

Samsonite Limited

**Strategic report, directors' report and
financial statements**

Registered number 02020414

31 December 2017

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Strategic report

Business review and outlook

The profitable situation has continued in 2017 with sales growth of 2%. Retail sales represents 54.2 % of total turnover versus 53.2 % during 2016. The directors are positive about the outlook for 2018 and expect to continue to generate profits, with focus being on increased sales, working capital management and tight control of operating expenses.

Sales for 2017 have been well supported by both national and regional advertising campaigns, which are set to continue into 2018.

On 1 August 2016 the ultimate parent company acquired Tumi and on 28 April 2017 the Company acquired 100% of the ordinary share capital of Tumi (UK) Limited. The trade and assets of Tumi (UK) Limited are expected to be hived up in to the Company in 2018 which will increase UK sales & profit in future years.

Key performance indicators

| | 2017 £000 | 2016 £000 |
|------------------|--------------|--------------|
| Turnover | 48,409 | 47,557 |
| Gross profit | 18,918 | 17,744 |
| Operating profit | 1,939 | 891 |

Having taken into account the factors identified above, the directors are satisfied with these KPIs and believe that they have the policies and strategy in place to continue the profitability of the Company.

Principal risks and uncertainty

Risks from the market such as competition, price risks and possible decrease of consumption are viewed as areas of principal risk and uncertainty. There also remains the risk that key wholesale customers could choose to directly import from the Far East, rather than via Samsonite UK.

Employment of disabled persons

The Company has an established policy of encouraging the employment of disabled persons wherever this is practicable. The Company endeavours to ensure that disabled employees benefit from training, career development programmes and promotion in common with all employees. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues, and that appropriate training is arranged.

By order of the board



Patrick Baele
Director

Cannon Place
78 Cannon Street
London
EC4N 6AF

Dated: 13 September 2018

Directors' report

The directors' present their report and the audited financial statements for the year ended 31 December 2017.

Principal activity

The Company's principal activity is the sale of luggage and bags, with the market names of 'Samsonite', 'Rolling Luggage', 'American Tourister', 'Lipault', 'Hartmann', 'Gregory', and 'High Sierra' in the United Kingdom and the Channel Islands.

Results

The results for the year are detailed in the attached profit and loss account.

Dividends

No dividends were paid in the year (2016: £nil). The directors do not propose to pay a final dividend (2016: £nil).

Directors

The directors who held office during the year and to the date of this report were:

Fabio Rugarli (resigned 1 January 2017)
Patrick Baele
Arne Borrey (appointed 1 January 2017)
Kyle Gendreau

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political contributions

The Company made no political contributions during the year (2016: £nil).

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Patrick Baele
Director

Cannon Place
78 Cannon Street
London
EC4N 6AF

Dated: 13 September 2018

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Samsonite Limited

Opinion

We have audited the financial statements of Samsonite Limited ("the Company") for the year ended 31 December 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.



Independent auditor's report to the members of Samsonite Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Colin Brearley *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: *13 September 2018*

Profit and loss account
for year ended 31 December 2017

| | <i>Note</i> | 2017 £000 | 2016 £000 |
|---------------------------------------|-------------|----------------------------|----------------------------|
| Turnover | 2 | 48,409 | 47,557 |
| Cost of sales | | (29,491) | (29,813) |
| Gross profit | | 18,918 | 17,744 |
| Distribution costs | | (2,017) | (1,930) |
| Administrative expenses | | (14,962) | (14,923) |
| Operating profit | | 1,939 | 891 |
| Interest payable and similar expenses | 6 | (231) | (254) |
| Profit before taxation | | 1,708 | 637 |
| Tax on profit | 7 | (378) | (177) |
| Profit for the financial year | | 1,330 | 460 |

In both the current and preceding year, the Company had no discontinued operations.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account.

Balance sheet
at 31 December 2017

| | Note | 2017 £000 | 2016 £000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Goodwill | 8 | 11,552 | 11,552 |
| Investments | 9 | 2,161 | - |
| Tangible assets | 10 | 2,873 | 3,084 |
| | | <u>16,586</u> | <u>14,636</u> |
| Current assets | | | |
| Stocks | 11 | 2,137 | 1,877 |
| Debtors | 12 | 4,483 | 5,081 |
| Cash at bank and in hand | | 2,862 | 2,920 |
| | | <u>9,482</u> | <u>9,878</u> |
| Creditors: amounts falling due within one year | 13 | <u>(22,588)</u> | <u>(22,602)</u> |
| Net current liabilities | | <u>(13,106)</u> | <u>(12,724)</u> |
| Total assets less current liabilities | | <u>3,480</u> | <u>1,912</u> |
| Provisions for liabilities | | | |
| Deferred tax | 14 | (255) | (17) |
| Net assets | | <u>3,225</u> | <u>1,895</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 20 | 20 |
| Profit and loss account | | 3,205 | 1,875 |
| Shareholders' funds | | <u>3,225</u> | <u>1,895</u> |

These financial statements were approved by the board of directors on 13 September 2018 and were signed on its behalf by:


Patrick Baele
Director

Company registered number: 02020414

Statement of changes in equity

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|---|---|------------------------------|
| Balance at 1 January 2016 | 20 | 1,415 | 1,435 |
| Total comprehensive income for the period | | | |
| Profit for the year | | 460 | 460 |
| Balance at 31 December 2016 | 20 | 1,875 | 1,895 |
| | | | |
| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
| Balance at 1 January 2017 | 20 | 1,875 | 1,895 |
| Total comprehensive income for the period | | | |
| Profit for the year | | 1,330 | 1,330 |
| Balance at 31 December 2017 | 20 | 3,205 | 3,225 |

Notes

(forming part of the financial statements)

1 Accounting policies

Samsonite Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 02020414 and the registered address is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2016/15 Cycle) issued in July 2017 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Samsonite International S.A., includes the Company in its consolidated financial statements. The consolidated financial statements of Samsonite International S.A are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Westerring 17, 9700 Oudenaarde, Belgium.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Samsonite International S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2. Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reason. Samsonite Europe N.V. has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will provide funds as are needed by the Company and, in particular, will not seek repayment of the funds currently owing. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

| | |
|-----------------------|------------------------------|
| Computer equipment | Between 3 years and 5 years |
| Fixtures and fittings | Between 3 years and 10 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

1 Accounting policies (continued)

1.6. Business combinations

All unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

The Company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.7. Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen.

1.8. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.9. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.9. Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Share options over the shares of Samsonite International S.A, the ultimate parent entity are granted to certain employees and executives of the Company. The fair value of options and units granted is recognised as an employee expense with a corresponding increase in equity, the 'other reserve'. The fair value is measured at grant date using the Black-Scholes option pricing model, and is recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense is adjusted to reflect the actual number of options/units expected to vest. Any recharges by the ultimate parent entity are offset against the other reserve and recognised as an intercompany liability.

1.11. Turnover

Turnover represents amounts invoiced in respect of goods sold in the United Kingdom, Ireland and the Channel Islands during the year, excluding value added tax.

Notes (continued)

1 Accounting policies (continued)

1.12. Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest payable

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.13. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14. Adopted IFRS not yet applied

The following adopted IFRSs are available for early application but have not been applied by the Group in these financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning after 1 January 2018)
- IFRS 15 Revenue from Contract with Customers (effective for annual periods beginning after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning after 1 January 2019)

All of the above will be adopted in the Group and Company financial statements when they become effective.

The directors are currently undertaking analysis to assess the impact of the adoption of IFRS 15 Revenue from Contract with Customers ('IFRS 15') on the Group. IFRS 15 introduces a new five step model to recognise revenue, replacing the current standards and interpretations in issue (such as IAS 11 Construction Contracts and IAS 18 Revenue). Based on the initial analysis, the directors expect the adoption of IFRS 15 will have no significant impact on the timing of recognition of revenue.

The directors are currently undertaking analysis to assess the impact of the adoption of IFRS 9 Financial Instruments ('IFRS 9'). Based on this initial analysis, the directors expect the adoption of IFRS 9 will have no significant impact on the financial statements.

IFRS 16 is expected to have a significant impact on the financial statements of the Company but analysis is still ongoing.

2 Turnover

Turnover represents amounts invoiced in respect of goods sold in the United Kingdom, Ireland and the Channel Islands during the year, excluding value added tax. All turnover is derived from the Company's principal activity.

Notes (continued)

3 Auditor's remuneration

Auditor's remuneration:

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Audit of these financial statements | 21 | 20 |
| Amounts receivable by the Company's auditor and its associates in respect of: | | |
| Audit related assurance services | - | - |
| Taxation compliance services | 10 | 10 |
| | <u>10</u> | <u>10</u> |

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|----------------|---------------------|------------|
| | 2017 | 2016 |
| Sales | 214 | 210 |
| Administration | 40 | 32 |
| | <u>254</u> | <u>242</u> |

The aggregate payroll costs of these persons were as follows:

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Wages and salaries | 5,296 | 4,700 |
| Social security costs | 492 | 412 |
| Contributions to defined contribution plans | 122 | 89 |
| | <u>5,910</u> | <u>5,201</u> |

5 Directors' remuneration

The directors received no emoluments for their services to the Company during the year (2016: £nil). This is on the basis that the directors' emoluments have been borne by another group company, the services provided by the directors' to the Company are insignificant in the context of the group and an amount in respect of those services provided by the directors cannot realistically be attributed.

6 Interest payable and similar expenses

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Bank charges payable | 21 | 20 |
| Group interest payable | 210 | 234 |
| | <u>231</u> | <u>254</u> |
| Total interest payable and similar expenses | <u>231</u> | <u>254</u> |

Notes (continued)

7 Taxation

| | 2017 £000 | 2016 £000 |
|---|-------------------|-------------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 300 | 167 |
| Adjustments in respect of prior years | (160) | (7) |
| Total current tax | <u>140</u> | <u>160</u> |
| <i>Deferred tax (note 14)</i> | | |
| Origination and reversal of temporary differences | 81 | 17 |
| Adjustments in respect of prior years | 157 | - |
| Total deferred tax | <u>238</u> | <u>17</u> |
| Tax on profit | <u><u>378</u></u> | <u><u>177</u></u> |

Reconciliation of effective tax rate

| | 2017 £000 | 2016 £000 |
|---|-------------------|-------------------|
| Profit for the year | 1,330 | 460 |
| Total tax expense | 378 | 177 |
| Profit excluding taxation | <u>1,708</u> | <u>637</u> |
| Tax using the UK corporation tax rate of 19.25% (2016: 20%) | 329 | 127 |
| <i>Effects of:</i> | | |
| Fixed asset differences | 40 | 42 |
| Expenses not deductible for tax purposes | 12 | 15 |
| Adjustments in respect of prior years | (3) | (7) |
| Total tax expense | <u><u>378</u></u> | <u><u>177</u></u> |

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2017 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

Notes (continued)

8 Goodwill

| | Goodwill £000 |
|--|--------------------------|
| Cost | |
| Balance at 1 January 2017 | 11,552 |
| Acquisitions through business combinations | - |
| | <hr/> |
| Balance at 31 December 2017 | 11,552 |
| | <hr/> |
| Amortisation and impairment | |
| Balance at 1 January 2017 and 31 December 2017 | - |
| | <hr/> |
| Net book value | |
| At 31 December 2017 | 11,552 |
| | <hr/> |
| At 31 December 2016 | 11,552 |
| | <hr/> |

Impairment testing

Goodwill has been allocated to cash generating units, deemed to be the rolling luggage stores. The recoverable amount of each cash generating unit has been calculated with reference to its value in use.

Value in use has been determined based on discounted cash flow projections based on financial estimates reviewed by management covering a five year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates appropriate for the market in which the unit operates. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data).

Judgment is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections. Management has considered the assumptions and valuation and has also taken into account the business plans going forward. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

9 Investments

| | £000 |
|--------------------------------|-------------|
| Cost and net book value | |
| At beginning of the year | - |
| Additions | 2,161 |
| | <hr/> |
| At end of the year | 2,161 |
| | <hr/> |

On 28 April 2017, the Company acquired 100% of the ordinary share capital of Tumi (UK) Limited, a company with a registered address of Palmerston House, 814 Brighton Road, Purley, Surrey, CR8 2BR.

Notes (continued)

10 Tangible fixed assets

| | Computer equipment £000 | Fixtures and fittings £000 | Under construction £000 | Total £000 |
|------------------------------------|-------------------------------|----------------------------------|-------------------------------|---------------|
| Cost | | | | |
| Balance at 1 January 2017 | 103 | 4,273 | 5 | 4,381 |
| Additions | 4 | - | 700 | 704 |
| Transfers | - | 191 | (191) | - |
| Disposals | (5) | (27) | - | (32) |
| Balance at 31 December 2017 | 102 | 4,437 | 514 | 5,053 |
| Depreciation and impairment | | | | |
| Balance at 1 January 2017 | 50 | 1,247 | - | 1,297 |
| Depreciation charge for the year | 26 | 889 | - | 915 |
| Disposals | (5) | (27) | - | (32) |
| Balance at 31 December 2017 | 71 | 2,109 | - | 2,180 |
| Net book value | | | | |
| At 31 December 2017 | 31 | 2,328 | 514 | 2,873 |
| At 31 December 2016 | 53 | 3,026 | 5 | 3,084 |

11 Stocks

| | 2017 £000 | 2016 £000 |
|----------------|--------------|--------------|
| Finished goods | 2,137 | 1,877 |

Changes in finished goods recognised as cost of sales in the year amounted to £28,433,000 (2016: £28,574,000).

12 Debtors

| | 2017 £000 | 2016 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 3,692 | 4,157 |
| Amounts owed by group undertakings | - | 286 |
| Other debtors | 61 | 26 |
| Corporation tax | 76 | - |
| Prepayments and accrued income | 654 | 612 |
| | 4,483 | 5,081 |

Notes (continued)

13 Creditors: amounts falling due within one year

| | 2017 £000 | 2016 £000 |
|--|---------------|---------------|
| Trade creditors | 2,017 | 1,308 |
| Amounts owed to group undertakings | 18,557 | 18,581 |
| Corporation tax | - | 21 |
| Other creditors including taxation and social security | 765 | 873 |
| Accruals and deferred income | 1,249 | 1,819 |
| | <u>22,588</u> | <u>22,602</u> |

Included in Amounts owed to group undertakings is £10,730,000 relating to a loan agreement with Samsonite Europe N.V. effective as of 28 January 2015. Interest is charged at LIBOR plus 2.00%. The loan matures on 27 January 2019 when the full amount will be repayable.

14 Deferred tax

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| <i>The effect of timing difference because of:</i> | | |
| Differences between depreciation and capital allowances | (257) | (17) |
| Short term timing differences | 2 | - |
| | <u>(255)</u> | <u>(17)</u> |

15 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £122,000 (2016: £89,000).

Share based payments

Share options over the shares of Samsonite International S.A, the ultimate parent entity are granted to certain employees and executives of the Company. The fair value of options and units granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes option pricing model, and is recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense is adjusted to reflect the actual number of options/units expected to vest. Any recharges by the ultimate parent entity are offset against equity and recognised as an intercompany liability.

As the consolidated financial statements of the ultimate parent company, Samsonite International S.A., include the equivalent disclosures, the Company has taken the exemptions under FRS 101 available in respect of the disclosure IFRS 2 *Share Based Payments* in respect of group settled share based payments.

Notes (continued)

16 Capital and reserves

Share capital

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| 20,000 Ordinary shares of £1 each | 20 | 20 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | Land and buildings | | Other operating leases | |
|----------------------------|--------------------|---------------|------------------------|--------------|
| | 2017 £000 | 2016 £000 | 2017 £000 | 2016 £000 |
| Less than one year | 6,111 | 5,606 | 67 | 47 |
| Between one and five years | 17,570 | 18,773 | 80 | 59 |
| More than five years | 4,259 | 3,966 | - | - |
| | <u>27,940</u> | <u>28,345</u> | <u>147</u> | <u>106</u> |

During the year £6,212,000 was recognised as an expense in the income statement in respect of operating leases (2016: £5,600,000).

18 Related parties

The Company has taken advantage of the exemption under FRS 101.8(j) from the requirement to disclose transactions with group companies.

19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Samsonite International S.A. which is the ultimate parent company incorporated in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by Samsonite International S.A., incorporated in Luxembourg. The smallest group in which they are consolidated is that headed by Samsonite Europe N.V. incorporated in Belgium. The consolidated financial statements of these groups are available to the public and may be obtained from Westerring 17, 9700 Oudenaarde, Belgium.

20 Accounting estimates and judgements

Information regarding the judgements made by the directors with regards to the impairment of Goodwill can be found in note 8. The directors believe that there are no other judgements that have a significant effect on the financial statements and no estimates with a significant risk of material adjustment in the next year.