Samsonite International S.A.

13–15 Avenue de la Liberte, L-1931, Luxembourg

RCS Luxembourg: B159469

(Incorporated under the laws of Luxembourg with limited liability)

Consolidated financial statements for the year ended December 31, 2013

Directors' Report

Principal Activities

Samsonite International S.A. (the "Company"), together with its consolidated subsidiaries (the "Group"), is principally engaged in the design, manufacture, sourcing and distribution of luggage, business and computer bags, outdoor and casual bags, and travel accessories throughout the world, primarily under the *Samsonite*®, *American Tourister*®, *High Sierra*® and *Hartmann*® brand names and other owned and licensed brand names. The Group sells its products through a variety of wholesale distribution channels, through its company operated retail stores and through e-commerce. The principal luggage wholesale distribution customers of the Group are department and specialty retail stores, mass merchants, catalog showrooms and warehouse clubs. The Group sells its products in Asia, Europe, North America and Latin America.

1. *Review of the financial year 2013*

The following table sets forth a breakdown of net sales by region for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,				2013 vs 2012	
	2013		2012			
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by region:						
Asia	768,363	37.7%	684,154	38.6%	12.3%	15.6%
North America	621,741	30.5%	499,924	28.2%	24.4%	24.6%
Europe	515,177	25.3%	465,383	26.3%	10.7%	9.2%
Latin America	123,580	6.1%	112,556	6.4%	9.8%	11.7%
Corporate	8,951	0.4%	9,709	0.5%	(7.8)%	(7.8)%
Net sales	2,037,812	100.0%	1,771,726	100.0%	15.0%	16.1%

Excluding foreign currency effects, net sales increased by 16.1%. US Dollar reported net sales increased by US$266.1 million, or 15.0%, to US$2,037.8 million for the year ended December 31, 2013, from US$1,771.7 million for the year ended December 31, 2012.

Directors' Report

Brands

The following table sets forth a breakdown of net sales by brand for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,					
	2013		2012		2013 vs 2012	
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by brand:						
Samsonite	1,413,703	69.4%	1,295,706	73.1%	9.1%	9.7%
American Tourister	429,309	21.1%	354,563	20.0%	21.1%	23.4%
High Sierra[1]/*Hartmann*[2]	87,488	4.3%	29,623	1.7%	195.3%	196.9%
Other[3]	107,312	5.2%	91,834	5.2%	16.9%	19.0%
Net sales	2,037,812	100.0%	1,771,726	100.0%	15.0%	16.1%

Notes

(1) The *High Sierra* brand was acquired on July 31, 2012. Prior to the acquisition, Samsonite Australia was a distributor of *High Sierra* products. Net sales under this distribution arrangement were US$2.1 million during the portion of the year ended December 31, 2012 that preceded the acquisition.

(2) The *Hartmann* brand was acquired on August 2, 2012.

(3) Other includes local brands *Saxoline*, *Xtrem* and others.

Excluding foreign currency effects, net sales of the *Samsonite* brand increased by 9.7%. US Dollar reported net sales of the *Samsonite* brand increased by US$118.0 million, or 9.1%, for the year ended December 31, 2013 compared to the previous year. The *Samsonite* brand comprised 69.4% of the net sales of the Group during 2013 compared to 73.1% in 2012 as the Group further diversified its brand portfolio. Net sales of the *American Tourister* brand increased by 23.4% on a constant currency basis. US Dollar reported net sales of the *American Tourister* brand increased by US$74.7 million, or 21.1%, for the year ended December 31, 2013 compared to the previous year. Asia accounted for US$63.1 million, or 84.5%, of the US$74.7 million increase in *American Tourister* brand sales for the year. These increases were attributable to expanded product offerings and further penetration of existing markets, which were all supported by the Group's targeted advertising activities. The *High Sierra* and *Hartmann* brands contributed net sales of US$72.0 million and US$15.5 million, respectively, as the Group continues to execute on its integration strategy and further geographical expansion of these brands.

Product Categories

The Group sells products in four principal product categories: travel, business, casual and accessories. The travel category is the Group's largest category and has been its traditional strength. The following table sets forth a breakdown of net sales by product category for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,				2013 vs 2012	
	2013		2012			
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by product category:						
Travel	1,515,852	74.4%	1,357,054	76.6%	11.7%	12.8%
Casual	205,871	10.1%	109,743	6.2%	87.6%	88.8%
Business	193,474	9.5%	189,561	10.7%	2.1%	3.3%
Accessories	85,745	4.2%	79,662	4.5%	7.6%	8.2%
Other	36,870	1.8%	35,706	2.0%	3.3%	3.1%
Net sales	2,037,812	100.0%	1,771,726	100.0%	15.0%	16.1%

The US$266.1 million increase in net sales for the year ended December 31, 2013 compared to the previous year was largely driven by an increase in net sales in the travel product category, which increased by 12.8% excluding foreign currency effects. Country-specific product designs, locally relevant marketing strategies and expanded points of sale continue to be the key factors contributing to the Group's sales growth in the travel category. Net sales in the casual product category increased by 88.8% on a constant currency basis. This increase was attributable to the full year impact of the Group's 2012 acquisition of *High Sierra*, the strategic focus on expanding the Group's casual product offerings and the success of the *Samsonite Red* brand in Asia. Excluding net sales attributable to *High Sierra*, net sales in the casual product category increased by US$44.6 million, or 45.3%. Excluding foreign currency effects, net sales in the business product category increased by 3.3%, driven by a 13.2% increase in North America and a 13.7% increase in Europe due to new product introductions and expanded product placement. These increases were marginally offset by a 3.1% decrease in constant currency net sales in the business category in Asia due largely to high end products such as the *Samsonite* Business Leather line facing challenges in China as a result of the current austerity measures and the non-repetition of several one-off business-to-business deals in 2012. Excluding foreign currency effects, net sales in the accessories product category increased by 8.2% for the year ended December 31, 2013 compared to the previous year, reflecting expanded product offerings in this category. Net sales in the other product category increased by 3.1% on a constant currency basis for the year ended December 31, 2013 compared to the previous year.

Distribution Channels

The Group sells products through two primary distribution channels: wholesale and retail. The following table sets forth a breakdown of net sales by distribution channel for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,				2013 vs 2012	
	2013		2012			
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by distribution channel:						
Wholesale	1,614,733	79.3%	1,425,537	80.5%	13.3%	14.3%
Retail	414,128	20.3%	336,417	19.0%	23.1%	24.2%
Other[1]	8,951	0.4%	9,772	0.5%	(8.4)%	(8.4)%
Net sales	2,037,812	100.0%	1,771,726	100.0%	15.0%	16.1%

Note

[1] Other primarily consists of licensing income.

During the year ended December 31, 2013, the Group expanded its points of sale by approximately 1,000 to a total of more than 46,000 points of sale worldwide as of December 31, 2013. Almost half of the points of sale added during 2013 were in Asia.

Excluding foreign currency effects, net sales in the wholesale channel increased by 14.3% for the year ended December 31, 2013 compared to the previous year. US Dollar reported net sales in the wholesale channel increased by US$189.2 million, or 13.3%. On a constant currency basis, net sales in the retail channel increased by 24.2% over the same period. US Dollar reported net sales in the retail channel increased by US$81.4 million, or 23.1%. On a same-store, constant currency basis, net sales in the retail channel increased by 7.8%. During 2013, approximately 5% of the Group's net sales were derived from its direct-to-consumer e-commerce business, which is included within the retail channel, and net sales to e-tailers, which are included within the wholesale channel.

Directors' Report

Regions

Asia

Excluding foreign currency effects, net sales increased by 15.6%. US Dollar reported net sales for the Asian region increased by US$84.2 million, or 12.3%, to US$768.4 million for the year ended December 31, 2013, from US$684.2 million for the year ended December 31, 2012.

The Group's sales growth in Asia continues to be largely driven by the *American Tourister* brand, which accounted for US$63.1 million, or 75.0%, of the increase in net sales for the Asian region for the year ended December 31, 2013 compared to the previous year. Excluding foreign currency effects, net sales of the *American Tourister* brand in the Asian region increased by 26.6%. *American Tourister* comprised 43.1% of the net sales in the Asian region during 2013 compared to 39.2% for the previous year as the brand further penetrated the market at more accessible price points. Net sales of the *Samsonite* brand continued to grow in Asia, increasing by 8.0% from the previous year on a constant currency basis and accounted for 55.1% of net sales in the region during 2013. Net sales of the *High Sierra* brand were US$5.5 million in Asia during 2013. The development of *High Sierra* branded products specifically designed for the preferences of consumers in the region is well underway.

Net sales in the travel product category increased by US$54.9 million, or 10.6%, and by 14.0% excluding foreign currency effects for the year ended December 31, 2013 compared to the previous year. Net sales in the casual product category increased by US$31.3 million, or 83.4%, and by 88.1% on a constant currency basis year-on-year, driven by the success of the *Samsonite Red* brand. Net sales in the business product category decreased by US$5.9 million, or 5.6%, and by 3.1% excluding foreign currency effects compared to the previous year due largely to high end products such as the *Samsonite* Business Leather line facing challenges in China as a result of the current austerity measures and the non-repetition of several one-off business-to-business deals in 2012. Net sales in the accessories product category increased by US$2.4 million, or 12.8%, and by 15.4% on a constant currency basis compared to the previous year.

Net sales in the wholesale channel increased by US$51.2 million, or 8.6%, for the year ended December 31, 2013 compared to the previous year and by 11.6% excluding foreign currency effects. Net sales in the retail channel increased by US$33.0 million, or 37.5%, and by 42.3% on a constant currency basis, over the same period. On a same-store, constant currency basis, net sales in the retail channel increased by 9.7%. Almost 500 points of sale were added in Asia during 2013, for a total of just under 6,900 points of sale in Asia at December 31, 2013.

Along with additional product offerings and points of sale expansion, the success of the Group's business in the Asian region has been bolstered by its continued focus on country-specific product and marketing strategies to drive increased awareness of and demand for the Group's products. On a constant currency basis, net sales increased in all countries in the Asian region for the year ended December 31, 2013 compared to the previous year. China continues to lead the Asian region in total net sales, contributing 25.0% of the region's net sales. Net sales in China increased by 5.3% on a constant currency basis as the country's economic growth continued to moderate. India posted strong constant currency net sales growth, despite continued challenging macroeconomic conditions, due to the success of new product introductions designed to appeal to consumers who have become more value-conscious. South Korea continues to experience robust sales growth driven by the success of the *American Tourister* and *Samsonite Red* brands. Japan recorded robust constant currency sales growth of 18.6%, however US Dollar reported net sales are down by 2.8% year-on-year due to unfavourable exchange rates. Net sales in Hong Kong, which includes Macau, increased by a notable US$10.3 million, or 18.2%.

The following table sets forth a breakdown of net sales within the Asian region by geographic location for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,				2013 vs 2012	
	2013		2012			
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by geographic location[1]:						
China	192,187	25.0%	178,035	26.0%	7.9%	5.3%
South Korea	161,182	21.0%	122,921	18.0%	31.1%	27.9%
India	110,526	14.4%	102,329	15.0%	8.0%	18.3%
Hong Kong[2]	66,765	8.7%	56,473	8.3%	18.2%	18.2%
Japan	64,172	8.4%	66,013	9.6%	(2.8)%	18.6%
Australia	42,666	5.5%	40,678	5.9%	4.9%	14.1%
Other	130,865	17.0%	117,705	17.2%	11.2%	13.4%
Net sales	768,363	100.0%	684,154	100.0%	12.3%	15.6%

Notes

(1) The geographic location of the Group's net sales reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

(2) Includes Macau.

North America

Excluding foreign currency effects, net sales for the North American region increased by 24.6% for the year ended December 31, 2013 from the previous year. US Dollar reported net sales for the North American region increased by US$121.8 million, or 24.4%, to US$621.7 million for the year ended December 31, 2013, from US$499.9 million for the year ended December 31, 2012. Excluding net sales attributable to the *High Sierra* and *Hartmann* brands, which were acquired in the second half of 2012, net sales increased by US$66.6 million, or 14.0%.

Net sales of the *Samsonite* brand increased by US$51.9 million, or 12.7%, and net sales of the *American Tourister* brand increased by US$7.7 million, or 13.6%, for the year ended December 31, 2013 compared to the previous year. Net sales of the *High Sierra* and *Hartmann* brands contributed incremental net sales of US$47.8 million and US$7.5 million, respectively, for the year ended December 31, 2013 due to the full year impact of the acquisitions.

Net sales in the travel product category increased by US$63.2 million, or 15.3%, year-on-year. Net sales in the casual product category increased by US$55.1 million, or 171.1%, largely due to the full year inclusion of the *High Sierra* brand. Excluding amounts attributable to *High Sierra*, net sales in the casual product category increased by 17.6%. Net sales in the business product category increased by US$4.8 million, or 13.0%, for the year ended December 31, 2013 compared to the previous year.

Net sales in the wholesale channel increased by US$105.6 million, or 27.5%, for the year ended December 31, 2013 compared to the previous year. Net sales in the retail channel increased US$16.2 million, or 14.0%, year-on-year. Net sales growth in the retail channel was largely driven by sales made through the Group's direct-to-consumer e-commerce website, which increased by 101.9% year-on-year, as well as the addition of ten net new stores opened in 2013. On a same-store, constant currency basis, net sales in the retail channel increased by 0.9% as the retail store locations in less affluent areas continued to be impacted by the slow economic recovery.

The overall increase in North America net sales was due to the Group's continued focus on marketing and selling regionally developed products, which has enabled the Group to bring to market products that are designed to appeal to the tastes and preferences of North American consumers, as well as the addition of the *High Sierra* and *Hartmann* brands. Strong consumer demand for the Group's products has enabled it to continue to gain additional product placement with its wholesale customers.

The following table sets forth a breakdown of net sales within the North American region by geographic location for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,					
	2013		2012		2013 vs 2012	
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by geographic location[1]:						
United States	589,618	94.8%	469,773	94.0%	25.5%	25.5%
Canada	32,123	5.2%	30,151	6.0%	6.5%	10.2%
Net sales	621,741	100.0%	499,924	100.0%	24.4%	24.6%

Note

[1] The geographic location of the Group's net sales reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

Europe

Excluding foreign currency effects, net sales for the European region increased by 9.2%. US Dollar reported net sales for the European region increased by US$49.8 million, or 10.7%, to US$515.2 million for the year ended December 31, 2013, from US$465.4 million for the year ended December 31, 2012.

Excluding Italy and Spain, net sales for the European region increased by 12.5%, or 11.4% excluding foreign currency effects. The Group's business in Italy and Spain showed early signs of stabilizing in the second half of 2013, although trading conditions remain difficult due to the ongoing economic challenges in Southern European countries.

Local currency sales growth has been strong in several markets due to the positive sell-through of new product introductions, including new product lines manufactured using the Curv material and other lines of polypropylene suitcases, as demand for hardside luggage continues to grow in the region. Germany, the Group's leading market in Europe representing 14.4% of total net sales in the region, achieved 11.9% constant currency sales growth during the period. The United Kingdom and France posted strong constant currency net sales growth of 27.8% and 9.0%, respectively, over the previous year. The Group continued to penetrate the emerging markets of Russia, South Africa and Turkey with year-on-year constant currency net sales growth of 27.9%, 26.6% and 22.5%, respectively.

Net sales of the *Samsonite* and *American Tourister* brands increased by US$44.0 million, or 10.2%, and US$3.8 million, or 15.4%, respectively, for the year ended December 31, 2013 compared to the previous year. Excluding foreign currency effects, net sales of the *Samsonite* and *American Tourister* brands increased by 8.6% and 14.3%, respectively. Net sales of the *American Tourister* brand amounted to US$28.1 million, representing 5.4% of net sales in the European region for 2013.

Net sales in the travel product category increased by US$36.6 million, or 9.7%, and by 8.4% on a constant currency basis year-on-year. Net sales in the casual product category increased by US$2.4 million, or 19.2%, and by 16.8% excluding foreign currency effects. Net sales in the business product category increased by US$5.3 million, or 15.9%, and by 13.7% on a constant currency basis for the year ended December 31, 2013 due to successful launches of new product lines throughout the year. Net sales in the accessories product category increased by US$3.0 million, or 10.3%, and by 7.9% excluding foreign currency effects.

Net sales in the wholesale channel increased by US$22.7 million, or 6.2%, for the year ended December 31, 2013 compared to the previous year and by 4.7% excluding foreign currency effects. Net sales in the retail channel increased by US$27.1 million, or 27.6%, and by 26.0% on a constant currency basis, over the same period. On a same-store, constant currency basis, net sales in the retail channel for the European region increased by 15.3% as the Group benefitted from certain promotional sales during the year.

The following table sets forth a breakdown of net sales within the European region by geographic location for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,				2013 vs 2012	
	2013		2012			
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by geographic location[1]:						
Germany	74,333	14.4%	64,502	13.9%	15.2%	11.9%
France	67,005	13.0%	59,580	12.8%	12.5%	9.0%
Belgium[2]	60,330	11.7%	58,164	12.5%	3.7%	0.6%
Italy	54,079	10.5%	52,383	11.3%	3.2%	0.2%
Russia	44,679	8.7%	35,931	7.7%	24.3%	27.9%
Spain	40,286	7.8%	39,075	8.4%	3.1%	(0.3)%
United Kingdom	38,705	7.5%	30,754	6.6%	25.9%	27.8%
Other	135,760	26.4%	124,994	26.8%	8.6%	8.6%
Net sales	515,177	100.0%	465,383	100.0%	10.7%	9.2%

Notes

[1] The geographic location of the Group's net sales reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

[2] Net sales in Belgium were US$21.6 million and US$25.1 million for the years ended December 31, 2013 and December 31, 2012, respectively. Remaining sales consisted of direct shipments to distributors, customers and agents in other countries.

Latin America

Excluding foreign currency effects, net sales increased by 11.7%. US Dollar reported net sales for the Latin American region increased by US$11.0 million, or 9.8%, to US$123.6 million for the year ended December 31, 2013, from US$112.6 million for the year ended December 31, 2012.

For the year ended December 31, 2013, net sales in Chile improved by 15.7% year-on-year, excluding foreign currency effects. The double-digit net sales growth in Chile was due in large part to the strength of luggage sales and robust consumer purchases of backpacks for the back-to-school season, as well as the development of the new women's handbag brand *Secret*. Net sales in Mexico were relatively flat year-on-year due to the loss of export sales to Colombia, Panama and Peru where the Group implemented a direct import and sales model during the year. Domestic net sales in Mexico grew by 10.2% on a constant currency basis and the sales made in Colombia, Panama and Peru are now reflected within the "Other" geographic location in the table below. Brazil posted year-on-year constant currency net sales growth of 8.4% despite being temporarily impacted as the Group shifted from a distributor model to a direct import and sales model. Net sales in Argentina continued to be negatively impacted by import restrictions imposed by the local government and significant currency pressure. Excluding Argentina, net sales for the Latin American region increased by 14.5% excluding foreign currency effects.

Net sales of the *Samsonite* and *American Tourister* brands increased by US$2.1 million, or 4.0%, and US$0.2 million, or 3.4%, respectively, for the year ended December 31, 2013 compared to the previous year. Excluding foreign currency effects, net sales of the *Samsonite* and *American Tourister* brands increased by 6.6% and 2.4%, respectively. The Group began selling the *High Sierra* brand in Latin America during 2013 with net sales of US$1.1 million. The introduction of a line of women's handbags under the *Secret* brand name has shown early signs of success with net sales of US$9.3 million during 2013.

Net sales in the travel product category increased by US$4.1 million, or 8.0%, and by 11.0% excluding foreign currency effects year-on-year. Net sales in the casual product category increased by US$7.3 million, or 26.8%, and by 25.8% on a constant currency basis due to strong sales of the *Xtrem* brand during the back-to-school season in Chile, as well as strong sales of the *Samsonite* and *Xtrem* brands in Mexico. Net sales in the business product category were relatively flat year-on-year. Net sales in the accessories product category increased by US$1.4 million, or 10.0%, and by 14.1% on a constant currency basis.

Net sales in the wholesale channel increased by US$9.7 million, or 12.4%, for the year ended December 31, 2013 compared to the previous year and by 14.1% excluding foreign currency effects. Net sales in the retail channel increased by US$1.4 million, or 4.1%, and by 6.5% on a constant currency basis, over the same period. On a same-store, constant currency basis, net sales in the retail channel increased by 5.0%.

The following table sets forth a breakdown of net sales within the Latin American region by geographic location for the years ended December 31, 2013 and December 31, 2012, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,					
	2013		2012		2013 vs 2012	
	US$'000	Percentage of net sales	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects
Net sales by geographic location[1]:						
Chile	62,577	50.6%	54,998	48.9%	13.8%	15.7%
Mexico	35,475	28.7%	34,240	30.4%	3.6%	0.5%
Brazil[2]	9,762	7.9%	9,628	8.6%	1.4%	8.4%
Argentina	6,704	5.4%	9,823	8.7%	(31.8)%	(17.7)%
Other[3]	9,062	7.4%	3,867	3.4%	134.4%	136.8%
Net sales	123,580	100.0%	112,556	100.0%	9.8%	11.7%

Notes

(1) The geographic location of the Group's net sales reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

(2) The net sales figure for Brazil includes sales made to third party distributors in Brazil.

(3) The net sales figure for Other includes sales made in Colombia, Panama, Peru and through the Group's distribution center in Uruguay but does not include net sales attributable to sales made in Brazil to third party distributors.

Cost of Sales and Gross Profit

Cost of sales increased by US$128.8 million, or 15.7%, to US$949.5 million (representing 46.6% of net sales) for the year ended December 31, 2013 from US$820.7 million (representing 46.3% of net sales) for the year ended December 31, 2012. Cost of sales increased in line with increased net sales. The slight increase in cost of sales as a percentage of net sales was primarily due to strong sales growth in the wholesale channel in the United States, which has lower gross margins, creating downward pressure on consolidated gross margins.

Gross profit increased by US$137.3 million, or 14.4%, to US$1,088.3 million for the year ended December 31, 2013, from US$951.0 million for the year ended December 31, 2012. Gross profit margin decreased from 53.7% for the year ended December 31, 2012 to 53.4% for the year ended December 31, 2013. This decrease was attributable to the factors noted above.

Distribution Expenses

Distribution expenses increased by US$74.1 million, or 15.9%, to US$540.6 million (representing 26.5% of net sales) for the year ended December 31, 2013, from US$466.5 million (representing 26.3% of net sales) for the year ended December 31, 2012. This increase, which was reflected in additional freight to customers, commissions, rent and increased personnel expenses, was primarily due to the increase in sales volume in 2013. Distribution expenses as a percentage of net sales remained relatively consistent year-on-year.

Marketing Expenses

The Group spent US$129.2 million (representing 6.3% of net sales) on marketing for the year ended December 31, 2013 compared to US$117.2 million (representing 6.6% of net sales) for the year ended December 31, 2012, an increase of US$12.0 million, or 10.2%. Marketing expenses as a percentage of net sales decreased slightly to 6.3% for year ended December 31, 2013 from 6.6% the previous year due to strong sales growth and some efficiencies in advertising spend. During 2013, the Group continued to employ targeted and focused advertising and promotional campaigns. The Group believes the success of its advertising campaigns is evident in its net sales growth, and remains committed to enhance brand and product awareness and drive additional net sales growth through focused marketing activities.

General and Administrative Expenses

General and administrative expenses increased by US$11.9 million, or 9.9%, to US$133.1 million (representing 6.5% of net sales) for the year ended December 31, 2013 from US$121.1 million (representing 6.8% of net sales) for the year ended December 31, 2012. Although general and administrative expenses increased in absolute terms, such expenses decreased as a percentage of net sales by 30 basis points as the Group maintained tight control of its fixed cost base and leveraged it against strong sales growth. General and administrative expenses for 2013 included US$7.0 million of share-based compensation expense which was not present in the previous year. Excluding the share-based compensation expense, general and administrative expenses increased by 4.0% year-on-year and decreased by 60 basis points as a percentage of net sales.

Other Expenses

The Group recognized net other expenses of US$4.2 million and US$4.4 million for the years ended December 31, 2013 and December 31, 2012, respectively. Other expenses for 2013 include US$1.8 million of assumed pension costs and US$1.1 million of costs related to acquisition efforts. Other expenses for 2012 include acquisition costs of US$6.4 million, which are primarily comprised of costs associated with due diligence and integration activities, severance, and professional and legal fees for the acquisitions of High Sierra and Hartmann that were completed during 2012.

Operating Profit

The Group's operating profit was US$281.3 million for the year ended December 31, 2013, an increase of US$39.6 million, or 16.4%, from operating profit of US$241.7 million for the year ended December 31, 2012.

Net Finance Costs

Net finance costs decreased by US$6.1 million, or 35.7%, to US$11.0 million for the year ended December 31, 2013 from US$17.0 million for the year ended December 31, 2012. This decrease was primarily attributable to a US$2.9 million reduction in foreign exchange losses and a US$2.6 million decrease in the expense recognized for the change in fair value of put options related to agreements with certain holders of non-controlling interests.

Profit before Income Tax

Profit before income tax increased by US$45.6 million, or 20.3%, to US$270.3 million for the year ended December 31, 2013 from US$224.7 million for the year ended December 31, 2012.

Income Tax Expense

Income tax expense increased by US$14.8 million, or 25.6%, to US$72.9 million for the year ended December 31, 2013 from US$58.1 million for the year ended December 31, 2012.

The Group's consolidated effective tax rate for operations was 27.0% and 25.8% for the years ended December 31, 2013 and December 31, 2012, respectively. The effective tax rate is calculated using a weighted average income tax rate from those jurisdictions in which the Group is subject to tax, adjusted for permanent book/tax differences, tax incentives, changes in tax reserves and the recognition of previously unrecognized deferred tax assets. The increase in the Group's effective tax rate is attributable to the global mix in profitability in various high and low tax jurisdictions, for example the increased profit contribution from the United States in 2013, which is a relatively higher tax jurisdiction.

Profit for the Year

Profit for the year of US$197.4 million for the year ended December 31, 2013 increased by US$30.8 million, or 18.5%, from US$166.6 million for the year ended December 31, 2012. Profit attributable to the equity holders increased by US$27.6 million, or 18.6%, from US$148.4 million for the year ended December 31, 2012 to US$176.1 million for the year ended December 31, 2013.

Adjusted Net Income, a non-IFRS measure, increased by US$22.0 million, or 13.2%, to US$189.2 million for the year ended December 31, 2013 from US$167.2 million for the year ended December 31, 2012. See the reconciliation of profit for the year to Adjusted Net Income below for a detailed discussion of the Group's results excluding certain non-recurring costs and charges and other non-cash charges that impacted reported profit for the year.

Basic and diluted earnings per share ("EPS") increased by 19.0% to US$0.125 for the year ended December 31, 2013 from US$0.105 for the year ended December 31, 2012. Adjusted basic and diluted EPS, a non-IFRS measure, increased to US$0.134 for the year ended December 31, 2013 from US$0.119 for the year ended December 31, 2012. The weighted average number of shares utilized in the basic EPS calculation remained unchanged year-on-year. The weighted average number of shares utilized in the diluted EPS calculation was the same as the number of shares utilized in the basic EPS calculation as all potentially dilutive instruments were anti-dilutive.

Adjusted EBITDA

Adjusted EBITDA, which is a non-IFRS measure, increased by US$51.2 million, or 17.9%, to US$337.7 million for the year ended December 31, 2013 from US$286.5 million for the year ended December 31, 2012. Adjusted EBITDA margin increased to 16.6% from 16.2% as the Group maintained tight control of its fixed cost base while experiencing strong sales growth.

The following table presents the reconciliation from the Group's profit for the year to Adjusted EBITDA for the years ended December 31, 2013 and December 31, 2012.

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Profit for the year	197,421	166,627
Plus (Minus):		
Income tax expense	72,915	58,073
Finance costs	11,808	18,229
Finance income	(852)	(1,187)
Depreciation	36,821	31,770
Amortization	8,363	8,491
EBITDA	326,476	282,003
Plus (Minus):		
Share-based compensation expense	7,036	—
Other adjustments[1]	4,218	4,518
Adjusted EBITDA	337,730	286,521

Note

[1] Other adjustments primarily comprised of 'Other expense' per the consolidated income statement.

The following tables present a reconciliation from profit (loss) for the year to Adjusted EBITDA on a regional basis for the years ended December 31, 2013 and December 31, 2012.

	Year ended December 31, 2013					
Expressed in thousands of US Dollars	**Asia**	**North America**	**Europe**	**Latin America**	**Corporate**	**Total**
Profit for the year	58,197	27,304	50,243	12,558	49,119	197,421
Plus (Minus):						
Income tax expense	19,889	21,374	11,080	2,759	17,813	72,915
Finance costs	4,862	353	1,511	(1,752)	6,834	11,808
Finance income	(264)	(3)	(254)	(3)	(328)	(852)
Depreciation	13,433	4,539	14,397	2,257	2,195	36,821
Amortization	4,207	610	1,582	1,930	34	8,363
EBITDA	100,324	54,177	78,559	17,749	75,667	326,476
Plus (Minus):						
Share-based compensation expense	901	1,449	1,310	179	3,197	7,036
Other adjustments[1]	53,347	45,011	9,910	(169)	(103,881)	4,218
Adjusted EBITDA	154,572	100,637	89,779	17,759	(25,017)	337,730

Note

[1] Other adjustments primarily comprised of 'Other expense' per the consolidated income statement. Regional results include intercompany royalty income/expense.

	Year ended December 31, 2012					
Expressed in thousands of US Dollars	**Asia**	**North America**	**Europe**	**Latin America**	**Corporate**	**Total**
Profit for the year	64,469	23,732	32,750	10,774	34,902	166,627
Plus (Minus):						
Income tax expense (benefit)	20,136	14,398	9,889	(1,732)	15,382	58,073
Finance costs	3,553	344	648	1,951	11,733	18,229
Finance income	(211)	(16)	(188)	(25)	(747)	(1,187)
Depreciation	10,436	3,396	12,985	2,162	2,791	31,770
Amortization	4,207	400	1,943	1,930	11	8,491
EBITDA	102,590	42,254	58,027	15,060	64,072	282,003
Plus (Minus):						
Share-based compensation expense	—	—	—	—	—	—
Other adjustments[1]	31,051	37,862	21,484	2,143	(88,022)	4,518
Adjusted EBITDA	133,641	80,116	79,511	17,203	(23,950)	286,521

Note

[1] Other adjustments primarily comprised of 'Other expense' per the consolidated income statement. Regional results include intercompany royalty income/expense.

The Group has presented Adjusted EBITDA because it believes that, when viewed with its results of operations as prepared in accordance with IFRS and with the reconciliation to profit for the year, Adjusted EBITDA provides additional information that is useful in gaining a more complete understanding of its operational performance and of the trends impacting its business. Adjusted EBITDA is an important metric the Group uses to evaluate its operating performance and cash generation.

Adjusted EBITDA is a non-IFRS financial measure and as calculated herein may not be comparable to similarly named measures used by other companies and should not be considered as a measure comparable to profit for the year in the Group's consolidated income statement. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of the Group's results of operations as reported under IFRS.

Adjusted Net Income

Adjusted Net Income, which is a non-IFRS measure, increased by US$22.0 million, or 13.2%, to US$189.2 million for the year ended December 31, 2013 from US$167.2 million for the year ended December 31, 2012.

The following table presents the reconciliation from the Group's profit for the year to Adjusted Net Income for the years ended December 31, 2013 and December 31, 2012.

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Profit for the year	197,421	166,627
Profit attributable to non-controlling interests	(21,334)	(18,188)
Profit attributable to the equity holders	176,087	148,439
Plus (Minus):		
Expenses related to acquisition activities	1,093	6,417
Change in fair value of put options	6,312	8,908
Amortization of intangible assets[(1)]	8,363	8,491
Tax adjustments	(2,648)	(5,041)
Adjusted Net Income[(2)]	189,207	167,214

Notes

(1) Amortization of intangible assets above represents charges related to the amortization of other intangible assets with finite useful lives that were recognized in conjunction business combinations and that do not relate to assets invested in on an ongoing basis.

(2) Represents Adjusted Net Income attributable to the equity holders of the Group.

The Group has presented Adjusted Net Income because it believes this measure helps to give securities analysts, investors and other interested parties a better understanding of the Group's underlying financial performance. By presenting Adjusted Net Income, the Group eliminates the effect of a number of non-recurring costs and charges and certain other non-cash charges that impact its reported profit for the year.

Adjusted Net Income is a non-IFRS financial measure, and as calculated herein may not be comparable to similarly named measures used by other companies and should not be considered as a measure comparable to profit for the year in the Group's consolidated income statement. Adjusted Net Income has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of the Group's results of operations as reported under IFRS.

Liquidity and Capital Resources

The primary objective of the Group's capital management policies is to safeguard its ability to continue as a going concern, to provide returns for shareholders, and to fund capital expenditures, normal operating expenses, working capital needs, and the payment of obligations. The Group's primary sources of liquidity are its cash flows from operating activities, invested cash, available lines of credit and, subject to shareholder approval, the Company's ability to issue additional shares. The Group believes that its existing cash and estimated cash flows, along with current working capital, will be adequate to meet the operating and capital requirements of the Group for at least the next twelve months.

The Group's generated cash from operating activities was US$193.0 million for the year ended December 31, 2013, a decrease of US$10.0 million from net cash generated from operating activities of US$203.0 million for the year ended December 31, 2012. Cash flows from operating activities for the year ended December 31, 2013 includes US$33.2 million of contributions to the Group's U.S. pension plan, of which US$20.0 million was a supplemental voluntary contribution. The Group's net U.S. pension benefit obligation has been reduced to US$14.3 million at December 31, 2013 from US$54.7 million at December 31, 2012.

For the year ended December 31, 2013, net cash used in investing activities was US$53.9 million, a decrease of US$125.2 million compared to the previous year. This decrease was due to the acquisitions of High Sierra and Hartmann for a net cash consideration of US$142.0 million during 2012, partially offset by an increase in the purchase of property, plant and equipment to US$57.2 million for the year ended December 31, 2013 from US$37.9 million for the previous year, which was largely attributable to expenditures in connection with the construction of a new warehouse in Belgium, new retail store locations and a new manufacturing plant in Hungary.

Net cash used in financing activities was US$64.7 million for the year ended December 31, 2013, an increase of US$48.1 million compared to the previous year. During 2013, the Group repaid in full the remaining outstanding balance on the Revolving Facility used to partially fund the acquisitions of Hartmann and High Sierra in 2012. The Company paid a distribution of US$37.5 million to shareholders from its ad hoc distributable reserve during the year ended December 31, 2013, representing a 25.0% increase from the US$30.0 million distributed during the previous year.

Indebtedness

The following table sets forth the carrying amount of the Group's loans and borrowings as of December 31, 2013 and December 31, 2012.

Expressed in thousands of US Dollars	As of December 31, 2013	2012
Revolving Credit Facility	—	25,000
Finance lease obligations	53	97
Other lines of credit	15,482	10,297
Total loans and borrowings	15,535	35,394
Less deferred financing costs	(1,858)	(3,096)
Total loans and borrowings less deferred financing costs	13,677	32,298

The Group had US$225.3 million in cash and cash equivalents at December 31, 2013, compared to US$151.4 million at December 31, 2012.

The Group maintains a revolving credit facility (the "Revolving Facility") in the amount of US$300.0 million. The facility can be increased by an additional US$100.0 million, subject to lender approval. The Revolving Facility has an initial term of three years from its effective date of July 2, 2012, with a one year extension at the request of the Group and the option of the lenders. The interest rate on borrowings under the Revolving Facility is the aggregate of (i) (a) LIBOR (or EURIBOR in the case of borrowings made in Euro) or (b) the prime rate of the lender and (ii) a margin to be determined based on the Group's leverage ratio. The Revolving Facility carries a commitment fee of 0.175% per annum on any unutilized amounts, as well as an agency fee. The Revolving Facility is secured by certain assets in the United States and Europe, as well as the Group's intellectual property. The Revolving Facility also contains financial covenants related to interest coverage and leverage ratios, and operating covenants that, among other things, limit the Group's ability to incur additional debt, create liens on its assets, and participate in certain mergers, acquisitions, liquidations, asset sales or investments. The Group was in compliance with the financial covenants as of December 31, 2013. At December 31, 2013, US$294.4 million was available to be borrowed on the Revolving Facility as a result of the utilization of US$5.6 million of the facility for outstanding letters of credit extended to certain creditors. At December 31, 2012, US$269.0 million was available to be borrowed on the Revolving Facility as a result of US$25.0 million of outstanding borrowings and the utilization of US$6.0 million of the facility for outstanding letters of credit extended to certain creditors.

Certain members of the Group maintain credit lines with various third party lenders in the regions in which they operate. These local credit lines provide working capital for the day-to-day business operations of such subsidiaries, including overdraft, bank guarantee, and trade finance and factoring facilities. The majority of these credit lines are uncommitted facilities. The total aggregate amount outstanding under the local facilities was US$15.5 million and US$10.3 million at December 31, 2013 and December 31, 2012, respectively.

The following represents the contractual maturity dates of the Group's loans and borrowings (excluding the impact of netting agreements) as of December 31, 2013 and December 31, 2012.

Expressed in thousands of US Dollars	**As of December 31,**	
	2013	**2012**
On demand or within one year	15,498	35,330
Between 1 and 2 years	17	22
Between 2 and 5 years	20	42
Over 5 years	—	—
	15,535	35,394

Other Financial Information

Working Capital Ratios

Inventory Analysis

The following table sets forth a summary of the Group's average inventory, cost of sales and average inventory days for the years ended December 31, 2013 and December 31, 2012.

Expressed in thousands of US Dollars	**Year ended December 31,**	
	2013	**2012**
Average inventory[(1)]	287,947	257,237
Cost of sales	949,475	820,721
Average inventory turnover days[(2)]	111	114

Notes

(1) Average inventory equals the average of net inventory at the beginning and end of a given period.

(2) Average inventory turnover days for a given period equals average inventory for that period divided by cost of sales for that period and multiplied by the number of days in the period.

The Group's average inventory increased in 2013 (US$298.4 million at December 31, 2013 compared to US$277.5 million at December 31, 2012) from 2012 (US$277.5 million at December 31, 2012 compared to US$237.0 million at December 31, 2011) to support increased customer demand and new product introductions, as well as a result of the High Sierra and Hartmann acquisitions completed in the second half of 2012.

Trade and Other Receivables

The following table sets forth a summary of the Group's average trade and other receivables, net sales and turnover of trade and other receivables for the years ended December 31, 2013 and December 31, 2012.

Expressed in thousands of US Dollars	**Year ended December 31,**	
	2013	**2012**
Average trade and other receivables[1]	234,266	196,856
Net sales	2,037,812	1,771,726
Turnover days of trade and other receivables[2]	42	41

Notes

[1] Average trade and other receivables equal the average of net trade and other receivables at the beginning and end of a given period.

[2] Turnover days of trade and other receivables for a given period equals average trade and other receivables for that period divided by net sales for that period and multiplied by the number of days in the period.

The Group's average trade and other receivables increased in 2013 (US$246.4 million at December 31, 2013 compared to US$222.2 million at December 31, 2012) from 2012 (US$222.2 million at December 31, 2012 compared to US$171.6 million at December 31, 2011) in line with the increase in net sales.

Trade receivables as of December 31, 2013 are on average due within 60 days from the date of billing.

Trade and Other Payables

The following table sets forth a summary of the Group's average trade and other payables, cost of sales and turnover days of trade and other payables for the years ended December 31, 2013 and December 31, 2012.

Expressed in thousands of US Dollars	**Year ended December 31,**	
	2013	**2012**
Average trade and other payables[1]	374,864	324,524
Cost of sales	949,475	820,721
Turnover days of trade and other payables[2]	144	144

Notes

[1] Average trade and other payables equal the average of trade and other payables at the beginning and end of a given period.

[2] Turnover days of trade and other payables for a given period equals average trade and other payables for that period divided by cost of sales for that period and multiplied by the number of days in the period.

The increase in average trade and other payables at December 31, 2013 (US$387.2 million at December 31, 2013 compared to US$362.5 million at December 31, 2012) from December 31, 2012 (US$362.5 million at December 31, 2012 compared to US$286.6 million at December 31, 2011) was primarily due to increased inventory purchases period over period and the timing of such purchases.

Trade payables as of December 31, 2013 are on average due within 105 days from the invoice date.

Capital Expenditures

Historical Capital Expenditures

The following table sets forth the Group's historical capital expenditures for the years ended December 31, 2013 and December 31, 2012.

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Land	188	2,449
Buildings	906	2,562
Machinery, equipment, leasehold improvements and other	56,145	32,930
Total capital expenditures	57,239	37,941

The increase in the purchase of property, plant and equipment from the previous year was largely attributable to expenditures in connection with the construction of a new warehouse in Belgium, new retail store locations and a new manufacturing plant in Hungary.

Planned Capital Expenditures

The Group's capital expenditures budget for 2014 is approximately US$69.1 million. The Group plans to complete the construction of the new warehouse in Belgium that began in 2013, construct an office in Ningbo, China, refurbish existing retail stores, open new retail stores and invest in machinery and equipment.

Contractual Obligations

The following table summarizes scheduled maturities of the Group's contractual obligations for which cash flows are fixed and determinable as of December 31, 2013.

			Payments Due		
Expressed in thousands of US Dollars	**Total**	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	15,535	15,498	17	20	—
Minimum operating lease payments	231,748	68,558	55,054	86,657	21,479

As of December 31, 2013, the Group did not have any material off-balance sheet arrangements or contingencies except as included in the table summarizing its contractual obligations above.

Gearing Ratio

The following table sets forth the Group's loans and borrowings (excluding deferred financing costs), total equity and gearing ratio as of December 31, 2013 and December 31, 2012.

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Loans and borrowings (excl. deferred financing costs)	15,535	35,394
Total equity	1,230,582	1,086,105
Gearing ratio[1]	1.3%	3.3%

Note

(1) Calculated as total loans and borrowings (excluding deferred financing costs) divided by total equity.

2. *Principal risks and uncertainties*

Details of principal risks and uncertainties can be found in notes 5 and 21 of the consolidated financial statements.

In terms of financial guarantees, the Company's policy is to provide financial guarantees only on behalf of subsidiaries. No other guarantees have been made to third parties.

3. *Internal Controls and Risk Management System*

The Board places great importance on internal control and is responsible for ensuring that the Company maintains sound and effective internal controls.

The Company's internal audit department reviews the adequacy and effectiveness of the internal control system. The internal and external audit plans are discussed and agreed each year with the Audit Committee.

The Board has reviewed the overall effectiveness of the Company's system of internal control for the year ended December 31, 2013. The Board has delegated to the Audit Committee responsibility for reviewing the Company's internal controls and reporting the committee's findings to the Board. In conducting such review, the Audit Committee, on behalf of the Board, has (i) reviewed the Company's internal audit activities during the year and discussed such activities and the results thereof with the Company's Head of Internal Audit, (ii) reviewed and discussed the scope and results of the annual audit with the Company's external auditors, and (iii) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the annual financial statements. Based on its review, the Board is not aware of any material defects in the effectiveness of internal controls.

4. *Financial Risk Management and Hedging*

The Group's non-U.S. subsidiaries periodically enter into forward contracts related to the purchase of inventory denominated primarily in US Dollars which are designated as cash flow hedges. Cash flows associated with these derivatives at December 31, 2013 are expected to be US$94.7 million within one year.

5. Research and Development

The Group devotes significant resources to new product design, development and innovation as it is a core part of its strategy. The Group believes it has a strong track record of innovation, and its global scale allows it to make significant expenditures on research and development. The Group incurred research and development expenses of US$22.4 million during the year ended December 31, 2013. Each of the Group's regions has a design team that develops products specifically for that region, and who are in communication with each other on a regular basis, sharing ideas and designs. The Group's design teams are continuously developing new products, based on continual improvement and innovation. The Group's global research and development activities are managed by the Vice President of Global Design and Development, who is based in the Group's Saltrio, Italy facility.

6. Capital Structure and Shareholding

Details on the capital structure of the Company can be found in note 14 of the consolidated financial statements. Since its incorporation, the Company did not proceed to acquire any of its own shares.

7. Other Information

Distributions to Shareholders

On March 18, 2013, the Board recommended that a cash distribution in the amount of US$37.5 million, or US$0.02665 per share, be made to the Company's shareholders of record on June 20, 2013 from its ad hoc distributable reserve. The shareholders approved this distribution on June 6, 2013 at the annual general meeting and the distribution was paid on July 12, 2013.

No other dividends or distributions were declared or paid during the year ended December 31, 2013.

The Board recommends that a cash distribution in the amount of US$80.0 million (the "Distribution") be made to the Company's shareholders from its ad hoc distributable reserve. The payment shall be made in US dollars, except that payment to shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate shall be the opening buying rate of Hong Kong dollars to US dollars as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the Distribution.

The Distribution will be subject to approval by the shareholders at the forthcoming AGM of the Company. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from June 3, 2014 to June 5, 2014, both days inclusive, during which period no transfer of shares will be registered. The record date to determine which shareholders will be eligible to attend and vote at the forthcoming AGM will be June 5, 2014. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on May 30, 2014.

Subject to the shareholders approving the recommended Distribution at the forthcoming AGM, such Distribution will be payable on or about July 11, 2014 to shareholders whose names appear on the register of members on June 17, 2014. To determine eligibility for the Distribution, the register of members will be closed from June 13, 2014 to June 17, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to receive the Distribution, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on June 12, 2014.

The Distribution will not be subject to withholding tax under Luxembourg laws.

Human Resources and Remuneration

At December 31, 2013, the Group had approximately 8,085 employees worldwide, compared to approximately 7,070 employees at December 31, 2012. The increase in headcount is largely driven by the addition of new retail stores and shop-in-shop expansion in Asia. The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice, employee performance and the financial performance of the Group.

8. Strategic review and prospects

Strategic Review and Prospects

During 2013, the Group continued to implement its strategic plan in the following areas:

Positive financial results

All key Group metrics showed considerable growth for the year ended December 31, 2013 compared to the year ended December 31, 2012.

- Net sales increased by 15.0% to US$2,037.8 million for the year ended December 31, 2013. Excluding foreign currency effects, net sales increased by 16.1%.
- Operating profit increased by US$39.6 million, or 16.4%.
- Adjusted Net Income increased by US$22.0 million, or 13.2%, year-on-year.
- Adjusted EBITDA increased by 17.9% to US$337.7 million.
- Adjusted EBITDA margin increased to 16.6% from 16.2% reflecting the Group's ability to leverage its cost base against strong sales growth.
- The Group generated US$193.0 million of cash from operating activities.

Significant investment in advertising and promotion

The Group maintained its significant investment in marketing, which amounted to approximately 6.3% of net sales, reflecting its commitment to advertise and promote its brands and products to support sales growth worldwide.

New products in the market

The Group continued to focus on innovation and ensuring that its products reflect local consumer tastes in each region. Innovation and a regional focus on product development are key drivers of sales growth and are the means to deliver quality and value to the Group's customers.

Expanded distribution network

The Group continued the further expansion of its distribution network by adding over 1,000 points of sale during the year to over 46,000 points of sale worldwide as of December 31, 2013.

Future Prospects

The Group's growth strategy will continue as planned for 2014, with a focus on the following:

- continue to gain market share by leveraging the strength of the Group's brands, *Samsonite*, *American Tourister*, *High Sierra* and *Hartmann*, across all of its markets while continuing to capitalize on the robust growth in international travel;

- further expansion of the geographic reach of the *High Sierra* and *Hartmann* brands which were acquired in the second half of 2012;

- introduce new and innovative product designs, adapted to the needs of consumers in different markets, while staying true to the Group's core values of lightness, strength and functionality;

- improve the efficiency and effectiveness of the Group's supply chain and global distribution network;

- increase the Group's investment in research & development and marketing broadly in line with sales growth;

- allocate more resources to the product categories that present the greatest opportunity for the Group to diversify its product offerings and gain market share; and

- actively evaluate acquisition opportunities that have a compelling strategic fit, leveraging the Group's strong management team and balance sheet capacity.

The Group aims to deliver top-line growth, maintain gross margins, increase Adjusted EBITDA margins, generate cash and enhance shareholder value.

9. Subsequent Events

Please refer to note 27 of the consolidated financial statements for further details on subsequent events.

Report of the Réviseur d'Entreprises agréé

To the Shareholders
Samsonite International S.A.
13–15, Avenue de la Liberté
L-1931 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Samsonite International S.A., which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Report of the Réviseur d'Entreprises agréé

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Samsonite International S.A. as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, March 18, 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Jean-Manuel Séris

Consolidated Income Statement

Expressed in thousands of US Dollars, except per share data	Note	Year ended December 31, 2013	2012
Net sales	6	2,037,812	1,771,726
Cost of sales		(949,475)	(820,721)
Gross profit		1,088,337	951,005
Distribution expenses		(540,578)	(466,471)
Marketing expenses		(129,221)	(117,211)
General and administrative expenses		(133,073)	(121,132)
Other expenses		(4,173)	(4,449)
Operating profit		281,292	241,742
Finance income	23	852	1,187
Finance costs	23	(11,808)	(18,229)
Net finance costs		(10,956)	(17,042)
Profit before income tax	24	270,336	224,700
Income tax expense	22	(72,915)	(58,073)
Profit for the year		197,421	166,627
Profit attributable to the equity holders		176,087	148,439
Profit attributable to non-controlling interests		21,334	18,188
Profit for the year		197,421	166,627
Earnings per share			
Basic and diluted earnings per share			
(Expressed in US Dollars per share)	15	0.125	0.105

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Expressed in thousands of US Dollars	Note	Year ended December 31, 2013	2012
Profit for the year		197,421	166,627
Other comprehensive income (loss):			
Items that will never be reclassified to profit or loss:			
Recognition of previously unrecognized deferred tax on defined benefit plans	22	—	34,899
Remeasurements on defined benefit plans, net of tax	17	4,511	(16,390)
		4,511	18,509
Items that are or may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges, net of tax		(1,569)	(4,314)
Foreign currency translation gains (losses) for foreign operations		(9,880)	8,134
		(11,449)	3,820
Other comprehensive income (loss)		(6,938)	22,329
Total comprehensive income		190,483	188,956
Total comprehensive income attributable to the equity holders		173,213	169,982
Total comprehensive income attributable to non-controlling interests		17,270	18,974
Total comprehensive income for the year		190,483	188,956

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Financial Position

Expressed in thousands of US Dollars	**Note**	**December 31,**	
		2013	**2012**
Non-Current Assets			
Property, plant and equipment, net	8	155,347	135,824
Goodwill	9(a)	214,356	214,356
Other intangible assets, net	9(b)	662,707	671,522
Deferred tax assets	22(d)	44,401	55,302
Other assets and receivables	10(a)	22,722	22,793
Total non-current assets		1,099,533	1,099,797
Current Assets			
Inventories	11	298,377	277,516
Trade and other receivables, net	12	246,372	222,159
Prepaid expenses and other assets	10(b)	65,262	62,293
Cash and cash equivalents	13	225,347	151,399
Total current assets		835,358	713,367
Total assets		1,934,891	1,813,164
Equity and Liabilities			
Equity:			
Share capital	14	14,071	14,071
Reserves	14	1,178,685	1,037,522
Total equity attributable to equity holders		1,192,756	1,051,593
Non-controlling interests	14	37,826	34,512
Total equity		1,230,582	1,086,105
Non-Current Liabilities			
Loans and borrowings	16 (a)	37	64
Employee benefits	17	33,432	68,378
Non-controlling interest put options	14(f)	52,848	44,950
Deferred tax liabilities	22(d)	111,370	113,809
Other liabilities		4,879	6,319
Total non-current liabilities		202,566	233,520
Current Liabilities			
Loans and borrowings	16 (b)	13,640	32,234
Employee benefits		54,437	49,977
Trade and other payables	20	387,239	362,488
Current tax liabilities	22	46,427	48,840
Total current liabilities		501,743	493,539
Total liabilities		704,309	727,059
Total equity and liabilities		1,934,891	1,813,164
Net current assets		333,615	219,828
Total assets less current liabilities		1,433,148	1,319,625

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

Expressed in thousands of US Dollars, except number of shares	Note	Number of shares	Share capital	Reserves: Additional paid-in capital	Reserves: Translation reserve	Reserves: Other reserves	Reserves: Retained earnings (accumulated deficit)	Total equity attributable to equity holders	Non-controlling interest	Total equity
Year ended December 31, 2012:										
Balance, January 1, 2012		1,407,137,004	14,071	962,192	(9,019)	(88,780)	39,667	918,131	27,069	945,200
Profit for the year		—	—	—	—	—	148,439	148,439	18,188	166,627
Other comprehensive income (loss):										
Actuarial losses on defined benefit plans, net of tax	17	—	—	—	—	(16,390)	—	(16,390)	—	(16,390)
Recognition of previously unrecognized deferred tax on defined benefit plans	22	—	—	—	—	34,899	—	34,899	—	34,899
Changes in fair value of cash flow hedges, net of tax		—	—	—	—	(4,314)	—	(4,314)	—	(4,314)
Foreign currency translation gains		—	—	—	7,348	—	—	7,348	786	8,134
Total comprehensive income (loss) for the year		—	—	—	7,348	14,195	148,439	169,982	18,974	188,956
Transactions with owners recorded directly in equity:										
Change in fair value of put options	14(f)	—	—	—	—	—	(6,520)	(6,520)	—	(6,520)
Cash distributions to equity holders	15	—	—	—	—	—	(30,000)	(30,000)	—	(30,000)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(6,479)	(6,479)
Other transactions		—	—	—	—	—	—	—	(5,052)	(5,052)
Balance, December 31, 2012		1,407,137,004	14,071	962,192	(1,671)	(74,585)	151,586	1,051,593	34,512	1,086,105
Year ended December 31, 2013:										
Balance, January 1, 2013		1,407,137,004	14,071	962,192	(1,671)	(74,585)	151,586	1,051,593	34,512	1,086,105
Profit for the year		—	—	—	—	—	176,087	176,087	21,334	197,421
Other comprehensive income (loss):										
Remeasurements on defined benefit plans, net of tax	17	—	—	—	—	4,608	—	4,608	(97)	4,511
Changes in fair value of cash flow hedges, net of tax		—	—	—	—	(1,576)	—	(1,576)	7	(1,569)
Foreign currency translation gains		—	—	—	(5,906)	—	—	(5,906)	(3,974)	(9,880)
Total comprehensive income (loss) for the year		—	—	—	(5,906)	3,032	176,087	173,213	17,270	190,483
Transactions with owners recorded directly in equity:										
Change in fair value of put options	14(f)	—	—	—	—	—	(1,586)	(1,586)	—	(1,586)
Cash distributions to equity holders	15	—	—	—	—	—	(37,500)	(37,500)	—	(37,500)
Share-based compensation		—	—	—	—	7,036	—	7,036	—	7,036
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(8,359)	(8,359)
Other transactions		—	—	—	—	—	—	—	(5,597)	(5,597)
Balance, December 31, 2013		1,407,137,004	14,071	962,192	(7,577)	(64,517)	288,587	1,192,756	37,826	1,230,582

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Expressed in thousands of US Dollars	Note	Year ended December 31, 2013	2012
Cash flows from operating activities:			
Profit for the year		197,421	166,627
Adjustments to reconcile profit to net cash generated from operating activities:			
Gain on sale and disposal of assets, net		(143)	(211)
Depreciation	8	36,821	31,770
Amortization of intangible assets	9	8,363	8,491
Provision for doubtful accounts		2,242	1,861
Change in fair value of put options		6,312	8,908
Net change in defined benefit pension plan	17	(27,813)	(17,260)
Non-cash share-based compensation	17	7,036	—
Income tax expense	22	72,915	58,073
		303,154	258,259
Changes in operating assets and liabilities (excluding the effects of acquisitions):			
Trade and other receivables		(31,575)	(32,747)
Inventories		(24,663)	(20,671)
Other current assets		(3,895)	4,727
Trade and other payables		29,749	64,022
Other assets and liabilities, net		(17,486)	(13,510)
Cash generated from operating activities		255,284	260,080
Interest paid		(1,791)	(2,945)
Income tax paid		(60,460)	(54,143)
Net cash generated from operating activities		193,033	202,992
Cash flows from investing activities:			
Purchases of property, plant and equipment	8	(57,239)	(37,941)
Acquisition of businesses, net of cash acquired	7	—	(141,953)
Other proceeds		3,306	713
Net cash used in investing activities		(53,933)	(179,181)

Consolidated Statement of Cash Flows *(cont.)*

Expressed in thousands of US Dollars	Note	Year ended December 31, 2013	2012
Cash flows from financing activities:			
Current loans and borrowings proceeds (payments), net	16	(18,793)	21,034
Cash distributions to equity holders	15	(37,500)	(30,000)
Payment of debt issue costs		—	(1,069)
Dividend payments to non-controlling interests	26	(8,359)	(6,479)
Net cash used in financing activities		(64,652)	(16,514)
Net increase in cash and cash equivalents		74,448	7,297
Cash and cash equivalents, at January 1		151,399	141,259
Effect of exchange rate changes on cash and cash equivalents		(500)	2,843
Cash and cash equivalents, at December 31	13	225,347	151,399

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Background

Samsonite International S.A. (the "Company"), together with its consolidated subsidiaries (the "Group"), is principally engaged in the design, manufacture, sourcing and distribution of luggage, business and computer bags, outdoor and casual bags, and travel accessories throughout the world, primarily under the *Samsonite®*, *American Tourister®*, *High Sierra®* and *Hartmann®* brand names and other owned and licensed brand names. The Group sells its products through a variety of wholesale distribution channels, through its company operated retail stores and through e-commerce. The principal luggage wholesale distribution customers of the Group are department and specialty retail stores, mass merchants, catalog showrooms and warehouse clubs. The Group sells its products in Asia, Europe, North America and Latin America.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company was incorporated in Luxembourg on March 8, 2011 as a public limited liability company (a société anonyme), whose registered office is 13–15 Avenue de la Liberté, L-1931, Luxembourg.

Details of the principal subsidiaries of the Group are set out in note 26.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which collective term includes all International Accounting Standards ("IAS") and related interpretations, as issued by the International Accounting Standards Board (the "IASB").

Until December 31, 2012, the Company was preparing consolidated financial statements in accordance with IFRS as adopted by the European Union ("EU"). On October 30, 2013, The Company obtained from the Luxembourg Ministry of Justice, a 3-year authorization to prepare consolidated accounts under IFRS as adopted by IASB instead of IFRS as adopted by the EU provided that a reconciliation of the equity and result for the year as reported to the equity and result for the year that would have been reported under Luxembourg legal and regulatory requirements or under IFRS as adopted by the EU is disclosed in the consolidated financial statements of the Company.

A reconciliation of the equity and result for the year as reported to the equity and result for the year that would have been reported under IFRS as adopted by the EU is disclosed below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the consolidated financial statements, the Group has adopted all these new and revised IFRSs for all periods presented, except for any new standards or interpretations that are not yet mandatorily effective for the accounting period ended December 31, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended December 31, 2013 are set out in note 3(u).

The accounting policies below, where material, have been applied consistently to all periods presented in the consolidated financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on March 18, 2014.

Reconciliation with IFRS as adopted by the EU

	As at December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Equity under IFRS as issued by the IASB	1,230,582	1,086,105
Reconciling item		
None	—	—
Equity under IFRS as adopted by the EU	1,230,582	1,086,105

	2013	**2012**
Profit for the year under IFRS as issued by the IASB	197,421	166,627
Reconciling item		
None	—	—
Profit for the year under IFRS as adopted by the EU	197,421	166,627

As at December 31, 2012, the Company prepared a set of consolidated financial statements under IFRS as issued by the IASB for the purpose of the Listing of Securities on The Stock Exchange of Hong Kong Limited and another set of consolidated financial statements under IFRS as adopted by the EU for the purpose of Luxembourg legal and regulatory requirements. At that time, no difference was reported between the equity under IFRS as issued by the IASB and the equity under IFRS as adopted by the EU nor between the profit for the year under IFRS as issued by the IASB and the profit for the year under IFRS as adopted by the EU.

As mentioned in note 2 (e), changes in accounting policies, the IASB has issued a number of new and revised IFRSs. For the purpose of preparing the consolidated financial information for the year ended December 31, 2013, a number of new or revised IFRSs became effective for the current reporting period.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* have been endorsed by the EU and their effective application date would be for years beginning on or after January 1, 2014. However, as early adoption before this date is allowed by the EU, this does not result in any divergence between IFRS as issued by the IASB and between IFRS as adopted by the EU. The adoption of these standards had no impact on the equity or on the profit of the year.

IFRS 13 *Fair Value Measurement*, the amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* (2011) and the Amendments to IAS 19 *Employee Benefits* (2011) apply all for annual periods beginning on or after 1 January 2013 both under IFRS as issued by the IASB and IFRS as adopted by the EU. The adoption of those standards and amendments had no impact on the equity or on the profit of the year.

The amendment to IAS 34 had no impact on the equity or on the profit of the year.

As mentioned in note 3 (u), certain new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements.

IFRS 9, *Financial Instruments* has not been endorsed yet by the EU.

The amendments to IAS 32, *Financial Instruments* have been endorsed by the EU.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position as set out in the accounting policies below:

- derivative financial instruments are measured at fair value.

- the defined benefit liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

(c) Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Group operates (functional currency). The functional currencies of the significant subsidiaries of the Group are the currencies of the primary economic environment and key business processes of these subsidiaries and include, but are not limited to, United States Dollars, Euros, Renminbi and Indian Rupee.

Unless otherwise stated, the consolidated financial statements are presented in the United States Dollar ("USD"), which is the functional and presentation currency of the Company.

(d) Use of Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3(n) — Revenue recognition

- Note 7 — Business combinations

- Note 8 — Property, plant and equipment

- Note 9 — Goodwill and other intangible assets

- Note 11 — Inventories
- Note 12 — Allowances for trade and other receivables
- Note 14 — Non-controlling interests
- Note 17(a) — Share-based payments
- Note 17(b) — Obligations under defined benefit plans
- Note 21– Fair value of financial instruments
- Note 22 — Income taxes

Information about assumptions and estimation uncertainties that may have an effect on the consolidated financial statements resulting in a material adjustment within the next financial year is included in the following notes:

- Note 17(b) — Measurement of plan assets and defined benefit obligation
- Note 19 — Contingent liabilities
- Note 21 — Financial instruments
- Note 22 — Utilization of tax losses

(e) Changes in Accounting Policies

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the consolidated financial information for the year ended December 31, 2013, a number of new or revised IFRSs became effective for the current reporting period.

(i) IFRS 10 *Consolidated Financial Statements*

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The adoption of this standard did not change the Group's current conclusion in respect of consolidated subsidiaries.

(ii) IFRS 11 *Joint Arrangements*

Under IFRS 11, the legal structure of a joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be accounted for using the equity method.

There was no impact to the Group's financial statements from the adoption of IFRS 11.

(iii) IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 integrates and makes consistent disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities in a single IFRS. The Group has included additional disclosures to meet the requirements of this standard (see note 26).

(iv) IFRS 13 *Fair Value Measurement* (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7, *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(v) IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* (2011)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that could be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendments to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Group.

(vi) IAS 19 *Employee Benefits* (2011)

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit. Under IAS 19 (2011), the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest cost on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect of asset ceiling.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

(vii) Segment Information

The amendment to IAS 34 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. As a result of this amendment, the Group did not need to include additional disclosure of segment assets or liabilities.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group to all periods presented, where material, in these consolidated financial statements. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year. None of the changes impacts the Group's previously reported consolidated net sales, gross profit, operating profit, income tax expense, profit for the year, earnings per share, net cash generated from operating activities, investing activities or financing activities, or the statement of financial position.

(a) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial information of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All significant intercompany balances and transactions have been eliminated in consolidation.

(ii) Non-controlling Interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(iii) Business Combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is obtained by the Group. In assessing control, the Group takes into consideration substantive potential voting rights.

The Group measures goodwill at the acquisition date as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured at the acquisition date. If the net fair value is greater than the consideration transferred, then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

When share-based payment awards ("replacement awards") are required to be exchanged for awards held by the acquiree's employees ("acquiree's awards") and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(b) Foreign Currency Translation and Exchange Risk

(i) Foreign Currency Transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognized in other comprehensive income. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign Operations

The assets and liabilities of the Group's foreign subsidiaries are translated into USD at period end exchange rates. Equity accounts denominated in foreign currencies are translated into USD at historical exchange rates. Income and expense accounts are translated at average monthly exchange rates. The net exchange gains or losses resulting from translating at varied exchange rates are recorded as a component of other comprehensive income and accumulated in equity and attributed to non-controlling interests, as appropriate.

(c) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group's segment reporting is based on geographical areas, representative of how the Group's business is managed and its operating results are evaluated. The Group's operations are organized as follows; (i) "Asia"; (ii) "Europe"; (iii) "North America"; (iv) "Latin America", and (v) "Corporate", which are set out in note 6.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, income tax assets and liabilities, and licensing activities from the license of brand names owned by the Group.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(d) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets under finance leases are stated at the present value of the future minimum lease payments. Improvements which extend the life of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Gains and losses arising from the retirement or disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss on the date of retirement or disposal.

Depreciation and amortization are provided on the straight-line method over the estimated useful life of the asset or the lease term, if applicable, as follows:

Buildings	20 to 30 years
Machinery, equipment and other	3 to 10 years
Leasehold improvements	lesser of useful life or the lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate. Land owned by the Group with freehold interest is not depreciated.

The Group capitalizes the costs of purchased software and costs to configure, install and test software and includes these costs within machinery, equipment and other in the consolidated statement of financial position. Software assessment and evaluation, process reengineering, data conversion, training, maintenance and ongoing software support costs are expensed.

(e) Goodwill and Other Intangible Assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 3(a)(iii). Subsequent to initial recognition, goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit (CGU), or groups of cash-generating units, which are expected to benefit from the synergies of the combination and are tested annually for impairment (see note 9).

(ii) Intangible Assets (other than Goodwill)

Intangible assets consist of tradenames, customer relationships, patents and leasehold rights. No recognized intangible assets have been generated internally.

Intangible assets which are considered to have an indefinite life, tradenames, are measured at cost less accumulated impairment losses and are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset may be impaired. *Samsonite*®, *American Tourister*®, *High Sierra*® and *Hartmann*® are the significant tradenames of the Group. It is anticipated that the economic benefits associated with these tradenames will continue for an indefinite period. The conclusion that the tradenames are an indefinite lived asset is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out below.

Intangible assets which have a finite life are amortized and measured at cost less accumulated amortization and accumulated impairment losses. Amortization expense is recognized in profit or loss on a straight-line basis over the estimated useful lives from the date that they are available for use, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The estimated useful lives are as follows:

Customer relationships	10 to 20 years
Leasehold rights	3 to 6 years
Patents	1 to 10 years

Intangible assets having a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Estimated useful lives of intangible assets are reviewed annually and adjusted if applicable.

(f) Impairment

(i) Financial Assets (Including Trade and Other Receivables)

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. The allowance account for receivables is used to record impairment losses unless the Group believes recovery is remote and the impairment loss is applied directly against the financial asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment, the Group uses historical trends, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Impairment losses that have been recognized 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.

(ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories 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 those CGUs or group of CGUs that to which goodwill has been allocated and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU 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 an appropriate 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 "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment before aggregation ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes to the asset or CGU.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the group of 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 that has been recognized on goodwill is not reversed in subsequent periods if estimates used to determine the recoverable amount change. For other assets, impairment losses that have been recognized 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 amortization, if no impairment loss had been recognized.

(g) Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is calculated using the weighted average method. The cost of inventory includes expenditures incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as expenses in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash held at banks, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Trade and Other Payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently measured at amortized cost using the effective interest method.

(j) Interest-bearing Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Financial Instruments

(i) Non-derivative Financial Assets and Liabilities

The Group initially recognizes receivables and deposits on the date that they are originated.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, receivables are measured at cost, less any impairment losses. Receivables are comprised of trade and other receivables.

The Group initially recognizes debt instruments issued on the date that they are originated. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Both loans and borrowings and trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to their initial recognition, loans and borrowings are accounted for at amortized cost using the effective interest method.

(ii) Derivative Financial Instruments

The Group holds derivative financial instruments to hedge certain of its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. For derivatives designated in hedging relationships, changes in the fair value are either offset through profit or loss against the change in fair value of the hedged item attributable to the risk being hedged or recognized in hedging reserves that are reported directly in equity (deficit) until the hedged item is recognized in profit or loss and, at that time, the related hedging gain or loss is removed from equity (deficit) and is used to offset the change in value of the hedged item.

Other than agreements with holders of non-controlling interests, there were no derivatives embedded in host contracts during the periods presented. The Group has certain put option agreements that are classified as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation*, in the consolidated statement of financial position, as the Group has a potential obligation to settle the option in cash in the future. The amount recognized initially is the fair value of the redeemable non-controlling interests and subsequently remeasured at each reporting date based on a price to earnings multiple discounted to the reporting date. For agreements entered into prior to the adoption of IFRS 3, *Business Combinations*, on January 1, 2008, subsequent changes in liabilities are recognized in profit or loss. For agreements entered into after January 1, 2008, subsequent changes in liabilities are recognized through equity.

Derivatives are recognized initially at fair value and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The Group periodically enters into derivative contracts that it designates as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Group formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Group also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items by determining whether the actual results of each hedge are within a range of 80% to 125%. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Gains and losses on the derivative representing hedge ineffectiveness are excluded from the assessment of effectiveness and are recognized in current profit or loss.

The Group discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is de-designated as a hedging instrument because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When a derivative financial instrument is not held for trading, and is not designated in a qualified hedging relationship, all changes in fair value are recognized immediately through profit or loss.

(iii) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(l) Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity 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 recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is based on a high grade bond yield curve under which the benefits were projected and discounted at spot rates along the curve. The discount rate was then determined as a single rate yielding the same present value. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The Group recognizes remeasurements related to all actuarial gains and losses arising from defined benefit plans in other comprehensive income and those amounts cannot subsequently be reclassified into profit or loss. Actuarial valuations are obtained annually at the end of the fiscal year.

(iii) Other Long-Term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is based on a high grade bond yield curve under which the benefits were projected and discounted at spot rates along the curve. The discount rate was then determined as a single rate yielding the same present value. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise. Actuarial valuations are obtained annually at the end of the fiscal year.

(iv) Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

(v) Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(vi) Share-based Payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For equity-settled share-based payment awards with market performance conditions or non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(m) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, items recognized directly in equity or in 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, if they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Revenue Recognition

Revenues from wholesale product sales are recognized when (i) evidence of a sales arrangement at a fixed or determinable price exists (usually in the form of a sales order), (ii) collectability is reasonably assured, and (iii) title transfers to the customer. Provisions are made for estimates of markdown allowances, warranties, returns and discounts at the time product sales are recognized. Shipping terms are predominately FOB shipping point (title transfers to the customer at the Group's shipping location) except in certain Asian countries where title transfers upon delivery to the customer. In all cases, sales are recognized upon transfer of title to customers. Revenues from retail sales are recognized at the point of sale to consumers. Revenue excludes collected sales taxes.

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss.

The Group licenses its brand names to certain third parties. Net sales in the accompanying consolidated income statement include royalties earned on licensing agreements with third parties, for which revenue is earned and recognized when the third party makes a sale of a branded product of the Group.

(o) Cost of Sales, Distribution, Marketing and General and Administrative Expenses

The Group includes the following types of costs in cost of sales: direct product purchase and manufacturing costs, duties, freight in, freight out, receiving, inspection, internal transfer costs, depreciation and procurement and manufacturing overhead. The impairment of inventories and the reversals of such impairments are included in cost of sales during the period in which they occur.

Distribution expenses are primarily comprised of rent, employee benefits, customer freight, depreciation, amortization, warehousing costs and other selling expenses.

Marketing expenses consist of advertising and promotional activities. Costs for producing media advertising are deferred until the related advertising first appears in print or television media, at which time such costs are expensed. All other advertising costs are expensed as incurred. Cooperative advertising costs associated with customer support programs giving the Group an identifiable advertising benefit equal to at least the amount of the advertising allowance are accrued and charged to marketing expenses when the related revenues are recognized. From time to time, the Group offers various types of incentive arrangements such as cash or payment discounts, rebates or free products. All such incentive arrangements are accrued and reduce reported revenues when incurred.

General and administrative expenses consist of management salaries and benefits, information technology costs, and other costs related to administrative functions.

(p) Finance Income and Costs

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of put options associated with the Group's majority-owned subsidiaries, and losses on hedging instruments that are recognized in profit or loss. Foreign currency gains and losses are reported on a net basis.

Costs incurred in connection with the issuance of debt instruments are included in the initial measurement of the related financial liabilities in the consolidated statement of financial position. Such costs are amortized as finance costs using the effective interest method over the term of the related debt obligation.

(q) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period, adjusted for shares held by the Group. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Group, for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees, as applicable.

(r) Leases

An arrangement comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognized in the Group's consolidated statement of financial position.

The Group leases retail stores, distribution centers and office facilities. Initial terms of the leases range from one to twenty years. Most leases provide for monthly fixed minimum rentals or contingent rentals based upon sales in excess of stated amounts and normally require the Group to pay real estate taxes, insurance, common area maintenance costs and other occupancy costs. The Group recognizes rent expense for leases that include scheduled and specified escalations of the minimum rent on a straight-line basis over the base term of the lease. Any difference between the straight-line rent amount and the amount payable under the lease is included in other liabilities in the consolidated statement of financial position. Contingent rental payments are expensed as incurred.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(s) Provisions and Contingent Liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related Parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) the entity and the Group are members of the same group (which means that each parent, the subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) both entities are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i); or

(7) a person identified in (i) (1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) New Standards and Interpretations

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements.

IFRS 9, *Financial Instruments*, is expected to impact the classification and measurement of financial assets and financial liabilities. The effective date of this standard is not earlier than January 1, 2017. The Group has not determined the extent of the impact on its financial statements upon adoption of this standard.

The application in IAS 32, *Financial Instruments: Presentation*, was amended to address certain inconsistencies relating to the offsetting financial assets and financial liabilities criteria. The effective date of this standard is January 1, 2014. The adoption of this standard did not have a significant impact on the Group.

4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes and generally approximates carrying value.

(b) Derivatives

The fair value of forward exchange contracts is based on their listed market price. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Call options are considered derivative financial assets and are recorded at fair value.

Fair value estimates reflect the credit risk of the Group and counterparty.

(c) Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Redeemable Non-controlling Interests

The Group has entered into agreements that include put and call option arrangements to acquire non-controlling interests in certain majority-owned subsidiaries exercisable at fair value at certain predetermined dates. Pursuant to these agreements, the Group has call options to acquire the remaining shares owned by the non-controlling interest holders and these non-controlling interest holders have put options to sell their ownership in these subsidiaries to the Group. In addition, the Group has the right to buy-out these non-controlling interests in the event of termination of the underlying agreements. The table of contractual maturities (note 21) does not include amounts for the repurchase of non-controlling interests as they do not include contractual maturities.

The put option agreements are classified as financial liabilities in accordance with IAS 32 in the consolidated statement of financial position as the Group has a potential obligation to settle the option in cash in the future. The amount recognized initially is the fair value of the redeemable non-controlling interests and subsequently remeasured at each reporting date based on a price to earnings multiple discounted to the reporting date. For agreements entered into prior to the adoption of IFRS 3 on January 1, 2008, subsequent changes in liabilities are recognized in profit or loss. For agreements entered into after January 1, 2008, subsequent changes in liabilities are recognized through equity.

(d) Intangible Assets

The fair value of tradenames is based on the relief-from-royalty method of valuation. The fair value of leasehold interests is determined using the income approach. The fair value of customer relationships is determined using a combination of the income approach and the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

5. Financial Risk Management Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the notes to the consolidated financial statements.

(a) Risk Management Framework

The Company's Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Maximum exposure is limited to the carrying amounts of the financial assets presented in the consolidated financial statements.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. No single customer accounted for more than 5% of the Group's sales for the periods presented or accounts receivable as of the reporting dates. Geographically there is no concentration of credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including aging profile, and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on credit hold and monitored by the Group, and future sales are made on an approval basis.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's primary sources of liquidity are its cash flows from operating activities, invested cash, available lines of credit (note 16(b)) and, subject to shareholder approval, its ability to issue additional shares. The Group believes that its existing cash and estimated cash flows, along with current working capital, will be adequate to meet the operating and capital requirements of the Group for at least the next twelve months.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group periodically buys and sells financial derivatives, such as forward purchase contracts for hedging purposes, in order to manage market risks.

(i) Currency Risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries.

The Group periodically uses forward exchange contracts to hedge its exposure to currency risk on product purchases denominated in a currency other than the respective functional currency of the Group's subsidiaries. The forward exchange contracts typically have maturities of less than one year.

Interest on borrowings is typically denominated in the local currency of the borrowing. Borrowings are generally denominated in currencies that match the cash flows generated by the underlying operations of the borrowing entity.

(ii) Interest Rate Risk

The Group monitors its exposure to changes in interest rates on borrowings on variable rate debt instruments. Although the Group does not currently have any interest rate hedging instruments, it may, from time to time, enter into interest rate swap contracts to manage interest rate risk.

(iii) Other Market Price Risk

Equity price risk arises from available for sale equity securities held by the Group's defined benefit pension plans to fund obligations that are used to measure periodic net pension costs. Pension plan liabilities are presented net of pension plan assets in the Group's consolidated statement of financial position. The Group's investment strategy involves a de-risking program utilizing liability hedging assets to offset changes in the Group's defined benefit pension plan obligations. The Group engages professional pension plan asset managers to assist in this process.

(iv) Other Pension and Post-retirement Obligations

The estimated pension obligation (the actuarial present value of benefits attributed to employee service and compensation levels prior to the measurement date without considering future compensation levels) exceeds the fair value of the assets of the Group's pension plans, which is primarily the result of the performance of equity markets during prior years. Future market conditions and interest rate fluctuations could significantly impact future assets and liabilities of our pension plans and future minimum required funding levels.

(e) Capital Management

The primary objective of the Group's capital management policies is to safeguard its ability to continue as a going concern, to provide returns for shareholders, fund capital expenditures, normal operating expenses and working capital needs, and the payment of obligations. The primary source of cash is revenue from sales of the Group's products. The Group anticipates generating sufficient cash flow from operations in the majority of countries where it operates and will have sufficient available cash and ability to draw on credit facilities for funding to satisfy the working capital and financing needs.

The Group's capital needs are primarily managed through cash and cash equivalents (note 13), trade and other receivables (note 12), inventories (note 11), property plant and equipment (note 8), trade and other payables (note 20) and loans and borrowings (note 16).

6. Segment Reporting

(a) Operating Segments

Management of the business and evaluation of operating results is organized primarily along geographic lines dividing responsibility for the Group's operations, besides the Corporate segment, as follows:

- Asia — which includes operations in South Asia (India and Middle East), China, Singapore, South Korea, Taiwan, Malaysia, Japan, Hong Kong, Thailand, Indonesia, Philippines and Australia;
- Europe — which includes operations in European countries as well as South Africa;
- North America — which includes operations in the United States of America and Canada;
- Latin America — which includes operations in Chile, Mexico, Argentina, Brazil, Colombia, Panama, Peru and Uruguay; and
- Corporate — which primarily includes certain licensing activities from brand names owned by the Group and Corporate headquarters overhead.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit or loss, as included in the internal management reports. Segment operating profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's segments.

Segment information as of and for the year ended December 31, 2013 is as follows:

Expressed in thousands of US Dollars	**Asia**	**North America**	**Europe**	**Latin America**	**Corporate**	**Consolidated**
External revenues	768,363	621,741	515,177	123,580	8,951	2,037,812
Operating profit	82,685	49,027	62,580	13,562	73,438	281,292
Operating profit excluding intercompany charges	135,233	94,277	71,692	15,172	(35,082)	281,292
Depreciation and amortization	17,640	5,149	15,979	4,187	2,229	45,184
Capital expenditures	14,307	8,332	27,024	4,281	3,295	57,239
Interest income	264	3	254	3	328	852
Interest expense	(1,016)	—	(119)	(364)	(1,430)	(2,929)
Income tax expense	(19,889)	(21,374)	(11,080)	(2,759)	(17,813)	(72,915)
Total assets	527,534	571,347	444,601	105,727	285,682	1,934,891
Total liabilities	211,822	421,379	197,164	61,944	(188,001)	704,308

Segment information as of and for the year ended December 31, 2012 is as follows:

Expressed in thousands of US Dollars	**Asia**	**North America**	**Europe**	**Latin America**	**Corporate**	**Consolidated**
External revenues	684,154	499,924	465,383	112,556	9,709	1,771,726
Operating profit	87,946	38,458	43,099	10,968	61,271	241,742
Operating profit excluding intercompany charges	121,708	69,259	64,283	13,282	(26,790)	241,742
Depreciation and amortization	14,643	3,796	14,928	4,092	2,802	40,261
Capital expenditures	14,317	4,533	15,173	2,953	965	37,941
Interest income	211	16	188	25	747	1,187
Interest expense	(1,809)	—	(139)	(296)	(1,683)	(3,927)
Income tax (expense) benefit	(20,136)	(14,398)	(9,889)	1,732	(15,382)	(58,073)
Total assets	499,149	512,975	422,793	91,795	286,452	1,813,164
Total liabilities	193,273	463,569	189,390	46,011	(165,184)	727,059

(b) Geographical Information

The following tables set out enterprise-wide information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant, and equipment, intangible assets and goodwill (specified non-current assets). The geographical location of customers is based on the selling location of the goods. The geographical location of the specified non-current assets is based on the physical location of the asset.

(i) Revenue from External Customers

The following table presents the revenues earned from customers in major geographical locations where the Group has operations.

Expressed in thousands of US Dollars	Year ended December 31, 2013	2012
Asia:		
China	192,187	178,035
South Korea	161,182	122,921
India	110,526	102,329
Hong Kong[1]	66,765	56,473
Japan	64,172	66,013
Australia	42,666	40,678
United Arab Emirates	30,501	27,714
Singapore	23,056	21,328
Thailand	22,949	19,396
Indonesia	20,195	17,756
Taiwan	19,582	18,212
Other	14,582	13,299
Total Asia	768,363	684,154
North America:		
United States	589,618	469,773
Canada	32,123	30,151
Total North America	621,741	499,924
Europe:		
Germany	74,333	64,502
France	67,005	59,580
Belgium	60,330	58,164
Italy	54,079	52,383
Russia	44,679	35,931
Spain	40,286	39,075
United Kingdom	38,705	30,754
Holland	25,140	23,470
Switzerland	19,334	16,692
Sweden	16,549	16,488
Norway	15,992	13,986
Austria	14,309	11,901
Turkey	13,422	11,684
Other	31,014	30,773
Total Europe	515,177	465,383
Latin America:		
Chile	62,577	54,998
Mexico	35,475	34,240
Brazil	9,762	9,628
Argentina	6,704	9,823
Other	9,062	3,867
Total Latin America	123,580	112,556
Corporate and other (royalty revenue):		
Luxembourg	8,797	9,522
United States	154	187
Total Corporate and other	8,951	9,709
Total	2,037,812	1,771,726

Note

[1] Includes Macau

(ii) Specified Non-current Assets

The following table presents the Group's significant non-current assets by geographical location. Unallocated specified non-current assets mainly comprise goodwill.

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
United States	31,127	27,056
Luxembourg	588,952	588,828
India	18,772	24,037
China	16,096	16,544
South Korea	10,790	10,503
Hong Kong	9,205	9,457
Belgium	58,747	51,111
Chile	15,099	12,834

7. Business Combinations

There were no business combinations completed by the Group during the year ended December 31, 2013.

The Group completed two business combinations during the year ended December 31, 2012.

(a) High Sierra

On July 31, 2012, certain of the Group's wholly-owned subsidiaries purchased substantially all of the assets excluding cash, certain receivables, and certain other retained assets and assumed all balance sheet liabilities and certain contractual liabilities of High Sierra Sport Company ("High Sierra") for a net cash consideration of US$108.0 million.

High Sierra was a U.S.-based manufacturer and distributor of casual bags and adventure travel luggage. Its products are targeted at active lifestyle consumers including outdoor enthusiasts, skiers and snowboarders, adventure travelers and students. It is the official supplier of bags and luggage for the U.S. Ski and Snowboard Team. The *High Sierra* brand was founded in 1978.

The acquisition has given the Group a strong brand and product offering that provides a foothold in the North American casual bag market. It has also provided the Group with opportunities to leverage its well-established global distribution network and retail presence to significantly expand High Sierra's brand in additional markets in Asia, Europe and Latin America.

From the date of acquisition, High Sierra contributed US$17.6 million of revenue and US$1.2 million of profit to the consolidated results of the Group for the year ended December 31, 2012.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at fair market value at the acquisition date.

Expressed in thousands of US Dollars	*Note*	
Property, plant and equipment		195
Intangible assets	9	43,000
Inventories		11,087
Trade receivables		13,267
Other current assets		88
Trade payables		(3,123)
Other current liabilities		(4,254)

Goodwill in the amount of US$47.7 million was recognized as a result of the acquisition. The goodwill is attributable mainly to the synergies expected to be achieved from integrating High Sierra into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

No subsequent adjustments have been made to the amounts recognized for the assets acquired and liabilities assumed that were disclosed in the 2012 Annual Report.

(b) HL Operating Corp. doing business as Hartmann

On August 2, 2012, a wholly-owned subsidiary of the Group completed the acquisition, by way of merger, of all of the outstanding shares of the capital stock of HL Operating Corp. ("Hartmann") for a net cash consideration of US$34.0 million.

Hartmann is a U.S.-based manufacturer and distributor of luggage, business cases, tote bags and leather accessories under the *Hartmann*® brand. Founded by Joseph S. Hartmann in 1877, Hartmann established the brand as a mark of quality among American luxury consumers, with its products appealing to business and leisure consumers alike.

The acquisition has given the Group a strong brand to expand its presence in the luxury luggage and leather goods market as well as opportunities to leverage its well-established global distribution network and retail presence to significantly expand the *Hartmann* brand both in the U.S. and internationally.

From the date of acquisition, Hartmann contributed US$8.0 million of revenue and US$0.1 million of profit to the consolidated results of the Group for the year ended December 31, 2012.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at fair market value at the acquisition date.

Expressed in thousands of US Dollars	*Note*	
Property, plant and equipment		52
Intangible assets	9	17,000
Inventories		4,987
Trade receivables		3,249
Other current assets		2,414
Trade payables		(4,577)
Deferred tax liabilities		(1,080)
Other current liabilities		(1,496)

Goodwill in the amount of US$13.5 million was recognized as a result of the acquisition. The goodwill is attributable mainly to the synergies expected to be achieved from integrating Hartmann into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

No subsequent adjustments have been made to the amounts recognized for the assets acquired and liabilities assumed that were disclosed in the 2012 Annual Report.

(c) Pro forma results

If these acquisitions had occurred on January 1, 2012, the Group estimates that consolidated net sales for 2012 would have been approximately US$1,832.0 million, and consolidated profit for 2012 would have been approximately US$171.3 million. In determining these amounts, the Group has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2012.

(d) Acquisition-related costs

The Group incurred approximately US$1.1 million and US$6.4 million in acquisition related costs during the years ended December 31, 2013 and December 31, 2012, respectively. Such costs are primarily comprised of costs associated with due diligence and integration activities, as well as professional and legal fees, and are recognized within other expenses on the income statement.

8. Property, Plant and Equipment, Net

Expressed in thousands of US Dollars	Land	Buildings	Machinery, equipment, leasehold improvements and other	Total
2013				
Cost:				
At January 1, 2013	10,900	48,680	319,342	378,922
Purchases of property, plant and equipment	188	906	56,145	57,239
Additions through business combinations	—	—	—	—
Disposals	—	(420)	(14,952)	(15,372)
Effect of movements in exchange rates/other	204	1,380	14,458	16,042
At December 31, 2013	11,292	50,546	374,993	436,831
Accumulated depreciation and impairment:				
At January 1, 2013	1,255	20,132	221,711	243,098
Depreciation for the year	25	3,527	33,269	36,821
Disposals	—	(412)	(14,319)	(14,731)
Effect of movements in exchange rates/other	53	971	15,272	16,296
At December 31, 2013	1,333	24,218	255,933	281,484
Carrying value:				
At December 31, 2013	9,959	26,328	119,060	155,347

Expressed in thousands of US Dollars	Land	Buildings	Machinery, equipment, leasehold improvements and other	Total
2012				
Cost:				
At January 1, 2012	8,275	49,690	320,165	378,130
Purchases of property, plant and equipment	2,449	2,562	32,683	37,694
Additions through business combinations (note 7)	—	—	247	247
Disposals	—	(4,384)	(38,248)	(42,632)
Effect of movements in exchange rates/other	176	812	4,495	5,483
At December 31, 2012	10,900	48,680	319,342	378,922
Accumulated depreciation and impairment:				
At January 1, 2012	1,208	20,863	228,084	250,155
Depreciation for the year	24	3,148	28,598	31,770
Disposals	—	(4,377)	(37,585)	(41,962)
Effect of movements in exchange rates/other	23	498	2,614	3,135
At December 31, 2012	1,255	20,132	221,711	243,098
Carrying value:				
At December 31, 2012	9,645	28,548	97,631	135,824

Depreciation expense for the years ended December 31, 2013 and December 31, 2012 amounted to US$36.8 million and US$31.8 million, respectively. Of this amount, US$5.9 million and US$5.2 million was included in cost of sales during the years ended December 31, 2013 and December 31, 2012, respectively. Remaining amounts were presented in distribution and general and administrative expenses. The Group has authorized capital expenditures of US$69.1 million in 2014, of which approximately US$14.2 million has been committed as of December 31, 2013. All land owned by the Group is freehold.

No potential impairment indicators existed at December 31, 2013.

9. Goodwill and Other Intangible Assets

(a) Goodwill

As of December 31, 2013 and December 31, 2012, the Group's goodwill balance amounted to US$214.4 million, of which none is deductible for income tax purposes.

The carrying amount of goodwill was as follows:

Expressed in thousands of US Dollars	December 31, 2013	December 31, 2012
Cost:		
At January 1	1,184,143	1,122,999
Additions through business combinations (note 7)	—	61,144
At December 31	1,184,143	1,184,143
Accumulated impairment losses:		
At January 1 and at December 31	(969,787)	(969,787)
Carrying Amount:	214,356	214,356

The aggregate carrying amounts of goodwill allocated to each operating segment were as follows:

Expressed in thousands of US Dollars	Asia	North America	Europe	Latin America	Consolidated
At December 31, 2013	153,212	61,144	—	—	214,356
At December 31, 2012	153,212	61,144	—	—	214,356

In accordance with IAS 36, *Impairment of Assets* (IAS 36), the recoverable amounts of the Group's CGUs with goodwill were determined using the higher of fair value less cost to sell or value in use, which is determined by discounting the estimated future cash flows generated from the continuing use of the unit.

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments, comprised of groups of CGUs, as these represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Separate calculations are prepared for each of the groups of CGUs that make up the consolidated entity. These calculations use 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) and are summarized below.

- A pre-tax discount rate of 18% was used in discounting the projected cash flows.
- Segment cash flows were projected based on the historical operating results and the five year forecasts.
- The terminal value is extrapolated using a constant long term growth rate of 3%, which is consistent with the average growth rate for the industry.
- The sales prices were assumed to be a constant margin above cost.

Management has considered the above 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. 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.

(b) Other Intangible Assets

Other intangible assets consisted of the following:

Expressed in thousands of US Dollars	**Customer relationships**	**Other**	**Total subject to amortization**	**Tradenames**	**Total other intangible assets**
Cost:					
At January 1, 2012	111,650	5,551	117,201	538,230	655,431
Additions through business combinations (note 7)	3,600	—	3,600	56,400	60,000
Other additions	—	170	170	—	170
Effect of movement in foreign currency exchange rate	—	—	—	405	405
At December 31, 2012 and January 1, 2013	115,250	5,721	120,971	595,035	716,006
Effect of movement in foreign currency exchange rate	—	—	—	(452)	(452)
At December 31, 2013	115,250	5,721	120,971	594,583	715,554
Accumulated amortization:					
At January 1, 2012	(31,524)	(4,469)	(35,993)	—	(35,993)
Amortization for the year	(7,758)	(733)	(8,491)	—	(8,491)
At December 31, 2012 and January 1, 2013	(39,282)	(5,202)	(44,484)	—	(44,484)
Amortization for the year	(7,968)	(395)	(8,363)	—	(8,363)
At December 31, 2013	(47,250)	(5,597)	(52,847)	—	(52,847)
Carrying amounts:					
At December 31, 2013	68,000	124	68,124	594,583	662,707
At December 31, 2012	75,968	519	76,487	595,035	671,522

The aggregate carrying amounts of each significant tradename were as follows:

Expressed in thousands of US Dollars	**Samsonite®**	**American Tourister®**	**High Sierra®**	**Hartmann®**	**Other**	**Consolidated**
At January 1, 2012	462,459	69,969	—	—	5,802	538,230
Additions through business combinations (note 7)	—	—	39,900	16,500	—	56,400
Foreign exchange	—	—	—	—	405	405
At December 31, 2012	462,459	69,969	39,900	16,500	6,207	595,035
Foreign exchange	—	—	—	—	(452)	(452)
At December 31, 2013	462,459	69,969	39,900	16,500	5,755	594,583

Amortization expense for intangible assets for the years ended December 31, 2013 and December 31, 2012 was US$8.4 million and US$8.5 million, respectively, and is presented as a distribution expense in the consolidated income statement. Future amortization expense as of December 31, 2013 for the next five years is estimated to be US$8.0 million, US$8.0 million, US$8.0 million, US$7.7 million, US$6.0 million and a total of US$30.3 million thereafter.

In accordance with IAS 36, the Group is required to evaluate its intangible assets with definite lives for recoverability whenever events or changes in circumstance indicate that their carrying amount might not be recoverable. As of December 31, 2013 and December 31, 2012 there were no potential impairment indicators and there were no accumulated impairment losses at December 31, 2013 and December 31, 2012.

The Group's tradenames have been deemed to have indefinite lives due to their high quality and perceived value. In accordance with IAS 36, the recoverable amounts of the Group's tradenames were determined using the higher of fair value less cost to sell or value in use, which is determined by discounting the estimated future cash flows generated from the continuing use of the asset.

The calculations use 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. 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) and are summarized below.

- A pre-tax discount rate of 16% was used in discounting the projected cash flows.
- Cash flows were projected based on the historical operating results and the five year forecasts.
- The terminal value is extrapolated using a constant long term growth rate of 3%, which is consistent with the average growth rate for the industry.
- The sales prices were assumed to be a constant margin above cost.

Management has considered the above 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 its indefinite lived intangible assets to exceed their recoverable amounts. 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.

10. Prepaid Expenses, Other Assets and Receivables

(a) Non-current

Other assets and receivables consisted of the following:

Expressed in thousands of US Dollars	**December 31, 2013**	**December 31, 2012**
Deposits	15,738	17,909
Other	6,984	4,884
Total other assets and receivables	22,722	22,793

(b) Current

Prepaid expenses and other current assets are expected to be recoverable or expensed within one year.

11. Inventories

Inventories consisted of the following:

Expressed in thousands of US Dollars	**December 31, 2013**	**December 31, 2012**
Raw materials	20,564	14,715
Work in process	2,424	1,820
Finished goods	275,389	260,981
Total inventories	298,377	277,516

The amounts above include the following:

Expressed in thousands of US Dollars	December 31, 2013	December 31, 2012
Inventories carried at fair value less costs to sell	71,398	69,850

During the years ended December 31, 2013 and December 31, 2012 the write-down of inventories to net realizable value (fair value less costs to sell) amounted to US$3.3 million and US$10.0 million, respectively. During the years ended December 31, 2013 and December 31, 2012 the reversal of write-downs recognized in profit or loss amounted to US$1.1 million and US$2.8 million, respectively, where the Group was able to sell the previously written down inventories at higher selling prices than previously estimated.

12. Trade and Other Receivables

Trade and other receivables are presented net of related allowances for doubtful accounts of US$14.4 million and US$12.9 million as of December 31, 2013 and December 31, 2012, respectively.

(a) Aging Analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful accounts) of US$233.7 million and US$211.5 million as of December 31, 2013 and December 31, 2012, respectively, with the following aging analysis by invoice date:

Expressed in thousands of US Dollars	December 31, 2013	December 31, 2012
Current	195,080	173,185
Past Due	38,612	38,311
Total Trade Receivables	233,692	211,496

Credit terms are granted based on the credit worthiness of individual customers. As of December 31, 2013, trade receivables are on average due within 60 days from the date of billing.

(b) Impairment of Trade Receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The Group does not hold any collateral over these balances.

The movement in the allowance for doubtful accounts during the year:

Expressed in thousands of US Dollars	**2013**	**2012**
At January 1	12,872	11,309
Impairment loss recognized	2,242	1,861
Impairment loss written back	(761)	(298)
At December 31	14,353	12,872

13. Cash and Cash Equivalents

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Bank balances	195,162	110,561
Short-term investments	30,185	40,838
Total cash and cash equivalents	225,347	151,399

Short-term investments are comprised of overnight sweep accounts and time deposits. As of December 31, 2013 and December 31, 2012 the Group had no restrictions on the use of any of its cash.

14. Share Capital and Reserves

(a) Ordinary Shares

At December 31, 2013 and December 31, 2012, the Company had 99,872,899,995 shares authorized but unissued and 1,407,137,004 ordinary shares with par value of US$0.01 per share issued and outstanding.

The holders of ordinary shares are entitled to one vote per share at shareholder meetings of the Company. All ordinary shares in issue rank equally and in full for all dividends or other distributions declared, made or paid on the shares in respect of a record date.

(b) Treasury Shares

There are no treasury shares held by the Group.

(c) Distributable Reserves

At December 31, 2013, distributable reserves amounted to approximately US$2.3 billion as shown in the statutory financial statements of Samsonite International S.A. and calculated in accordance with the Company's Articles of Incorporation.

(d) *Foreign Currency Translation Reserve*

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(e) *Other Reserves*

Other reserves comprises the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and the share option reserve for share-based payments made by the Company.

(f) *Non-controlling Interests*

The Group currently operates in certain markets by means of majority-owned subsidiaries that are operated in conjunction with a non-controlling partner in each country. Under these arrangements, the Group contributes brands through trademark licensing agreements and international marketing expertise and the partner contributes local market expertise. All interests acquired were paid in full at the time of the acquisition and each of these subsidiaries are operated on a self-financing basis. There are no current or future requirements for the Group to contribute any further investment amount to any of these entities.

The agreements governing certain majority-owned subsidiaries include put and call options whereby the Group may be required to acquire the respective non-controlling interests at amounts intended to represent current fair value. As of December 31, 2013 and December 31, 2012, the financial liabilities recognized related to these put options were US$52.8 million and US$45.0 million, respectively.

The call options were deemed to have a fair value of nil at each reporting date as the agreements call for redemption at fair value upon the option being exercised.

15. Earnings Per Share

(a) *Basic*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company.

Expressed in thousands of US Dollars, except share and per share data	**Year ended December 31,**	
	2013	**2012**
Issued ordinary shares at the beginning and end of the year	1,407,137,004	1,407,137,004
Profit attributable to the equity holders	176,087	148,439
Basic earnings per share *(Expressed in US Dollars per share)*	0.125	0.105

(b) Diluted

Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2013, diluted earnings per share is the same as basic earnings per share as all potentially dilutive instruments were anti-dilutive. There were no outstanding potentially dilutive instruments during the year ended December 31, 2012.

(c) Dividends and Distributions

On March 18, 2013, the Board recommended that a cash distribution in the amount of US$37.5 million, or US$0.02665 per share, be made to the Company's shareholders of record on June 20, 2013 from its ad hoc distributable reserve. The shareholders approved this distribution on June 6, 2013 at the annual general meeting and the distribution was paid on July 12, 2013.

No other dividends or distributions were declared or paid during the year ended December 31, 2013.

16. Loans and Borrowings

(a) Non-current obligations:

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Finance lease obligations	53	97
Less current installments	(16)	(33)
Non-current loans and borrowings	37	64

In 2007, the Group entered into an arrangement with a bank to provide funding in the amount of US$33.0 million to the Group's Chilean subsidiary. The Group provided US$33.0 million to the bank to secure the debt. The Group has offset these amounts in the accompanying consolidated statement of financial position. As of December 31, 2013 and December 31, 2012 the balance both on deposit with the bank and due on the loan to the Chilean subsidiary was US$8.3 million and US$16.1 million, respectively.

(b) Current Obligations

The Group had the following current obligations:

Expressed in thousands of US Dollars	**December 31, 2013**	**December 31, 2012**
Revolving Credit Facility	—	25,000
Current installments of non-current obligations	16	33
Other lines of credit	15,482	10,297
Total current obligations	15,498	35,330
Less deferred financing costs	(1,858)	(3,096)
Current loans and borrowings	13,640	32,234

Certain subsidiaries of the Group maintain credit lines with various third party lenders in the regions in which they operate. These local credit lines provide working capital for the day to day business operations of the subsidiaries, including overdraft, bank guarantee, and trade finance and factoring facilities. The majority of these credit lines are uncommitted facilities. The total aggregate amount outstanding under the local facilities was US$15.5 million and US$10.3 million at December 31, 2013 and December 31, 2012, respectively. The unused available lines of credit amounted to US$81.2 million and US$51.9 million as of December 31, 2013 and December 31, 2012, respectively.

The Group maintains a revolving credit facility (the "Revolving Facility") in the amount of US$300.0 million. The facility can be increased by an additional US$100.0 million, subject to lender approval. The Revolving Facility has an initial term of three years from its effective date of July 2, 2012, with a one year extension at the request of the Group and the option of the lenders. The interest rate on borrowings under the Revolving Facility is the aggregate of (i) (a) LIBOR (or EURIBOR in the case of borrowings made in Euro) or (b) the prime rate of the lender and (ii) a margin to be determined based on the Group's leverage ratio. The Revolving Facility carries a commitment fee of 0.175% per annum on any unutilized amounts, as well as an agency fee. The Revolving Facility is secured by certain assets in the United States and Europe, as well as the Group's intellectual property. The Revolving Facility also contains financial covenants related to interest coverage and leverage ratios, and operating covenants that, among other things, limit the Group's ability to incur additional debt, create liens on its assets, and participate in certain mergers, acquisitions, liquidations, asset sales or investments. The Group was in compliance with the financial covenants as of December 31, 2013. At December 31, 2013, US$294.4 million was available to be borrowed on the Revolving Facility as a result of the utilization of US$5.6 million of the facility for outstanding letters of credit extended to certain creditors. At December 31, 2012, US$269.0 million was available to be borrowed on the Revolving Facility as a result of US$25.0 million of outstanding borrowings and the utilization of US$6.0 million of the facility for outstanding letters of credit extended to certain creditors.

17. Employee Benefits

Employee benefits expense, which consists of payroll and other benefits, amounted to US$247.7 million and US$215.0 million for the years ended December 31, 2013 and December 31, 2012, respectively. Of these amounts, US$22.5 million and US$20.4 million was included in cost of sales during the years ended December 31, 2013 and December 31, 2012, respectively. Remaining amounts were presented in distribution and general and administrative expenses.

Average employee headcount worldwide was approximately 7,580 and 6,860 for the years ending December 31, 2013 and December 31, 2012, respectively.

(a) Long-Term Incentive Schemes

On September 14, 2012, the Company's shareholders adopted the Company's Share Award Scheme. The purpose of the Share Award Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. Awards under the Share Award Scheme may take the form of either share options or restricted share units ("RSUs"), which may be granted at the discretion of the Board to directors, employees or such other persons as the Board may determine.

The exercise price of share options is determined at the time of grant by the Board in its absolute discretion, but in any event shall not be less than the higher of:

a) the closing price of the shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;

b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

c) the nominal value of the shares.

As of February 28, 2014 (the "Latest Practicable Date"), the maximum aggregate number of shares in respect of which awards may be granted pursuant to the Share Award Scheme is 113,126,934 shares, representing approximately 8.0% of the issued share capital of the Company. An individual participant may be granted awards pursuant to the Share Award Scheme in respect of a maximum of 1% of the Company's total issued shares in any 12-month period. Any grant of awards to an individual participant in excess of this limit is subject to independent shareholder's approval.

During 2013, the Company granted share options exercisable for ordinary shares to certain directors, key management personnel, and other employees of the Group. Such options are subject to pro rata vesting over a 4 year period, with 25% of the options vesting on each anniversary of the grant date. The options have a 10 year term.

In accordance with the terms of the share options, holders of vested options are entitled to buy newly issued ordinary shares of the Company at a purchase price per share equal to the exercise price of the options.

Particulars and movements of share options during the year ended December 31, 2013 were as follows:

	Number of Options	Weighted-average exercise price
Outstanding at January 1	—	—
Granted during the year	15,404,402	HK$17.37
Forfeited during the year	(59,224)	HK$17.36
Outstanding at December 31	15,345,178	HK$17.37

The fair value of services received in return for share options granted is based on the fair value of share options granted measured using the Black-Scholes valuation model. The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilized.

There were no share options exercised during the year and no share options were exercisable at December 31, 2013. At December 31, 2013, the range of exercise prices for outstanding share options was HK$17.36 to HK$18.68 with a weighted average contractual life of 9.0 years.

The following inputs were used in the measurement of the fair value at grant date of the share-based payment made on January 8, 2013.

Fair value at grant date	HK$7.13
Share price at grant date	HK$17.36
Exercise price	HK$17.36
Expected volatility (weighted average volatility)	47.3%
Option life (expected weighted average life)	6.25 years
Expected dividends	1.0%
Risk-free interest rate (based on government bonds)	0.4%
Forfeiture rate	0.0%

The following inputs were used in the measurement of the fair value at grant date of the share-based payment made on July 1, 2013.

Fair value at grant date	HK$7.56
Share price at grant date	HK$18.68
Exercise price	HK$18.68
Expected volatility (weighted average volatility)	45.46%
Option life (expected weighted average life)	6.25 years
Expected dividends	1.1%
Risk-free interest rate (based on government bonds)	1.4%
Forfeiture rate	0.0%

Expected volatility is estimated taking into account historic average share price volatility as well as historic average share price volatility of comparable companies given the limited trading history of the Company's shares.

The total fair value of share options granted during the year ended December 31, 2013 was US$14.3 million. Share-based compensation expense of US$7.0 million was included as general and administrative expenses in the consolidated income statement for the year ended December 31, 2013.

No RSUs had been issued under the Share Award Scheme as of December 31, 2013.

On January 7, 2014, the Group granted an additional 12,266,199 ordinary share options to certain directors, key management personnel, and other employees. The exercise price of the options granted is HK$23.30. Such options are subject to pro rata vesting over a 4 year period, with 25% of the options vesting on each anniversary date of the grant and have a 10 year term.

(b) Pension Plans and Defined Benefit Schemes

(i) Plan Descriptions

Certain subsidiaries of the Group have pension plans and post-retirement health benefit plans which provide retirement benefits for eligible employees, generally measured by length of service, compensation and other factors. The Group follows the recognition and disclosure provisions of IAS 19, Employee Benefits (IAS 19). Under IAS 19, remeasurements, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income and not subsequently reclassified into profit or loss. The measurement date for all pension and other employee benefit plans is the Group's fiscal year end. Details of the significant plans sponsored by the Group are presented below.

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit. Under IAS 19 (2011), the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest cost on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect of asset ceiling.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

A U.S. subsidiary of the Group sponsors a defined benefit retirement plan, the Samsonite Employee Retirement Income Plan, that covers certain employee groups. Retirement benefits are based on a final average pay formula. The Group also maintains a supplemental retirement plan for certain management employees. These plans were closed to new entrants effective January 1, 2010. Effective December 31, 2010, both plans were frozen to future accruals.

A U.S. subsidiary of the Group also provides health care and life insurance benefits to certain retired employees who meet certain age and years of service eligibility requirements. The plan was closed to new entrants with regards to life insurance benefits effective January 1, 2009 and closed to new entrants with regards to medical benefits effective December 31, 2009. Eligible retirees are required to contribute to the costs of post-retirement benefits. The Group's other post-retirement benefits are not vested and the Group has the right to modify any benefit provision, including contribution requirements, with respect to any current or former employee, dependent or beneficiary. As of December 31, 2013 and December 31, 2012, the percentage of health insurance cost that the retiree must contribute was 100%.

A Belgium subsidiary of the Group sponsors a pre-pension defined benefit retirement plan to certain employees who meet certain age and years of service eligibility requirements. Benefits are calculated based on a final pay formula and are contributed until the employee reaches the legal retirement age.

The U.S. plans are administered by trustees, which are independent of the Group, with their assets held separately from those of the Group. These plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were as of December 31, 2013 and were prepared by independent qualified actuaries, who are members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are US$213.4 million and US$243.5 million as of December 31, 2013 and December 31, 2012, respectively, which are 93.3% and 77.5% funded by the plan assets held by the trustees at December 31, 2013 and December 31, 2012, respectively.

(ii) Amounts recognized in the consolidated statements of financial position

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Present value of unfunded obligations	(17,110)	(16,325)
Present value of partly funded obligations	(211,027)	(240,860)
Fair value of plan assets	199,102	188,807
Net pension liability	(29,035)	(68,378)
Experience adjustments arising on plan liabilities	(1,084)	7,354

The net pension liability is recorded in employee benefits in the consolidated statement of financial position. The Group does not have net unrecognized actuarial losses as the Group recognizes all actuarial gains and losses in other comprehensive income.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate the amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered, future changes in actuarial assumptions and market conditions. The Group estimates that the benefit payments for the pension and post-retirement benefits will be approximately US$18.0 million during 2014 and between US$16.7 million and US$17.5 million each year from 2015 through 2018.

The net pension liability is shown below:

	December 31, 2013			
Expressed in thousands of US Dollars	**US Pension benefits**	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Present value of the defined benefit obligation	(213,419)	(1,938)	(12,780)	(228,137)
Fair value of plan assets	199,102	—	—	199,102
Net liability	(14,317)	(1,938)	(12,780)	(29,035)

	December 31, 2012			
Expressed in thousands of US Dollars	**US Pension benefits**	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Present value of the defined benefit obligation	(243,515)	(2,511)	(11,159)	(257,185)
Fair value of plan assets	188,807	—	—	188,807
Net liability	(54,708)	(2,511)	(11,159)	(68,378)

(iii) Movements in the present value of the defined benefit obligations

Expressed in thousands of US Dollars	Year ended December 31, 2013			
	US Pension benefits	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Change in benefit obligation:				
Benefit obligation at January 1	243,515	2,511	11,159	257,185
Service cost	—	—	554	554
Interest cost	8,174	81	328	8,583
Plan participants' contributions	—	376	—	376
Remeasurements	(19,666)	(737)	703	(19,700)
Benefits paid	(18,604)	(293)	(465)	(19,362)
Foreign exchange adjustments	—	—	501	501
Benefit obligation at December 31	213,419	1,938	12,780	228,137

Expressed in thousands of US Dollars	Year ended December 31, 2012			
	US Pension benefits	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Change in benefit obligation:				
Benefit obligation at January 1	231,157	2,510	8,786	242,453
Service cost	—	—	437	437
Interest cost	9,838	102	403	10,343
Plan participants' contributions	—	274	—	274
Actuarial loss	32,102	292	1,890	34,284
Benefits paid	(29,582)	(667)	(567)	(30,816)
Foreign exchange adjustments	—	—	210	210
Benefit obligation at December 31	243,515	2,511	11,159	257,185

(iv) Movement in Plan Assets

Expressed in thousands of US Dollars	Year ended December 31, 2013			
	US Pension benefits	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Change in plan assets:				
Fair value of plan assets at January 1	188,807	—	—	188,807
Interest Income	7,174	—	—	7,174
Remeasurements	(10,598)	—	—	(10,598)
Employer contributions	33,323	(82)	465	33,706
Plan participants' contributions	—	375	—	375
Benefits paid	(18,604)	(293)	(465)	(19,362)
Administrative expenses	(1,000)	—	—	(1,000)
Fair value of plan assets at December 31	199,102	—	—	199,102

Expressed in thousands of US Dollars	Year ended December 31, 2012			
	US Pension benefits	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Change in plan assets:				
Fair value of plan assets at January 1	182,728	—	—	182,728
Expected return on plan assets	9,743	—	—	9,743
Actuarial gain on plan assets	7,384	—	—	7,384
Employer contributions	18,534	393	567	19,494
Plan participants' contributions	—	274	—	274
Benefits paid	(29,582)	(667)	(567)	(30,816)
Fair value of plan assets at December 31	188,807	—	—	188,807

(v) Remeasurements recognized in other comprehensive income

Expressed in thousands of US Dollars	Year ended December 31, 2013			
	US Pension benefits	US Post-retirement benefits	Belgium retirement benefits	Total
Cumulative amount at January 1	116,297	(2,836)	1,770	115,231
Effect of changes in demographic assumptions	1,878	(6)	130	2,002
Effect of changes in financial assumptions	(20,134)	(156)	246	(20,044)
Effect of experience adjustments	(1,411)	(575)	327	(1,659)
(Return) on plan assets (excluding interest income)	10,298	—	—	10,298
Cumulative amount at December 31	106,928	(3,573)	2,473	105,828

Expressed in thousands of US Dollars	Year ended December 31, 2012			
	US Pension benefits	US Post-retirement benefits	Belgium retirement benefits	Total
Cumulative amount at January 1	91,579	(3,129)	(48)	88,402
Net actuarial loss	24,718	293	1,818	26,829
Cumulative amount at December 31	116,297	(2,836)	1,770	115,231

(vi) Costs recognized in the consolidated income statement

Expressed in thousands of US Dollars	Year ended December 31, 2013			
	US Pension benefits	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Service cost	—	—	554	554
Interest expense on defined benefit obligation	8,174	81	328	8,583
Interest (income) on plan assets	(7,174)	—	—	(7,174)
Administrative expenses	1,300	—	—	1,300
Total net periodic benefit cost	2,300	81	882	3,263

Expressed in thousands of US Dollars	Year ended December 31, 2012			
	US Pension benefits	**US Post-retirement benefits**	**Belgium retirement benefits**	**Total**
Service cost	—	—	437	437
Interest cost	9,838	102	403	10,343
Expected return on plan assets	(9,743)	—	—	(9,743)
Amortization of net loss	—	—	103	103
Total net periodic benefit cost	95	102	943	1,140

The expense is recognized in the following line items in the consolidated income statement:

Expressed in thousands of US Dollars	Year ended December 31,	
	2013	**2012**
General and administrative expenses	1,490	1,137
Other expenses	1,773	3
	3,263	1,140

Pension expense included in other income and expense relates to the actuarial determined pension expense associated with the pension plans of two companies unrelated to the Group's current operations whose pension obligations were assumed by the Group as a result of a 1993 agreement with the Pension Benefit Guaranty Corporation (the "PBGC"). The plans were part of a controlled company of corporations of which the Group was a part of, prior to 1993.

(vii) Actuarial assumptions used

	US Pension benefits	US Post-retirement benefits	Belgium retirement benefits
2013			
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	4.42%	4.42%	2.8%
Rate of compensation increase	N/A	N/A	—
Rate of price inflation	N/A	N/A	2.0%
Weighted average assumptions used to determine net periodic benefit cost for the year ended December 31:			
Discount rate	3.48%	3.48%	3.0%
Rate of compensation increase	—	N/A	—
2012			
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	3.48%	3.48%	3.00%
Rate of compensation increase	N/A	N/A	—
Rate of price inflation	N/A	N/A	—
Weighted average assumptions used to determine net periodic benefit cost for the year ended December 31:			
Discount rate	4.42%	4.42%	4.75%
Expected long-term rate of return on assets	6.40%	N/A	N/A
Rate of compensation increase	N/A	N/A	—

The actual rate of return on assets for December 31, 2013 and December 31, 2012 was (2)% and 11%, respectively.

The discount rate is based on a high-grade bond yield curve under which benefits were projected and discounted at spot rates along the curve. The discount rate was then determined as a single rate yielding the same present value.

For post-retirement benefit measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended December 31, 2014. The rate was assumed to decrease gradually to 4.5% for the year ended December 31, 2028 and remain at that level thereafter.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2013 Defined benefit obligation	
Expressed in thousands of US Dollars	**Increase**	**Decrease**
Discount rate (50 basis points)	(10,191)	11,066
Medical cost trend rate (1% movement)	1,945	1,931

The estimated benefit obligation (the actuarial present value of benefits attributed to employee service and compensation levels prior to the measurement date without considering future compensation levels), exceeded the fair value of plan assets as of December 31, 2013 and December 31, 2012 by US$29.0 million and US$68.2 million, respectively.

(viii) Fair values of the assets held by the U.S. pension plan by major asset category

	December 31, 2013	
	Targeted allocation	**Fair value**
		(US$'000)
Equity	—%–40%	—
Fixed Income	—%–100%	132,361
Asset allocation	20%–40%	63,500
Other	—%–10%	3,241
Total	100%	199,102

	December 31, 2012	
	Targeted allocation	**Fair value**
		(US$'000)
Equity	—%–40%	18,409
Fixed Income	—%–100%	111,566
Asset allocation	20%–40%	57,405
Other	—%–10%	1,427
Total	100%	188,807

The asset allocation targets are set with the expectation that the plan's assets will fund the plan's expected liabilities with an appropriate level of risk. Expected returns, risk and correlation among asset classes are based on historical data and input received from our investment advisors.

The funding policy for the plans is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws. In 2014, there is no minimum requirement expected to be contributed as the U.S. pension is adequately funded.

(ix) Historical Information

Expressed in thousands of US Dollars	December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Present value of the defined benefit obligation	(228,137)	(257,185)	(242,453)	(234,748)	(234,485)
Fair value of plan assets	199,102	188,807	182,728	157,624	134,724
Net liability	(29,035)	(68,378)	(59,725)	(77,124)	(99,761)
Experience adjustments arising on plan liabilities	(1,084)	7,354	(2,660)	9,897	1,332

(c) Samsonite LLC's US Pension Plan Settlement Agreement

Samsonite LLC (a U.S. subsidiary of the Group) and the PBGC are party to a Settlement Agreement under which PBGC was granted an equal and ratable lien in the amount of US$19.0 million on certain domestic assets of Samsonite LLC and certain of its U.S. subsidiaries (excluding any equity interests in subsidiaries and any inventory or accounts receivable of Samsonite LLC or its U.S. subsidiaries), together with Samsonite's intellectual property rights in the U.S. and Samsonite's rights under licenses of such intellectual property to affiliates or third parties. The PBGC's lien is equal and ratable with the lien granted over such assets to Samsonite's senior secured lenders. Other provisions of the agreement restrict the transfer of U.S. assets outside of the ordinary course of business. The Group is in compliance with these requirements as of December 31, 2013.

The agreement will expire upon (a) the Group obtaining investment grade status on its senior unsecured debt, (b) the date the plan has no unfunded benefit liabilities for two consecutive plan years, (c) the date on which the Group becomes part of a controlled company whose unsecured debt has investment grade status, or (d) the date the plan is successfully terminated.

18. Commitments

(a) Capital Commitments

The Group's capital expenditures budget for 2014 is approximately US$69.1 million. Capital commitments outstanding as of December 31, 2013 and December 31, 2012 were US$14.2 million and US$11.3 million, respectively, which were not recognized as liabilities in the consolidated statement of financial position as they do not meet the recognition criteria.

(b) Operating Lease Commitments

The Group's lease obligations primarily consist of non-cancellable leases of office, warehouse and retail store space and equipment. As of December 31, 2013 and December 31, 2012, future minimum payments under non-cancellable leases were as follows:

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Within one year	68,558	59,373
1–2 years	55,054	47,743
2–5 years	86,657	78,421
More than 5 years	21,479	21,830
Total operating lease commitments	231,748	207,367

Certain of the leases are renewable at the Group's option. Certain of the leases also contain rent escalation clauses that require additional rents in later years of the lease term, which are recognized on a straight-line basis over the lease term.

Rental expense under cancellable and non-cancelable operating leases amounted to US$96.6 million and US$83.2 million for the years ended December 31, 2013 and 2012, respectively. Certain of the retail leases provide for additional rent payments based on a percentage of sales. These additional rent payments amounted to US$3.2 million and US$2.9 million for the years ended December 31, 2013 and December 31, 2012, respectively, and are included in rent expense.

19. Contingent Liabilities

In the ordinary course of business, the Group is subject to various forms of litigation and legal proceedings. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to specific litigation is sufficient. The Group records provisions based on its past experience and on facts and circumstances known at each reporting date. The provision charge is recognized within general and administrative expenses in the consolidated income statement. When the date of the incurrence of an obligation is not reliably measureable, the provisions are not discounted and are classified in current liabilities.

The Group did not settle any significant litigation during the year ended December 31, 2013.

20. Trade and Other Payables

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Accounts payable	282,183	268,588
Other payables and accruals	96,739	85,074
Other tax payables	8,317	8,826
Total trade and other payables	387,239	362,488

Included in accounts payable are trade payables with the following aging analysis as of the reporting dates:

	December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Current	211,743	200,927
Past Due	20,132	24,322
Total trade payables	231,875	225,249

Trade payables as of December 31, 2013 are on average due within 105 days from the invoice date.

21. Financial Instruments

(a) *Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Expressed in thousands of US Dollars	December 31, 2013	2012
Trade and other receivables	246,372	222,159
Cash and cash equivalents	225,347	151,399
	471,719	373,558

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Expressed in thousands of US Dollars	December 31, 2013	2012
Asia	77,856	73,279
North America	69,536	67,462
Europe	54,133	49,103
Latin America	32,168	21,652
Total trade receivables	233,693	211,496

(b) *Exposure to Liquidity Risk*

The following are the contractual maturities of derivative and non-derivative financial liabilities, including estimated interest payments.

	December 31, 2013					
Expressed in thousands of US Dollars	Carrying amount	Contractual cash flows	Less than one year	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities:						
Trade and other payables	387,239	387,239	387,239	—	—	—
Other lines of credit	15,482	15,482	15,482	—	—	—
Minimum operating lease payments	—	231,748	68,558	55,054	86,657	21,479
Foreign currency forward contracts:						
Liabilities	2,464	94,665	94,665	—	—	—

Expressed in thousands of US Dollars	December 31, 2012					
	Carrying amount	Contractual cash flows	Less than one year	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities:						
Trade and other payables	362,488	362,488	362,488	—	—	—
Revolving Facility	25,000	25,000	25,000	—	—	—
Other lines of credit	10,297	10,297	10,297	—	—	—
Minimum operating lease payments	—	207,367	59,373	47,743	78,421	21,830
Foreign currency forward contracts:						
Liabilities	1,694	95,799	95,799	—	—	—

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges, are expected to occur and impact profit or loss.

Expressed in thousands of US Dollars	Carrying amount	Expected cash flows	Less than one year	1–2 years	2–5 years	More than 5 years
December 31, 2013:						
Liabilities	2,464	94,665	94,665	—	—	—
December 31, 2012:						
Liabilities	1,694	95,799	95,799	—	—	—

(c) *Exposure to Currency Risk*

The Group's exposure to foreign currency risk arising from the currencies that more significantly affect the Group's financial performance was as follows based on notional amounts of items with largest exposure:

	December 31, 2013		
	Euro	Renminbi	Indian Rupee
	(Euro '000)	(RMB '000)	(INR '000)
Cash	31,008	196,853	91,830
Trade and other receivables, net	38,913	80,100	1,322,660
Intercompany receivables (payables)	(10,289)	(64,230)	21,379
Trade and other payables	(39,337)	(91,903)	(808,149)
Statement of financial position exposure	20,295	120,820	627,720

	December 31, 2012		
	Euro	Renminbi	Indian Rupee
	(Euro '000)	(RMB '000)	(INR '000)
Cash	40,850	88,563	71,942
Trade and other receivables, net	35,848	90,258	1,019,316
Intercompany receivables (payables)	(10,916)	(6,731)	(113,147)
Trade and other payables	(44,214)	(93,841)	(1,396,688)
Statement of financial position exposure	21,568	78,249	(418,577)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
Euro	1.3292	1.2912	1.3746	1.3197
Renminbi	0.1627	0.1587	0.1652	0.1605
Indian Rupee	0.0171	0.0187	0.0162	0.0182

(d) Foreign Currency Sensitivity Analysis

A strengthening of the Euro by 10% against the US Dollar would have increased profit for the years ended December 31, 2013 and December 31, 2012 by US$4.7 million and US$3.3 million, respectively, and increased equity as of December 31, 2013 and December 31, 2012 by US$24.6 million and US$22.8 million, respectively. The analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening in the Euro would have an equal but opposite impact to profit for the period and equity as of these reporting dates.

If the Renminbi had strengthened by 10% against the US Dollar profit would have increased for the years ended December 31, 2013 and December 31, 2012 by US$2.2 million and US$2.1 million, respectively, and equity as of December 31, 2013 and December 31, 2012 would have increased by US$3.7 million and US$2.7 million, respectively. The analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening in the Renminbi would have an equal but opposite impact to profit for the period and equity as of these reporting dates.

If the Indian Rupee had strengthened by 10% against the US Dollar profit would have increased for the years ended December 31, 2013 and December 31, 2012 by US$0.6 million and US$0.5 million, respectively, and equity as of December 31, 2013 and December 31, 2012 would have increased by US$2.1 million and US$1.8 million, respectively. The analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening in the Indian Rupee would have an equal but opposite impact to profit for the period and equity as of these reporting dates.

(e) ***Interest Rate Profile***

The interest rate profile of the Group's interest bearing financial instruments was:

Expressed in thousands of US Dollars	**December 31, 2013**	**2012**
Fixed rate instruments:		
Financial assets	—	—
Financial liabilities	—	—
	—	—
Variable rate instruments:		
Financial assets	30,185	40,838
Financial liabilities	(15,482)	(35,394)
	14,703	5,444

(f) ***Fair Value Versus Carrying Amounts***

All financial assets and liabilities have fair values that approximate carrying amounts.

(g) ***Fair Value Hierarchy***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying amount of cash and cash equivalents, trade receivables, accounts payable, short-term debt, and accrued expenses approximates fair value because of the short maturity or duration of these instruments.

The fair value of foreign currency forward contracts is estimated by reference to market quotations received from banks.

The following table presents assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) as of December 31, 2013 and December 31, 2012:

Expressed in thousands of US Dollars	December 31, 2013	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	225,347	225,347	—	—
Total assets	225,347	225,347	—	—
Liabilities:				
Non-controlling interest put options	52,848	—	—	52,848
Foreign currency forward contracts	2,464	2,464	—	—
Total liabilities	55,312	2,464	—	52,848

Expressed in thousands of US Dollars	December 31, 2012	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	151,399	151,399	—	—
Total assets	151,399	151,399	—	—
Liabilities:				
Non-controlling interest put options	44,950	—	—	44,950
Foreign currency forward contracts	1,694	1,694	—	—
Total liabilities	46,644	1,694	—	44,950

Certain non-U.S. subsidiaries of the Group periodically enter into forward contracts related to the purchase of inventory denominated primarily in USD which are designated as cash flow hedges. The hedging effectiveness was tested in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. The fair value of these instruments was a liability of US$2.5 million and US$1.7 million as of December 31, 2013 and December 31, 2012, respectively.

The following table shows the valuation technique used in measuring the Level 3 fair value, as well as the significant unobservable inputs used.

Type	**Valuation Technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Put options	*Income approach* — The valuation model converts future amounts based on an EBITDA multiple to a single current discounted amount reflecting current market expectations about those future amounts.	• EBITDA Multiple • Growth Rate: (2013: 3%) • Risk adjusted discount rate: (2013: 14.5%)	The estimated value would increase (decrease) if: • The EBITDA multiple were higher (lower); • The growth rate were higher (lower); or • The risk adjusted discount rate were lower (higher).

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values:

Expressed in thousands of US Dollars

Balance at January 1, 2012	29,522
Change in fair value included in equity	6,520
Change in fair value included in finance costs	8,908
Balance at December 31, 2012 and January 1, 2013	44,950
Change in fair value included in equity	1,586
Change in fair value included in finance costs	6,312
Balance at December 31, 2013	52,848

For the fair value of put options, reasonably possible changes to one of the significant unobservable inputs, holding other inputs constant, would have the following effects at December 31, 2013:

Expressed in thousands of US Dollars	**Profit or loss**		**Shareholders' Equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
EBITDA multiple (movement of 0.1x)	1,475	(1,475)	366	(366)
Growth rate (50 basis points)	434	(430)	—	—
Risk adjusted discount rate (100 basis points)	(548)	566	—	—

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

22. Income Taxes

(a) Taxation in the Consolidated Income Statement

Expressed in thousands of US Dollars	**Year ended December 31,**	
	2013	**2012**
Current tax expense — Hong Kong Profits Tax:		
Current period	(655)	(2,566)
Current tax expense — Foreign:		
Current period	(69,314)	(50,255)
Adjustment for prior periods	3,396	(5,738)
	(65,918)	(55,993)
Deferred tax (expense) benefit:		
Origination and reversal of temporary differences	(9,997)	(10,563)
Change in tax rate	3,655	(222)
Change in unrecognized deferred tax assets	—	(606)
Recognition of previously unrecognized tax losses	—	11,877
	(6,342)	486
Total income tax expense	(72,915)	(58,073)

During the year ended December 31, 2012, based upon an evaluation of both positive and negative evidence, the Group concluded that US$47.2 million of previously unrecognized deferred tax assets should be recognized. As part of the Group's analysis, it evaluated, among other factors, its recent history of generating taxable income and its near-term forecasts of future taxable income and determined that it is more likely than not that it will be able to realize an additional US$47.2 million of its deferred tax assets over the next several years. After considering these factors, the Group concluded that recognition of these deferred tax assets was appropriate. Of the US$47.2 million of previously unrecognized deferred tax assets, US$12.3 million was recognized through income tax expense on the income statement and US$34.9 million, which relates to deferred tax assets for pension plans, was recognized through other comprehensive income on the statement of comprehensive income.

The provision for Hong Kong Profits Tax for the years ended December 31, 2013 and December 31, 2012 is calculated at 16.5% of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation in the relevant countries.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Profit for the year	197,421	166,627
Total income tax expense	(72,915)	(58,073)
Profit before income tax	270,336	224,700
Income tax expense using the Group's applicable tax rate	(76,457)	(62,406)
Tax incentives	19,886	14,514
Change in tax rates	3,655	(222)
Change in tax reserves	(3,632)	2,234
Non-deductible differences	(16,443)	(9,708)
Recognition of previously unrecognized tax losses	—	11,877
Change in unrecognized tax assets	(2,131)	(606)
Withholding taxes	(3,002)	(4,708)
Other	1,813	(3,310)
Under provided in prior periods	3,396	(5,738)
	(72,915)	(58,073)

The provision for taxation for the years ended December 31, 2013 and December 31, 2012 is calculated using the Group's applicable tax rate of 28.3% and 27.8%, respectively. The applicable rate is based on the Group's weighted average worldwide tax rate.

(c) Income tax (expense) benefit recognized in Other Comprehensive Income

Expressed in thousands of US Dollars	2013			2012		
	Before tax	Income tax (expense) benefit	Net of tax	Before tax	Income tax (expense) benefit	Net of tax
Recognition of previously unrecognized deferred tax on defined benefit plans	—	—	—	—	34,899	34,899
Remeasurements on benefit plans	7,511	(3,000)	4,511	(26,829)	10,439	(16,390)
Cash flow hedges	(2,449)	880	(1,569)	(6,267)	1,953	(4,314)
Foreign currency translation differences for foreign operations	(9,880)	—	(9,880)	8,134	—	8,134
	(4,818)	(2,120)	(6,938)	(24,962)	47,291	22,329

(d) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

Expressed in thousands of US Dollars	December 31, 2013	December 31, 2012
Deferred tax assets:		
Allowance for doubtful accounts	2,110	2,294
Inventory	5,592	5,969
Plant and equipment	4,087	3,267
Pension and post-retirement benefits	11,927	27,064
Tax losses	3,107	3,436
Reserves	20,028	18,229
Other	7,513	5,240
Set off of tax	(9,963)	(10,197)
Total gross deferred tax assets	44,401	55,302
Deferred tax liabilities:		
Plant and equipment	(9,728)	(14,383)
Intangible assets	(99,825)	(101,772)
Other	(11,780)	(7,851)
Set off of tax	9,963	10,197
Total gross deferred tax liabilities	(111,370)	(113,809)
Net deferred tax asset (liability)	(66,969)	(58,507)

Movement in temporary differences for the years ended December 31, 2013 and December 31, 2012:

Expressed in thousands of US Dollars	Balance December 31, 2012	Recognized in profit or loss	Recognized in other comprehensive income	Balance December 31, 2013
Allowance for doubtful accounts	2,294	(184)	—	2,110
Inventory	5,969	(377)	—	5,592
Property, plant and equipment	(11,116)	5,475	—	(5,641)
Intangible assets	(101,772)	1,947	—	(99,825)
Pension and post-retirement benefits	26,992	(12,065)	(3,000)	11,927
Tax losses	3,436	(329)	—	3,107
Reserves	18,229	1,799	—	20,028
Other	(2,539)	(2,608)	880	(4,267)
Net deferred tax asset (liability)	(58,507)	(6,342)	(2,120)	(66,969)

Expressed in thousands of US Dollars	Balance December 31, 2011	Recognized in profit or loss	Recognized in other comprehensive income	Balance December 31, 2012
Allowance for doubtful accounts	1,224	1,070	—	2,294
Inventory	1,342	4,627	—	5,969
Property, plant and equipment	(13,752)	2,636	—	(11,116)
Intangible assets	(103,640)	1,868	—	(101,772)
Pension and post-retirement benefits	6,821	(25,167)	45,338	26,992
Tax losses	951	2,485	—	3,436
Reserves	5,192	13,037	—	18,229
Other	(4,422)	(70)	1,953	(2,539)
Net deferred tax asset (liability)	(106,284)	486	47,291	(58,507)

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

Expressed in thousands of US Dollars	December 31, 2013	December 31, 2012
Deductible temporary differences	4,164	5,101
Tax losses	22,975	53,046
Balance at end of year	27,139	58,147

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits from them.

Available tax losses (recognized and unrecognized):

Expressed in thousands of US Dollars	December 31, 2013	December 31, 2012
United States	—	—
Europe	25,418	55,853
Asia	692	1,875
Latin America	6,989	7,452
Total	33,099	65,180

Tax losses expire in accordance with local country tax regulations. European losses will expire beginning in 2016. Asian losses will expire beginning in 2022. Latin American losses will not expire.

Unrecognized Deferred Tax Liabilities

At December 31, 2013 and December 31, 2012 a deferred tax liability of US$25.7 million and US$6.1 million, respectively, related to investments in subsidiaries is not recognized because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

23. Finance Income and Finance Costs

The following table presents a summary of finance income and finance costs recognized in the consolidated income statement and consolidated statement of comprehensive income:

Expressed in thousands of US Dollars	Year ended December 31, 2013	2012
Recognized in income or loss:		
Interest income on bank deposits	852	1,187
Finance income	852	1,187
Interest expense on financial liabilities	(2,929)	(3,927)
Change in fair value of put options	(6,312)	(8,908)
Net foreign exchange loss	(456)	(3,356)
Other finance costs	(2,111)	(2,038)
Finance costs	(11,808)	(18,229)
Net finance costs recognized in profit or loss	(10,956)	(17,042)
Recognized in other comprehensive income:		
Foreign currency translation differences for foreign operations	(9,880)	8,134
Changes in fair value of cash flow hedges	(2,449)	(6,267)
Income tax on finance income and finance costs recognized in other comprehensive income	880	1,953
Net finance costs (income) recognized in other comprehensive income, net of tax	(11,449)	3,820
Attributable to:		
Equity holders of the Company	(7,482)	3,034
Non-controlling interests	(3,967)	786
Finance costs (income) recognized in other comprehensive income, net of tax	(11,449)	3,820

24. Expenses

Profit before income tax is arrived at after charging/(crediting) the following for the years ended December 31, 2013 and December 31, 2012:

Expressed in thousands of US Dollars	Year ended December 31,	
	2013	**2012**
Depreciation of fixed assets	36,821	31,770
Amortization of intangible assets	8,363	8,491
Auditors' remuneration	3,854	3,471
Research and development	22,386	18,463
Operating lease charges in respect of properties	96,573	83,245
Restructuring charges	—	—

The fees in relation to the audit and related services for the year ended December 31, 2013 provided by KPMG, the external auditors of the Group, were as follows:

Expressed in thousands of US Dollars	
Annual audit and interim review services	3,206
Non-audit related services	648
Total	3,854

25. Related Party Transactions

(a) Transactions with Key Management Personnel

In addition to their cash compensation, the Group also provides non-cash benefits to Executive Directors and other key management personnel, and contributes to a post-employment plan on their behalf.

Key management is comprised of the Group's Directors and Senior Management. Key management personnel compensation comprised:

Expressed in thousands of US Dollars	Year ended December 31,	
	2013	**2012**
Director's fees	530	400
Salaries, allowances and other benefits in kind	5,105	4,820
Bonus[1]	2,927	2,271
Share-based payments	3,198	—
Contributions to post-employment plans	172	150
	11,932	7,641

Note

(1) Bonus is based on the performance of the Group.

(b) *Directors' Remuneration*

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended December 31, 2013					
Expressed in thousands of US Dollars	**Directors' fees**	**Salaries, allowances and other benefits in kind**	**Bonus[1]**	**Share-based payments**	**Contributions to post-employment plans**	**Total**
Executive Directors						
Timothy Parker	—	971	943	1,090	—	3,004
Kyle Gendreau	—	494	286	358	33	1,171
Ramesh Tainwala	—	1,018	274	388	—	1,680
Non-Executive Directors						
Keith Hamill	100	—	—	—	—	100
Bruce Hardy McLain	100	—	—	—	—	100
Independent Non-Executive Directors						
Paul Etchells	130	—	—	—	—	130
Miguel Ko	100	—	—	—	—	100
Ying Yeh	100	—	—	—	—	100
Total	530	2,483	1,503	1,836	33	6,385

Note

[1] Bonus is based on the performance of the Group.

	Year ended December 31, 2012					
Expressed in thousands of US Dollars	**Directors' fees**	**Salaries, allowances and other benefits in kind**	**Bonus[1]**	**Share-based payments**	**Contributions to post-employment plans**	**Total**
Executive Directors						
Timothy Parker	—	954	159	—	—	1,113
Kyle Gendreau	—	483	277	—	28	788
Ramesh Tainwala	—	960	688	—	—	1,648
Non-Executive Directors						
Keith Hamill	100	—	—	—	—	100
Nicholas Clarry	—	—	—	—	—	—
Bruce Hardy McLain	—	—	—	—	—	—
Independent Non-Executive Directors						
Paul Etchells	100	—	—	—	—	100
Miguel Ko	100	—	—	—	—	100
Ying Yeh	100	—	—	—	—	100
Total	400	2,397	1,124	—	28	3,949

Note

[1] Bonus is based on the performance of the Group.

No director received any emoluments from the Group as an inducement to join or upon joining the Group during the years ended December 31, 2013 and December 31, 2012. No director waived or agreed to waive any emoluments during the periods presented. No director received any compensation during the years ended December 31, 2013 and December 31, 2012 for the loss of office as a director of the Company or of any other office in connection with the management of the affairs of the Group.

(c) Individuals with the Highest Emoluments

The five highest paid individuals of the Group include three directors during the years ended December 31, 2013 and December 31, 2012, whose emoluments are disclosed above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Salaries, allowances and other benefits in kind	1,030	712
Bonus[1]	662	819
Share-based payments	708	—
Contributions to post-employment plans	41	32
	2,441	1,563

Note

(1) Bonus is based on the performance of the Group.

The emoluments of each individual exceeded US$250 thousand for each of the years presented. No amounts have been paid to these individuals as compensation for loss of office or as an inducement to join or upon joining the Group during the years ended December 31, 2013 and December 31, 2012.

(d) Other Related Party Transactions

(i) The Group's Indian subsidiary, Samsonite South Asia Pvt. Ltd., purchases raw materials and finished goods from, and sells certain raw materials and finished goods to, Abhishri Packaging Pvt. Ltd., which is managed and controlled by the family of Mr. Ramesh Tainwala, Executive Director and President, Asia-Pacific and Middle East of the Group ("Mr. Tainwala").

Related amounts of purchases, sales, payables and receivables are the following:

	Year ended December 31,	
Expressed in thousands of US Dollars	**2013**	**2012**
Purchases	4,575	4,005
Sales	377	548

Expressed in thousands of US Dollars	December 31,	
	2013	**2012**
Payables	607	483
Receivables	83	145

(ii) Samsonite South Asia Pvt. Ltd. also sells finished goods to Bagzone Lifestyle Private Limited. Bagzone Lifestyle Private Limited is managed and controlled by the family of Mr. Tainwala. Mr. Tainwala and his family also own a non-controlling interest in Samsonite South Asia Pvt. Ltd. and the Group's United Arab Emirates subsidiary.

Expressed in thousands of US Dollars	Year ended December 31,	
	2013	**2012**
Purchases	—	—
Sales	11,799	10,636
Rent	58	49

Expressed in thousands of US Dollars	December 31,	
	2013	**2012**
Payables	—	—
Receivables	9,075	6,895

Approximately US$0.9 million and US$1.0 million was paid to entities owned by Mr. Tainwala and his family, for office space rent for the years ended December 31, 2013 and December 31, 2012, respectively. As of December 31, 2013 and December 31, 2012, no amounts were payable to Mr. Tainwala and his family. As of December 31, 2013 and December 31, 2012, US$0.1 million and US$0.1 million, respectively, were recorded as a receivable in the form of a security deposit.

(iii) Samsonite South Asia Pvt. Ltd. has from time to time sold finished goods to Planet Retail Holding Pvt. Ltd. ("Planet Retail"). Mr. Tainwala is the majority shareholder of Planet Retail. Sales to this entity amounted to US$0 and US$0.1 million for the years ended December 31, 2013 and December 31, 2012, respectively. As of December 31, 2013 and December 31, 2012, US$0 and US$7 thousand, respectively, were receivable from Planet Retail.

26. Particulars of Group Entities

Entity name	Country	Ownership percentage 2013	Ownership percentage 2012
Samsonite International S.A.	Luxembourg	Parent	Parent
Delilah Europe Investments S.à.r.l.	Luxembourg	100	100
Delilah US Investments S.à.r.l.	Luxembourg	100	100
Astrum R.E. LLC	United States	100	100
Bypersonal S.A. de C.V.	Mexico	100	100
Direct Marketing Ventures, LLC	United States	100	100
Equipaje en Movimiento, S.A. de C.V.	Mexico	100	100
Global Licensing Company, LLC	United States	100	100
HL Operating LLC	United States	100	100
Jody Apparel II, LLC	United States	100	100
Lonberg Express S.A.	Uruguay	100	100
Limited Liability Company Samsonite	Russian Federation	60	60
McGregor II, LLC	United States	100	100
PT Samsonite Indonesia	Indonesia	60	60
Samsonite (Malaysia) Sdn Bhd	Malaysia	100	100
Samsonite (Thailand) Co., Ltd.	Thailand	60	60
Samsonite A/S	Denmark	100	100
Samsonite AB	Sweden	100	100
Samsonite AG	Switzerland	99	99
Samsonite Argentina S.A.	Argentina	95	95
Samsonite Asia Limited	Hong Kong	100	100
Samsonite Australia Pty Limited	Australia	70	70
Samsonite Brasil Ltda.	Brazil	100	100
Samsonite B.V.	Netherlands	100	100
Samsonite Canada, Inc.	Canada	100	100
Samsonite CES Holding B.V.	Netherlands	60	60
Samsonite Chile S.A.	Chile	85	85
Samsonite China Holdings Limited	Hong Kong	100	100
Samsonite Colombia S.A.S.	Colombia	100	100
Samsonite Company Stores, LLC	United States	100	100
Samsonite Espana S.A.	Spain	100	100
Samsonite Europe N.V.	Belgium	100	100
Samsonite Finanziaria S.r.l.	Italy	100	100
Samsonite Finland Oy	Finland	100	100
Samsonite Ges.m.b.H.	Austria	100	100
Samsonite GmbH	Germany	100	100
Samsonite Hungaria Borond KFT	Hungary	100	100
Samsonite International Trading (Ningbo) Co. Ltd.	China	100	100
Samsonite IP Holdings S.à.r.l.	Luxembourg	100	100
Samsonite Japan Co., Ltd.	Japan	100	100
Samsonite Korea Limited	Korea, Republic	100	100
Samsonite Latinoamerica, S.A. de C.V.	Mexico	100	100
Samsonite Limited	United Kingdom	100	100

Entity name	Country	Ownership percentage	
		2013	2012
Samsonite LLC	United States	100	100
Samsonite Macau Limitada	Macau	100	100
Samsonite Mauritius Limited	Mauritius	100	100
Samsonite Mercosur Limited	Bahamas	100	100
Samsonite Mexico, S.A. de C.V.	Mexico	100	100
Samsonite Middle East FZCO	United Arab Emirates	60	60
Samsonite Norway AS	Norway	100	100
Samsonite Pacific LLC	United States	100	100
Samsonite Panama S.A.	Panama	100	—
Samsonite Peru S.A.C.	Peru	100	—
Samsonite Philippines, Inc.	Philippines	60	60
Samsonite S.A.S.	France	100	100
Samsonite S.p.A.	Italy	100	100
Samsonite Seyahat Ürünleri Sanayi ve Ticaret Anonim Sirketi	Turkey	60	60
Samsonite Singapore Pte Ltd	Singapore	100	100
Samsonite South Asia Private Limited	India	60	60
Samsonite Southern Africa Ltd.	South Africa	60	60
Samsonite Sp. z o.o.	Poland	100	100
Samsonite Sub Holdings S.à.r.l.	Luxembourg	100	100
SC Chile Uno S.A.	Chile	100	100
SC Inversiones Chile Limitada	Chile	100	100

Changes in the Share Capital of Samsonite International S.A.

There were no changes in the share capital of Samsonite International S.A. during the years ended December 31, 2013 or December 31, 2012.

Non-Controlling Interests

The following table summarizes the information relating to the Group's significant subsidiaries that have material non-controlling interests ("NCI"), before any intra-group eliminations.

For the year ended December 31, 2013:

Expressed in thousands of US Dollars	**Samsonite Australia Pty Limited**	**Samsonite Chile S.A.**	**Samsonite South Asia Private Limited**
NCI percentage	30%	15%	40%
Non-current assets	1,058	43,830	10,859
Current assets	19,058	32,578	69,781
Non-current liabilities	—	(32,237)	1,528
Current liabilities	9,496	21,895	57,927
Net assets	10,620	86,750	21,185
Carrying amount of NCI	3,186	13,013	8,474
Net Outside Revenue	42,666	62,577	110,526
Profit	5,044	12,243	5,918
OCI	(1,596)	(7,814)	(2,471)
Total comprehensive income	3,448	4,429	3,447
Profit allocated to NCI	1,513	1,836	2,367
OCI allocated to NCI	(479)	(1,172)	(989)
Dividends paid to NCI	3,841	—	—
Net increase (decrease) in cash and cash equivalents	318	(5,023)	178

For the year ended December 31, 2012:

Expressed in thousands of US Dollars	**Samsonite Australia Pty Limited**	**Samsonite Chile S.A.**	**Samsonite South Asia Private Limited**
NCI percentage	30%	15%	40%
Non-current assets	1,050	44,108	13,756
Current assets	17,791	35,764	68,108
Non-current liabilities	6	(23,100)	(192)
Current liabilities	7,822	20,651	64,295
Net assets	11,013	82,321	17,761
Carrying amount of NCI	3,304	12,348	7,104
Net Outside Revenue	40,678	54,998	102,329
Profit	5,781	9,469	5,181
OCI	176	5,089	(659)
Total comprehensive income	5,957	14,558	4,522
Profit allocated to NCI	1,734	1,420	2,072
OCI allocated to NCI	53	763	(264)
Dividends paid to NCI	2,113	—	—
Net increase (decrease) in cash and cash equivalents	1,954	280	(218)

27. Subsequent Events

The Group has evaluated events occurring subsequent to December 31, 2013, the statement of financial position date, through March 18, 2014, the date this financial information was authorized for issue by the Board of Directors.

On January 7, 2014, the Company granted options exercisable for 12,266,199 shares to certain directors, key management personnel, and other employees. The exercise price of such options is HK$23.30 per share. Such options are subject to pro rata vesting over a 4 year period, with 25% of the options vesting on each of the first four anniversary dates of the grant.