial statements.

### Matters covered in the strategic report

Details of post balance sheet events, and financial risk management are covered in the Strategic Report.

### Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity, which is a qualifying third party indemnity provision by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

### Directors

The directors who served during the year and since the year end were:

V C Beckham  
R C G Dodds (resigned 19 March 2020)  
D Belhassen  
S R Fuller  
E Hanouna  
A N Magnani  
O S Shipton  
R Toledano  
N J Howson (appointed 19 March 2020)

# Victoria Beckham Limited

## Directors' Report (continued) For the Year Ended 31 December 2019

### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

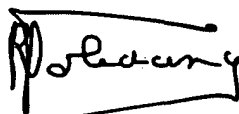
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



R Toledano  
Director

Date: January 20<sup>th</sup>, 2021

# Victoria Beckham Limited

## Independent Auditors' Report to the members of Victoria Beckham Limited

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### Opinion

We have audited the financial statements of Victoria Beckham Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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 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.

### Material uncertainty related to going concern

We draw attention to note 2.3 to the financial statements, which indicates that the Group will require continued support and financing from its ultimate shareholders and that no contractual agreements are in place for this funding. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# Victoria Beckham Limited

## Independent Auditors' Report to the members of Victoria Beckham Limited (continued)

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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.

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 this regard.

### 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

### 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.

# Victoria Beckham Limited

## Independent Auditors' Report to the members of Victoria Beckham Limited (continued)

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### 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.



**Arbinder Chatwal** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton  
United Kingdom

Date: 21 January 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Victoria Beckham Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	As restated 2018 £
Turnover	4	35,588,741	35,060,140
Cost of sales		(15,452,507)	(16,644,610)
<b>Gross profit</b>		<b>20,136,234</b>	<b>18,415,530</b>
Distribution costs		(3,133,290)	(3,076,987)
Administrative expenses		(27,880,762)	(27,125,532)
<b>Operating loss</b>	5	<b>(10,877,818)</b>	<b>(11,786,989)</b>
Interest receivable and similar income		3,141	-
Interest payable and expenses	9	(930,741)	(492,571)
<b>Loss before tax</b>		<b>(11,805,418)</b>	<b>(12,279,560)</b>
Tax on loss	10	(24,935)	(13,116)
<b>Loss for the financial year</b>		<b>(11,830,353)</b>	<b>(12,292,676)</b>

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 13 to 29 form part of these financial statements.

# Victoria Beckham Limited

Registered number:06517802

## Statement of Financial Position As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Intangible assets	11		3,110,175		2,263,382
Tangible assets	12		2,736,132		3,250,419
Investments	13		1		1
			<u>5,846,308</u>		<u>5,513,802</u>
<b>Current assets</b>					
Stocks	14	2,480,398		4,570,436	
Debtors: amounts falling due after more than one year	15	585,000		585,000	
Debtors: amounts falling due within one year	15	19,007,689		14,675,509	
Cash at bank and in hand		964,422		2,233,483	
		<u>23,037,509</u>		<u>22,064,428</u>	
Creditors: amounts falling due within one year	16	(18,436,149)		(23,629,808)	
<b>Net current assets/(liabilities)</b>			<u>4,601,360</u>		<u>(1,565,380)</u>
<b>Total assets less current liabilities</b>			<u>10,447,668</u>		<u>3,948,422</u>
Creditors: amounts falling due after more than one year	17		(18,325,561)		-
<b>Provisions for liabilities</b>					
Deferred tax	18	(84,247)		(80,209)	
Other provisions	19	(104,490)		(104,490)	
			<u>(188,737)</u>		<u>(184,699)</u>
<b>Net (liabilities)/assets</b>			<u><u>(8,066,630)</u></u>		<u><u>3,763,723</u></u>
<b>Capital and reserves</b>					
Called up share capital	20		30,771,797		30,771,797
Share premium account	21		7,560,813		7,560,813
Profit and loss account	21		(46,399,240)		(34,568,887)
			<u><u>(8,066,630)</u></u>		<u><u>3,763,723</u></u>

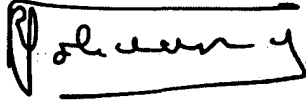
# Victoria Beckham Limited

Registered number:06517802

## Statement of Financial Position (continued) As at 31 December 2019

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



R Toledano  
Director

January 20<sup>th</sup>, 2021

Date:

The notes on pages 13 to 29 form part of these financial statements.

# Victoria Beckham Limited

## Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>At 1 January 2018</b>	<b>30,771,797</b>	<b>7,560,813</b>	<b>(22,276,211)</b>	<b>16,056,399</b>
Loss for the year	-	-	(12,292,676)	(12,292,676)
<b>At 1 January 2019</b>	<b>30,771,797</b>	<b>7,560,813</b>	<b>(34,568,887)</b>	<b>3,763,723</b>
Loss for the year	-	-	(11,830,353)	(11,830,353)
<b>At 31 December 2019</b>	<b>30,771,797</b>	<b>7,560,813</b>	<b>(46,399,240)</b>	<b>(8,066,630)</b>

The notes on pages 13 to 29 form part of these financial statements.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 1. General information

The principal activity of the company continued to be the operation of the "Victoria Beckham" fashion business and related Victoria Beckham brand activities.

The company is a private company limited by shares and is registered in England and Wales. The address of its registered office and principal place of business is 202 Hammersmith Road, London, W6 7DN.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Victoria Beckham Holdings Limited as at 31 December 2019 and these financial statements may be obtained from the registered address of the company.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.3 Going concern

The Company made a total comprehensive loss in the financial year of £11.8m (2018 - £12.3m) and has been reliant on continued financial support from its ultimate shareholders. The Company had net current assets of £4.6m (2018 - net current liabilities of £1.6m) and net liabilities of £8.1m (2018 - net assets of £3.8m) at the year end.

During the 2019 financial year the Company had a long-term bank loan which was subject to certain financial covenants. As a result of various breaches during the current and previous financial year, the loan facility has been recognised within current liabilities. In April 2020, the ultimate shareholders decided to repay the facility in full and the Group received a further £9.2m from the ultimate shareholders via the Company's parent company to both settle the remaining £6.1m due to HSBC and help sustain the business operations amidst an unprecedentedly challenging economic backdrop caused by the global COVID pandemic.

As detailed in the Strategic report there were a number of one off costs incurred in the year in respect of the ERP implantation. Also since the year end COVID-19 has, like with many businesses, had a significant impact on the Company as existing lockdown restrictions have affected our own store and our wholesale partners. As a result the Company has developed a new strategic plan for the business for the coming three years with specific focus on cost reduction and streamlined operations. The board and ultimate shareholders are committed to ensuring the Company has sufficient resources to deliver this strategy.

As part of the Directors' assessment of going concern, management has prepared detailed forecast assessments considering the wider economic impact of COVID-19, the Company's recent performance, and the requirements to implement the new strategic direction. The directors reviewed their forecasts with specific reference to the ability of the business to meet its liabilities as they fall due and have a reasonable expectation that the Company is able to manage its business risks successfully. The forecasts cover the period beyond the twelve months from the date of signing of these accounts and make allowance for reasonably foreseeable impacts of the current economic environment.

Following a detailed consideration of these forecasts the directors have determined that further support will be required from its ultimate shareholders to further protect the Company from the impact of the economic uncertainty and also assist in the implementation of the change in strategy. However, there are no contractual agreements for this support. This requirement of further funding indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Despite having no formal confirmation of this continued support the directors have the reasonable expectation that any support will be provided from the shareholders and have accordingly prepared the financial statement on a going concern basis. The parent company, Victoria Beckham Holdings Limited, have confirmed that any support provided to by the ultimate shareholders will be made available to the Company.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were no longer appropriate.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.4 Turnover

Turnover, which is stated excluding Value Added Tax and other sales related taxes, is the amount receivable for goods supplied (less returns, trade discounts and allowances), plus royalties and licence fees receivable.

Retail sales, returns and allowances are reflected at the dates of transactions with customers. Wholesale sales are recognised when the significant risks and rewards of ownership have transferred to the customer, with provisions made for expected returns and allowances. Provisions for returns on retail and wholesale sales are calculated based on historical returns levels. Royalties and license fees receivable from licensees are recognised within turnover when the right to receive the consideration has been earned on the basis of the terms of the relevant royalty or license agreement.

#### 2.5 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

#### 2.6 Leases

All leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

#### 2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

#### 2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Websites	-	3 years
Intellectual property	-	10 - 25 years

#### 2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- 10 years
Fixtures and fittings	- 3 or 4 years, depending on the expected useful life of the asset
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

#### 2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 2.15 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

#### 2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.17 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

#### 2.19 Pensions

Contributions to the Company's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

#### 2.20 Prior year reclassification

Certain disclosures in the Statement of Comprehensive Income have been re-analysed. Cost of sales, distribution costs and administrative expenses have been restated in the prior year. This has decreased cost of sales by £5,880,447, increased distribution costs by £2,827,489 and increased administrative expenses by £3,052,958. There has been no effect on loss for the year or net liabilities. This relates to the re-analysis of costs in the business in line with the current year split.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying value of assets and liabilities. The directors' judgement, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent sensitivity involved in making judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognised prospectively.

In assessing whether there have been any indicators of impairment to assets, the directors consider both external and internal sources of information such as market conditions and experience of recoverability and establish a provision for receivables that are estimated not to be recoverable.

#### *Recoverability of receivables*

The Company establishes a provision for receivables that are estimated not to be recoverable or recoupable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of restorability, and the credit profile of the debtor. When assessing if licensee balances are recoupable the directors consider factors such as the current and likely future sales performance.

#### *Determining residual values and useful economic lives of property, plant and equipment*

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for tangible fixed assets. When determining the residual value, management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

#### *Provisions against slow moving inventory*

The Company establishes a provision for slow moving inventory. When determining the provision, the directors consider factors such as the amount of the inventory holding and subsequent sales.

#### *Provisions*

A provision is made for dilapidations. This provision requires management's best estimate of the costs that will be incurred based on contractual requirements.

### 4. Turnover

The whole of the turnover is attributable to the worldwide exploitation of the Victoria Beckham brand.

The directors do not consider any one part of the worldwide market to be significantly different from any other. Full segmental information has not been disclosed as permitted by Statutory Instrument 2008/410 as in the opinion of the directors such disclosure would be commercially sensitive.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	731,855	748,791
Amortisation of intangible assets	591,360	236,598
Exchange differences	204,251	(411,289)
Operating lease rentals	1,722,606	1,778,967
Defined contribution pension cost	110,887	102,416
	<u>1,722,606</u>	<u>1,778,967</u>

### 6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	72,000	44,000
	<u>72,000</u>	<u>44,000</u>

#### Fees payable to the Company's auditor in respect of:

Taxation services	9,000	12,750
Other services relating to taxation	22,038	-
All other services	11,000	30,000
	<u>42,038</u>	<u>42,750</u>

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	7,101,848	8,500,560
Social security costs	759,388	1,118,708
Cost of defined contribution scheme	110,887	102,416
	<u>7,972,123</u>	<u>9,721,684</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Staff	<u>130</u>	<u>148</u>

### 8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>761,667</u>	<u>735,000</u>

The highest paid director received remuneration of £641,667 (2018 - £700,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018 - £Nil).

### 9. Interest payable and similar expenses

	2019 £	2018 £
Bank loan interest	454,777	492,571
Group interest payable	475,964	-
	<u>930,741</u>	<u>492,571</u>

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 10. Taxation

	2019 £	2018 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	20,897	32,000
<b>Total current tax</b>	<b>20,897</b>	<b>32,000</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	2,923	(18,884)
Adjustments in respect of previous periods	1,115	-
<b>Total deferred tax</b>	<b>4,038</b>	<b>(18,884)</b>
<b>Taxation on loss on ordinary activities</b>	<b>24,935</b>	<b>13,116</b>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(11,805,418)	(12,279,560)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(2,243,030)	(2,333,116)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	28,500	93,290
Fixed asset differences	104,137	83,675
Adjustments to tax charge in respect of prior periods	22,012	32,000
Deferred tax not recognised	2,113,316	2,137,267
<b>Total tax charge for the year</b>	<b>24,935</b>	<b>13,116</b>

#### Factors that may affect future tax charges

The company has losses available for use in future periods amounting to £21,462,309 (2018 - £12,041,725).

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 11. Intangible assets

	Intellectual property £	Website £	Total £
<b>Cost</b>			
At 1 January 2019	1,717,254	1,539,043	3,256,297
Additions	345,874	1,092,279	1,438,153
At 31 December 2019	2,063,128	2,631,322	4,694,450
<b>Amortisation</b>			
At 1 January 2019	80,131	912,784	992,915
Provided for the year	102,024	489,336	591,360
At 31 December 2019	182,155	1,402,120	1,584,275
<b>Net book value</b>			
At 31 December 2019	1,880,973	1,229,202	3,110,175
At 31 December 2018	1,637,123	626,259	2,263,382

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 12. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	4,627,399	1,438,435	688,499	6,754,333
Additions	17,161	116,010	84,397	217,568
Disposals	(189,482)	(22,145)	-	(211,627)
Reclassifications	11,985	(77,523)	(6,359)	(71,897)
At 31 December 2019	<u>4,467,063</u>	<u>1,454,777</u>	<u>766,537</u>	<u>6,688,377</u>
<b>Depreciation</b>				
At 1 January 2019	1,601,344	1,357,520	545,050	3,503,914
Provided for the year	548,089	120,210	63,556	731,855
Disposals	(189,482)	(22,145)	-	(211,627)
Reclassifications	71,087	(142,409)	(575)	(71,897)
At 31 December 2019	<u>2,031,038</u>	<u>1,313,176</u>	<u>608,031</u>	<u>3,952,245</u>
<b>Net book value</b>				
At 31 December 2019	<u>2,436,025</u>	<u>141,601</u>	<u>158,506</u>	<u>2,736,132</u>
At 31 December 2018	<u>3,026,055</u>	<u>80,915</u>	<u>143,449</u>	<u>3,250,419</u>

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 13. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2019 and 31 December 2019	<u>1</u>

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Victoria Beckham Inc *	Fashion e-commerce	Ordinary	100%
Beckham Retail Limited **	Dormant	Ordinary	100%

The registered address of the subsidiary undertakings are:

\* 2711 Canterville Road, Suite 400, Wilmington, DE 19808, County of New Castle, USA

\*\* 202 Hammersmith Road, London, W6 7DN

### 14. Stocks

	2019 £	2018 £
Work in progress	671,943	508,197
Finished goods and goods for resale	1,808,455	4,062,239
	<u>2,480,398</u>	<u>4,570,436</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 15. Debtors

	2019 £	2018 £
<b>Due after more than one year</b>		
Other debtors	585,000	585,000
	<u>585,000</u>	<u>585,000</u>
<b>Due within one year</b>		
Trade debtors	11,252,035	6,683,234
Amounts owed by group undertakings	5,978,833	5,820,073
Other debtors	210,841	1,492,844
Called up share capital not paid	-	4
Prepayments and accrued income	1,565,980	679,354
	<u>19,007,689</u>	<u>14,675,509</u>

The debtors due after more than one year relate to rent deposits.

### 16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	8,334,521	12,886,186
Trade creditors	6,350,486	1,095,037
Amounts owed to group undertakings	-	2,289,932
Amounts owed to related undertakings	202,757	-
Corporation tax	-	32,000
Other taxation and social security	222,384	293,494
Other creditors	39,525	262,642
Accruals and deferred income	3,286,476	6,770,517
	<u>18,436,149</u>	<u>23,629,808</u>

The bank loans are secured by fixed and floating charges over all the assets of the company, a secured cash deposit which, at 31 December 2019, amounted to £4,000,000 (2018 - £4,000,000) provided by sister company, DB Ventures Limited, and a cross guarantee and debenture as detailed in note 22.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 17. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	<b>18,325,561</b>	-

The amounts due to group undertakings is not due until 1 January 2024. The loan attracts interest of 7.5% on the principal balance.

### 18. Deferred taxation

	2019 £	2018 £
At beginning of year	<b>80,209</b>	99,093
Charged/(credited) to profit or loss	<b>4,038</b>	(18,884)
<b>At end of year</b>	<b>84,247</b>	80,209

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	<b>85,886</b>	81,942
Short term timing differences	<b>(1,639)</b>	(1,733)
	<b>84,247</b>	80,209

### 19. Provisions

	Dilapidation provision £
At 1 January 2019 and 31 December 2019	<b>104,490</b>

A dilapidations provision has been recognised in respect of the estimated cost of returning the company's retail store to its original state at the end of the lease term.

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 20. Share capital

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
3,077,179,700 (2018 - 3,077,179,700) Ordinary shares of £0.01 each	<b>30,771,797</b>	30,771,797

### 21. Reserves

#### Share premium account

Share premium represents amounts subscribed for share capital in excess of nominal value less related costs of shares issued.

#### Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

### 22. Contingent liabilities

The company has given a debenture and charges to its bankers to secure its own banking arrangements. It has also entered into a cross guarantee dated 9 December 2014, along with related companies Beckham Brand Holdings Limited and DB Ventures Limited. At the balance sheet date, the indebtedness under this arrangement amounted to £8,334,521 (2018 - £12,976,186).

### 23. Pension commitments

The total pension costs for the Company were £110,887 (2018 - £102,416). Accrued pension costs at 31 December 2019 amounted to £26,485 (2018 - £23,173).

### 24. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	<b>1,438,307</b>	1,438,307
Later than 1 year and not later than 5 years	<b>5,298,000</b>	5,298,000
Later than 5 years	<b>1,505,689</b>	2,943,996
	<b>8,241,996</b>	9,680,303

# Victoria Beckham Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 25. Related party transactions

The company is a wholly owned subsidiary of Victoria Beckham Holdings Limited and has taken advantage of the exemptions conferred by FRS 102 Section 33 Paragraph 33.1A not to disclose transactions with Victoria Beckham Holdings Limited or other wholly owned subsidiaries within the group.

At the year end £287,851 (2018 - £2,436,684) was owed to related parties and £53,495 (2018 - £Nil) was owed by related parties. These related parties are related due to being under common control or through their interest in the ultimate parent company's share capital.

### 26. Post balance sheet events

In February 2020 the Group faced the emergence of COVID-19 and the impact of the subsequent lockdowns on business operations. This is a non-adjusting post balance sheet event and has had no impact on the assets or the liabilities reported at year end. The pandemic has impacted trading, with stores carrying the company's products subject to varying lockdown restrictions. Over this period the company's ecommerce operations however saw positive year-on-year growth.

Since the year end, the ultimate shareholders have provided £9,224,532 to the Group by way of shareholder loans, helping to sustain business operations amidst an unprecedentedly challenging economic backdrop. The additional funding also meant that in April 2020 the Company repaid its HSBC loan facility by way of a repayment totalling £6,125,000.

The fashion also business undertook a company-wide restructure in September 2020 to streamline operations and increase efficiencies.

### 27. Controlling party

Until 8 May 2019 the ultimate parent company was Beckham Brand Holdings Limited, a company incorporated in England and Wales. From this date the ultimate parent company was Victoria Beckham Holdings Limited, a company incorporated in England and Wales. This company is also the intermediate parent company.

The largest and smallest group in which the results of the company are consolidated is that headed by Victoria Beckham Holdings Limited, incorporated in England and Wales. The address of Victoria Beckham Holdings Limited's registered office is 202 Hammersmith Road, London, W6 7DN.