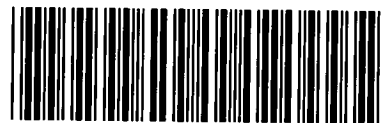


Lifetime Brands Europe Limited
Financial Statements
31 December 2018

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Lifetime Brands Europe Limited

Financial Statements

Year ended 31 December 2018

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Lifetime Brands Europe Limited

Officers and Professional Advisers

The board of directors

Mr M B Canwell
Mr J G Siegel
Mr R B Kay
Mr L Winoker
Mrs C L Budgen
Mr K N Murden
Mr C S Siegel
Mr R T Jones

Company secretary

Gateley Secretaries Limited

Registered office

The Hub
Nobel Way
Birmingham
B6 7EU

Auditor

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

Bankers

JPMorgan Chase Bank, NA
10 Aldermanbury Road
London
EC2M 7RF

Lifetime Brands Europe Limited

Strategic Report

Year ended 31 December 2018

PRINCIPAL ACTIVITY

The company designs, sources and sells branded kitchenware, tableware and other products used in the home. The company believes it possesses certain competitive advantages based on its brands, its emphasis on new product development and its sourcing capabilities.

BUSINESS REVIEW

Results of operations

The key financial performance indicators during the period were as follows:

	31/12/2018	31/12/2017
	£	£
Turnover	69,387,076	73,288,083
Gross profit	16,131,996	13,849,774
Administrative expenses	16,712,478	15,508,725
Operating (loss)	(580,482)	(1,658,951)

Analysis of results

Turnover for the year amounted to £69,387,076 (2017: £73,288,083). Turnover included £25,542,689 (2017: £27,749,858) relating to the trade of Creative Tops. Trading activity was slightly decreased across all areas of the company due to the continued challenging trading and general economic conditions.

Demand from customers remained strong across the year, but operational challenges have not enabled the company to turn this into sales growth in 2018. Despite a decrease in turnover the company has increased the gross profit compared to the prior year due to favourable management of customer and product mix.

The continued restructuring of operations has led to additional administrative expenses, primarily in relation to staff costs and also repairs across the company's leased property portfolio. During 2018 the company was still trading from multiple properties which has led to operational challenges and increased overheads. The company has also continued and increased its investment in marketing and advertising across 2018, primarily through trade shows.

Detailed focus continues in the development of new product and ranges and this is core to the company's future development strategy across all markets. The operating loss for the year was £580,482 (2017: loss £1,658,951).

Balance sheet analysis

The group strategy of opportunistic M&A has continued in 2018, with the acquisition of the brand Maxwell & Williams. This brand goodwill is included in Intangible fixed assets at £475,000 (2017: £nil)

Changes in the company's working capital reflect the operational challenges of continuing to trade from multiple locations in 2018, with an increase in stock and a decrease in trade debtors:

	2018	2017
	£	£
Stock	24,179,954	19,727,360
Trade debtors	18,870,729	22,794,768

The company's balance sheet reflects challenging conditions, with net assets decreasing slightly to £26,163,788 (2017: £26,908,669).

Lifetime Brands Europe Limited

Strategic Report *(continued)*

Year ended 31 December 2018

FUTURE DEVELOPMENTS

Looking forward to 2019 the directors are pleased to see the culmination of the company's restructuring plan with the move into a new purpose-built single office, warehouse and showroom facility in central Birmingham.

Capital expenditure across 2019 is set to increase significantly, providing state of the art warehouse facilities and extensive trade showroom space to showcase the company's product ranges across all brands.

Across 2019 customer demand and orders have remained strong, reflecting the company's continued strong brands and product range. There have been some operational challenges resulting from the move out of multiple warehouse locations and into a central facility. This has led to increased temporary labour costs and suppressed sales growth, impacting on gross profit. As the company exits some sites within its leased property portfolio there are increased total rent costs which will impact upon profitability.

PRINCIPAL RISKS AND UNCERTAINTIES

The company finances fixed assets and working capital through retained profits and bank debt as required.

The company's financial risk management objective is broadly to make neither profit or loss from exposure to currency or interest rate risks. The company's policy is to pay suppliers in accordance with their stated terms, matching the maturity of the forward contract currency purchases. The company does not use hedge accounting. Credit risk applies to financial instruments such as trade debtors. Policies and procedures exist to ensure the management of trade debtors minimises as far as is reasonably practicable the company's exposure to credit risk.

The company's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all financial instruments are its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

This report was approved by the board of directors on 20 December 2019 and signed on behalf of the board by:



Mr M B Canwell
Director

Registered office:
The Hub
Nobel Way
Birmingham
B6 7EU

Lifetime Brands Europe Limited

Directors' Report

Year ended 31 December 2018

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

Directors

The directors who served the company during the year were as follows:

Mr M B Canwell	
Mr J G Siegel	
Mr D T Siegel	
Mr R Shiftan	
Mr G G Clarke	(Appointed 21 May 2018)
Mr R B Kay	(Appointed 14 May 2018)
Mr A C Perry	(Resigned 16 July 2018)

Mr L Winoker was appointed as a director on 12 March 2019
Mr A T Elliot was appointed as a director on 3 June 2019 and resigned on 20 November 2019
Mrs C L Budgen was appointed as a director on 3 June 2019
Mr D T Siegel resigned as a director on 12 March 2019 and was appointed as a director on 3 June 2019
Mr K N Murden was appointed as a director on 20 November 2019
Mr R T Jones was appointed as a director on 20 November 2019
Mr C S Siegel was appointed as a director on 20 November 2019
Mr R H Shiftan resigned as a director on 12 March 2019
Mr G G Clarke resigned as a director on 29 March 2019

Dividends

The directors do not recommend the payment of a dividend.

Going concern

After making enquiries and reviewing current activities the directors have reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

Employment of disabled persons

The company is committed to promoting equality of opportunity for all staff and job applicants.

Where staff or job applicants are disabled or become disabled, they are encouraged to tell the company about their condition so that the company can support them as appropriate.

If staff experience difficulties at work because of their disability, staff may wish to contact Human Resources to discuss any reasonable adjustments that would help overcome or minimise the difficulty. The company will consider the matter carefully and try to accommodate needs within reason.

The company will monitor physical features of our premises to consider whether they place disabled workers, job applicants or service users at a substantial disadvantage compared to other staff. Where reasonable, the company will take steps to improve access for disabled staff and services users.

Lifetime Brands Europe Limited

Directors' Report *(continued)*

Year ended 31 December 2018

Employee involvement

The company seeks to foresee and respond positively to the needs of customers and recognises its employees are its most important asset. We are committed to creating positive working relationships and to ensuring that all employees are valued and treated with dignity and respect at work.

The company operates a bonus scheme for all staff in order to be able to share in the financial successes of the company. Line managers will discuss individual employee performance and their contribution towards overall company performance when making annual bonus awards.

2018 was the second year of reporting on the gender pay gap at Lifetime Brands Europe Limited. The directors are committed to supporting long term improvement in this area and believe that our employees performing equal work receive equal reward. Our "promote from within" activities have seen proportionately more women promoted from our warehouse and logistics operations into sales and support roles. We have also accommodated shift change requests and provided increased flexibility for home working across a range of roles within the business

The company has addressed pay and benefits anomalies as part of the business restructuring process that continues in 2019, including harmonisation of terms and conditions between employees from the former separate Kitchencraft and Creative Tops (cook and dine) divisions.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

Lifetime Brands Europe Limited

Directors' Report *(continued)*

Year ended 31 December 2018

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all 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.

A resolution to reappoint Ernst & Young LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 20 December 2019 and signed on behalf of the board by:



Mr M B Canwell
Director

Registered office:
The Hub
Nobel Way
Birmingham
B6 7EU

Independent Auditor's Report to the Members of Lifetime Brands Europe Limited

Year ended 31 December 2018

Opinion

We have audited the financial statements of Lifetime Brands Europe Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss account, balance sheet and the related notes, 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 FRS 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;
- 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 below. 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.

Independent Auditor's Report to the Members of Lifetime Brands Europe Limited

(continued)

Year ended 31 December 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 or the directors' report.

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

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

Responsibilities of directors

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

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

Independent Auditor's Report to the Members of Lifetime Brands Europe Limited
(continued)

Year ended 31 December 2018

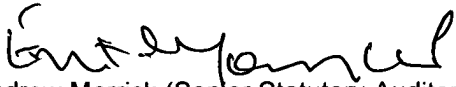
Auditor's responsibilities for the audit of the financial statements

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 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.



Andrew Merrick (Senior Statutory Auditor)

For and on behalf of
Ernst & Young LLP (Statutory Auditor)
1 Colmore Square
Birmingham
B4 6HQ

20 December 2019

Lifetime Brands Europe Limited

Profit and Loss Account

Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	69,387,076	73,288,083
Cost of sales		<u>(53,255,080)</u>	<u>(59,438,309)</u>
Gross profit		16,131,996	13,849,774
Administrative expenses		<u>(16,712,478)</u>	<u>(15,508,725)</u>
Operating loss	5	(580,482)	(1,658,951)
Other interest receivable and similar income	9	2,845	155
Interest payable and similar expenses	10	<u>(288,287)</u>	<u>(151,968)</u>
Loss before taxation		(865,924)	(1,810,764)
Tax on loss	11	121,043	247,211
Loss for the financial year and total comprehensive income		<u>(744,881)</u>	<u>(1,563,553)</u>
Retained earnings at the start of the year		26,134,002	27,697,555
Retained earnings at the end of the year		<u>25,389,121</u>	<u>26,134,002</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

Lifetime Brands Europe Limited

Balance Sheet

31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	1,652,195	1,241,505
Tangible assets	13	473,143	742,431
Investments	14	4,000	4,000
		<u>2,129,338</u>	<u>1,987,936</u>
Current assets			
Stocks	15	24,179,954	19,727,360
Debtors	16	23,785,402	27,929,444
Cash at bank and in hand		<u>2,599,771</u>	<u>2,373,405</u>
		<u>50,565,127</u>	<u>50,030,209</u>
Creditors: amounts falling due within one year	17	<u>(26,530,677)</u>	<u>(25,109,476)</u>
Net current assets		<u>24,034,450</u>	<u>24,920,733</u>
Total assets less current liabilities		<u>26,163,788</u>	<u>26,908,669</u>
Net assets		<u>26,163,788</u>	<u>26,908,669</u>
Capital and reserves			
Called up share capital	21	690,000	690,000
Capital redemption reserve	22	84,667	84,667
Profit and loss account	22	<u>25,389,121</u>	<u>26,134,002</u>
Shareholders funds		<u>26,163,788</u>	<u>26,908,669</u>

These financial statements were approved by the board of directors and authorised for issue on 20 December 2019, and are signed on behalf of the board by:



Mr M B Canwell
Director

Company registration number: 03411690

The notes on pages 12 to 23 form part of these financial statements.

Lifetime Brands Europe Limited

Notes to the Financial Statements

Year ended 31 December 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Hub, Nobel Way, Birmingham, B6 7EU.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Lifetime Brands, Inc, which can be obtained from 1000 Stewart Avenue, Garden City, New York 11530, United States of America. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State. Accordingly, these financial statements are for this company as a separate entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of finished goods:

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Estimates are required in relation to forecast sales volumes and stock balances. In situations where excess stock balances are identified, estimates of net realisable values for the excess volumes are made. Stock provision for estimated losses as of 31 December 2018 amounted to £1,341,856 (2017: £1,532,890).

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sales of Goods -

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Intangible assets

Intangible assets are initially recorded at cost and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

IT software	-	20% straight line
Licences	-	10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	-	10% straight line
Fixtures & fittings	-	10-33% Straight line
Motor vehicles	-	33% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost on profit or loss in the period it arises.

Business combinations

Business combinations relating to group reconstructions with no change to the ultimate ownership of an entity are accounted for using acquisition accounting.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Defined contribution plans

The company operates defined contribution pension schemes. The pension charge represents the amount payable by the company in respect of the period.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Sale of goods	<u>69,387,076</u>	<u>73,288,083</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2018 £	2017 £
United Kingdom	49,164,996	57,008,602
Rest of Europe	15,383,511	12,312,327
Rest of World	4,838,569	3,967,154
	<u>69,387,076</u>	<u>73,288,083</u>

5. Operating profit

Operating profit or loss is stated after charging:

	2018 £	2017 £
Amortisation of intangible assets	324,005	103,952
Depreciation of tangible assets	386,996	381,653
Loss on disposal of tangible assets	–	26,051
Loss on disposal of intangible assets	–	10,573
Impairment of trade debtors	114,072	117,893
Operating lease rentals	<u>1,403,019</u>	<u>1,393,948</u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	<u>144,591</u>	<u>137,424</u>

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2018 No.	2017 No.
Marketing, buying, and quality control	79	79
Sales and administration	106	105
Warehouse	125	115
Management	12	12
	<u>322</u>	<u>311</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018 £	2017 £
Wages and salaries	11,191,617	10,365,407
Social security costs	687,203	1,008,149
Other pension costs	367,963	393,394
	<u>12,246,783</u>	<u>11,766,950</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018 £	2017 £
Remuneration	459,412	588,167
Company contributions to defined contribution pension plans	44,683	29,748
	<u>504,095</u>	<u>617,915</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2018 No.	2017 No.
Defined contribution plans	<u>3</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2018 £	2017 £
Aggregate remuneration	221,001	213,934
Company contributions to defined contribution pension plans	30,338	20,000
	<u>251,339</u>	<u>233,934</u>

Three of the directors were remunerated through the company and their remuneration is disclosed above.

The other four directors who served during the year were remunerated by other group undertakings. The directors do not believe that it is practicable to apportion the remuneration of these directors between their services as directors of the company and their services to other group undertakings.

Lifetime Brands Europe Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2018

9. Other interest receivable and similar income

	2018	2017
	£	£
Interest on cash and cash equivalents	–	155
Other interest receivable and similar income	<u>2,845</u>	<u>–</u>
	<u>2,845</u>	<u>155</u>

10. Interest payable and similar expenses

	2018	2017
	£	£
Interest on banks loans and overdrafts	288,287	146,101
Other interest payable and similar charges	<u>–</u>	<u>5,867</u>
	<u>288,287</u>	<u>151,968</u>

11. Tax on loss

Major components of tax income

	2018	2017
	£	£
Current tax:		
UK current tax income	–	(253,192)
Adjustments in respect of prior periods	<u>–</u>	<u>5,487</u>
Total current tax	<u>–</u>	<u>(247,705)</u>
Deferred tax:		
Origination and reversal of timing differences	(121,043)	494
Tax on loss	<u>(121,043)</u>	<u>(247,211)</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018	2017
	£	£
Loss on ordinary activities before taxation	<u>(865,924)</u>	<u>(1,810,764)</u>
Loss on ordinary activities by rate of tax	(164,526)	(348,572)
Adjustment to tax charge in respect of prior periods	–	5,487
Effect of expenses not deductible for tax purposes	14,553	90,846
Effect of capital allowances and depreciation	14,055	12,352
Other timing differences	(307)	2,171
Change in tax rate	<u>15,182</u>	<u>(9,495)</u>
Tax on loss	<u>(121,043)</u>	<u>(247,211)</u>

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

11. Tax on loss *(continued)*

Factors that may affect future tax income

The Finance (No 2) Act 2015 provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015.

The Finance Act 2016 provides a further reduction in the main tax rate down to 17% effective from 1 April 2020. This was substantively enacted on 15 September 2016.

12. Intangible assets

	IT software £	Brand goodwill and licences £	Total £
Cost			
At 1 January 2018	1,345,230	–	1,345,230
Additions	234,695	500,000	734,695
At 31 December 2018	1,579,925	500,000	2,079,925
Amortisation			
At 1 January 2018	103,725	–	103,725
Charge for the year	299,005	25,000	324,005
At 31 December 2018	402,730	25,000	427,730
Carrying amount			
At 31 December 2018	1,177,195	475,000	1,652,195
At 31 December 2017	1,241,505	–	1,241,505

Brand goodwill & licences relates to the UK business of Maxwell & Williams. This asset is being amortised over 10 years to June 2028.

All amortisation of intangible assets is included in administrative expenses in the profit and loss account

Lifetime Brands Europe Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2018

13. Tangible assets

	Short leasehold property £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2018	452,387	1,415,520	123,465	1,991,372
Additions	5,809	86,573	25,326	117,708
Disposals	—	—	(15,750)	(15,750)
At 31 December 2018	458,196	1,502,093	133,041	2,093,330
Depreciation				
At 1 January 2018	194,885	961,342	92,714	1,248,941
Charge for the year	114,311	253,974	18,711	386,996
Disposals	—	—	(15,750)	(15,750)
At 31 December 2018	309,196	1,215,316	95,675	1,620,187
Carrying amount				
At 31 December 2018	149,000	286,777	37,366	473,143
At 31 December 2017	257,502	454,178	30,751	742,431

14. Investments

	Shares in group undertakings £
Cost	
At 1 January 2018 and 31 December 2018	4,000
Impairment	
At 1 January 2018 and 31 December 2018	—
Carrying amount	
At 31 December 2018	4,000
At 31 December 2017	4,000

Subsidiaries, associates and other investments

Direct investments

Investments in subsidiaries comprises a 100% holdings in Kitchen Craft (Asia) Limited, registered office: Hong Kong Managers and Secretaries Limited, Units 1607-1608, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong, which was dormant throughout the period.

15. Stocks

	2018 £	2017 £
Finished goods and goods for resale	24,179,954	19,727,360

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

16. Debtors

	2018 £	2017 £
Trade debtors	18,870,729	22,794,768
Amounts owed by group undertakings	2,093,701	2,023,181
Deferred tax asset	136,212	15,169
Prepayments and accrued income	1,732,918	2,113,782
Corporation tax repayable	114,000	237,355
Other debtors	837,842	745,189
	<u>23,785,402</u>	<u>27,929,444</u>

Amounts owed by group undertakings are repayable on demand.

17. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	10,021,866	9,905,509
Trade creditors	4,221,530	3,453,180
Amounts owed to group undertakings	5,323,693	5,239,328
Accruals and deferred income	6,654,337	4,690,300
Social security and other taxes	244,433	293,309
Other creditors	64,818	1,527,850
	<u>26,530,677</u>	<u>25,109,476</u>

Amounts owed to group undertakings are repayable on demand.

18. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2018 £	2017 £
Included in debtors (note 16)	<u>136,212</u>	<u>15,169</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018 £	2017 £
Accelerated capital allowances	(31,390)	(15,169)
Unused tax losses	(104,822)	—
	<u>(136,212)</u>	<u>(15,169)</u>

There will be no net reversal of the deferred tax asset in the year beginning 1 January 2019. The company is not expecting a taxable profit in the next year, due to significant capital expenditure and Annual Investment Allowance capital allowances and further restructuring costs.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £367,963 (2017: £393,394).

20. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2018 £	2017 £
Financial assets measured at fair value through profit or loss		
Financial assets measured at fair value through profit or loss	<u>22,039</u>	<u>—</u>
Financial liabilities measured at fair value through profit or loss		
Financial liabilities measured at fair value through profit or loss	<u>—</u>	<u>1,446,292</u>

Financial instruments relate to foreign exchange options purchased but not settled during the year. These have been valued on a mark-to-market basis at the year end. Fair value was determined by reference to the open market value of contracts outstanding at the year end.

At 31 December 2018 the company had entered into certain forward contracts to manage the exposure to currency exchange movements. The fair value of these contracts at 31 December 2018 was a gain of £22,039 (31 December 2017: loss of £1,446,292).

21. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>690,000</u>	<u>690,000</u>	<u>690,000</u>	<u>690,000</u>

22. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Not later than 1 year	2,191,944	1,294,919
Later than 1 year and not later than 5 years	6,606,551	1,572,770
Later than 5 years	<u>17,843,254</u>	<u>—</u>
	<u>26,641,749</u>	<u>2,867,689</u>

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

24. Contingencies

At 31 December 2018 there were contingent liabilities of £125,000 (2017 £125,000) in respect of HM Revenue & Customs guarantees. From 1 July 2013 the company entered into an agreement with HMRC relating to outstanding liabilities for the bonded warehouse. Based on current compliance, the directors do not expect any claims to be made against this agreement.

25. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Thomas Plant (Birmingham) Holdings Limited, a company incorporated in England. The ultimate parent undertaking and controlling party is Lifetime Brands, Inc, which is incorporated in Delaware, United States of America.

Lifetime Brands, Inc. is the parent undertaking of the largest and smallest group undertaking to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Lifetime Brands, Inc. are available from 1000 Stewart Avenue, Garden City, New York 11530, United States of America.