

Victoria Beckham Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 06517802



Victoria Beckham Limited

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Company Information

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

Victoria Beckham Limited

Strategic Report For the Year Ended 31 December 2020

Introduction

The directors present their review of the Company's financial and strategic performance during the year ended 31 December 2020.

Business review

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

- Total revenue for the Company was £28.1m, which was down 21% versus 2019 (£35.6m) due to the effects of the global pandemic. Retail stores were forced to close for much of 2020 due to COVID-19 and this adversely impacted the performance of our wholesale business and our flagship store in London.
- The reduced demand from retail and wholesale was partially offset by continuous growth from digital.
- The Company rapidly responded to the effects of the pandemic and controlled its cash and expenditure, this led to a significant reduction in its operating losses by 48% thanks to cost efficiencies across the business and the re-calibration of its business model to make it sustainable for the longer-term. Operating losses were almost halved from (£10.9m) in 2019 to (£5.6m) in 2020.

Financial key performance indicators

The Company has enhanced its governance and the reporting of key performance indicators (KPIs) to ensure optimal business performance. The directors monitor the progress on the strategy by reference to the following core KPIs:

- **Sales evolution:** the impact of COVID-19 was partially offset by digital sales momentum which helped to stem the downturn in revenues to a 21% reduction on last year (2019: +2%).
- **Operating costs reduction:** cost discipline and the successful implementation of a new model in Q4 for the long term resulted in a 28% reduction in the cost base year-on-year.
- **EBITDA improvement:** the Directors are pleased with the 55% EBITDA improvement for the year. Despite the impact of Covid-19 on revenue, the Company decreased operating losses from £10.9m (FY19) to £5.6m (FY20). The reduced losses resulted from an improvement in the gross margin to 57% from 56% delivered through tighter supply chain management, revenue shifting towards fast growing direct-to-consumer channels and the implementation of a new business model.

Victoria Beckham Limited

Strategic Report (continued) For the Year Ended 31 December 2020

Events since the end of the year

The COVID-19 pandemic has continued to impact trading, with stores carrying the Company's products subject to varying lockdown restrictions. The Company's flagship store was closed until 12 April in line with other UK non-essential retail outlets. Travel restrictions remained effective in the UK until mid-July limiting tourist traffic with a resulting impact on revenues. However, we were encouraged to see that over this period the Company's e-commerce operations saw positive year-on-year growth.

The Board continues to monitor closely the impact on the Company, with rolling forecasts being updated as the situation and restrictions evolve. The Company ensures tight management of its cash and has further benefited from shareholders' cash injections in 2021 of £600,000. This helped to counteract the ongoing impact from COVID-19 and the expansion into a new product category.

In the first half of 2021, the business rolled out a full brand re-positioning, and its two brands Victoria Beckham (VB) and Victoria, Victoria Beckham (VVB) were merged into a single new collection. In July 2021, the Company presented its first collection, PSS22, under one brand; Victoria Beckham, which was warmly received resulting in a very strong double-digit growth in orders over the previous year.

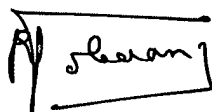
Principal risks and uncertainties

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 Company will continue to look ahead and mitigate further risks as they arise.

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

R Toledano
Director



Date:

19.11.2021

Victoria Beckham Limited

Directors' Report For the Year Ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £7,499,826 (2019 - loss £11,830,353).

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.

During the 2020 financial year the ultimate shareholders provided additional loans of £9.2m to the group. The Company settled in full the remaining balance of a £6.1m loan due to HSBC and the balance was used to invest in the strategic plan.

The Company, together with the Board and the leadership team, has developed a strategic plan for the business with the specific focus of re-calibrating the model for the long term and addressing new opportunities afforded by the continual growth of the e-commerce business.

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, financial risk management and relationships with suppliers 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 (resigned 1 June 2021)
O S Shipton
R Toledano
N J Howson (appointed 19 March 2020)

Victoria Beckham Limited

Directors' Report (continued) For the Year Ended 31 December 2020

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- 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

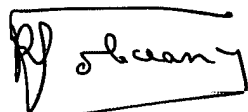
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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: 19.11.2021

Victoria Beckham Limited

Independent Auditors' Report to the Members of Victoria Beckham Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss 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.

We have audited the financial statements of Victoria Beckham Limited ("the Company") for the year ended 31 December 2020 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Material uncertainty relating to going concern

We draw attention to note 2.3 to the financial statements, which indicates that the Company will require continued ultimate shareholder support and financing and that no contractual agreements are in place for this funding. As stated in note 2.3, 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.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Victoria Beckham Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

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 material misstatements in the Strategic Report or the 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)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- discussions with management and those charged with governance regarding known or suspected instances of non-compliance with laws and regulations;
- obtaining an understanding of controls designed to prevent and detect irregularities, including specific consideration of controls and group accounting policies relating to significant accounting estimates;
- obtaining an understanding of the significant laws and regulations impacting the group;
- communicating relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- reviewing minutes of meetings of those charged with governance to identify any instances of non-compliance with laws and regulations; and
- assessing journals entries as part of our planned audit approach, with a particular focus on journal entries to key financial statement areas such as revenue and inventories and journals raised after the year end.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on 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

DocuSigned by:

Arbinder Chatwal

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Date: 19 November 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 2020

	Note	2020 £	2019 £
Turnover	4	28,149,644	35,588,741
Cost of sales		(12,013,765)	(15,452,507)
Gross profit		16,135,879	20,136,234
Distribution costs		(1,986,544)	(3,133,290)
Administrative expenses		(20,339,465)	(27,880,762)
Other operating income	5	582,900	-
Operating loss	6	(5,607,230)	(10,877,818)
Interest receivable and similar income		-	3,141
Interest payable and expenses	10	(1,919,573)	(930,741)
Loss before tax		(7,526,803)	(11,805,418)
Tax on loss	11	26,977	(24,935)
Loss for the financial year		(7,499,826)	(11,830,353)

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 12 to 27 form part of these financial statements.

Victoria Beckham Limited

Statement of Financial Position As at 31 December 2020

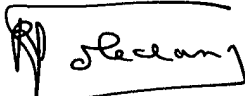
	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	12		2,771,743		3,110,175
Tangible assets	13		2,176,363		2,736,132
Investments	14		1		1
			<u>4,948,107</u>		<u>5,846,308</u>
Current assets					
Stocks	15	1,052,101		2,480,398	
Debtors: amounts falling due after more than one year	16	585,000		585,000	
Debtors: amounts falling due within one year	16	16,042,755		19,007,689	
Cash at bank and in hand		943,959		964,422	
		<u>18,623,815</u>		<u>23,037,509</u>	
Creditors: amounts falling due within one year	17	(8,751,701)		(18,436,149)	
Net current assets			<u>9,872,114</u>		<u>4,601,360</u>
Total assets less current liabilities			<u>14,820,221</u>		<u>10,447,668</u>
Creditors: amounts falling due after more than one year	18		(29,274,917)		(18,325,561)
Provisions for liabilities					
Deferred tax	19	(57,270)		(84,247)	
Other provisions	20	(1,054,490)		(104,490)	
			<u>(1,111,760)</u>		<u>(188,737)</u>
Net liabilities			<u>(15,566,456)</u>		<u>(8,066,630)</u>
Capital and reserves					
Called up share capital	21		30,771,797		30,771,797
Share premium account	22		7,560,813		7,560,813
Profit and loss account	22		(53,899,066)		(46,399,240)
			<u>(15,566,456)</u>		<u>(8,066,630)</u>

Victoria Beckham Limited

Registered number: 06517802

Statement of Financial Position (continued) As at 31 December 2020

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



R Toledano
Director

Date: 19.11.2021

The notes on pages 12 to 27 form part of these financial statements.

Victoria Beckham Limited

Registered number: 06517802

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	30,771,797	7,560,813	(34,568,887)	3,763,723
Loss for the year	-	-	(11,830,353)	(11,830,353)
At 1 January 2020	30,771,797	7,560,813	(46,399,240)	(8,066,630)
Loss for the year	-	-	(7,499,826)	(7,499,826)
At 31 December 2020	30,771,797	7,560,813	(53,899,066)	(15,566,456)

The notes on pages 12 to 27 form part of these financial statements.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

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 2020 and these financial statements may be obtained from the registered address of the Company.

2.3 Going concern

The Company made a total comprehensive loss in the financial year of £7.5m (2019 - £11.8m) and has been reliant on continued financial support from its shareholders. The Company had net current assets of £9.9m (2019 - £4.6m) and net liabilities of £15.6m (2019 - £8.1m) at the year end.

In April 2020, the ultimate shareholders repaid the Company's bank loan 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 help sustain the business operations amidst the unprecedentedly challenging economic backdrop caused by the global COVID pandemic. This has, like with many businesses, had a significant impact on the Company as lockdown restrictions have affected both 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, streamlined operations and creating a model for the long term. The board and ultimate shareholders are committed to ensuring the Company has sufficient resources to deliver this strategy.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.3 Going concern (continued)

As part of the directors' assessment of going concern, management has prepared detailed forecast assessments considering the continuing 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 any 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 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 financial statements do not include any adjustments that would result if the going concern basis of preparation were no longer appropriate.

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 presentational 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.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

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.

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.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

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.

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.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

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.

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.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

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 2020

5. Other operating income

	2020 £	2019 £
Income from settlement claim	582,900	-

6. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	576,863	731,855
Amortisation of intangible assets	769,299	591,360
Exchange differences	28,250	204,251
Operating lease rentals	1,062,029	1,722,606
Defined contribution pension cost	149,089	110,887

7. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	56,300	72,000

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

Taxation services	5,375	9,000
Other services relating to taxation	13,736	22,038
All other services	3,200	11,000
	22,311	42,038

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

8. Employees

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

	2020 £	2019 £
Wages and salaries	6,672,358	7,101,848
Social security costs	794,306	759,388
Cost of defined contribution scheme	149,089	110,887
	<u>7,615,753</u>	<u>7,972,123</u>

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

	2020 No.	2019 No.
Staff	<u>121</u>	<u>130</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	<u>120,000</u>	<u>761,667</u>

The highest paid director received remuneration of £120,000 (2019 - £641,667).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2019 - £Nil).

10. Interest payable and similar expenses

	2020 £	2019 £
Bank loan interest	194,749	454,777
Group interest payable	1,724,824	475,964
	<u>1,919,573</u>	<u>930,741</u>

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

11. Taxation

	2020 £	2019 £
Corporation tax		
Adjustments in respect of previous periods	-	20,897
Total current tax	-	20,897
Deferred tax		
Origination and reversal of timing differences	(36,888)	2,923
Adjustments in respect of previous periods	-	1,115
Change in tax rate	9,911	-
Total deferred tax	(26,977)	4,038
Taxation on loss on ordinary activities	(26,977)	24,935

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(7,526,803)	(11,805,418)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(1,430,093)	(2,243,030)
Effects of:		
Expenses not deductible for tax purposes	126,425	28,500
Fixed asset differences	-	104,137
Adjustments to tax charge in respect of prior periods	-	22,012
Deferred tax not recognised	1,276,691	2,113,316
Total tax charge for the year	(26,977)	24,935

Factors that may affect future tax charges

The Company has losses available for use in future periods amounting to £27,946,401 (2019 - £21,462,309).

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

12. Intangible assets

	Intellectual property £	Website £	Total £
Cost			
At 1 January 2020	2,063,128	2,631,322	4,694,450
Additions	319,005	111,862	430,867
At 31 December 2020	2,382,133	2,743,184	5,125,317
Amortisation			
At 1 January 2020	182,155	1,402,120	1,584,275
Charge for the year	139,505	629,794	769,299
At 31 December 2020	321,660	2,031,914	2,353,574
Net book value			
At 31 December 2020	2,060,473	711,270	2,771,743
At 31 December 2019	1,880,973	1,229,202	3,110,175

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

13. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	4,467,063	1,454,777	766,537	6,688,377
Additions	-	15,889	1,205	17,094
Disposals	-	(4,805)	(1,785)	(6,590)
At 31 December 2020	4,467,063	1,465,861	765,957	6,698,881
Depreciation				
At 1 January 2020	2,031,038	1,313,176	608,031	3,952,245
Charge for the year	430,395	88,886	57,582	576,863
Disposals	-	(4,805)	(1,785)	(6,590)
At 31 December 2020	2,461,433	1,397,257	663,828	4,522,518
Net book value				
At 31 December 2020	2,005,630	68,604	102,129	2,176,363
At 31 December 2019	2,436,025	141,601	158,506	2,736,132

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	1
At 31 December 2020	1

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

15. Stocks

	2020 £	2019 £
Work in progress	116,927	671,943
Finished goods and goods for resale	935,174	1,808,455
	<u>1,052,101</u>	<u>2,480,398</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 2020

16. Debtors

	2020 £	2019 £
Due after more than one year		
Other debtors	585,000	585,000
	2020 £	2019 £
Due within one year		
Trade debtors	7,155,424	11,252,035
Amounts owed by group undertakings	6,322,864	5,978,833
Amounts owed by related undertakings	428,362	-
Other debtors	737,480	210,841
Prepayments and accrued income	1,398,625	1,565,980
	16,042,755	19,007,689

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

17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	797,585	8,334,521
Trade creditors	2,801,438	6,350,486
Amounts owed to related undertakings	92,124	202,757
Other taxation and social security	247,237	222,384
Other creditors	18,050	39,525
Accruals and deferred income	4,795,267	3,286,476
	8,751,701	18,436,149

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 2020, amounted to £Nil (2019 - £4,000,000) provided by related company, DB Ventures Limited, and a cross guarantee and debenture as detailed in note 23.

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

18. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Amounts owed to group undertakings	29,274,917	18,325,561

The amounts owed to group undertakings are not due until 1 January 2024. The loans attract interest of 7.5% on the principal balance.

19. Deferred taxation

	2020 £	2019 £
At beginning of year	84,247	80,209
(Credited)/charged to profit or loss	(26,977)	4,038
At end of year	57,270	84,247

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	59,373	85,886
Short term timing differences	(2,103)	(1,639)
	57,270	84,247

20. Provisions

	Dilapidation provision £
At 1 January 2020	104,490
Charged to profit or loss	950,000
At 31 December 2020	1,054,490

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 2020

21. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
3,077,179,700 (2019 - 3,077,179,700) Ordinary shares of £0.01 each	30,771,797	30,771,797

22. 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.

23. 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 £797,585 (2019 - £8,334,521).

24. Pension commitments

The total pension costs for the Company were £149,089 (2019 - £110,887). Accrued pension costs at 31 December 2020 amounted to £28,450 (2019 - £26,485).

25. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	1,430,717	1,438,307
Later than 1 year and not later than 5 years	5,253,643	5,298,000
Later than 5 years	619,025	1,505,689
	7,303,385	8,241,996

Victoria Beckham Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

26. 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 £92,124 (2019 - £287,851) was owed to related parties and £437,006 (2019 - £53,495) 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.

27. Controlling party

The immediate and ultimate parent company is Victoria Beckham Holdings Limited, a company incorporated in England and Wales.

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.