Victoria Beckham Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 06517802

Victoria Beckham Limited

Company Information

Directors	V C Beckham R C G Dodds D Belhassen S R Fuller E Hanouna A N Magnani O S Shipton R Toledano
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

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Victoria Beckham Limited

Strategic Report
For the Year Ended 31 December 2018

Introduction

The directors present their review of the company's financial and strategic performance during the year ended 31 December 2018.

Business review

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

Whilst revenues and profits were down in 2018, the business performed in line with shareholders' expectations by cutting costs, focusing on its digital channels and refining the product to more closely reflect Victoria Beckham's aesthetics and values.

2018 was the first full year of investment from our shareholder, London Investment S.A.R.L, leading to a new strategy and a restructuring of the business which carried additional cost.

Full year revenues were down 16% to £35.1m (2017:£41.7m), primarily due to reduced volumes of wholesale trade in international markets.

The main focus in 2018 was growing the company's digital channels by investing in new platforms through Shopify and partnerships with Farfetch and Global E to improve the customer experience on international sites, enabling the business to distribute to over 120 countries.

The SS19 fashion show was brought to London for the first time, with a live stream on Piccadilly Circus Lights, for the company's 10-year anniversary. In addition to this, special capsule collections were launched in the flagship store on Dover Street, London, and were well-received.

The wholesale sales channel experienced double-digit growth in the UK however current challenges affecting department store retailers resulted in a decline in key international markets.

2018 was the first full year of Victoria Beckham Limited's long-term licence partnership with heritage sports brand Reebok, reflecting Victoria's lifestyle ambitions and introducing the brand to a wider global audience. In the last quarter of the year, we signed a new collaboration with Marchon Eyewear Inc. (part of VSP Vision Care) to facilitate the distribution of eyewear products.

Events since the end of the year

The new strategy for 2019 has enabled sales increases in certain segments as well as a significant reduction in losses. The Company is expecting to deliver a profitable Q4 EBITDA driven by double-digit growth on both DTC channels, an increased SS20 order book in wholesale, Marchon licence income and a reduction in costs compared to Q4 in the prior year. The directors are pleased with the momentum of the business led by the successful launch of Victoria Beckham Beauty and the positive reception in the media for the SS20 show, held at Durbar Court in September.

The brand is continuing to build momentum, with the Dover Street store and the last three order books for wholesale experiencing double-digit growth compared to the financial year ended 31 December 2018. In partnership with the chairman, Ralph Toledano, the newly appointed CEO and CFO will continue to drive this momentum towards profitable growth for the company. To further the next stage of growth, strategies that recognise the direct-to-consumer, ready-to-wear ambitions of the brand have been implemented.

2019 saw the continuation of the company's focus on digital channels and technology with the introduction of a new ERP (Enterprise Resource Planning) system to support operations, as well as investment in Business Intelligence tools to gain further insights around reporting.

The Company has a long-term bank loan which is subject to certain financial covenants, and, as disclosed in Note 2.2 of the financial statements and in the Directors' Report, the Company has breached the covenants since Q2 of the financial year.

Principal risks and uncertainties

The company's principal risks are considered to be:

- Operating in an uncertain global economic environment;
- Supply chain challenges related to the sourcing of materials and finished goods; and
- Cash Management: The main risk arising from the Company's financial instruments is liquidity risk as this is highly dependent on the different banking facilities available.

Following the investment from London Investment S.A.R.L, the business has invested significantly in appointing a world class leadership team to protect and drive the brand, develop and lead the strategic direction and optimise the operational efficiency of the underlying business, with the appointment of Ralph Toledano as Chairman and Marie Leblanc De Reynes as CEO, along with senior leaders across all operational areas of the business.

The business also continues to develop reporting, processes and tools to focus on key business metrics to track and manage the business, including the implementation of a new fully integrated enterprise resource planning solution carried out in early 2019.

Financial key performance indicators

Since November 2017, the company has enhanced governance and the reporting of key performance indicators to ensure optimal business performance, including weekly and monthly reporting of key metrics to the senior leadership team and the board. Investment in Business Intelligence tools is also expected to provide further insights into financial metrics in 2019.

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

R Toledano
Director
Date: 20 November 2019

Directors' Report
For the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

A review of the business including employee information, principal risks and uncertainties and key performance indicators are not shown in the directors report as this information is included in the Strategic Report under S414C(11) of the Companies Act 2006.

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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to £12,292,676 (2017 - loss £10,301,834).
There were no dividends paid or declared in the year ended 31 December 2018 (2017 - Nil).

Directors

The directors who served during the year were:

V C Beckham
R C G Dodds
D Belhassen
S R Fuller
E Hanouna
A N Magnani
O S Shipton (appointed 8 November 2018)
R Toledano (appointed 8 November 2018)

Going concern and future developments

The Company meets its day to day working capital requirements through equity funding as well as bank facilities. The Company experienced no further cash injections in 2018, following the £30 million investment from London Investment S.A.R.L back in November 2017. However, in 2019, the Company received a further £13.6m from shareholders to finance the working capital and reduce the current HSBC loan facility by £2.4m.

The HSBC Loan Facility Agreement dated 16th November 2017 in the sum of £10,000,000 is subject to several covenants criteria as prescribed within Clauses 22 of the agreement. Covenants are tested and reported periodically. A material breach in these covenants criteria could result in the facilities being reduced or recalled. There were various breaches during the financial year and at year end. As such, the loan facilities have been reclassified as current liabilities. While the Company remains in breach of the financial covenants, covenant waiver letters were provided during the financial year and HSBC have remained supportive by allowing time to explore the options available to the Company and the shareholders as of the date of the signing of these financial statements. For further details, please refer to disclosure in Note 2.2 of the financial statements.

A new CEO was appointed in September 2019 and together with the board and leadership team, will develop a new strategic plan for the business for the coming three years. The directors and shareholders are committed to delivering significant expansion and profitability to the business and the board is committed to ensuring the Company has sufficient resources to deliver this strategy.

The Company is majority owned by Beckham Brand Holdings Limited and Victoria Beckham Limited continues to be a strong contributor of revenue to it. Beckham Brand Holdings Limited and its shareholders have confirmed that they will continue to ensure that Victoria Beckham Limited is fully supported through this expansion.

On the basis of the above and taking into consideration all relevant matters, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

Financial instruments and key risks

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

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

Given the size of the Company, the directors have not delegated the responsibility of managing financial risk management to a sub-committee of the board. The Company's financial 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 Company has implemented policies that require appropriate credit checks on potential customers to be carried out before new accounts are accepted. Credit risk arises from making wholesale sales to a large number of retailers around the world. The 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 debts, including regular review.

Financial instruments and key risks (continued)

Liquidity and cash flow risk:
The directors consider the Company to have access to sufficient funds for operations and planned expansions. Financing opportunities, where considered appropriate in the circumstances, would be subject to approval by the board of directors.

The main source of revenue for the Company is the wholesale of fashion goods, which is inherently seasonal. This, combined with manufacturing lead times, creates a seasonal cash flow cycle that the Company manages as part of its financial planning process. The Company utilises bank working capital funding to help smooth this seasonal cash flow and the increase in the direct-to-consumer sales further assists this cycle.

Profit risk:
Prior to expenditure being made, it is authorised by management in order to ensure that goods and services are fully negotiated.

Exchange rate risk:
The Company receives payment and incurs expenditure in foreign currencies. The Company attempts to mitigate foreign exchange risk by utilising foreign currency bank accounts to match receipts with payments as a natural hedge.

Qualifying third party indemnity provision

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.

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.

Post balance sheet events

Material post balance sheet events are disclosed in Note 28 of the financial statements.

Auditors

SLRV Ltd resigned as auditors during the year and BDO LLP were appointed in their place. BDO LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

R Toledano
Director
Date: 20 November 2019

Victoria Beckham Limited

Independent Auditor's Report to the Members of Victoria Beckham Limited

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Opinion

We have audited the financial statements of Victoria Beckham Limited ("the Company") for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements;

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In 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 and Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

BDO LLP

Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK
Date: 20 November 2019

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 2018

	Note	2018 £	2017 £
Turnover	4	**35,060,140**	41,739,712
Cost of sales		**(22,525,057)**	(25,822,723)
Gross profit		**12,535,083**	15,916,989
Distribution costs		**(249,498)**	(619,947)
Administrative expenses		**(24,072,574)**	(25,273,239)
Operating loss	5	**(11,786,989)**	(9,976,197)
Interest payable and expenses	10	**(492,571)**	(341,035)
Loss before tax		**(12,279,560)**	(10,317,232)
Tax on loss	11	**(13,116)**	15,398
Loss for the financial year		**(12,292,676)**	(10,301,834)
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(12,292,676)**	(10,301,834)

The notes on pages 13 to 32 form part of these financial statements.

Victoria Beckham Limited
Registered number: 06517802

Statement of Financial Position
As at 31 December 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	12		**2,263,382**		1,670,026
Tangible assets	13		**3,250,419**		2,528,895
Investments	14		**1**		1
			5,513,802		4,198,922
Current assets					
Stocks	15	**4,570,436**		4,504,823	
Debtors: amounts falling due after more than one year	16	**585,000**		791,471	
Debtors: amounts falling due within one year	16	**14,675,509**		13,534,316	
Cash at bank and in hand		**2,233,483**		16,324,166	
		22,064,428		35,154,776	
Creditors: amounts falling due within one year	17	**(23,629,808)**		(12,841,994)	
Net current (liabilities)/assets			**(1,565,380)**		22,312,782
Creditors: amounts falling due after more than one year	18		**-**		(10,251,722)
Provisions for liabilities					
Deferred tax	20	**(80,209)**		(99,093)	
Other provisions	21	**(104,490)**		(104,490)	
			(184,699)		(203,583)
Net assets			**3,763,723**		16,056,399
Capital and reserves					
Called up share capital	22		**30,771,797**		30,771,797
Share premium account	23		**7,560,813**		7,560,813
Profit and loss account	23		**(34,568,887)**		(22,276,211)
Total equity			**3,763,723**		16,056,399

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

R Toledano
Director
Date: 20 November 2019

The notes on pages 13 to 32 form part of these financial statements.

Victoria Beckham Limited
Registered number: 06517802

Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	30,771,797	7,560,813	(22,276,211)	16,056,399
Comprehensive income for the year				
Loss for the year	-	-	(12,292,676)	(12,292,676)
Total comprehensive income for the year	-	-	(12,292,676)	(12,292,676)
At 31 December 2018	30,771,797	7,560,813	(34,568,887)	3,763,723

Statement of Changes in Equity
For the Year Ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1,227	-	(11,974,377)	(11,973,150)
Comprehensive income for the year				
Loss for the year	-	-	(10,301,834)	(10,301,834)
Total comprehensive income for the year	-	-	(10,301,834)	(10,301,834)
Shares issued during the year	30,770,570	7,560,813	-	38,331,383
At 31 December 2017	30,771,797	7,560,813	(22,276,211)	16,056,399

The notes on pages 13 to 32 form part of these financial statements.

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 company is itself a subsidary company and is exempt from the requirements to prepare group accounts by virtue of section 400 of Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

This information is included in the consolidated financial statements of Victoria Beckham Holdings Limited as at 31 December 2018 and these financial statements may be obtained from 202 Hammersmith Road, London, W6 7DN.

2. Accounting policies (continued)

2.2 Going concern

The Company made a total comprehensive loss in the financial year of £12,292,676 (2017: £10,301,834) and has been reliant on the continued financial support from its shareholders. The Company had net current liabilities of £1,565,380 (2017: £22,312,782 net current assets) and net assets of £3,763,723 (2017: £16,056,399 net assets) at the year end.

The directors review their forecasts with specific reference to the ability of the business to meet its liabilities as they fall due and have a reasonable expectation that the Company is able to manage its business risks successfully. The forecasts cover the period beyond the twelve months from the date of signing of these accounts and make allowance for reasonably foreseeable impacts of the current economic environment.

The Company has a long-term bank loan which is subject to certain financial covenants. The loan agreement states that these covenants will be assessed periodically. If the covenants are breached, the loan will be repayable immediately. The Company has breached the covenants since Q2 of the financial year. In Q2 and Q3 of the financial year, the bank confirmed that they will not take any action as a result of the breaches and therefore did not demand an immediate facility repayment. However, the Reservation of Rights Letter does not constitute a formal waiver to the Company. In Q4 of the financial year, the breaches still exist. The bank issued a formal letter on 25th February 2019 confirming that they will retain the loan on a committed term basis beyond 12 months, subject to certain conditions being met by the shareholders and by the Company. The shareholders have since injected £13.6 million into the Company by way of loans to fulfil the terms set out by the bank and have also repaid some of the outstanding loan. Since then, the Company has commenced its negotiation with the bank for a refinance and the negotiations are still underway as of the date of signing the financial statements.

The directors will continue to carefully manage the Company's performance to ensure that the Company continues to operate within forecasts and compliant with the future banking arrangements being negotiated.

In the event of an unplanned covenant breach in the future, there are levers that the business can pull at short notice to generate cash margin and liquidity. The shareholders are also committed (in accordance with their legally binding obligations pursuant to clause 10 of the Investment Agreement) to inject further funding to meet the requirements of the bank should such notice be recalled anytime in the foreseeable future. The Company has received £13.6 million additional funding from shareholders during 2019 to date. The directors have received confirmation that the amounts due to other companies within the ultimate parent company are to be settled when sufficient surplus funds exist. Furthermore, the Company has received written confirmation from its shareholders stating their intention to continue to provide finance during this period of continued growth, as they have done in 2019.

Given the basis of the above, and taking into consideration all actions taken by management to address the potential uncertainties involved, the restructuring and refinancing arrangement that is currently on-going and the continuous financial support from shareholders post year end, the directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.3 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 signifcant 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.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

2.5 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.

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 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. Deferred tax balances are not discounted.

2.9 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	-	25 - 30 years

2.10 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.

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

In determining whether there are indicators of impairment of the Company's tangible assets, factors taken into consideration include the economic viability and expected future financial performance of the asset.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 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 averagebasis. 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 the Statement of Comprehensive Income.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans 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.

2.14 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. Accounting policies (continued)

2.15 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.

2.16 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 the Statement of Comprehensive Income 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.

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.

2.17 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.

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.

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	**748,791**	778,818
Amortisation of intangible assets	**236,598**	129,809
Exchange differences	**(411,289)**	328,782
Operating lease rentals	**1,778,967**	1,174,495
Defined contribution pension cost	**102,416**	64,855

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**44,000**	64,050

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

	2018 £	2017 £
Taxation services	**12,750**	-
All other non-audit services	**30,000**	138,892
	42,750	138,892

7. Employees

	2018 £	2017 £
Wages and salaries	**8,500,560**	9,741,643
Social security costs	**1,118,708**	962,265
Cost of defined contribution scheme	**102,416**	64,855
	9,721,684	10,768,763

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

	2018 No.	2017 No.
Staff	**148**	171

8. Share- based payment arrangements

In the previous financial year as part of the group reorganisation, the share-based payment arrangements were assigned to Victoria Beckham Holdings Limited.

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**735,000**	700,000
	735,000	700,000

Emoluments of the highest paid director were £700,000 (2017: £700,000, plus a one-off additional payment of £105,000 upon successful completion of the share issue on 30 November 2017 as described in Note 23). Company pension contributions of £Nil (2017: £Nil) were made to a money purchase pension scheme on behalf of the highest paid director.

Only two (2017: one) directors were paid by the Company during the year.

10. Interest payable and similar expenses

	2018 £	2017 £
Bank loan interest	**492,571**	341,035

11. Taxation

	2018 £	2017 £
Corporation tax		
Adjustments in respect of prior period	**32,000**	-
	32,000	-
Total current tax	**32,000**	-
Deferred tax		
Origination and reversal of timing differences	**(18,884)**	(15,398)
Total deferred tax	**(18,884)**	(15,398)
Taxation on profit/(loss) on ordinary activities	**13,116**	(15,398)

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	**(12,297,589)**	(10,317,232)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(2,333,116)**	(1,986,067)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**93,290**	82,633
Fixed asset differences	**83,675**	64,296
Adjustments to tax charge in respect of prior periods	**32,000**	-
Group relief	**-**	1,668,847
Deferred tax not recognised	**2,137,267**	154,893
Total tax charge for the year	**13,116**	(15,398)

Factors that may affect future tax charges

The company has losses available for use in future periods amounting to £12,041,725 (2017 - £804,639).

12. Intangible assets

	Intellectual property £	Website £	Total £
Cost			
At 1 January 2018	1,500,000	926,343	2,426,343
Additions	217,254	612,700	829,954
At 31 December 2018	1,717,254	1,539,043	3,256,297
Amortisation			
At 1 January 2018	-	756,317	756,317
Charge for the year	80,131	156,467	236,598
At 31 December 2018	80,131	912,784	992,915
Net book value			
At 31 December 2018	1,637,123	626,259	2,263,382
At 31 December 2017	1,500,000	170,026	1,670,026

13. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2018	**3,354,401**	**1,367,945**	**561,672**	**5,284,018**
Additions	**1,272,998**	**70,490**	**126,827**	**1,470,315**
At 31 December 2018	**4,627,399**	**1,438,435**	**688,499**	**6,754,333**
Depreciation				
At 1 January 2018	**1,160,948**	**1,162,095**	**432,080**	**2,755,123**
Charge for the year	**440,396**	**195,425**	**112,970**	**748,791**
At 31 December 2018	**1,601,344**	**1,357,520**	**545,050**	**3,503,914**
Net book value				
At 31 December 2018	**3,026,055**	**80,915**	**143,449**	**3,250,419**
At 31 December 2017	2,193,453	205,850	129,592	2,528,895

14. Fixed asset investments

	Investments in subsidiary companies £
Cost / Net Book Value	
At 1 January 2018 / 31 December 2018	1

Direct Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

The registered address of the subsidiaries are:

* 2711 Canterville Road, Suite 400, Wilmington, DE 19808, County of New Castle, USA.
** 202 Hammersmith Road, London, W6 7DN.

15. Stocks

	2018 £	2017 £
Raw materials	-	362,741
Work in progress	**508,197**	653,809
Finished goods and goods for resale	**4,062,239**	3,488,273
	4,570,436	4,504,823

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

16. Debtors

	2018 £	2017 £
Due after more than one year		
Other debtors	**585,000**	791,471
	585,000	791,471

	2018 £	2017 £
Due within one year		
Trade debtors	**6,683,234**	6,583,383
Amounts owed by group undertakings	**5,820,073**	5,316,740
Other debtors	**1,492,844**	561,847
Called up share capital not paid	**4**	4
Prepayments and accrued income	**679,354**	1,072,342
	14,675,509	13,534,316

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans (note 19)	**12,886,186**	2,010,647
Trade creditors	**1,095,037**	1,623,786
Amounts owed to group undertakings	**2,289,932**	2,020,446
Corporation tax	**32,000**	-
Other taxation and social security	**293,494**	752,637
Other creditors	**262,642**	682,568
Accruals and deferred income	**6,770,517**	5,751,910
	23,629,808	12,841,994

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The ultimate parent undertaking has confirmed that they will not demand repayment for at least one year from the date of approving the financial statements.

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

	2018 £	2017 £
Bank loans (note 19)	-	10,251,722
	-	10,251,722

The bank loan has been classified as due within one year as a result of the covenant breach as noted in both the Stragetic and Director's report.

19. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	**12,886,186**	2,010,647
	12,886,186	2,010,647
Amounts falling due 1-2 years		
Bank loans	-	1,175,432
	-	1,175,432
Amounts falling due 2-5 years		
Bank loans	-	9,076,290
	-	9,076,290
	12,886,186	12,262,369

The company has a term loan facility, the outstanding obligation at the balance sheet date being £10,000,000 (2017 - £10,000,000). Amounts drawn under the facility attract interest at 3.5% over LIBOR and are repayable in quarterly instalments starting on 30 June 2019 and ending on 31 March 2021. The direct costs of arranging this finance, being £130,000, have been attributed to the carrying value of the facility and are being released to the statement of comprehensive income over the term.

In addition, the company's financing arrangements include a term loan of £2,600,000 payable in equal instalments over five years, accruing interest on a daily basis at a fixed rate of 3.75% per annum. At the balance sheet date, the remaining obligation of this loan amounted to £262,022 (2017 - £859,421).

The company has a trade import loan facility and a Sterling trade finance invoice discounting facility, the outstanding obligation at the balance sheet date being £1,318,485 (2017 - £556,526) and £535,325 (2017 - £492,372) respectively. Both facilities fall due within one year and attract a daily interest at 2% over the Bank of England base rate per annum.

19. Loans (continued)

In addition, the company has a United States Dollar trade finance invoice discounting facility, the outstanding obligation at the balance sheet date being $513,116 (£404,341) (2017 - $652,520 (£484,040)). The facility falls due within one year and attracts a daily interest at 2% over an amount up to the upper limit of the federal funds target rate quoted by the US Federal Reserve per annum.

During the year, the company entered into a new Euro trade finance invoice discounting facility, the outstanding obligation at the balance sheet date being €496,953 (£448,109) (2017 - €NIL (£NIL)). The facility falls due within one year and attracts a daily interest at 2% over the European Central Bank base rate per annum.

All the above financing arrangements are secured by fixed and floating charges over all the assets of the company, a secured cash deposit which, at 31 December 2018, amounted to £4,000,000 (2017 - £4,000,000) provided by sister company DB Ventures Limited and a cross guarantee and debenture as detailed in note 24.

20. Deferred taxation

	2018 £	2017 £
At beginning of year	**(99,093)**	(114,491)
Charged to profit or loss	**18,884**	15,398
At end of year	**(80,209)**	(99,093)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	**(81,942)**	(100,825)
Short term timing differences	**1,733**	1,732
	(80,209)	(99,093)

21. Provisions

	Dilapidation provision £
At 1 January 2018/ 31 December 2018	**104,490**

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.

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
3,077,179,748 (2017 - 3,077,179,748) Ordinary shares shares of £0.01 each	**30,771,797**	30,771,797

On 16 November 2017, the company entered into an arrangement whereby amounts payable to sister companies DB Ventures Limited and Beckham Brand 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 demonstrated its ongoing commitment to the company by waiving its right to repayment of these monies in return for the issue by the company of 758,993 'A' ordinary shares of £1 at a premium of £8.0006 per share, thereby strengthening the company's balance sheet by the same amount.

On 16 November 2017, it was resolved that each 'A' ordinary share of £1 in issue be sub-divided into 100 'A' ordinary shares of 1 pence each. Immediately following this division, the company issued 1,157,348 'A' ordinary shares of 1 pence each at a premium of 1.2861 pence per share to Victoria Beckham, consideration for which was received in the form of various intellectual property rights with a fair value amounting to £1,500,000.

On 16 November 2017, a group reorganisation took place whereby, as a result of a share for share exchange, the company became a wholly owned subsidiary of new intermediate parent undertaking Victoria Beckham Holdings Limited, a company registered in England and Wales. Beckham Brand Holdings Limited continues to be the ultimate parent company. Immediately following this reorganisation, the directors resolved to simplify the company's share structure by the conversion and re-designation of all issued 'A' ordinary, 'B' ordinary, 'C' ordinary and 'D' ordinary shares into a single class of ordinary share.

The ordinary shares have attached to them full voting, dividend and capital distribution rights. They do not confer rights of redemption.

On 30 November 2017, the company issued 3,000,000,000 ordinary shares of 1 pence each to Victoria Beckham Holdings Limited in return for cash consideration of £30,000,000.

23. 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.

24. 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 group companies Beckham Brand Holdings Limited and DB Ventures Limited. At the balance sheet date, the indebtedness under this arrangement amounted to £12,976,186 (2017 - £12,262,369).

25. Pension commitments

The total pension costs for the Company was £102,416 (2017: £64,855). Accrued pension costs at 31 December 2018 amounted to £23,173 (2017: £11,019).

26. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	**2017**
	£	**£**
Not later than 1 year	**1,438,307**	969,670
Later than 1 year and not later than 5 years	**5,298,000**	3,766,301
Later than 5 years	**2,943,996**	1,677,371
	9,680,303	6,413,342

27. Related party transactions

No disclosure has been made of transactions with the company's wholly owned trading subsidiary or the company's immediate parent undertaking in accordance with FRS 102 Section 33 Paragraph 33.1A. This same exemption is not applicable to transactions between the company and the wider Beckham Brand Holdings Limited group as the company's immediate parent undertaking is not wholly owned by the ultimate parent undertaking. Details of related party transactions are described below. During the year, each of the ultimate controlling parties provided short-term working capital to the company amounting to £Nil (2017 - £Nil). At the balance sheet date, the company owed each of the ultimate controlling parties £Nil (2017 - £Nil).

During the previous year, the company entered into an agreement whereby a £206,391 portion of outstanding loan balances payable to sister company Beckham Brand Limited was assigned to Beckham Brand Holdings Limited and was then immediately capitalised as described in note 22. At the balance sheet date, the company owed £92,124 (2017 - £56,041) to Beckham Brand Limited.

During the previous year, the company entered into an agreement whereby a £6,624,988 portion of outstanding loan balances payable to sister company DB Ventures Limited was assigned to Beckham Brand Holdings Limited and was then immediately capitalised as described in note 22. At the balance sheet date, the company owed £1,882,804 (2017 - £2,001,351) to DB Ventures Limited.

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 Victoria Beckham Limited resulting in a net amount payable to XIX Management Limited, as at 31 December 2018, of £461,756 (2017 - £63,377).

28. Post balance sheet events

Funding:
Since the year end, the shareholders of Victoria Beckham Holdings Limited have provided £13,648,380 by way of shareholder loans. No interest has been charged on these loans to date. Within the same period, the Company repaid part of its HSBC loan facilities amounted to £2.4million as agreed with the bank. A new facility is currently being discussed with HSBC and is expected to be finalised by end of FY 2019.

Senior management:
Paolo Riva resigned from his position as CEO on 12 July 2019. He has since been replaced by Marie LeBlanc De Reynes, effective September 2019.

29. Controlling party

At the balance sheet date, the ultimate parent company continued to be Beckham Brand Holdings Limited, registered in England and Wales.

The immediate parent company is Victoria Beckham Holdings Limited, registered in England and Wales.
The ultimate controlling parties are David Beckham, Victoria Beckham and XIX Management UK Limited, who each own one third of the ultimate parent company.

The parents of the smallest and largest group for which consolidated financial statements are drawn up of which this company is a member are Victoria Beckham Holdings Limited and Beckham Brand Holdings Limited respectively. Copies of the consolidated financial statements can be obtained from their registered offices.