

Registered number: 09176844

BECKHAM BRAND HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



BECKHAM BRAND HOLDINGS LIMITED

COMPANY INFORMATION

Directors	V C Beckham D R J Beckham R C G Dodds
Company secretary	Abogado Nominees Limited
Registered number	09176844
Registered office	33 Ransome's Dock 35-37 Parkgate Road London SW11 4NP
Independent auditors	SRLV Chartered Accountants & Statutory Auditor 89 New Bond Street London W1S 1DA
Solicitors	Harbottle & Lewis Hanover House 14 Hanover Square London W1R 0BE

BECKHAM BRAND HOLDINGS LIMITED

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BECKHAM BRAND HOLDINGS LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their review of the group's financial and strategic performance during the year ended 31 December 2016.

Business review

The principal activity of the company is that of a holding company. The principal activities of the group continued to be as follows: 1. The "Victoria Beckham" fashion business (and related Victoria Beckham brand activities); and 2. The licencing and other forms of commercialisation of the "David Beckham" brand.

Overall the group's main objective for the year was to continue to deliver profits and to further grow revenue and we are pleased to report that both of these objectives were achieved.

The group reports a profit after tax of £16.1m (2015 - £31.3m) and revenue of £47.5m (2015 - £47.2m).

The Victoria Beckham fashion business continued to perform well in all its markets, despite a difficult global trading environment and continues to focus on four product categories – Ready to Wear, 'Victoria, Victoria Beckham', Accessories and Eyewear.

During the year, the business continued to build its distribution channels, working in particular with key clients in key territories such as North America, Europe and the UK to secure larger, branded spaces in key department stores. The retail channel continued to perform well this year, through the flagship store in London and its second store in Hong Kong, and the Estée Lauder collaboration was very well received, selling out in just a few weeks.

The brand continued to grow in strength. As well as the huge success of the Estée Lauder collaboration, a new partnership with Target in the US will allow the brand to reach an even wider audience in the coming year and the further announcement of a global license agreement with Reebok will further enhance the future profitability of the business.

To support the Victoria Beckham brand, the group continues to invest heavily in design, production, marketing, sales and other overheads in order to ensure that identified growth opportunities can be fully exploited. The group is committed to continuing to invest for long-term growth and this growth plan is fully supported by its shareholders Victoria Beckham, David Beckham and XIX Management.

For the David Beckham brand business, revenue growth was achieved through continued brand partnerships. In 2015, the group benefitted from a one-off sale of a membership interest in a subsidiary, which inflated profit for that period.

In November 2017, the directors announced an investment into the Victoria Beckham brand by Neo Investment Partners, a private investment firm specialising in luxury brands. This partnership will enable the brand to enhance both its digital and physical retail presence, drive growth in core categories and will allow it to launch into new categories and collaborations.

Beckham Brand Holdings Limited is the ultimate parent company of both Victoria Beckham Limited and DB Ventures Limited. This is controlled equally by Victoria Beckham, David Beckham and XIX Management UK Limited.

Principal risks and uncertainties

The group's principal risks for the Victoria Beckham fashion business are considered to be the global economic environment in which it operates, supply chain challenges related to the sourcing of materials and supplier management.

Within the David Beckham brand business, the principal risks are considered to be the wider global economic environment and sponsor/licensee management.

These risks are reviewed and managed through the group's business performance and risk management processes.

BECKHAM BRAND HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Financial key performance indicators

The directors constantly monitor a number of key performance indicators to ensure optimal business performance.

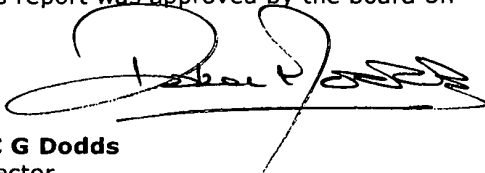
For example, in respect of the Victoria Beckham fashion business, weekly like for like sales are compared, actual performance is reviewed against budget and forecasts. Further measures such as age of debt, stock holding, turnover and margins are regularly reviewed.

For the David Beckham brand business, analysis is maintained through reviews against budget and forecast and detailed like for like sales comparisons.

This report was approved by the board on

14 DEC 2017

and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R C G Dodds', is written over a horizontal line.

R C G Dodds
Director

BECKHAM BRAND HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £16,115,056 (2015 - £31,327,982).

The directors paid a dividend in the year of £10,200,000 (2015 - £23,100,000).

Directors

The directors who served during the year were:

V C Beckham
D R J Beckham
R C G Dodds

Going concern and future developments

The group continues to be successful and made a profit in the year.

Events since the end of the year

Following the year-end, subsidiary company Victoria Beckham Limited launched its collaboration with Target and finalised further collaborations with Estée Lauder and Reebok to further expand the brand's offering.

Subsequent to the year end, Seven Global LLP, an entity in which DB Ventures Limited holds a 49% interest, entered into new agreements which exploit additional product categories.

During November 2017, the group entered into arrangements with its bank whereby ongoing commitment to the Victoria Beckham brand was realised. Subsequent to this, the group finalised its partnership with a third party investor to enable the business to continue its ongoing development of the Victoria Beckham brand. Full details of events since the end of the year are given in the notes to the financial statements.

During 2017, dividends totalling £18.75m have been declared and paid by the company to its shareholders.

BECKHAM BRAND HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Financial instruments and key risks

The group's operations expose it to a variety of financial risks that include the effects of changes in credit, liquidity, cash flow and exchange rates.

The group has in place a risk management programme that seeks to limit the possible adverse effects on the financial performance of the group by monitoring levels of cash and performing a thorough appraisal of any potential new projects. The group does not use derivative financial instruments or manage interest rate costs and, as such, no hedge accounting is applied.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub committee of the board. The group's finance department implements the policies set by the board of directors. The department has specific guidelines agreed by the directors to manage credit risk, liquidity and cash flow risk, plus exchange risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers to be carried out before new accounts are accepted. Where debt finance is used, it is subject to pre approval of the directors. Credit risk arises from making wholesale sales to a large number of retailers around the world. This risk is mitigated in a number of ways. A range of risk based credit terms are applied to different customers and clear procedures have been established to assist with the collection of its debts, including regular reviews, particularly during sales periods.

The amount of exposure to any individual counterparty is limited and is reassessed annually by the board.

Liquidity and cashflow risk

The directors consider the group to have sufficient available funds for operations and planned expansions. Financing opportunities, where considered appropriate in the circumstances, would be subject to pre-approval by the board of directors.

The main source of revenue for the Victoria Beckham fashion business is the wholesale of fashion goods, which is inherently seasonal.

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 and the group'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 and the group's auditors are aware of that information.

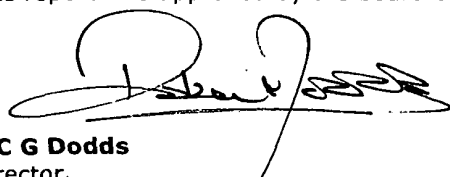
Auditors

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

This report was approved by the board on

14 DEC 2017

and signed on its behalf.



R C G Dodds
Director.

BECKHAM BRAND HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BECKHAM BRAND HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BECKHAM BRAND HOLDINGS LIMITED

We have audited the financial statements of Beckham Brand Holdings Limited for the year ended 31 December 2016, set out on pages 8 to 40. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the group strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's 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.

Opinion on other matter 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 group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report and the directors' report.

BECKHAM BRAND HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BECKHAM BRAND HOLDINGS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Richard Gilbert (Senior Statutory Auditor)

for and on behalf of

SRLV

Chartered Accountants
Statutory Auditor

89 New Bond Street
London
W1S 1DA

14 DEC 2017

BECKHAM BRAND HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	4	47,518,766	47,153,076
Cost of sales		(19,559,030)	(19,027,508)
Gross profit		27,959,736	28,125,568
Distribution costs		(573,218)	(217,658)
Administrative expenses		(25,551,121)	(23,744,249)
Operating profit	5	1,835,397	4,163,661
Investment income	10	7,831,897	4,818,338
Profit on transfer of membership interests	16	10,437,209	30,631,020
Interest receivable and similar income	11	31,685	1,205
Interest payable and similar charges	12	(283,421)	(98,507)
Profit before taxation		19,852,767	39,515,717
Tax on profit	13	(3,755,691)	(8,197,405)
Profit for the year		16,097,076	31,318,312
Foreign currency translation differences on retranslation of overseas entity reserves		923,992	151,304
Other comprehensive income for the year		923,992	151,304
Total comprehensive income for the year		17,021,068	31,469,616
Profit for the year attributable to:			
Non-controlling interests		(17,980)	(9,670)
Owners of the parent company		16,115,056	31,327,982
		16,097,076	31,318,312
Total comprehensive income for the year attributable to:			
Non-controlling interests		(17,980)	(9,670)
Owners of the parent company		17,039,048	31,479,286
		17,021,068	31,469,616

The notes on pages 15 to 40 form part of these financial statements.

BECKHAM BRAND HOLDINGS LIMITED
REGISTERED NUMBER:09176844
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	14	150,731	220,532
Tangible assets	15	32,899,885	9,315,895
Investments	16	3,627,496	1,693,826
		<u>36,678,112</u>	<u>11,230,253</u>
Current assets			
Stocks	17	4,980,084	3,215,050
Debtors: amounts falling due after more than one year	18	8,983,187	5,815,191
Debtors: amounts falling due within one year	18	21,638,693	18,996,125
Cash at bank and in hand	19	7,000,426	5,074,624
		<u>42,602,390</u>	<u>33,100,990</u>
Creditors: amounts falling due within one year	20	(47,732,309)	(23,243,222)
Net current (liabilities)/assets		<u>(5,129,919)</u>	<u>9,857,768</u>
Total assets less current liabilities		<u>31,548,193</u>	<u>21,088,021</u>
Creditors: amounts falling due after more than one year	21	(6,820,382)	(4,328,754)
Provisions for liabilities			
Deferred taxation	24	(1,772,571)	(625,095)
Other provisions	25	(104,490)	(104,490)
		<u>(1,877,061)</u>	<u>(729,585)</u>
Net assets		<u>22,850,750</u>	<u>16,029,682</u>
Capital and reserves			
Called up share capital	26	2,997	2,997
Foreign exchange reserve		1,283,798	359,806
Profit and loss account		21,066,776	15,151,720
Equity attributable to owners of the parent company		<u>22,353,571</u>	<u>15,514,523</u>
Non-controlling interests		497,179	515,159
		<u>22,850,750</u>	<u>16,029,682</u>

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

R C G Dodds
Director

14 DEC 2017

The notes on pages 15 to 40 form part of these financial statements.

BECKHAM BRAND HOLDINGS LIMITED
REGISTERED NUMBER:09176844

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	16	2,998	2,998
		<u>2,998</u>	<u>2,998</u>
Current assets			
Debtors: amounts falling due within one year	18	6,278	4,109
Cash at bank and in hand	19	3,633	365
		<u>9,911</u>	<u>4,474</u>
Creditors: amounts falling due within one year	20	<u>(43,294)</u>	<u>(27,628)</u>
Net current liabilities		<u>(33,383)</u>	<u>(23,154)</u>
Total assets less current liabilities		<u>(30,385)</u>	<u>(20,156)</u>
Net liabilities		<u><u>(30,385)</u></u>	<u><u>(20,156)</u></u>
Capital and reserves			
Called up share capital	26	2,997	2,997
Profit and loss account		<u>(33,382)</u>	<u>(23,153)</u>
		<u><u>(30,385)</u></u>	<u><u>(20,156)</u></u>

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

14 DEC 2017

R C G Dodds
Director

The notes on pages 15 to 40 form part of these financial statements.

BECKHAM BRAND HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Foreign exchange reserve £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 January 2016 (as previously stated)	2,997	359,806	15,462,511	15,825,314	515,159	16,340,473
Prior year adjustment	-	-	(310,791)	(310,791)	-	(310,791)
At 1 January 2016 (as restated)	<u>2,997</u>	<u>359,806</u>	<u>15,151,720</u>	<u>15,514,523</u>	<u>515,159</u>	<u>16,029,682</u>
Comprehensive income for the year						
Profit for the year	-	-	16,115,056	16,115,056	(17,980)	16,097,076
Foreign currency translation differences on retranslation of overseas entity reserves	-	923,992	-	923,992	-	923,992
Other comprehensive income for the year	<u>-</u>	<u>923,992</u>	<u>-</u>	<u>923,992</u>	<u>-</u>	<u>923,992</u>
Total comprehensive income for the year	-	923,992	16,115,056	17,039,048	(17,980)	17,021,068
Dividends: Equity capital	-	-	(10,200,000)	(10,200,000)	-	(10,200,000)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>(10,200,000)</u>	<u>(10,200,000)</u>	<u>-</u>	<u>(10,200,000)</u>
At 31 December 2016	<u>2,997</u>	<u>1,283,798</u>	<u>21,066,776</u>	<u>22,353,571</u>	<u>497,179</u>	<u>22,850,750</u>

BECKHAM BRAND HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £	Foreign exchange reserve £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 January 2015	2,997	208,502	6,923,738	7,135,237	492,694	7,627,931
Comprehensive income for the year						
Profit for the year	-	-	31,327,982	31,327,982	(9,670)	31,318,312
Foreign currency translation differences on retranslation of overseas entity reserves	-	151,304	-	151,304	-	151,304
Other comprehensive income for the year	-	151,304	-	151,304	-	151,304
Total comprehensive income for the year	-	151,304	31,327,982	31,479,286	(9,670)	31,469,616
Dividends: Equity capital	-	-	(23,100,000)	(23,100,000)	-	(23,100,000)
Non-controlling interest movements (note 27)	-	-	-	-	32,135	32,135
Total transactions with owners	-	-	(23,100,000)	(23,100,000)	32,135	(23,067,865)
At 31 December 2015	2,997	359,806	15,151,720	15,514,523	515,159	16,029,682

BECKHAM BRAND HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	2,997	(23,153)	(20,156)
Comprehensive income for the year			
Profit for the year	-	10,189,771	10,189,771
	-	10,189,771	10,189,771
Total comprehensive income for the year			
Dividends: Equity capital	-	(10,200,000)	(10,200,000)
Total transactions with owners	-	(10,200,000)	(10,200,000)
At 31 December 2016	2,997	(33,382)	(30,385)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £	Profit and loss account £	Total equity £
At 14 August 2014	2,997	(6)	2,991
Comprehensive income for the period			
Profit for the period	-	23,076,853	23,076,853
	-	23,076,853	23,076,853
Total comprehensive income for the period			
Dividends: Equity capital	-	(23,100,000)	(23,100,000)
Total transactions with owners	-	(23,100,000)	(23,100,000)
At 31 December 2015	2,997	(23,153)	(20,156)

BECKHAM BRAND HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	£	£
Cash flows from operating activities		
Profit for the financial year	16,097,076	31,318,312
Adjustments for:		
Amortisation of intangible assets	152,539	200,750
Depreciation of tangible assets	964,340	741,685
Interest payable and similar charges	283,421	98,507
Interest receivable and similar income	(31,685)	(1,205)
Taxation	3,755,691	8,197,405
(Increase) in stocks	(1,765,034)	(14,817)
Decrease/(increase) in debtors	761,059	(1,785,803)
Increase in creditors	893,670	3,239,275
Corporation tax paid	(3,867,787)	(8,123,184)
Profit on transfer of membership interests	(10,437,209)	(30,631,020)
Investment income	(7,831,897)	(4,818,338)
Foreign exchange movements	(2,235,569)	(83,554)
Net cash used in operating activities	(3,261,385)	(1,661,987)
Cash flows from investing activities		
Purchase of intangible fixed assets	(82,738)	(148,102)
Purchase of tangible fixed assets	(21,388,769)	(1,675,573)
Interest received	31,685	1,205
Proceeds from sale of investments	4,701,780	23,307,688
Partnership profit distributions	5,062,033	2,580,576
Net cash (used in)/generated from investing activities	(11,676,009)	24,065,794
Cash flows from financing activities		
New secured loans	27,271,620	4,192,086
Repayment of loans	(405,011)	(489,271)
Dividends paid	(10,200,000)	(23,100,000)
Interest paid	(283,421)	(98,507)
Capital contributions from non-controlling interests	-	32,135
Net cash generated from/(used in) financing activities	16,383,188	(19,463,557)
Net increase in cash and cash equivalents	1,445,794	2,940,250
Cash and cash equivalents at beginning of year	4,845,472	1,905,222
Cash and cash equivalents at the end of year	6,291,266	4,845,472
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,000,426	5,074,624
Bank overdrafts	(709,160)	(229,152)
	6,291,266	4,845,472

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

The principal activity of the company continued to be that of a holding company. The principal activities of the group are the 'Victoria Beckham' fashion business (and related Victoria Beckham brand activities), plus the licensing and other forms of commercialisation of the 'David Beckham' brand.

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 33 Ransomes Dock, 35-37 Parkgate Road, London, SW11 4NP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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 Basis of consolidation

The consolidated financial statements present the results of Beckham Brand Holdings Limited and all of its subsidiary undertakings together with the group's share of the results of associates made up to 31 December each year. Intercompany transactions and balances between group companies are therefore eliminated in full.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies from the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group holds a long-term interest and where the group has significant influence. The group considers it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014. On 10 December 2014 and subsequent to the transition to FRS 102, a group reconstruction took place whereby Beckham Brand Holdings Limited became the parent of Victoria Beckham Limited and Beckham Brand Limited. These financial statements have been prepared using the principles of Section 19 of FRS 102 whereby merger accounting has been applied. Therefore the financial information included represents the results of the group as if the business combination had always been in place despite the reconstruction actually taking place in December 2014.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Associates and joint ventures

An entity is treated as a joint venture where the group is a party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Turnover

Turnover, which is stated excluding Value Added Tax and other sales related taxes, is the amount receivable by the group for goods supplied (less returns, trade discounts and allowances) and under the group's license, royalty and collaboration arrangements with external third parties.

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 the consideration has been earned on the basis of the terms of the relevant royalty or license agreement.

Non-returnable advances from licensees or sub-licensees are recorded as deferred income and carried forward until the services to which they relate have been performed by the company, at which point they are taken to turnover in line with the terms of the associated underlying agreements. Returnable advances received from licensees or sub-licensees are carried forward until they are recouped or returned.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.5 Investment income

Investment income represents divided profit shares due from the group's participation in its partnership arrangements, along with management fees receivable for services provided.

DB Ventures Limited has entered into partnership with its business partner in an arrangement to exploit certain rights attaching to the 'David Beckham' brand. In accordance with the terms of the agreement, the profits of the partnership are formally divided to the members on an automatic and ongoing basis as they are generated. The specific determination of how profits are divided between each member is governed by the formal agreement. The group recognises these profits as investment income when formal division takes place. Drawings received, if any, in advance of formal profit division are shown as a liability until such time as the formal division of partnership profits is made. Management fees receivable from the group's participation in the partnership are recorded at the fair value of the consideration received or receivable and represent the recharge of overhead costs incurred in the ongoing administration of the arrangement.

2.6 Share-based payment

Employees (including senior executives) of group companies receive remuneration in the form of share-based payments, whereby employees render services as consideration for shares with specific rights attached, the settlement of which is anticipated to be in the form of cash (cash-settled transactions).

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised as an expense in the profit and loss account within staff costs. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined by management using estimation techniques and judgement regarding the probability of outcomes.

2.7 Foreign currency translation

Functional and presentation currency

The group's and company's functional and presentational currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at the exchange rate ruling at the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences are classified as equity within a foreign exchange reserve.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.8 Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.9 Pensions

Defined contribution pension plan

Certain group companies operate defined contribution plans for its employees. A defined contribution plan is a pension plan under which those companies pay fixed contributions into a separate entity. Once the contributions have been paid those entities have no further payment obligations. The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from those of the group in independently administered funds.

2.10 Finance costs

Finance costs are charged to the profit and loss account 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.

2.11 Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.12 Borrowing costs

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

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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 balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 balance sheet date.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 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.

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to administration expenses in the profit and loss account as incurred.

All website development costs classified as intangible assets are considered to have a finite useful life and are amortised over a period of three years.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.16 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 group 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 group. 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:

S/Term leasehold property	- over the term of the lease
Fixtures and fittings	- 3 or 5 years, depending on 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 within the profit and loss account.

2.17 Valuation of investments

Investments in subsidiaries, associated undertakings and non-controlling interests in group companies are all measured at cost less accumulated impairment.

Within the consolidated results for the year, the group accounts for its interests in associated undertakings using the equity method of accounting.

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

2.19 Debtors

Short term debtors are measured at transaction price, less any impairment. Loan balances receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.20 Other financial instruments

Deferred contingent consideration receivable after more than one year is considered to be a non-basic derivative financial instrument. It is initially and subsequently measured at fair value, which has been considered to be equivalent to the discounted expected future cash flows in connection with the instrument. Changes in the fair value of derivative financial instruments are recognised in the profit and loss account as finance costs or income as appropriate. The unwinding of the discount is taken to finance costs within the profit and loss account.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposit with financial institutions repayable without penalty on notice of not more than 24 hours. The group does not hold cash equivalents.

2.22 Financial instruments

With the exception of deferred contingent consideration noted above, the group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

2.23 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

2.24 Financial liabilities

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.

The group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. Subsequently, the measurement of financial liabilities depends on their classification.

Obligations for interest bearing loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.25 Provisions for liabilities

Provisions are made where an event has taken place that gives the group 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 the profit and loss account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet 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 balance sheet.

Dilapidations provision

The provision for restorative works is recognised as the estimated future expenditure to return the store to its existing condition at the start of the lease. A corresponding tangible fixed asset is capitalised and amortised over the shorter of the asset's useful life and the remainder of the lease term. The provision for building wear and tear works is the estimate of repairs costs, anticipated by the company's management, to be payable in the next 10 years. Where the wear and tear has already been incurred this is fully provided for. Where the wear and tear expenditure is expected to be incurred in the next 10 years it is provided for over the remaining term of the lease on a straight line basis.

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

In applying the group'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 establishes a provision for receivables that are estimated not to be recoverable.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Income recognition

The group recognises income within turnover in line with the terms contained in underlying license and royalty agreements. When assessing the amounts to be recognised, the directors consider various factors such as length of term, specific service provisions and the extent to which the company and its licensee collaborate under the arrangements.

Recoverability of receivables

The group 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 recoverability, 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 group 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 group 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 group 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

Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based contractual requirements.

Assessing the value of deferred contingent consideration

The group has entered into an arrangement whereby consideration under this agreement is receivable over time and is contingent upon the future performance of underlying partnership activities. When determining the fair value of expected future cash flows, judgement is applied by management when determining the anticipated profitability of existing contractual relationships, the probability and value of renewals to ongoing license agreements, along with the probability and value of future new contractual relationships. Management also make judgements in assessing the discount rate, the weighted average cost of capital and the timing of expected future cash flows under the arrangement.

Share-based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including expected multiples, projections and predictions regarding future performance of the underlying business and making assumptions about them. The group initially measures the cost of cash-settled transactions with employees using a variety of techniques including service life of employees and assessing the probabilities of terms and conditions attaching to each share right being satisfied. For cash-settled share-based payment transactions, the liability needs to be re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the statement of comprehensive income. This requires a reassessment of the estimates used at the end of each reporting period.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Turnover

Turnover is analysed in relation to the directors' assessment of the principal components of the business. Turnover comprised the Victoria Beckham fashion business (and related brand activities) amounting to £36,372,082 (2015 - £36,912,148) and the licensing and commercialisation of the David Beckham Brand amounting to £11,146,684 (2015 - £10,240,928).

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.

5. Operating profit

The operating profit is stated after charging / (crediting):

	2016 £	2015 £
Research & development charged as an expense	8,233	1,525
Depreciation of tangible fixed assets	964,340	741,685
Amortisation of intangible assets	152,539	200,750
Exchange differences	(546,669)	(1,278,842)
Operating lease rentals	1,360,116	1,267,749
Defined contribution pension cost	3,951	2,000

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor for the audit of the company's annual accounts	5,150	5,000
	5,150	5,000
Fees payable to the company's auditor in respect of:		
The auditing of accounts of subsidiaries	109,590	125,500
All other non-audit services not included above	90,347	168,878

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. Employees

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

	2016 £	2015 £
Wages and salaries	8,816,572	7,241,655
Social security costs	902,745	610,537
Cost of defined contribution scheme	3,951	2,000
	9,723,268	7,854,192

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

2016 No.	2015 No.
159	141

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	700,000	700,000

The highest paid director received remuneration of £700,000 (2015 - £700,000).

9. Share-based payment arrangements

On 23 December 2015, subsidiary company Victoria Beckham Limited created three new classes of ordinary share. On the same date, and as part of its share-based payment arrangements, that company allotted shares under these classes to certain employees and senior management personnel at par.

The respective rights attaching to each of these 200 'B' ordinary shares, 2,000 'C' ordinary shares and 800 'D' ordinary shares are set out in that company's own financial statements.

Certain employees and senior management were allotted shares as part of the company's long-term plan to incentivise key staff. Depending on the class of share held, certain rights are conferred in the event that the company seeks and secures external equity investment. These vesting rights are contingent on the shareholder either being an employee at the transaction date or having satisfied certain criteria on exit and depend on the valuation of the company at the date of such a transaction. Should the group have a liability related to these share-based payment arrangements, the directors expect it to be settled in cash. After having considered the evidence available to them and using an enterprise valuation model, the directors have assessed the group's liability at the balance sheet date to be £NIL (2016 - £NIL).

Subsequent to the year end and as part of the group reorganisation described at note 34, these share-based payment arrangements were assigned to Victoria Beckham Holdings Limited.

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Investment income

	2016	2015
	£	£
Management fees receivable	372,923	311,225
Share of partnership profit	7,458,974	4,507,113
	<u>7,831,897</u>	<u>4,818,338</u>

11. Interest receivable and similar income

	2016	2015
	£	£
Other interest receivable	31,685	1,205
	<u>31,685</u>	<u>1,205</u>

12. Interest payable and similar charges

	2016	2015
	£	£
Bank interest payable	283,421	98,507
	<u>283,421</u>	<u>98,507</u>

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Taxation

	2016	2015
	£	£
Corporation tax		
Current tax on results for the year	2,608,215	7,318,792
Adjustments in respect of previous periods	-	46,406
	2,608,215	7,365,198
Double taxation relief	(165,517)	247,561
	2,442,698	7,612,759
Foreign tax		
Foreign tax on income for the year	165,517	174,538
Foreign tax in respect of prior periods	-	(200,077)
	165,517	(25,539)
Total current tax	2,608,215	7,587,220
Deferred tax		
Origination and reversal of timing differences	1,147,476	527,477
Adjustments in respect of previous periods	-	82,708
Total deferred tax	1,147,476	610,185
Taxation on profit on ordinary activities	3,755,691	8,197,405

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	19,852,767	39,515,717
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	3,970,553	8,001,933
Effects of:		
Expenses not deductible for tax purposes	69,311	92,297
Fixed asset differences	81,808	77,327
Foreign tax adjustment	35,960	(19,333)
Non-taxable income	(2,221,407)	(6,291,564)
Adjustments in respect of previous periods	-	287,230
Adjustments in respect of previous periods - deferred tax	43,219	82,708
Chargeable gains	2,086,818	6,152,910
Unrelieved tax losses carried forward	-	(3,149)
Losses utilised	24,677	-
Other differences	(18,547)	(9,221)
Adjust closing deferred tax to average rate	(292,715)	-
Prior period adjustments	-	(158,962)
Group relief rate differential	(23,986)	(14,771)
Total tax charge for the year	3,755,691	8,197,405

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Intangible assets

Group

**Website
£**

Cost

At 1 January 2016

694,501

Additions

82,738

At 31 December 2016

777,239

Amortisation

At 1 January 2016

473,969

Charge for the year

152,539

At 31 December 2016

626,508

Net book value

At 31 December 2016

150,731

At 31 December 2015

220,532

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. Tangible fixed assets

Group

	Freehold property £	S/Term leasehold property £	Assets in the course of construction £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2016	-	3,432,094	5,621,788	909,675	456,402	10,419,959
Additions	20,135,082	125,191	728,935	326,818	72,743	21,388,769
Exchange adjustments	2,057,276	5,640	1,105,285	610	-	3,168,811
At 31 December 2016	<u>22,192,358</u>	<u>3,562,925</u>	<u>7,456,008</u>	<u>1,237,103</u>	<u>529,145</u>	<u>34,977,539</u>
Depreciation						
At 1 January 2016	-	484,890	-	496,887	122,287	1,104,064
Charge for the year	-	412,400	-	394,891	157,049	964,340
Exchange adjustments	-	8,998	-	252	-	9,250
At 31 December 2016	<u>-</u>	<u>906,288</u>	<u>-</u>	<u>892,030</u>	<u>279,336</u>	<u>2,077,654</u>
Net book value						
At 31 December 2016	<u>22,192,358</u>	<u>2,656,637</u>	<u>7,456,008</u>	<u>345,073</u>	<u>249,809</u>	<u>32,899,885</u>
At 31 December 2015	<u>-</u>	<u>2,947,204</u>	<u>5,621,788</u>	<u>412,788</u>	<u>334,115</u>	<u>9,315,895</u>

Assets in the course of construction relate to costs incurred by subsidiary undertaking, Miami Beckham United LLC, in respect of the development of a soccer franchise in the United States of America. No depreciation has been charged on these amounts to 31 December 2016 on the basis that these assets were not available for use by the year end date.

Freehold property relates to costs incurred by subsidiary undertaking, 0101 Miami Properties LLC, in respect of land acquired in Miami upon which the group intends to develop a soccer stadium. Subsequent to the balance sheet date, this subsidiary has made further commitments amounting to \$9m to acquire adjacent parcels of land, which will complete the land requirement for the stadium project. No depreciation is charged on freehold land.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Fixed asset investments

Group

	Investments in associates £
Cost	
At 1 January 2016	1,693,826
Share of partnership profit	7,458,974
Profit distributions	(5,525,304)
At 31 December 2016	<u>3,627,496</u>
Net book value	
At 31 December 2016	<u>3,627,496</u>
At 31 December 2015	<u>1,693,826</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Victoria Beckham Limited*	England and Wales	Ordinary	95%	Fashion wholesale and retail
DB Ventures Limited*	England and Wales	Ordinary	100%	Image rights and licensing
Beckham Brand Limited*	England and Wales	Ordinary	100%	Image rights and licensing
DBrazil TV Limited*	England and Wales	Held indirectly	100%	TV production
Victoria Beckham Inc.*	United States	Held indirectly	95%	Fashion e-commerce
Beckham Retail Limited*	England and Wales	Held indirectly	95%	Dormant
BVL Clothing LLC*	United States	Held indirectly	95%	Dormant
Miami Beckham United LLC**	United States	Held indirectly	90%	Soccer franchise
0101 Miami LLC**	United States	Held indirectly	90%	Non-trading
0101 Miami Properties LLC**	United States	Held indirectly	90%	Property

On 27 September 2017, BVL Clothing LLC was struck off and dissolved.

Associated undertakings

The following was an associated undertaking of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Seven Global LLP*	England and Wales	Held indirectly	49%	Image rights and licensing

Registered office

* 33 Ransome's Dock, 35-37 Parkgate Road, London, SW11 4NP

** 2711 Centerville Road, Suite 400, Wilmington, DE 19808, County of New Castle

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2016	2,998
At 31 December 2016	2,998
Net book value	
At 31 December 2016	2,998
At 31 December 2015	2,998

Investment in associate

With effect from 1 January 2015, the company entered into partnership with Global Brands Group, one of the world's leading branded fashion accessories, footwear and apparel companies, with its global headquarters in Hong Kong, to exploit certain David Beckham product categories and to develop new product categories on a worldwide scale. These arrangements were formalised during the prior year, resulting in the formation of limited liability partnership Seven Global LLP, an entity registered in England and Wales and within which all activity resulting from this collaboration takes place. In 2015, DB Ventures Limited transferred a 51% membership interest in the LLP to the London-based arm of Global Brands Group. Consideration recognised in the current year under this arrangement amounted to £10.4m (2015 - £30.6m). The remaining 49% interest in the LLP is held by DB Ventures Limited, which is treated as an associate and is held at its cost of £NIL (2015 - £NIL).

17. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	53,852	109	-	-
Work in progress (goods to be sold)	894,746	563,526	-	-
Finished goods and goods for resale	4,031,486	2,651,415	-	-
	4,980,084	3,215,050	-	-

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

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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18. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due after more than one year				
Other debtors	8,983,187	5,815,191	-	-
	8,983,187	5,815,191	-	-
	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due within one year				
Trade debtors	12,307,052	14,606,607	-	-
Amounts owed by group undertakings	-	-	4,640	1,480
Other debtors	7,181,117	2,869,436	1,638	2,629
Called up share capital not paid	1	1	-	-
Prepayments and accrued income	1,614,818	984,376	-	-
Tax recoverable	535,705	535,705	-	-
	21,638,693	18,996,125	6,278	4,109

Trade debtors are stated after provisions for impairment of £327,362 (2015 - £101,564).

Included in other debtors above is the fair value of deferred consideration amounting to \$16,353,020 (£13,293,409) (2015 - \$10,176,990 (£6,865,397)) receivable under the agreement described at note 16 and which is contingent on the underlying performance of Seven Global LLP. Of these amounts, the directors anticipate \$9,739,187 (£7,917,008) (2015 - \$7,621,353 (£5,141,364)) falling due after more than one year.

19. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	7,000,426	5,074,624	3,633	365
Less: bank overdrafts	(709,160)	(229,152)	-	-
	6,291,266	4,845,472	3,633	365

Included within cash balances above is an amount of £6,000,000 (2015 - £3,000,000) pledged as security by DB Ventures Limited for a term loan drawn by Victoria Beckham Limited. Subsequent to the year end, the security requirement was reduced to £4,000,000.

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdrafts	709,160	229,152	-	-
Bank loans and other facilities	5,815,447	1,712,086	-	-
Other loans	20,271,620	-	-	-
Trade creditors	4,571,499	5,270,821	2,146	13,508
Amounts owed to group undertakings	-	-	24,858	300
Corporation tax	1,638,877	2,898,449	-	-
Taxation and social security	771,794	691,701	-	-
Other creditors	320,304	54,014	1,000	1,000
Accruals and deferred income	13,633,608	12,386,999	15,290	12,820
	47,732,309	23,243,222	43,294	27,628

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	6,820,382	4,328,754	-	-

22. Loans and other facilities

Analysis of the maturity of the group and company's facilities is given below:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank facilities	5,815,447	1,712,086	-	-
Other loans	20,271,620	-	-	-
	26,087,067	1,712,086	-	-
Amounts falling due 1-2 years				
Bank facilities	520,000	520,000	-	-
Amounts falling due 2-5 years				
Bank facilities	6,300,382	3,808,754	-	-
	32,907,449	6,040,840	-	-

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Loans and other facilities (continued)

The group's financing facilities with its bank includes the following term loans:

- £2,600,000 payable in equal annual instalments over five years, accruing interest on a daily basis at a fixed rate of 3.75% per annum;
- £3,000,000 payable in full in 2018, accruing interest on a daily basis at LIBOR plus 2% per annum;
- £3,000,000 payable in full in 2018, accruing interest on a daily basis at the Bank of England base rate plus 2% per annum; and
- £4,000,000 repayable on demand, accruing interest on a daily basis at the Bank of England base rate plus 3% per annum.

The remaining obligation at the balance sheet date for the £2,600,000 loan is £1,340,382 (2015 - £1,848,754).

The group's financing arrangements with its bank also include a trade import loan facility and a trade finance invoice discounting facility, the outstanding obligation at the balance sheet date being £609,162 (2015 - £602,853) and £686,285 (2015 - £589,503) respectively. Both facilities fall due within one year and attract daily interest at 2.5% per annum.

All the above financing arrangements are secured by fixed and floating charges over all the assets of the participating group, a secured cash deposit which, at 31 December 2016, amounted to £6,000,000 (2015 - £3,000,000) and a cross guarantee and debenture as detailed at note 31.

In December 2016, Victoria Beckham Limited extended its financing arrangements whereby the above £4,000,000 facility was increased to £6,000,000. The additional £2,000,000, drawn during January 2017, was subject to a further £2,000,000 cash deposit provided by DB Ventures Limited and accrues interest at 2% per annum over base rate.

On 16 November 2017, Victoria Beckham Limited finalised a refinancing arrangement with its bank whereby the above facilities totalling £12,000,000 were consolidated into one new facility amounting to £10,000,000. Amounts drawn under this new arrangement attract interest at 3.5% over LIBOR and are repayable in quarterly instalments starting on 30 June 2019 and ending on 31 March 2021.

During the year, 0101 Miami Properties LLC received a convertible loan from a non-controlling interest amounting to \$17,400,000, which at 31 December 2016 was repayable within three months at an interest rate of 8% per annum. Subsequent to the balance sheet date, the loan terms are being renegotiated between the parties.

Additionally, Miami Beckham United LLC received further loans amounting to \$6,243,950 accruing interest at rates between 5% and 8% per annum and which were repayable during 2017. Subsequent to the balance sheet date, the loan terms are being renegotiated between the parties.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets measured at fair value through profit or loss	7,000,426	5,074,624	3,633	365
Financial assets that are debt instruments measured at amortised cost	28,676,519	23,291,233	6,278	4,109
	35,676,945	28,365,857	9,911	4,474
Financial liabilities				
Financial liabilities measured at amortised cost	(42,361,415)	(15,058,968)	(42,294)	(26,628)

Financial assets measured at fair value through profit or loss comprise cash and bank in hand.

Financial assets measured at amortised cost comprise stocks, trade debtors, amounts due from related undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank facilities, trade creditors, other creditors and accruals.

24. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	625,095	14,910
Profit and loss account movement	1,147,476	610,185
At end of year	1,772,571	625,095

The provision for deferred taxation is made up as follows:

	Group 2016 £	Group 2015 £
Fixed asset timing differences	113,902	140,807
Tax losses carried forward	-	(7,852)
Capital gains	1,658,669	492,140
	1,772,571	625,095

BECKHAM BRAND HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. Provisions

Group

	Dilapidations £
At 1 January 2016	104,490
At 31 December 2016	104,490

Dilapidations

A dilapidations provision has been recognised in respect of the estimated cost of returning the group's retail store to its original state at the end of the lease term. The provision is spread over the remaining period of tenancy.

26. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1,998 A Ordinary shares of £1 each	1,998	1,998
999 B Ordinary shares of £1 each	999	999
	2,997	2,997

The 'A' ordinary shares and the 'B' ordinary shares rank pari passu and all have attached to them full voting, dividend and capital distribution rights.

27. Non-controlling interests

	2016 £
At 1 January 2015	515,159
Share of results after taxation in the year	(17,980)
	497,179

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

28. Dividends

	2016 £	2015 £
Dividends paid	<u>10,200,000</u>	<u>23,100,000</u>

Subsequent to the year end, dividends amounting to £18,750,000 were voted and paid to the company's shareholders.

29. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £10,189,771 (2015 - £23,076,853).

30. Prior year adjustment

The directors have revisited the accounting treatment relating to the recognition and measurement of certain transactions pertaining to a licence agreement the company assigned to its associate, Seven Global LLP, during the year ended 31 December 2015. What had previously been recorded as a fully paid receivable of \$1,400,000 due from Seven Global LLP has been appropriately treated as a trading transaction within the statement of comprehensive income, in line with corresponding accounting within the records of Seven Global LLP. Comparative figures have been restated accordingly. The effect of this reclassification is to decrease 'Amounts owed by associated undertakings' brought forward by £9,159 and to reduce 'Profit and loss account reserves' brought forward by the same amount. The effect of this adjustment in the disclosed comparative figures for the year ended 31 December 2015 stated in the statement of comprehensive income is to increase expenditure by £915,871, increase 'Share of partnership profit' within investment income by £448,777 and to increase 'Profit on transfer of membership interests' by £457,935.

The directors have recognised the appropriate treatment of taxation resulting from the group's disposal of a 51% share in Seven Global LLP as described at notes 16 and 18. Due to the nature and timing of cash receipts settling deferred contingent consideration brought forward and the annual requirement to re-measure at the balance sheet date the fair value of receivable amounts under the agreement, the amounts recorded as deferred taxation has been adjusted. Comparative figures have been restated accordingly. The effect of this re-measurement is to increase 'Deferred taxation' brought forward by £492,140 and to reduce 'Profit and loss account reserves' brought forward by the same amount.

The directors have revisited the treatment for tax purposes of partnership profits receivable from the group's interest in Seven Global LLP. Comparative figures have been restated accordingly. The effect of this re-measurement is to decrease 'Corporation tax' liabilities brought forward by £190,508 and to increase 'Profit and loss account reserves' brought forward by the same amount.

During the year, subsidiary entity Miami Beckham United LLC received additional cost invoices relating to the year ended 31 December 2015, which had not been accrued during that year. Comparative figures have been restated accordingly. The effect of these transactions is to increase 'Assets in the course of construction' brought forward by £541,115 and to increase 'Accruals and deferred income' brought forward by the same amount. As all of these costs have been capitalised in line with the group's policy regarding its soccer franchise activity, there has been no impact to brought forward reserves or equity.

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

31. Contingent liabilities

The company has entered into a cross guarantee dated 9 December 2014, along with DB Ventures Limited, to secure the banking arrangements of Victoria Beckham Limited. At the balance sheet date, the indebtedness under this arrangement amounted to £13,344,989 (2015 - £6,269,992).

32. Commitments under operating leases

At 31 December 2016 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	1,181,801	1,127,086
Later than 1 year and not later than 5 years	3,771,841	4,011,109
Later than 5 years	2,181,758	3,028,764
	<u>7,135,400</u>	<u>8,166,959</u>

Included within the above are aggregate future minimum lease payments payable in United States Dollars amounting to \$522,872 (2015 - \$980,386), which have been translated into pound sterling at the rate ruling at the balance sheet date.

The company does not have any operating lease commitments (2015 - same).

33. Related party transactions

No disclosure has been made of transactions with the company's wholly owned subsidiaries in accordance with FRS 102 Section 33 Paragraph 33.1A. Details of related party transactions are described below:

During the year, the group charged management services to its associate Seven Global LLP amounting to £372,923 (2015 - £311,225). At the balance sheet and taking into account the undrawn division of partnership profits, the amount owed by Seven Global LLP was £3,627,496 (2015 - £1,693,826).

XIX Management Limited owns the entire issued share capital of XIX Management UK Limited, which holds a one third share in Beckham Brand Holdings Limited. During the year, administrative expenses were recharged between XIX Management Limited and group companies resulting in a net amount payable to XIX Management Limited, as at 31 December 2016, of £173,534 (2015 - £127,209).

XIX Entertainment LP, a limited liability partnership formed in the United States, is the ultimate controlling entity of XIX Management Limited. At 31 December 2016, the group was owed £99,023 (2015 - £99,023) from XIX Entertainment LP.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of group companies. The total compensation paid in respect of key management personnel for services provided to group companies was £1,150,000 (2015 - £1,000,000).

BECKHAM BRAND HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

34. Post balance sheet events

Subsequent to the balance sheet date, the group has further demonstrated its ongoing commitment to the Victoria Beckham brand. On 16 November 2017, amounts receivable by DB Ventures Limited and Beckham Brand Limited from Victoria Beckham Limited amounting to £6,624,988 and £206,391 respectively were assigned to Beckham Brand Holdings Limited. On the same date, Beckham Brand Holdings Limited increased its investment in Victoria Beckham Limited by waiving its right to repayment of these monies in return for the issue of additional ordinary share capital in Victoria Beckham Limited, thereby strengthening that company's balance sheet.

On 16 November 2017, Victoria Beckham Limited issued additional ordinary share capital to Victoria Beckham in return for consideration in the form of various intellectual property rights with a fair value amounting to £1,500,000.

On 16 November 2017, the directors resolved to establish a new intermediate parent company within the group between Beckham Brand Holdings Limited and Victoria Beckham Limited. This was undertaken as a group reorganisation whereby, as a result of a share for share exchange where each shareholder's respective rights remained exactly the same, Victoria Beckham Limited became a wholly owned subsidiary of Victoria Beckham Holdings Limited, a company registered in England and Wales. There was no financial impact of this transaction and Beckham Brand Holdings Limited continues to be the ultimate parent company to all of its subsidiary undertakings.

During 2017, the group entered into partnership with a third party investor sharing the same vision of the Victoria Beckham brand. This relationship was formalised on 30 November 2017, whereby Victoria Beckham Holdings Limited issued convertible preference shares representing 28% of the equity of that company in return for consideration of £30,000,000. These monies have been passed to Victoria Beckham Limited and are specifically earmarked for the expansion of the Victoria Beckham brand.

35. Controlling party

The ultimate controlling parties are David Beckham, Victoria Beckham and XIX Management UK Limited, who each own one third of the company.