ANNUAL REPORT
2017

Ermes Group

CONTENTS

BOARD OF DIRECTORS, OFFICERS AND OTHER OFFICIALS

BOARD OF DIRECTORS

Executive Chairman
George Aniliades

Chief Executive Officer
Nicos Karakoidas

Deputy Executive Chairman and Representative of Shareholders
Eleni N. Shacola

Executive Directors
Marios N. Shacolas
George Louka
Chrysoula N. Shacola

Directors (in alphabetical order)
Antonis Ayiomamitis
Demetris Demetriou
Suzanne Marie Harlow (resigned on 10/01/2017)
Pambos Ioannides
Marios Panayides
Costas Severis
Menelaos C. Shacolas
David John Smith (appointed on 10/01/2017)

Secretary
George P. Mitsides

OFFICERS AND OTHER OFFICIALS

Chief Financial Officer
Kyriacos Kolocassides

Legal Advisors
Ioannides Demetriou
Tassos Papadopoulos & Associates

Auditors
PricewaterhouseCoopers Limited

Registered Office
Shacolas Building
Old Nicosia – Limassol Road,
Athalassa, Nicosia

OPERATIONS OF THE ERMES GROUP

DEBENHAMS
GIFTCARD

DEBENHAMS

7 DEPARTMENT STORES

FASHION / COSMETICS / HOMEWARE / TOYS / FOODHALL / CAFETERIAS / SERVICES

next

6 FASHION STORES

PEACOCKS

The Great Value Fashion Store

2 FASHION STORES

OVS

ITALIAN FASHION

2 FASHION STORES

UBER STORES

1 FASHION STORE

A|X ARMANI EXCHANGE

1 FASHION STORE

FOREVER 21 **1** FASHION STORE

NAVY & GREEN

1 FASHION STORE

Glow

1 BEAUTY SHOP

Zako

28 STORES

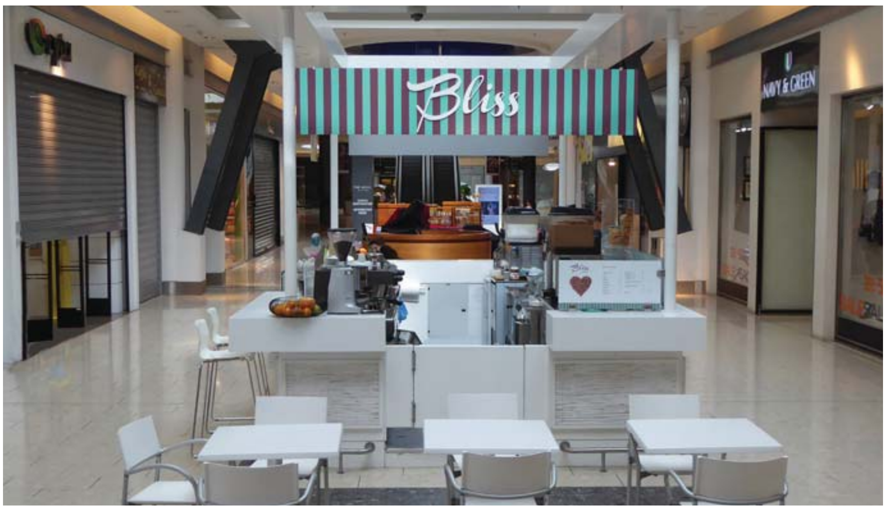
LINGERIE / HOSIERY / SWIMWEAR / SLEEPWEAR / HABERDASHERY

Coffee &More

3 KIOSKS

ΑΡΤΟΠΟΛΙΣ
bakery

1 STORE **3** CORNERS



Bliss

1 GELATERIA

Scandia
ΣΧΕΣΗ ΠΟΥ ΗΛΕΚΤΡΙΖΕΙ

megaelectric
πουθενά αλλού!

6 Showrooms

ELECTRICAL &
ELECTRONIC APPLIANCES

5 Stores **7** Shop in Shop Stores

ELECTRICAL &
ELECTRONIC APPLIANCES

SUPER HOME CENTER

5 Home Improvement
& DIY Superstores

FashionLink

7 STORES IN GREECE

next

4 STORES

PEACOCKS
The Great Value Fashion Store

2 STORES

OVS
ITALIAN FASHION

1 STORE

LOYALTY CARDS

ERMES
clubcard

The loyalty scheme of the
ERMES Group with over 180.000
active members, since 1999

DEBENHAMS
BEAUTY CLUB
REWARD CARD

Debenhams Beauty Reward Card
Launched in December 2013
with 74.000 members

HEAD OFFICES AND STORES

ERMES GROUP HEAD OFFICE

154, Giannou Kranidioti Avenue, 2235 Latsia
P.O. Box 22273, 1584 Nicosia
Tel.: +357 22365000, Fax: +357 22487444
Email: contact@ermes.com.cy
Web page: www.ermes.com.cy
Facebook: Debenhams Cyprus Official

DEBENHAMS DEPARTMENT STORES

NICOSIA

Debenhams Central
Corner of Arch. Makarios Avenue
& 13 Cretes Street, 1065 Nicosia
P.O. Box 22273, 1584 Nicosia
Tel.: +357 22758801, Fax: +357 22757471

Debenhams at The Mall of Cyprus
3, Verginas Street, Athalassa, 2025 Strovolos
Tel.: +357 22002300, Fax: +357 22002363

Debenhams at The Mall of Engomi
7- 9, 28 Octovriou Avenue, 2414 Engomi
Tel.: +357 22002500, Fax: +357 22002555

LARNACA

Debenhams Zenon
7-9, Stratigou Timayia Avenue
& Ipsipilis Street, 6052 Larnaca
P.O. Box 40914, 6308 Larnaca
Tel.: +357 24631111, Fax: +357 24631446

LIMASSOL

Debenhams Apollon
Arch. Makarios C Avenue & 15, Petrou Tsirou Street
3021 Limassol, P.O. Box 56366, 3306 Limassol
Tel.: + 357 25831831, Fax: +357 25383744

Debenhams Olympia
369, 28 Octovriou Avenue, 3107 Limassol
P.O. Box 56366, 3306 Limassol
Tel.: + 357 25591133, Fax: +357 25590133

PAPHOS

Debenhams Korivos
2, Dimokratias Avenue, 8028 Paphos
P.O. Box 60315, 8024 Paphos
Tel.: +357 26840840, Fax: +357 26923646

SUPER HOME CENTER

Super Home Center Nicosia
30, Kampou Street, 2030 Strovolos
P.O. Box 12658, 2251 Latsia, Nicosia
Tel.: +357 22205555, Fax: +357 22570035

Super Home Center Nicosia at The Mall of Engomi
7- 9, 28 Octovriou Avenue, 2414 Engomi
Tel.: +357 22206666, Fax: +357 22206777

Super Home Center Larnaca
30, Christakis Antonas, 6051, Larnaca
Tel.: +357 24257000, Fax: +357 24259999

Super Home Center Limassol
8, Pavlou Liasidi Street, 4004 Mesa Geitonia, Limassol
Tel.: +357 25203333, Fax: +357 25203350

Super Home Center Paphos
2, Dimokratias Avenue, 8028 Paphos
P.O. Box 60315, 8024 Paphos
Tel.: +357 26200300, Fax: +357 26923668

Pancyprian Tel: 77777545

HEAD OFFICES AND STORES

NEXT FASHION STORES

NEXT at The Mall of Cyprus
3, Verginas Street, Athalassa, 2025 Strovolos
Tel.: +357 22002446, Fax: +357 22002363

NEXT at The Mall of Engomi
7-9, 28 Octovriou Avenue, 2414 Engomi Nicosia
Tel.: +357 22002581, Fax: +357 22025555

NEXT Apollon
Arch. Makariou Avenue &
15, Petrou Tsirou, 3021 Limassol
Tel.: +357 25732085, Fax: +357 25732361

NEXT Larnaca
26-28, Euanthias Pieridou Street, 6022 Larnaca
Tel.: +357 24626205, Fax: +357 24623590

NEXT Paphos
62-64, Kanari & Fellaghoglou Street, 8010 Paphos
Tel.: +357 26222137, Fax: +357 26938851

NEXT Korivos
2, Dimokratias Avenue, 8024 Paphos
Tel.: +357 26840641, Fax: +357 26923646

OVS FASHION STORES

OVS at The Mall of Engomi
7-9, 28 Octovriou Avenue, 2414 Engomi
Tel.: +357 22002600, Fax: +357 22002555

OVS at The Kings Avenue Mall
2, Corner St. Paul & Tombs of the Kings, 8046 Paphos
Tel.: +357 26 041360, Fax: +357 26 041369

PEACOCKS FASHION STORES

Peacocks Apollon
Arch. Makarios C Avenue &
15,Petrou Tsirou Street, 3021 Limassol
P.O. BOX 56366, 3306 Limassol
Tel.: + 357 25831745, Fax: +357 25383744

Peacocks Larnaca
6 Medousis Street, 6059 Larnaca
Tel.: +357 24250119

UBER STORES FASHION STORE

UBER at The Mall of Engomi
7-9, 28 Octovriou Avenue, 2414 Engomi, Nicosia
Tel.: +357 22002570, Fax: +357 22002555

NAVY & GREEN FASHION STORE

NAVY & GREEN at The Mall of Cyprus
3, Verginas Street, Athalassa, 2025 Strovolos
Tel.: +357 22002424, Fax: +357 22002363

FOREVER 21 FASHION STORE

FOREVER 21 at The Mall of Cyprus
3, Verginas Street, Athalassa, 2025 Strovolos
Tel.: +357 22002400, Fax: +357 22002401

ARMANI EXCHANGE FASHION STORE

Armani Exchange at The Mall of Cyprus
3, Verginas Street, Athalassa, 2025 Strovolos
Tel.: +357 22002444, Fax: +357 22002363

GLOW BEAUTY SHOP

Glow Beauty Shop at The Mall of Cyprus
3, Verginas Street, Athalassa, 2025 Strovolos
Tel.: +357 22815571, Fax: +357 22002363

ARTOPOLIS BAKERIES

3 Bakeries at Debenhams Department Stores - in the Foodhall department

Artopolis at The Mall of Cyprus
3, Verginas Street, Athalassa 2025, Strovolos
Tel.: +357 22002430

HEAD OFFICES AND STORES

COFFEE & MORE

Coffee & More at The Mall of Cyprus
3, Verginas Street, Athalassa 2025, Strovolos
Tel.: +357 22002371

Coffee & More at The Mall of Engomi
7-9, 28 Octovriou Street, 2414 Engomi
Tel.: +357 22002574

BLISS

BLISS at The Mall of Cyprus
3, Verginas Street, Athalassa 2025, Strovolos
Tel.: +357 22002430

ZAKO STORES

ZAKO Nicosia
73A, Armenias Avenue
1687 Acropolis, Nicosia
Tel.: +357 22312127

ZAKO Nicosia
32A, Tseriou Avenue 2042, Strovolos
Tel.: +357 22426588,

ZAKO Nicosia
290, Arch. Makarios III Avenue
2311 Pano Lakatamia
Tel.: +357 22250900,

ZAKO Limassol
84, Griva Digeni Street, 3101 Neapoli, Limassol
Tel.: +357 25584709

ZAKO Limassol
199, Ayias Fylaxeos Avenue, Limassol
Tel.: +357 25336313

ZAKO Larnaca
2, C.Kalogeras Street, 6032 Larnaca
Tel.: +357 24651724

ZAKO Paphos
62-64, Corner Kanari & Fellaghoglou, 8010 Paphos
Tel.: +357 26933351

ZAKO FRANCHISE STORES
Stores which operate with a franchise system by district:
Nicosia: 11
Limassol: 3
Larnaca: 2
Famagusta: 3
Paphos: 2
Total: 21

SCANDIA SHOWROOMS

SCANDIA Nicosia (Athalassa)
Shacolas House
Old Nicosia – Limassol Road, Athalassa
P.C. 21744, 1589 Nicosia
Tel.: +357 22740440, Fax: +357 22482171

SCANDIA Nicosia (Parisinos)
68, Evangelistrias Street & Archangelos Avenue
2057 Strovolos,
Tel.: 22210888, Fax: 22590109

SCANDIA Limassol (Ayias Fylaxeos)
222, Ayias Fylaxeos Avenue, 3082 Limassol
Tel.: +357 25877347, Fax: +257 25877349

SCANDIA Larnaca
65, Eleftherias Avenue, Aradippou, 7101 Larnaca
Tel.: +357 24668989, Fax: +357 24668988

SCANDIA Paralimni
65, 1st April Street, 5281 Paralimni
Tel.: +357 23822244, Fax: +357 23828783

SCANDIA Paphos
62, Messogis Avenue, 8280 Paphos
Tel.: +357 26933839, Fax: +357 26945779

MEGAELECTRIC SHOPS

Megaelectric Nicosia
70 Kennedy Avenue
Tel.: +357 22428755

Megaelectric Nicosia
87 I.X"Iosif Avenue
Tel.: +357 22515717

Megaelectric Limasol
25 Spyrou Kyprianou Avenue
Tel.: +357 25336279

Megaelectric Larnaca
178 Faneromeni Avenue
Tel.: +357 24621451

Megaelectric Paphos
77 Messogis Avenue
Tel.: +357 26220411

HEAD OFFICES AND STORES

STORES IN GREECE

NEXT

Athens
96-98, Kifisou Avenue
(River West Shopping Mall), Aigaleo
Tel.: +30 210 5698160

Piraeus
51, Iroon Politechniou Street
Tel.: +30 210 4297482

Larissa
3rd klm Larisas-Tirnavou
(Sklavenitis Shopping Mall)
Tel.: +30 2410 593730

Patra
9, Glafkou Street, Pervolia
(Sklavenitis Shopping Mall)
Tel.: +30 2610 642510

PEACOCKS

Athens
96-98, Kifisou Avenue
(River West Shopping Mall) Aigaleo
Tel.: +30 210 5698331

Crete
Sofokli Venizelou – Minoos & Pelasgon
(Talos Plaza Shopping Mall) Heraclion
Tel.: +30 2810 252344

OVS

Crete
Sofokli Venizelou – Minoos & Pelasgon
(Talos Plaza Shopping Mall) Heraclion
Tel.: +30 2810 252344

FINANCIAL STATEMENTS 2017

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER COMPANY OFFICIALS FOR THE DRAFTING OF THE FINANCIAL STATEMENTS

According to article 9, section (3)(c) and (7) of the Transparency Conditions (Marketable values for negotiation in an Adjustable Market) Law of 2007 ('Law'), we the members of the Board of Directors and other Company officials responsible for the drafting of the financial statements of Ermes Department Stores Plc for the year ended 31 December 2017, based on our knowledge we confirm that:

(a) The Annual Consolidated and separated and financial statements that are presented in pages 36 to 95:

(i) Have been prepared according to International Financial Reporting Standards, as adopted by the European Union and according to section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, financial position and loss of Ermes Department Stores Plc and the companies that are included in the Consolidated Financial Statements as a total, and

(b) the Report of the Board of Directors gives a fair overview of the developments and the performance as well as the financial position of Ermes Department Stores Plc and the companies that are included in the Consolidated Financial Statements as a total, with a description of the principal risks and uncertainties that are encountering.

MEMBERS OF THE BOARD OF DIRECTORS

George Aniliades	Executive Chairman
Eleni N. Shacola	Deputy Executive Chairman
Marios N. Shacolas	Executive Director
Demetris Demetriou	Non – executive Director
Pambos Ioannides	Non – executive Director
Nicos Karakoidas	Executive Director
George Louka	Executive Director
Marios Panayides	Non – executive Director
Costas Severis	Non – executive Director
Menelaos C. Shacolas	Non – executive Director
David John Smith	Non – executive Director
Antonis Ayiomamitis	Non – executive Director
Chrysoula N. Shacola	Executive Director

RESPONSIBLE FOR THE DRAFTING OF THE CONSOLIDATED FINANCIAL STATEMENTS

Kyriacos Kolocassides – Chief Financial Officer

Nicosia, 23 April 2018

MANAGEMENT REPORT

The Board of Directors of Ermes Department Stores Plc (the "Company") together with its subsidiaries, which collectively referred to as the "Group", presents, its Annual Report together with the audited consolidated financial statements and the audited individual financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is the parent company of Ermes Group. The activity of the Group is the operation of the following:

The Company

Debenhams: Seven department stores engaged in the sale of fashion items, cosmetics, toys, homeware, food and other products and services for all ages and the family. These department stores are located in Nicosia, Limassol, Larnaca and Paphos,

ZAKO: Twenty eight retail stores engaged in the sale of lingerie, hosiery, swimwear, haberdashery etc selling across Cyprus. Twenty one stores are operating through exclusive franchise agreements,

NEXT: Six fashion stores in Nicosia, Limassol, Larnaca and Paphos,

Peacocks: Two fashion stores in Limassol and Larnaca,

Oviesse: Two fashion stores in Nicosia and Paphos,

Navy & Green: One fashion store in the Mall of Cyprus,

Forever 21: One fashion store in the Mall of Cyprus,

Armani Exchange: One fashion store in the Mall of Cyprus,

Uber: One young fashion store in the Mall of Engomi,

Orsay: One fashion store in Limassol,

Glow: One cosmetics store in the Mall of Cyprus.

The Group

CW Artopolis Limited: Management and operation of cafeterias and bakeries within the Debenhams Department Stores and the Bakery in "The Mall of Cyprus" (100% ownership).

Superhome Center (DIY) Limited: Running five superstores selling items for the home, the garden, the office, the workshop and the amateur and the professional craftsman in Nicosia (Strovolos and Engomi), in Limassol, in Paphos and in Larnaca (51% ownership).

Fashionlink S.A.: Retail trade in Greece, with four Next fashion stores, two Peacocks fashion stores and one Oviesse fashion store. The stores are located in Athens, Piraeus, Heraklion, Larisa and Patra (100% ownership).

Novario Holding Limited: Engaged in the import, distribution, wholesale and retail sale of electrical and electronic appliances through 6 Scandia stores and 12 Megaelectric stores (50% +1 share ownership).

RESULTS

The Group

The results of the Group are presented on page 36. The revenue of the Group for the year ended 31 December 2017, amounted to €157.418.448 compared to €152.988.359 in 2016, an increase of 2,9%.

After deducting operating expenses, depreciation, finance costs, taxation and the net loss of €961.306 that arose from discontinued operations, the results of the year present a loss of €398.150 compared to the net loss of €3.156.908 in 2016.

During the year ended 31 December 2017, the Company and the Group invested in new property, plant and equipment an amount of €3.648.266 and €4.202.478 respectively.

The total assets of the Group as at 31 December 2017 amounted to €154.068.329 (31 December 2016: €144.225.743), whereas the net assets, were €55.870.573 (31 December 2016: €57.248.232).

The Company

The results of the Company are presented on page 41. The revenue for the year ended 31 December 2017 amounted to €82.221.345, compared to €88.898.461 in 2016, a decrease of 7,5%.

After deducting operating expenses, depreciation, non recurring expenses, finance costs and taxation, the net loss for 2017 amounted to €902.534 compared to the net loss of €2.321.513 in 2016.

REVIEW OF DEVELOPMENTS, CURRENT POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

During 2016, the Cyprus Economy exhibited a significant growth, driven primarily by the activity in Tourism, Construction and Logistics industry sectors, as well as a slight reduction in the level of unemployment. Nevertheless, the lack of liquidity in the market, coupled with the low level of consumer income, continue to suppress sales, margins and bottom line profitability in general. The Retail industry in this context continues to experience the pressures developed over the course of the last few years as a result of the financial crisis. Especially the retail sector continues to suffer the pressures created in the past years due to the crisis as deflationary trends continued throughout 2016, while a small increase in inflation was observed in 2017 and stood at around 0,5%. Furthermore, competition is fierce and growing stronger as a result of the entry of major brands in the local market.

On the other hand, the fact that shops continue to operate on Wednesday afternoon and Sundays has contributed to the growth of the productivity of the retail sector and at the same time the improvement of customer service, increase in government income and income from tourism, employment, as well as the market players in general.

The diversity of the operations of the Group and the fact that it does not depend on a single industry but engages across a number of different industry sectors, the continuous enrichment of the product portfolio and service offering to its customers, as supported by the loyalty exhibited by its customers and suppliers, has enabled the Group to grow its operations, become more competitive and to this extent mitigate the effects of the financial crisis.

Within the context of its Strategic Plan, the Group completed in November 2016 the renovation of the Debenhams Department Store in Larnaca, which involved inter-alias the restructuring and revamp of the sales areas with the addition of new brands, aiming towards the furtherance and improvement of the customer experience on offer. In addition, the new venture of the Group, which resulted from the merger of the operations of MEGAELECTRIC and SCANDIA engaged in the retail sales of electric and domestic appliances, the biggest retail chain of its kind in the market, commenced operations in October 2016.

In March 2017, the Group inaugurated the first ARMANI EXCHANGE shop in Cyprus offering high fashion. In early April 2017, the Group managed the opening of the first FOREVER21 shop in Cyprus, the world renowned young fashion retail brand. Both shops operate in the Mall of Cyprus in Nicosia. Further to the above in December 2017, the Group inaugurated the Oviesse store at the Kings Avenue Mall in Paphos and in March 2018, the Orsay store in Limassol. Moreover, a number of stores are currently undergoing major renovations aiming towards the enhancement and improvement of the shopping experience and customer service.

Within the context of the restructuring of the operations, the Group closed down the Debenhams Department Store in Ledras Street, Nicosia, in April 2016, terminated the operations of the Debenhams Department Store in Kato Paphos at the end of November in the same year, as well as those of the Bakery and Mangia Restaurant at Annex 4 at Shacolas Emporium Park, in Nicosia, in January 2017.

During 2017, the Group entered into a strategic agreement with the internationally known supermarket chain SPAR with ERMES taking over its representation on the local market. The Group has already begun implementing the required computerized systems and the first SPAR supermarket is expected to operate in the second quarter of 2018.

It should be noted that in 2017 the Group also launched the development of the marketplace infrastructure, which is expected to operate in the second quarter of 2018 by enhancing the links with the Cypriot consumers, offering a wide range of "lifestyle" products at affordable prices.

In addition, a large-scale renovation of the Debenhams department store at The Mall of Cyprus in Nicosia has already begun, which is expected to become a pole of attraction for the consumer of the capital, offering a wide range of products and overall a pleasant and unique experience for consumers, since it has been designed by a reputable French architect /designer office.

ERMES has also invested in the development of a new and flexible customer reward scheme that will form a customer-centric relationship and reward center focusing on the personalisation of each of the Group's customers. This new reward scheme is expected to be launched in the second quarter of 2018.

All of the aforementioned have already contributed significantly towards the achievement of the financial performance of the Group, albeit their positive impact on the 2018 results is expected to be more.

EXPECTED DEVELOPMENTS AND RISKS FOR 2018 ONWARDS

On the basis of reports coming out of the European Union, the International Monetary Fund and the forecasts of the Government, it is expected that the economy will continue to improve in 2018 with GDP growing as supported by the positive contribution of a range of industry sectors and primarily that of Tourism. In this context, the sustainability of the current status with respect to the operation of the shops on Sundays reflect a positive perspective for the improvement of the local economy, as does the increase exhibited in the disposable income of the consumers.

The Board of Directors and the Management of the Group continue to manage the situation with utmost care and take actions to maintain competitiveness, respond and adapt accordingly, engage in new ventures, maintain its profitability, meet its obligations as and when they fall due, and be in a position to exploit opportunities that may arise in the future.

Nevertheless, the high levels of Non- Performing Loans (NPL's) continue to suppress market liquidity and may endanger the stability and growth of the economy in its entirety. In addition, the political instability in the region that may have adverse impact on the growth of the economy and primarily Tourism, the exit of the UK from the European Union from which the Group sources a significant part of its products bought for resale, the foreign currency fluctuations, as well as the intense competition, represent the major risk factors that may affect operations The Management of the Group continuously monitors developments and is confident the Group possesses the capabilities to adequately address the aforementioned risks.

DIVIDEND

The Board of Directors does not recommend the payment of a dividend.

SHARE CAPITAL

There were no changes in the share capital of the Company.

BOOK VALUE OF SHARE

The book value of the Company's share, based on the consolidated net assets was €0,28 (31 December 2016: €0,29) per share of €0,34.

ENVIRONMENTAL RESPONSIBILITY

Steady policy of the Group is to strictly comply with the Laws adopted by the State and maintain its sensitivity towards environmental matters. In this context, continuous efforts are being made in order to improve and upgrade Safety, Health and Environmental systems within the work place and the management of materials and waste, including packaging materials, electrical and electronic devices, batteries and motor vehicles at the end of their useful economic lives, in accordance with the 94/62 Directive of the European Union. Under the guidance of specialists, meetings, seminars, inspections, checks and staff training programs are regularly being carried out.

In particular, the Group implements energy-saving programs by upgrading existing buildings and more specifically the lighting systems, whilst all new buildings are by construction more environmentally friendly and less energy intensive. The Group systematically recycles all harmful materials (batteries, lamps etc.) or recyclable materials (pallets, boxes and all packing materials, papers, toner, electronic equipment etc.) and actively participates in environmental protection. To the extent possible, the Group is supplied with recyclable materials.

CORPORATE SOCIAL RESPONSIBILITY

Following the completion of the Group's significant support in June 2016 to children in need attending primary schools through the provision of breakfast meals daily, with a total amount exceeding €1,5 million, the CTC Group continued its social contribution in 2017 in co-operation with Municipalities, Communities, Associations, the Church and other organised groups. Among other things, the contributions concerned the creation of green areas, new children's clothing, the encamped children of Karpasia, the Sofia Foundation for Children and various cultural events.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company are disclosed in Notes 1, 3 and 4 of the financial statements. The outlook for the Cyprus economy showed positive growth in 2016 and 2017 after overcoming the economic downturn in recent years. Overall, the economic outlook remains favorable, but there are still risks of recession from the still high levels of non-performing loans, the sovereign debt ratio and potential deterioration in the external environment for Cyprus.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

USE OF FINANCIAL INSTRUMENTS BY THE COMPANY

The Group and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group and Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and Company's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

FOREIGN EXCHANGE RISK

The Group and the Company import goods from overseas and are exposed to foreign exchange risk arising from various currency exposures, primarily to US dollar and Pound sterling. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

At 31 December 2017, if the Euro had weakened/strengthened by 10% (2016:10%) against the US Dollar with all other variables held constant, the post-tax profit for the year would have been €31.993 (2016: €2.866) for the Group and €1.266 (2016: €711) for the Company, lower or higher respectively, mainly as a result of foreign exchange gains/ losses on conversion of cash balances denominated in US Dollars.

At 31 December 2017 if the Euro had weakened/strengthened by 10% (2016:10%) against the Pound sterling, with all other variables held constant, the post-tax profit for the year would be €144.626 (2016: €310.852) for the Group and €121.958 (2016: €281.909) for the Company lower or higher respectively, mainly as a result of foreign exchange gains/losses on conversion of cash balances denominated in Pound sterling.

The Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

CASH FLOW INTEREST RATE RISK

As the Group and the Company have significant interest-bearing assets, income and operating cash flow are dependent of changes in market interest rates.

At 31 December 2017, if interest rates on Euro-denominated bank deposits had been 0,25% (2016: 0,25%) higher/ lower, with all other variables held constant, the post-tax profit for the year would be €3.789 (2016: €2.529) for the Group and €109 (2016: €14) for the Company, higher or lower respectively, mainly as a result of higher/lower interest income on floating rate bank deposits.

Most of the interest bearing assets relate to loans to related companies for which the interest rate is fixed and exposes the Company and the Group to fair value interest risk. The interest rates are set by the Management of the Group and are reviewed at regular intervals depending on market conditions. The assets which bear fixed interest rate were not taken into account in the above sensitivity analysis.

Interest rate risk arises also from long-term borrowings. Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group and the Company to fair value interest rate risk.

At 31 December 2017, if the interest rates on Euro-denominated borrowings had been 0,25% (2016: 0,25%) higher or lower with all other variables held constant, the post-tax profit for the year would be €117.482 (2016: €89.637) for the Group and €85.576 (2016: €53.988) for the Company, higher or lower respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, borrowings to related parties, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only those which are positively evaluated, under the circumstances, by the Board of Directors are accepted, taking into account Cyprus' financial sector.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. The sales to retail customers are settled in cash or using credit cards.

No credit limits were exceeded during the reporting period, and the Management does not expect any losses from non performance by these counterparties.

LIQUIDITY RISK

The Management controls current liquidity on the basis of expected cash flows and expected revenue receipts. In the long term, liquidity risk is determined on the basis of expected future cash flows at the time of new credit facilities or leases and on the basis of budget estimates. The Company's Management believes that it is successful in managing the Company's exposure to liquidity risk.

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2017 and at the date of this report are shown on page 4. All of them were members of the Board throughout the year 2017 except Mrs Suzanne Marie Harlow, who held office at 1 January 2017, and resigned on 10 January 2017 and Mr David John Smith who was appointed the same date in her place.

According to the Company's Articles of Association, at each Annual General Meeting ½ of the longest serving members of the Board, as well as those appointed after the previous Annual General Meeting, retire but have the right to be re-elected. At the next Annual General Meeting, Mr Marios N. Shacolas, Mrs Eleni N. Shacola, Mr George Aniliades, Mr Pambos Ioannides, Mr Costas Severis, Mr Menelaos C. Shacolas and Mr Antonis Ayiomamitis will retire and will be eligible to offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

DIRECTORS' INTERESTS IN THE COMPANY'S SHARE CAPITAL

The direct and indirect interests of the members of the Board of Directors in the share capital of the Company on 31 December 2017 and on the date of this report, were as follows:

	%
George Aniliades	-
Eleni N. Shacola	13,10
Marios N. Shacolas	12,93
Demetris Demetriou	-
Marios Panayides	0,24
Costas Severis	0,04
Menelaos C. Shacolas	0,29
Pambos Ioannides	0,005
Nicos Karakoidas	-
George Louka	-
Chrysoula N. Shacola	12,93
Antonis Ayiomamitis	-
David John Smith	-

On 31 December 2017 and on the date of this report, the following shareholders of the Company held over 5% of the Company's issued share capital either directly or indirectly:

	%
Marios N. Shacolas (through Cyprus Trading Corporation Plc and other Companies)	12,93
Chrysoula N. Shacola (through Cyprus Trading Corporation Plc and other Companies)	12,93
Eleni N. Shacola (through Cyprus Trading Corporation Plc and other Companies)	13,10
Marina N. Shacola (through Cyprus Trading Corporation Plc and other Companies)	12,93
Debenhams Retail Plc	10,00

CONTRACTS WITH DIRECTORS AND RELATED PARTIES

Except from the balances and transactions of financial statements disclosed in Note 28, there were no other significant contracts with the Company, its subsidiaries or its related companies on 31 December 2017, within which a Director or related parties had a significant interest.

EVENTS AFTER THE BALANCE SHEET DATE

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements apart from those disclosed in Note 30.

BRANCHES

The Company did not operate through any branches during the year.

CORPORATE GOVERNANCE REPORT

For information with regards to corporate governance, refer to the Corporate Governance Report presented on pages 24-29.

INDEPENDENT AUDITORS

The Audit Committee discussed the European Union Regulation on Public Interest Entities and the implications for the rotation of external auditors. In accordance with the transitional provisions of the new regulatory framework, the term of the Company's existing external auditors expires in 2017. It is expected that a call for tenders will be announced for the year 2018. The existing auditors, PricewaterhouseCoopers Limited, may claim their reappointment and have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD
George Aniliades
Executive Chairman

Nicosia, 23 April 2018

MANAGEMENT REPORT
ON CORPORATE GOVERNANCE

PART A

The Board of Directors recognizing the importance of the Corporate Governance Code for the proper and prudent management of the Company and the continuous protection of the interests of all the Shareholders, has adopted the Code and complies with its Principles and Provisions. The Code also applies to the parent public entity Cyprus Trading Corporation Plc and to the associated public entity Woolworth (Cyprus) Properties Plc.

PART B

By relevant decision of the Cyprus Stock Exchange, securities of the Company are transferred from the Parallel Market to the Alternative Market with implementation date 20 April 2015. The Board of Directors confirms the compliance with all the Principles and Provisions of the Code on Corporate Governance.

BOARD OF DIRECTORS AND DIRECTORS' REMUNERATION

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Company is managed by the Board of Directors which consists of 13 members, 8 of whom are non-Executive and of whom 2 are independent.

The position of the Executive Chairman of the Board of Directors is held by Mr. George Aniliades, Chief Executive Officer of the Company is Mr. Nicos Karakoidas whose main occupation is the management of the Company as regards, in particular, the day to day operations and activities.

The Company's Board of Directors, after obtaining complete, timely and reliable information, meets at regular intervals to consider and take decisions, which are accurately recorded in minutes. During 2017, 6 meetings were held. The Board of Directors has set out a formal agenda of issues on which decisions must be taken only by the Board. Some of the issues can be referred to special committees of the Board of Directors, without this meaning that the members of the Board of Directors are exempted from their collective responsibility. No category of members of the Board of Directors is differentiated as to its responsibility towards any other category.

The Company's Secretary is responsible to provide complete, timely and reliable information to all the members of the Board of Directors and the Executive Chairman has the responsibility to ensure that all members of the Board of Directors are properly informed on the issues discussed at the meetings.

All the Directors may have consultations with the Executive Chairman, the Secretary as well as with the External and Internal Auditors of the Company. Every newly appointed Director receives adequate briefing upon appointment, as well as during his/her service, whenever considered necessary. All the Directors exercise independently and impartially their judgment during the execution of their duties and, whenever deemed necessary, obtain independent professional advice, at the Company's cost.

The Board of Directors at the date of this Report is composed by the Directors as shown in table 1 below. All of them were members of the Board throughout the year 2017, except Mr David John Smith who was appointed on 10 January 2017, in the place of Mrs Suzane Harlow who resigned on 10 January 2017.

The Board of Directors, in a meeting held on 25 April 2012, unanimously declared Mr. Nicolas K. Shacolas as lifetime Honorary Chairman of the Company.

According to the Company's Articles of Association, at each Annual General Meeting ½ of the longest serving members of the Board, as well as those appointed after the previous Annual General Meeting, retire but have the right to be re-elected. At the next Annual General Meeting, Mr Marios N. Shacolas, Eleni N. Shacola, George Aniliades, Pambos Ioannides, Costas Severis, Menelaos C. Shacolas and Antonis Ayiomamitis will retire and will be eligible to offer themselves for re-election.

As required by the Code, short biographical details are given below for all the Directors who retire and offer themselves for re-election.

Marios N. Shacolas - Studied Business Administration in the United States of America and holds a master degree. He is the Executive Chairman of N.K. Shacolas (Holdings) Limited, the Executive Chairman of Cyprus Trading Corporation Plc and Executive Director of Woolworth (Cyprus) Properties Plc, Cyprus Limni Resorts and Golfcourses Plc and other companies.

Eleni N. Shacola - Studied in the United Kingdom (B.A. General) at the University of London. She is the Deputy Executive Chairman of Ermes Department Stores Plc, Executive Director of Cyprus Trading Corporation Plc, Woolworth (Cyprus) Properties Plc, Cyprus Limni Resorts and Golfcourses Plc, and other companies.

George Aniliades - Studied and worked as a Chartered Accountant (ACA) in the United Kingdom and Cyprus. Since 1995 he has been working for the Shacolas Group of Companies, where he held the position of General Manager of ZAKO Ltd, Deputy General Manager of Woolworth (Cyprus) Properties Plc and the Chief Executive Officer of Superhome Center (DIY) Ltd. He is a Director in various companies of the Group. He served as the Chief Executive Officer of Ermes Department Stores Plc from 2005 until April 2012, when he was appointed as the Executive Chairman of the Company.

Pampos Ioannides - Studied Law at the University of Athens and at the University of London. He holds a Master of Law degree from the University of London and he is a member of the Cyprus Bar Association. He is the Managing Partner of the Law Firm Ioannidis Demetriou and a legal advisor in various organizations, financial institutions and other corporations. He is a member of the Board of Directors of Ermes Department Stores Plc and other companies of the Group.

Costas Severis - Studied Economics at the University of Cambridge. He has served as a member of the Board of Directors of Bank of Cyprus and other companies of the Group for many years. He is actively involved in the insurance industry and in the paper import industry through family owned business. He is President of the Costas & Rita Severis Foundation and Honorary Consul of Finland in Cyprus.

Menelaos C. Shacolas - Studied Law at the University of Kent in Canterbury (UK) and was awarded the Barrister at Law at King’s College University of London. He is the Managing Director of the family owned businesses AKS Hotels (Athens) and CN Shacolas (Investments) Limited, while he is a member of the Board of directors of Apollo Investments Limited, Cyprus Trading Corporation Plc and other companies.

Antonis Ayiomamitis - Studied International Relations at the Empire State College in New York. He holds a master degree in Business Administration (MBA) from Cyprus International Institute of Management. In 2017, he was appointed as a General Manager of CTC Auto Leasing Ltd. Since 1 March 2018, he was promoted to the position of Deputy Executive Officer of CTC Automotive Ltd and at the same time continues to act as the General Manager of CTC Autoleasing Ltd.

DIRECTORS’ INDEPENDENCE

The structure of the Board of Directors and the assignment of the Directors to categories, are presented in table 1 below:

Table 1: The Company’s Board of Directors

Executive Directors

Marios N. Shacolas
Nicos Karakoidas
Eleni N. Shacola
Chrysoula N. Shacola
George Louca

Non-Executive Directors

George Aniliades	- Chairman
Demetris Demetriou	
Pambos Ioannides	
Marios Panayides	
Costas Severis	- Independent (see note below)
Menealos C. Shacolas	- Independent (see note below)
Antonis Ayiomamitis	
David John Smith	

Note: Even though Messrs Costas Severis and Menelaos C. Shacolas have completed their nine – year service as Directors in the Company, they are still considered by the Board of Directors, to be Independent due to their objectivity and their independence and unbiased judgment during their office in the Board of Directors and its Committees.

The above classification is according to the criteria of independence which are included in the Corporate Governance Code.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company, adopting the Code's Principles, proceeded with the formation of the following Committees and with the approval of their operational memoranda, which comply with the Code and are available to anyone interested at the Company's Registered Office. These Committees also apply to all the subsidiaries of Ermes Department Stores Plc.

a. Nominations Committee

The main responsibility of the Nominations Committee is the operation of a defined and comprehensive procedure, regarding recommendations for appointment of new members of the Board of Directors and to express its views to the Board of Directors on such suggestion. The members of the Nomination Committee, the majority of which are Non – Executive Directors, are the following:

Pambos Ioannides, Chairman	– Non-Executive
George Aniliades	– Non-Executive
Menelaos C. Shacolas	– Non-Executive, Independent

The Nominations Committee meets at least once a year and reports to the Board of Directors. Furthermore, at least once a year, it presents to the Board of Directors its activities in summary during the previous financial year, together with any recommendations it may have.

b. Remunerations Committee

The Remunerations Committee consists of the following Non-Executive Directors, the majority of whom are Independent:

Demetis Demetriou, Chairman	– Non-Executive
Menelaos C. Shacolas	– Non-Executive, Independent
Costas Severis	– Non-Executive, Independent

The Remunerations Committee meets at least once a year and its responsibility is the submission of recommendations to the Board of Directors over the context and the amount of the remuneration of the Executive Directors, as well as the terms of the relevant employment contracts. The remuneration of the Non-Executive Directors is determined at the Annual General Meeting.

The Remunerations Committee has the right to receive professional services within and outside of the Company. Whenever these services are provided with aim the collection of information regarding remuneration systems used in the market, the committee ensures that the advisor used to conduct the survey does not also provide services to the HR department or to any other Executive or Managing Executive Director of the company.

c. Audit Committee

The role and the responsibility of the Audit Committee relates to matters regarding the services of the External and Internal Auditors, including their independence affirmation, matters on accounting treatment, matters on review of significant transactions in which there might be a conflict of interest as well as the preparation of the Report of the Directors on Corporate Governance, with the help of the Compliance Officers under the Code. The Audit Committee reports to the Board of Directors. The Internal Control Systems are inspected continuously by the Annual Audit Department of the Shacolas Group, which report to the Audit Committee and reviews their effectiveness.

The Audit Committee of the Company consists of the following Non-Executive Directors, who fulfill the requirements of the code, the majority of whom are Independent:

Demetis Demetriou, Chairman	– Non-Executive
Menelaos C. Shacolas	– Non-Executive, Independent
Costas Severis	– Non-Executive, Independent

The Audit Committee meets at least 4 times a year. It examines amongst other things, the financial statements and the company's internal financial systems, the reports of the Internal Audit Department, the effectiveness of the company's internal control as well as the risk management systems.

It suggests the appointment or termination of the services of the Internal and the External Auditors and it monitors their relationship with the Company, including the balance between the audit and the other non-audit services they may provide.

The total fees charged by the statutory audit firm for the statutory audit of the annual financial statements and other services of the Group and the Company for the year ended 31 December 2017 amounted to €192.472 (2016: €183.569) for the Group and €115.000 (2016: €111.000) for the Company. The total fees charged by the Company's statutory audit firm for the year ended 31 December 2017 for tax advisory services amounted to €32.810 (2016: €14.550) for the Group and €30.900 (2016: €13.100) for the Company and other non-audit services amounted to €8.100 (2016: €18.805) for the Group and €8.100 (2016: €18.805) for the Company.

The Audit Committee reviews and approves the Auditor's report to the Members of the Board.

The Audit Committee assesses the independence of the external auditors, as well as of the Internal Audit Department. The objectivity and independence of the external auditors is safeguarded through the monitoring of the relationship with the Group, by the Audit Committee, including the balance between the audit and other non-audit services. The external auditors provided written assurance of their objectivity and independence to the Group. The external auditors do not provide any internal audit services to the Group. The Committee examines the purchase of any non-audit services from the External Auditors in order to determine whether the criteria of their independence are affected.

The Audit Committee discussed the Regulation of the European Union in relation to the Public Interest Entities and the implication on the rotation of the external auditors. According to the transitional provisions of the new regulatory framework the term of office of the present external auditors of the Company expires in 2017 and it is expected that a call for tenders will be announced for the year 2018. Existing auditors can claim their reappointment.

The Audit Committee examines the Report of the External Auditors and recommends its approval to the Board of Directors.

The Audit Committee may request professional advice on matters within the scope of its duties and whenever deemed necessary, may invite to its meetings specialists on the matters under discussion.

d. Authorisation of Capital Expenditure Committee

In addition to the three aforementioned committees and for the purposes of enhancing the Internal Control system and procedures, an Authorisation of Capital Expenditure Committee was formed, which primarily consists of members of the Board of Directors. The Committee is authorized and responsible to assess the recommendations of the Management with respect to the incurrence of capital expenditure and submit its recommendations accordingly to the Board of Directors of the Group for its final decision and resolution.

The members of the Committee are the following:

Marios N. Shacolas	- Executive Director- Chairman
Chrysoula N. Shacola	- Executive Director
Eleni N. Shacola	- Executive Director
George Louca	- Executive Director
Demetris Demetriou	- Non- Executive Director
Christakis Charalambous	

DIRECTORS' REMUNERATION

The remuneration of the Executive Directors is determined by the Board of Directors after the recommendations of the Remunerations Committee. For this purpose, the Remunerations Committee acts within the framework of the Remuneration Policy, which was approved at the Annual General Meeting of the Shareholders and complies with the provisions of Paragraph B.2 of the Code on Corporate Governance.

None of the Executive Directors is involved in the determination of his/her own remuneration. The existing employment contracts of the Executive Directors are of indefinite duration, the notice period does not exceed one year and the provisions of reimbursement in case of early termination of contracts is based on the provisions of the Employment Termination Law.

The remuneration of the Directors, under their capacity as members of the Committees of the Board of Directors, is determined by the Board of Directors and is proportional to the time spent on managing the Company. The remuneration of the Directors, under their capacity as members of the Board of Directors, is approved by the Shareholders at the General Meeting. The remuneration of the non-executive directors is not linked to the profitability of the Company or take the form of participation in a pension or insurance plan of the Company. The directors' fees for 2017 are set out below and are split between Executive and Non-Executive Directors.

There are currently no schemes, which provide pre-emption or purchasing share options to the Managing Directors.

The Executive Directors who are at the same time employees of the Company, participate in the existing Employees Benefit Schemes of the Group (Provident Fund, Medical Fund and Life Insurance Scheme). The terms of their participation in these schemes are the same as those which apply to all the staff of the Group. The pension scheme (Provident Fund) of the staff is a defined contribution scheme.

The remuneration of Executive Directors, including employer's contributions and other benefits are the following for 2017: Messrs Eleni N Shacola - Deputy Executive Chairman, €169.388 (2016: €194.786), Nicos Karakoidas – Chief Executive Officer €206.620 (2016: €212.773). The remaining Executive Directors have benefited from their remuneration as members of the Board of Directors as follows: Messrs Marios N. Shacolas €4.200, Chrysoula N. Shacola €4.000 and George Louca €4.200. The remuneration of Mr George Louca and Chrysoula N. Shacola has been paid to their employer, as a compensation for the time they spent as Executive Directors of Ermes Department Stores Plc. The total remuneration of the Executive Directors of the Group amounted to €388.408 (2016: €419.359).

During 2017, the Company has not paid any additional remuneration to the Non-Executive Directors, with the exception of the remuneration of the Chairman of the Company Mr George Aniliades amounting to €215.006 (2016: €213.762), and except from their annual remuneration as members of the Board of Directors and other various committees, which was approved at the last year's Annual General Meeting of the Company. As such, this is analysed as follows: Messrs Costas Severis €5.190, Pambos Ioannides €3.570, Menelaos C. Shacolas €4.080, Marios Panayides €3.800, Demetris Demetriou €6.550, Antonis Ayiomamitis €3.800 and David John Smith €9.800. The remuneration of Messrs Marios Panayides, Demetris Demetriou, Antonis Ayiomamitis and David John Smith has been paid to their employer as compensation for the time they spent as Non-Executive Directors of Ermes Department Stores Plc. The total remuneration of the Non-Executive Directors of the Company amounted to €251.796 (2016: €250.832).

The Directors' remuneration is also disclosed in Note 28 of the financial statements.

RESPONSIBILITY AND CONTROL

INTERNAL CONTROL SYSTEM

The Board of Directors assures that the Company maintains an adequate Internal Control System in order to safeguard the Shareholders' investment as well as the assets of the Company to the greatest possible extent.

The Board of Directors of the Company has reviewed the procedures and methods of validation of the correctness, completeness and accuracy of the information provided to the investors and confirms their effectiveness.

The Board of Directors confirms that through the Internal Audit Department of the Shacolas Group of Companies, which acts independently and objectively and reports to the Audit Committee of the Company, inspects the Internal Control Systems of the Company and confirms that their effectiveness is satisfactory. The monitoring of the Internal Control System and Risk Management Systems by the Internal Audit Department covers, on a sample basis, the financial, operating and software systems, including the operating control systems and security safeguards.

The objective of the Internal Audit Department of the Group is the provision of independence and objective Internal Control services and advisory services designed to add value as well as improve the operation of the Companies of the Group.

The Internal Audit Department assists the Group to achieve its goals through the implementation of a systematic and disciplined methodology in the evaluation and improvement of Risk Management Systems, Internal Control Systems and the application of the Code on Corporate Governance by each Company. The Internal Audit Department is liable to the Board of Directors and to the Audit Committee of the Company regarding the execution of its duties. In the context of its independence, its staff reports administratively and operationally directly to the Audit Committee. The Head of the Internal Audit Department was Mr. Rovertos Yiousellis, who is a Chartered Accountant (FCCA, MBA Finance), who resigned for personal reasons on 11 January 2018. Mrs Argyro Efstathiou, who is a Chartered Accountant (FCA, BA Economics), has been appointed in his position on 22 January 2018.

The Board of Directors of the Company confirms that nothing has come to its attention regarding any breach of the Cyprus Stock Exchange Laws and Regulations, except from those that are known to the relevant stock exchange officials.

MAIN CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT OPERATED BY THE COMPANY WITHIN THE CONTEXT OF THE PROCESS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The main characteristics of the internal control system and risk management operated by the Company within the context of the process for the preparation of the financial statements relate to inter-alias the following:

- The revision of the accounting principles and policies wherever this is required;
- The documentation of the procedures pertaining to the preparation and release of the financial statements;
- Existence of safeguards and development of audit procedures for the safety and reliability of the information used;
- Adequacy in terms of knowledge and expertise of the executives involved per different area of authority and responsibility;
- Continuous training and updating of the executives with respect to financial and audit matters;
- Development and presentation of risk management policies and procedures;
- Evaluation of the internal control and risk management policies and procedures by the Board of Directors following the relevant recommendation of the Audit Committee.

The Company has instigated the appropriate structures, procedures and audit mechanisms in order to evaluate and manage risks, pertaining to the preparation of the financial statements.

LOANS TO DIRECTORS

Loans to the Directors of the Group from Group Companies and information relating to potential interest of the Directors in transactions or matters that affect the Company, are disclosed in Note 28 of the financial statements.

VOTING AND CONTROL RIGHTS

The Company has not issued any titles granting special control rights and there are no limitations regarding voting rights. All shares have the same rights.

GOING CONCERN

The Board of Directors confirms that the Company and the Group have sufficient resources to continue their operations as a going concern for the next twelve months.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Board of Directors has appointed Mr. George Mitsides and Mr. George Louca as Compliance Officers with respect to the Code on Corporate Governance, who monitor in cooperation with the Audit Committee, the implementation of the Code.

RELATIONSHIPS WITH THE SHAREHOLDERS

The Directors consider an important part of their responsibilities the provision of timely, clear and reliable information to the Shareholders and the adoption of the provision of the Code on Corporate Governance regarding the constructive use of the General Meeting and the equitable treatment of the Shareholders. The Shareholders, given that they represent a sufficient number of shares, have the ability to register matters for discussion at the General Meeting of the Shareholders in accordance with the procedures provided by the Companies Law.

The Board of Directors appointed Mr. George Mitsides and Mr. Demetris Demetriou as the Company’s Shareholder Liaison Officers.

The Board of Directors has appointed Mr. Menelaos C. Shacolas, independent Non – Executive Director, as Senior Independent Director, who is available for communication with any Shareholders whose enquiries or concerns may not have been solved through the normal communication channels of the Company.

BOARD OF DIRECTORS REMUNERATION POLICY

The Board of Directors Remuneration Policy has been determined and approved at the Shareholders’ General Meeting and is uploaded on the Company’s official website.

By order of the Board of Directors

George Aniliades
Executive Chairman

Nicosia, 23 April 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ERMES DEPARTMENT STORES PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE SEPARATE FINANCIAL STATEMENTS OF ERMES DEPARTMENT STORES PLC

OUR OPINION

In our opinion, the accompanying consolidated financial statements and the separate financial statements of Ermes Department Stores Plc ("the Company" and its subsidiaries together "the Group") give a true and fair view of the financial position of the Group and the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated and the separate financial statements which are presented in pages 36 up to 95 which comprise:

- the consolidated balance sheet and the balance sheet of the Company as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income and the statement of comprehensive income of the Company for the year then ended;
- the consolidated statement of changes in equity and the statement of changes in equity of the Company for the year then ended;
- the consolidated statement of cash flows and the statement of cash flows of the Company for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated and separate financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

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

Independence

We remained independent of the Group and the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of Goodwill	
Refer to Note 2, Summary of Significant Accounting Policies, Note 4, Critical Accounting Estimates and Judgements and Note 17, Intangible Assets.	Our procedures in relation to Management's assessment for impairment of Goodwill included an evaluation of the Goodwill impairment testing methodology including the main parameters and assumptions used. This encompassed assessing the forecasted margins, working capital, capital expenditure and discount rate.
Ermes Department Stores Plc has Goodwill of €34.456.187 and €17.807.789 as at 31 December 2017 in the consolidated and separate financial statements of the Group and the Company respectively, representing 22% and 15% of the Group's and the Company's total assets respectively. Goodwill is tested annually for impairment by comparing the carrying amount with the value in use. The value in use is measured using a discounted cash flow valuation for each cash generating unit. Management's annual Goodwill impairment test is considered complex and requires significant management judgement with respect to future market and economic conditions, revenue growth, margins, working capital levels and capital expenditure, which individually may have a material effect on the result of the calculation.	The procedures performed included comparing assumptions to external and internal data. Furthermore, we analysed sensitivities, and compared the projected cash flows to budgets. Also, we have verified the accuracy of the mathematical calculations. Our team included in-house valuation experts to assess the valuation models and parameters used. Furthermore we evaluated the adequacy of the Group's and the Company's disclosures regarding the impairment assessment of Goodwill. The results of the above procedures were satisfactory.
Presentation of inventory at the lower of cost and net realisable value	
Refer to Note 2, Summary of Significant Accounting Policies, and Note 20, Inventories. The Group and the Company have inventory of €32.917.837 and €13.191.722 respectively at 31 December 2017 representing 21 % and 11% of the Group's and the Company's total assets respectively.	Our audit procedures in relation to the estimation of inventory included attendance at year-end physical inventory counts to ensure that the quantities included in the stock listing and used for the calculation of the Net Realisable Value were appropriate. Furthermore our team included in-house experts to reperform the calculation of Net Realisable Value and compare to carrying value, using Computer Assisted Audit Techniques. In addition we evaluated the adequacy of the Group's and the Company's provisions for impairment of inventory at net realisable value based on seasonality, by selecting a sample of items to test that they were correctly classified in the appropriate bracket at the lower of cost and net realisable value.
Inventory is carried in the Financial Statements at the lower of cost and net realisable value. Sales of individual product categories in the fashion industry can be volatile with consumer demand changing significantly based on current trends. As a result, there is a risk that the carrying value of inventory exceeds its net realisable value. Provisions to bring down the stock to net realisable value are based on a number of factors including seasonality. This exercise entails significant Management judgement.	The results of the above procedures were satisfactory.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ERMES DEPARTMENT STORES PLC

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of investments in subsidiaries in the separate financial statements of the Company	
Refer to Note 2, Summary of Significant Accounting Policies, Note 4, Critical Accounting Estimates and Judgements and Note 18, Investments in Subsidiaries.	Our procedures in relation to Management's assessment for impairment of investment in subsidiaries included an evaluation of the impairment testing model including the main assumptions. This encompassed assessing the forecasted margins, working capital and capital expenditure and discount rate and reperforming the calculation. The procedures performed included comparing assumptions to external and internal data. Furthermore, we analysed sensitivities and compared the projected cash flows to budgets. Our team included in-house valuation experts to assess the valuation models and parameters used.
Investment in subsidiaries is carried at cost less impairment of €15.746.557 in the separate financial statements of Ermes Department Stores Plc as at 31 December 2017 representing 13 % of total assets. The carrying value of investment in subsidiaries is tested annually for impairment at 31 December by comparing the carrying amount with the value in use. The value in use is measured using a discounted cash flow valuation technique for each Cash Generating Unit. Management's annual impairment test of investment in subsidiaries is considered complex and requires significant management judgement with respect to future market and economic conditions, revenue growth, margins, working capital levels and capital expenditure, which individually may have a material effect on the result of the calculation.	Furthermore we evaluated the adequacy of the Company's disclosures regarding the impairment assessment of Investments in Subsidiaries. The results of the above procedures were satisfactory.

REPORTING ON OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, the Management report on Corporate Governance and the statement of the Board of Directors and other Company Officials for the drafting of the financial statements but does not include the consolidated and the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ERMES DEPARTMENT STORES PLC

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ERMES DEPARTMENT STORES PLC

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group and the Company as at 31 December 2003 by the Board of Directors of the Company for the audit of the financial statements for the year ended 31 December 2003. Our appointment has been renewed annually, since then, by shareholder resolution. On 18 May 2007, the Company was listed in the Cyprus Stock Exchange and accordingly the first financial year after the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2008. Since then, the total period of uninterrupted appointment was 10 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated and separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 April 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and the Company and which have not been disclosed in the consolidated and separate financial statements or the management report.

Other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.
- In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, of the consolidated and separate financial statements we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated and separate financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ERMES DEPARTMENT STORES PLC

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Nicos A. Theodoulou.

Nicos A. Theodoulou

Certified Public Accountant and Registered Auditor

for and on behalf of

PricewaterhouseCoopers Limited

Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue,

CY-1080 Nicosia, Cyprus

Nicosia, 23 April 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		€	€
Continuing operations			
Revenue	5	157.418.448	152.988.359
Cost of sales		(99.835.910)	(97.753.269)
Gross profit		57.582.538	55.235.090
Selling and distribution expenses		(45.141.781)	(44.027.793)
Administrative expenses		(8.789.804)	(8.782.263)
Other income	6	1.814.978	1.262.694
Profit before depreciation and impairment charge		5.465.931	3.687.728
Depreciation	7	(4.017.034)	(4.324.246)
Loss after depreciation and impairment charge		1.448.897	(636.518)
Finance income	9	1.590.966	1.122.177
Finance costs	9	(2.130.833)	(1.671.970)
Loss before tax		909.030	(1.186.311)
Income tax expense	10	(345.874)	(296.685)
Loss for the year from continuing operations		563.156	(1.482.996)
Discontinued operations			
Loss for the year from discontinued operations	11	(961.306)	(1.673.912)
Loss for the year		(398.150)	(3.156.908)
Attributable to:			
Owners of the parent		(1.575.509)	(4.044.718)
Non-controlling interest		1.177.359	887.810
		(398.150)	(3.156.908)
Losses per share attributable to the equity holders of the Company (cents per share):	12		
Basic			
Continuing operations		(0,35)	(1,36)
Discontinued operations		(0,55)	(0,96)
Total		(0,90)	(2,32)

The notes on pages 45 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		€	€
Loss for the year		(398.150)	(3.156.908)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Deferred tax adjustment	25	832	(615)
Items that will not be reclassified to profit or loss		832	(615)
Other comprehensive income for the year, net of tax		832	(615)
Total comprehensive income for the year		(397.318)	(3.157.523)
Attributable to:			
Owners of the parent		(1.575.085)	(4.045.031)
Non-controlling interests		1.177.767	887.508
		(397.318)	(3.157.523)
Comprehensive income for the year attributable to the equity holders of the Company comes from:			
Continuing operations		(613.779)	(2.371.119)
Discontinued operations		(961.306)	(1.673.912)
		(1.575.085)	(4.045.031)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 11.

The notes on pages 45 to 95 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2017

	Note	2017	2016
Assets		€	€
Non-current assets			
Property, plant and equipment	16	28.635.618	28.851.585
Intangible assets	17	34.651.540	34.810.015
Deferred tax assets	25	647.085	647.085
Available-for-sale financial assets		7.405	7.405
Non-current receivables	19	42.117.012	38.023.022
		106.058.660	102.339.112
Current assets			
Inventories	22	32.917.837	30.046.296
Current portion of non-current receivables	19	4.000.000	-
Tax refundable		101.725	91.655
Trade and other receivables	21	7.198.721	9.014.835
Cash and bank balances	22	3.791.386	2.733.845
		48.009.669	41.886.631
Total assets		154.068.329	144.225.743
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	23	59.500.000	59.500.000
Difference from conversion of share capital into Euro		301.050	301.050
Treasury shares	23	(154.583)	(154.583)
Fair value reserve		1.694.825	1.694.401
Accumulated losses		(12.587.252)	(11.011.743)
		48.754.040	50.329.125
Non-controlling interest		7.116.533	6.919.107
Total equity		55.870.573	57.248.232
Non-current liabilities			
Borrowings	24	9.683.688	6.357.045
Deferred income tax liabilities	25	779.898	789.828
Trade and other payables	26	-	1.392.081
		10.463.586	8.538.954
Current liabilities			
Trade and other payables	26	45.000.459	44.774.823
Current income tax liabilities		203.074	182.259
Borrowings	24	42.530.637	33.481.475
		87.734.170	78.438.557
Total liabilities		98.197.756	86.977.511
Total equity and liabilities		154.068.329	144.225.743

On 23 April 2018, the Board of Directors of Ermes Department Stores Plc authorised these financial statements for issue.

George Aniliades
Executive Chairman

Nicos Karakoidas
Chief Executive Officer

The notes on pages 45 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Share capital	Difference from conversion of share capital into Euro	Treasury shares	Retained earnings/ (Accumulated losses	Fair value reserve	Capital and reserves attributable to the Company's shareholders	Non-controlling interests	Total
		€	€	€	€	€	€	€	€
Balance at 1 January 2016		59.500.000	301.050	(154.583)	(6.967.025)	1.694.714	54.374.156	7.010.900	61.385.056
Comprehensive income									
(Loss)/Profit for the year		-	-	-	(4.044.718)	-	(4.044.718)	887.810	(3.156.908)
Other comprehensive income									
Land and Buildings:									
Deferred tax adjustment	25	-	-	-	-	(313)	(313)	(302)	(615)
Total other comprehensive income		-	-	-	-	(313)	(313)	(302)	(615)
Total comprehensive income for the year 2016		-	-	-	(4.044.718)	(313)	(4.045.031)	887.508	(3.157.523)
Transactions with owners									
Non – controlling interest in subsidiary company		-	-	-	-	-	-	1.000	1.000
Dividend paid		-	-	-	-	-	-	(980.301)	(980.301)
Total transactions with owners		-	-	-	-	-	-	(979.301)	(979.301)
Balance at 31 December 2016/1 January 2017		59.500.000	301.050	(154.583)	(11.011.743)	1.694.401	50.329.125	6.919.107	57.248.232
Comprehensive income									
(Loss)/Profit for the year		-	-	-	(1.575.509)	-	(1.575.509)	1.177.359	(398.150)
Other comprehensive income									
Land and Buildings:									
Deferred tax adjustment	27	-	-	-	-	424	424	408	832
Total other comprehensive income		-	-	-	-	424	424	408	832
Total comprehensive income for the year 2017		-	-	-	(1.575.509)	424	(1.575.085)	1.177.767	(397.318)
Transactions with owners									
Dividend paid		-	-	-	-	-	-	(980.341)	(980.341)
Total transactions with owners		-	-	-	-	-	-	(980.341)	(980.341)
Balance at 31 December 2017		59.500.000	301.050	(154.583)	(12.587.252)	1.694.825	48.754.040	7.116.533	55.870.573

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. Special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits or years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 45 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
Cash flows from operating activities		€	€
Profit/(loss) before income tax:			
Continuing operations		909.030	(1.186.311)
Discontinued operations		(961.306)	(1.673.912)
Loss before income tax including discontinued operations		(52.276)	(2.860.223)
Adjustments for:			
Depreciation of property, plant and equipment	16	3.890.960	4.177.402
Amortisation of intangible assets	17	126.074	146.844
Interest expense	9	2.239.923	1.769.507
Interest income	9	(1.590.966)	(1.122.177)
Profit on sale of property, plant and equipment	16	(20.850)	(9.389)
Impairment charge on property, plant and equipment due to termination of operations	16	318.812	1.132.025
Impairment charge on intangible assets	17	55.603	-
		4.967.280	3.233.989
Changes in working capital:			
Inventories		(2.871.541)	(1.016.730)
Receivables		1.816.114	(3.279.151)
Payables		(1.166.445)	3.839.851
Cash generated from operations		2.745.408	2.777.959
Income tax paid		(344.227)	(250.694)
Net cash from operating activities		2.401.181	2.527.265
Cash flows used in investing activities			
Purchases of property, plant and equipment	16	(4.202.478)	(1.861.544)
Purchases of intangible assets	17	(23.202)	(339.626)
Proceeds from sale of property, plant and equipment	16	229.522	32.901
Proceeds from sale of intangible assets	17	-	5.753
Interest received		2.026	838
Acquisition of available-for-sale financial assets		-	(1.980)
Loans to related parties	28(iv)	(13.844.000)	(3.351.495)
Repayment of borrowing to related parties	28(iv)	7.034.332	346.880
Repayment of borrowings to other parties		262.500	292.783
Proceeds from the issue of share capital		-	1.000
Net cash used in investing activities		(10.541.300)	(4.874.490)
Cash flows from/(used in) financing activities			
Interest paid		(2.197.804)	(1.670.098)
New bank borrowings		14.072.587	8.648.881
Repayment of bank borrowings		(5.350.330)	(1.911.681)
Dividend paid from subsidiary Company to non-controlling interest		(980.341)	(980.301)
Net cash from financing activities		5.544.112	4.086.801
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(2.596.007)	1.739.576
Cash, cash equivalents and bank overdrafts at beginning of year		(27.969.635)	(29.709.211)
Cash and cash equivalents and bank overdrafts at end of year	22	(30.565.642)	(27.969.635)

The notes on pages 45 to 95 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		€	€
Continuing operations			
Revenue		82.221.345	88.898.461
Cost of sales		(50.142.342)	(56.398.585)
Gross profit		32.079.003	32.499.876
Selling and distribution expenses		(26.631.420)	(27.360.233)
Administrative expenses		(6.492.575)	(6.008.173)
Other income	6	3.281.741	2.554.744
Operating profit before depreciation		2.236.749	1.686.214
Depreciation and amortisation	7	(2.846.244)	(3.033.917)
Operating loss after depreciation		(609.495)	(1.347.703)
Finance income	9	2.105.582	1.682.600
Finance costs	9	(1.626.722)	(1.266.095)
Loss before income tax		(130.635)	(931.198)
Income tax credit	10	(951)	7.043
Loss for the year from continuing operations		(131.586)	(924.155)
Discontinued operations			
Loss for the year from discontinued operations	11	(770.948)	(1.397.358)
Loss for the year		(902.534)	(2.321.513)
Losses per share attributable to the equity holders of the Company (cents per share)	12		
Basic			
Continuing operations		(0,08)	(0,53)
Discontinued operations		(0,44)	(0,80)
Total		(0,52)	(1,33)

The notes on pages 45 to 95 are an integral part of these financial statements.

BALANCE SHEET OF THE COMPANY
AT 31 DECEMBER 2017

	Note	2017	2016
Assets		€	€
Non-current assets			
Property, plant and equipment	16	7.805.682	7.238.910
Intangible assets	17	17.961.638	18.098.662
Investment in subsidiaries	18	15.746.557	15.744.457
Deferred income tax asset	25	647.085	647.085
Available-for-sale financial assets		3.989	3.989
Non-current receivables	19	53.992.530	49.397.798
		96.157.481	91.130.901
Current assets			
Inventories	20	13.191.722	8.837.657
Current portion of non-current receivables	19	4.000.000	-
Trade and other receivables	21	4.281.995	5.669.529
Cash and bank balances	22	1.754.603	1.247.618
		23.228.320	15.754.804
Total assets		119.385.801	106.885.705
Equity and liabilities			
Capital and reserves attributable to the Company's Shareholders			
Share capital	23	59.500.000	59.500.000
Difference from conversion of share capital into Euro		301.050	301.050
Treasury shares	23	(154.583)	(154.583)
Accumulated losses		(7.681.938)	(6.779.404)
Total equity		51.964.529	52.867.063
Non-current liabilities			
Borrowings	24	5.559.920	1.506.300
Current liabilities			
Trade and other payables	26	28.155.772	29.191.243
Current income tax liabilities		145.030	147.158
Borrowings	24	33.560.548	23.173.941
		61.861.350	52.512.342
Total liabilities		67.421.270	54.018.642
Total equity and liabilities		119.385.799	106.885.705

On 23 April 2018, the Board of Directors of Ermes Department Stores Plc authorised these financial statements for issue.

George Aniliades
Executive Chairman

Nicos Karakoidas
Chief Executive Officer

The notes on pages 45 to 95 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Difference from conversion of share capital into Euro	Treasury shares	Accumulated losses (1)	Total
	€	€	€	€	€
Balance at 1 January 2016	59.500.000	301.050	(154.583)	(4.457.891)	55.188.576
Comprehensive income					
Loss for the year	-	-	-	(2.321.513)	(2.321.513)
Total comprehensive income for the year 2016	-	-	-	(2.321.513)	(2.321.513)
Balance at 31 December 2016/ 1 January 2017	59.500.000	301.050	(154.583)	(6.779.404)	52.867.063
Comprehensive income					
Loss for the year	-	-	-	(902.534)	(902.534)
Total comprehensive income for the year 2017	-	-	-	(902.534)	(902.534)
Balance at 31 December 2017	59.500.000	301.050	(154.583)	(7.681.938)	51.964.529

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. Special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits or years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 45 to 95 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
Cash flows from/(used in) operating activities		€	€
Loss before income tax from:			
Continuing operations		(130.635)	(931.198)
Discontinued operations		(770.948)	(1.397.358)
Loss before taxation including discontinued operations		(901.583)	(2.328.556)
Adjustments for:			
Depreciation of property, plant and equipment	16	2.751.679	2.932.153
Amortisation of intangible assets	17	94.565	101.764
Impairment charge on property, plant and equipment	11	318.812	471.801
Impairment charge on intangible assets	17	55.603	-
Interest expense	9	1.693.811	1.326.726
Interest income	9	(2.105.582)	(1.682.600)
(Profit)/Loss on sale of property, plant and equipment	16	(12.879)	2.396
Dividend income	6	(1.053.660)	(1.049.700)
		840.766	(226.016)
Changes in working capital:			
Inventories		(4.354.065)	4.577.011
Receivables		886.792	(2.968.746)
Payables		(835.329)	345.175
Cash (used in)/generated from operations		(3.461.836)	1.727.424
Income tax paid		(3.079)	535
Net cash (used in)/generated from operating activities		(3.464.915)	1.727.959
Cash flows (used in)/from investing activities			
Purchases of property, plant and equipment	16	(3.648.266)	(1.621.783)
Purchases of intangible assets	17	(13.144)	(318.869)
Acquisition of available-for-sale financial assets		-	(1.980)
Proceeds from sale of property, plant and equipment	16	23.882	14.019
Proceeds from disposal of intangible assets	17	-	5.753
Loans to related parties	28(iv)	(13.844.000)	(3.351.495)
Repayment of borrowing to related parties	28(iv)	7.034.332	346.880
Repayment of borrowings to other parties		262.500	292.783
Interest received		558.760	561.263
Dividend received		1.053.660	1.049.700
Investment in subsidiaries	18	(2.100)	-
Net cash used in investing activities		(8.574.376)	(3.023.729)
Cash flows from/(used in) financing activities			
Interest paid		(1.693.811)	(1.326.726)
Repayment of bank loans		(4.392.859)	(1.185.709)
New bank borrowings		13.829.220	3.098.065
Repayment of borrowings from related parties		(200.141)	(690.191)
Net cash from/(used in) financing activities		7.542.409	(104.561)
Net decrease in cash, cash equivalents and bank overdrafts		(4.496.882)	(1.400.331)
Cash, cash equivalents and bank overdrafts at the beginning of year		(19.986.852)	(18.586.521)
Cash, cash equivalents and bank overdrafts at the end of year	22	(24.483.734)	(19.986.852)

The notes on pages 45 to 95 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Country of incorporation

The Company was incorporated and domiciled in Cyprus on 15 April 2002 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and commenced its operations on 31 December 2003.

The registered office of the Company is at Shacolas Building, Old Nicosia – Limassol Road, Athalassa, Nicosia.

The address of the Company's head offices is 154, Yiannou Kranidioti Street, 2235 Latsia (old Nicosia – Limassol Road).

Principal activities

The Company is the holding company of the Ermes Group. The principal activity of the Group which has not changed from last year, is the retail and wholesale trade in Cyprus and Greece, through department stores and specialised stores.

Operating Environment of the Company and the Group

The Cypriot economy has recorded positive growth in 2016 and 2017 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favorable, however there are still downside risks emanating from the still high levels of non-performing loans, the public debt ratio, as well as possible deterioration of the external environment of Cyprus.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Management determined impairment provisions for financial assets carried at amortised cost using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for loans and receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Therefore final impairment losses from financial assets could differ significantly from the current level of provisions.

The Company's and the Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company and the Group.

The Company's and the Group's management believes that it is taking all the necessary measures to maintain the viability of the Company and the Group and the development of its business in the current business and economic environment.

These measures include, among others, the effort to restructure the Group's loans, during 2014, 2016, 2017 and 2018 and deleveraging through liquidation of non-core activities and surplus assets, reduce spending including management and staff costs, rigorous management of working capital and closing/restructuring of non-profitable operations.

The parent company confirmed that it will financially support the Company and the Group in case they need it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements of Ermes Department Stores Plc and its subsidiaries and the Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the consolidated and separate financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2017 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings to fair value and available-for-sale financial assets.

The consolidated and separate financial statements have been prepared on a going concern basis. The Board of Directors has made an assessment of the ability of the Company and the Group to continue as a going concern (Note 1), taking into consideration the guarantees to/from other listed companies of the Shacolas Group, and has satisfactorily concluded that the financial statements can be prepared on this basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a significant effect on the accounting policies of the Company and the Group except the following:

- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). As a result of this amendment, the Company has disclosed a reconciliation of movements in liabilities arising from financing activities. Refer to Note 24.
- Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

At the date of approval of these consolidated financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements.

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

i. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

ii. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

iii. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

iv. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

v. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

vi. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group and the Company assessed the impact of the amendments on its financial statements and estimates that the impact on the results of the Group and the Company will not be material.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group and the Company assessed the impact of the amendments on its financial statements and estimates that the impact on the results of the Group and the Company will not be material.
- IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company is currently assessing the impact of the new standard on its financial statements and as of the date of issue of these financial statements the impact of the adoption of this standard is not known.
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group and the Company assessed the impact of the amendments on its financial statements and estimates that the impact on the results of the Group and the Company will not be material.
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1January 2018 for amendments to IFRS 1 and IAS 28). IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity, associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Group and the Company assessed the impact of the amendments on its financial statements and estimates that the impact on the results of the Group and the Company is not known.

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)*. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Group and Company is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)*. IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group and Company is currently assessing the impact of the interpretation on its financial statements and as of the date of issue of these financial statements the impact of the interpretation is not known.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019)*. For financial instruments which contain a prepayment amount that may result in negative compensation, the Amendments propose that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held. The Group and the Company assessed the impact of the amendments on its financial statements and estimates that the impact on the results of the Group and the Company will not be material.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

Consolidated financial statements

General

The consolidated financial statements include the financial statements of Ermes Department Stores Plc (the "Company") and its subsidiary companies which collectively referred to as the "Group".

Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to control. The Group controls an entity when it is exposed to, or has the right in, variable returns from their participation in the entity and has the capability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in the profit and loss as incurred. Identifiable assets acquired and liabilities including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination achieved in stages the fair value at the acquisition date, of the interest previously held by the group, valued again at fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the Group to recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is considered as an asset or liability is recognized in accordance with IAS 39 either in the profit and loss account or as a change to other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequently accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses arising from intercompany transactions that are recognised in assets are also eliminated.

Where necessary, the accounting policies of the subsidiary companies have been arranged to comply with the accounting policies adopted by the Group.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired or the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date the Group cease to have control with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The non-controlling interest in the results and equity of subsidiary companies is show separately in the consolidated profit or loss, consolidated statement of changes in equity and consolidated balance sheet.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill, identified on acquisition net of any accumulated impairment loss.

Dividends received or receivable from associate are recognised as a reduction in carrying amount of investment.

If ownership interest in an associate is reduced but significant influence is retained, duly a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising from investments in associates are recognised in consolidated profit or loss.

After the application of the equity method, including the recognition of the associates' losses, the carrying amount of the investment in associate which includes the goodwill arising on acquisition, is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication of impairment.

Sale of subsidiaries or associates

The gain or loss from the disposal of subsidiary or associate companies is calculated as the difference between the sale proceeds and the Group's share of net assets of the subsidiary or associate company at the date of disposal less any unamortised goodwill arising from the acquisition of the subsidiary or associate company.

Separate financial statements of the Company

(i) Subsidiaries

The Company carries the investments in subsidiaries at cost less any amounts written off due to impairment in its balance sheet.

(ii) Associates

The Company, carries the investments in associates at cost less any amounts written off due to impairment in its balance sheet.

In the separate financial statements of the Company the profit or loss arising from the disposal of subsidiaries and associates is calculated as the difference between the sale proceeds and the carrying amount of the subsidiary, associate or joint venture.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company and the Group's activities. Revenue is shown net of Value Added Tax, returns, discounts and the fair value of the cost of customer loyalty schemes.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's and the Group's activities as described below. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues earned by the Group and the Company are recognised on the following bases:

(a) Sales of goods and sale of goods on consignment

Sales of goods and sale of goods on consignment are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer. This is usually when the Group and the Company have sold or delivered goods to the customer, the customer has accepted the goods and collectibility of the related receivable is reasonably assured.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised using the effective interest method. When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(d) Space usage fees

Space usage fees are recognised on a straight line basis over the lease term.

(e) Dividend income

Dividend income is recognised when the right of the Group and the Company to receive payment is established. However, the investment may need to be tested for impairment as a consequence.

Employee benefits

The Companies of the Group and their employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition, the Group operates a defined contribution scheme the assets of which are held in a separate trustee – administered fund. The scheme is funded by payments from employees and by the Companies of the Group. The contributions of the Companies of the Group are expensed as incurred and are included in staff costs. The Companies of the Group have no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the companies of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated and separate financial statements are presented in Euro (€), which is the Group's and the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which each Company of the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on each Company of the Group where there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company and the Group's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out with sufficient regularity to ensure that the carrying amount at the balance sheet date does not differ materially from that which would be determined using fair value at the balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Improvements to leasehold buildings and acquisition of display equipment, fixtures and motor vehicles are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Increases in the carrying amount arising on revaluation of land and buildings are credited in other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to profit or loss.

Every year, the difference between depreciation based on the revalued carrying amount of the assets that was charged to profit or loss and depreciation based on the original cost of the assets is transferred from the fair value reserve to retained earnings.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives.

The annual depreciation rates are as follows:

	%
Land	Nil
Buildings	1 – 4
Leasehold buildings improvements	4 – 20
Display equipment and fixtures	5 – 33 1/3
Motor vehicles	10 – 33 1/3
Computer hardware	10 – 33 1/3

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other income" in profit or loss.

When revalued assets are sold, the amounts included in the other reserves are transferred to retained earnings.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the lease term or the useful life of the asset, unless there is reasonable certainty that the Company will obtain ownership by the end of the lease term, in which case the assets are depreciated over their estimated useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are charged to the profit or loss of the year in which they were incurred. Computer software costs are amortised using the straight line method over their estimated useful lives, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within administration expenses.

Brand name

Brand name represents an intangible asset acquired as a result of the acquisition of Scandia Company Limited. The total amount of goodwill paid represents the brand name "Scandia". The brand name is not amortised but tested for impairment in value each year.

Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. Loans and receivables of the Company and the Group comprise "loans to related parties", "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Loans and receivables are initially measured at fair value plus transactions costs. Loans and receivables are derecognised when the right to receive cash from loans and receivables has expired or has been transferred, and the Company and Group have substantially transferred all the significant risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Company and the Group assess at each balance sheet date, whether there is objective evidence that a financial assets of a group of financial assets is impaired. A provision for impairement of loans is established when there is objective evidence that the Company and the Group will not be able to collect all amounts due according to the original terms of the loans. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or failure to fulfil obligations are considered indicators that a receivable is impaired.

The amount of the provision is the difference between the carrying value of the receivable and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss is reduced and the decrease can be objectively related to an event occurring after the recognition of the impairment loss (such as an improvement in the creditworthiness of the beneficial), the reversal on the previous impairment loss is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Inventories

Inventories are stated at the lower of cost and net realisable value, whichever of the two is the lower. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for damaged, obsolete or slow-moving inventories when considered necessary.

Trade receivables

Trade receivables are amounts due from customers for the sale of goods or provision of services in the ordinary course of business. Trade receivables are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit and loss within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in profit or loss.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs for the issue of shares directly attributable to the acquisition of a business are included in the cost of acquisition as part of the purchase consideration in the separate financial statements of the Company, whereas in the consolidated financial statements are included in the profit and loss account.

When a Company of the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax) is deducted from shareholders' equity as treasury shares until they are cancelled, reissued or sold. Where such shares are subsequently reissued or sold, any consideration received, net of any directly attributable incremental transaction costs, is included in shareholders' equity attributable to the Company's equity holders.

Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Company and the Group become legally or constructively committed to payment. Costs related to the ongoing activities of the Company and the Group are not provided in advance. Provisions are not recognised for future operating losses.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Borrowing costs are interest and other costs that the Company and the Group incur in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Company and the Group have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business of the Company and the Group. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Segment reporting

The Board of Directors (chief operating decision maker), takes the decisions for allocating resources and assessing the performance of the Group based on internal reports. This analysis is consistent with the IFRSs used in the preparation of the financial statements.

Changes in ownership rights

The Group handles the transactions with non-controlling interest parties, which do not result in a loss of control, as transactions with the owners of the Group. A change in the percentage of participation has the effect of adjusting between the interests of the owners of the entity and the non-controlling interest in order to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within the company’s own funds.

3. FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group and the Company's activities expose them to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company's financial performance. Risk management is carried out by the treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co operation with the Group and the Company's other operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

- **Market risk**

  Foreign exchange risk

  The Group and the Company import products from overseas and are exposed to foreign exchange risk arising from future commercial transactions and liabilities, denominated in foreign currency, primarily the United States Dollar and Pound sterling. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

  At 31 December 2017, if the Euro had weakened/strengthened by 10% (2016:10%) against the US Dollar with all other variables held constant, post tax profit for the year would have been €31.993 (2016: €2.866) for the Group and €1.266 (2016: €711) for the Company, lower or higher respectively, mainly as a result of foreign exchange gains/losses on conversion of cash balances denominated in US Dollars.

  At 31 December 2017, if the Euro had weakened or strengthened by 10% (2016: 10%) against the Pound sterling with all other variables held constant, post – tax profit for the year would have been €144.626 (2016: €310.852) for the Group and €121.958 (2016: €281.909) for the Company, lower or higher respectively, mainly as a result of foreign exchange gains/losses on translation of payables in pound sterling.

  Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

  Cash flow and fair value interest rate risk

  As the Group and the Company have significant interest – bearing assets, income and operating cash flows are dependent of changes in market interest rates.

  At 31 December 2017, if interest rates on Euro-denominated bank deposits had been 0,25% (2016: 0,25%) higher/lower, with all other variables held constant, post-tax profit/loss for the year for the Group would have been €3.789 (2016: €2.529) and for the Company €109 (2016: €14) higher/lower mainly as a result of higher/lower interest income on floating rate bank deposits.

  Most of the interest bearing assets relate to loans to related companies for which the interest rate is fixed and exposes the Company and the Group to fair value interest risk. The interest rates are set by the Management of the Group and are reviewed at regular intervals depending on market conditions. The assets which bear fixed interest rate were not taken into account in the above sensitivity analysis.

  Interest rate risk arises also from long-term borrowings. Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group and the Company to fair value interest rate risk.

  At 31 December 2017, if interest rates on Euro-denominated borrowings had been 0,25.% (2016: 0,25%) higher or lower with all other variables held constant, post-tax profit for the year for the Group would have been €117.482 (2016: €89.637) and for the Company €85.576 (2016: €53.988) lower or higher respectively, as a result of higher/lower interest expense on floating rate borrowings.

  Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- **Credit risk**

  Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, borrowings to related parties as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

  For banks and financial institutions, only organizations that are positively evaluated, under the circumstances, by the Board of Directors are accepted, taking into account the condition of Cyprus' financial sector as described in Note 1 of the financial statements.

  If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See Note 16 for further disclosure on credit risk.

  No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these parties.

- **Liquidity risk**

  The table below analyses the Group and Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances of trade and other payables due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	After 5 years
	€	€	€	€
At 31 December 2016				
Borrowings (excluding finance lease liabilities)	2.865.067	1.350.613	3.608.186	1.528.181
Bank overdrafts (Note 24)	30.703.480	-	-	-
Trade and other payables	42.856.212	-	-	-
	76.424.759	1.350.613	3.608.186	1.528.181
At 31 December 2017				
Borrowings (excluding finance lease liabilities)	8.489.222	1.747.565	7.269.645	1.053.191
Bank overdrafts (Note 24)	34.357.028	-	-	-
Trade and other payables	44.174.675	-	-	-
	87.020.925	1.747.565	7.269.645	1.053.191

The Company	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	After 5 years
	€	€	€	€
At 31 December 2016				
Borrowings (excluding finance lease liabilities)	2.026.543	500.357	981.826	154.042
Bank overdrafts (Note 24)	21.234.470	-	-	-
Trade and other payables	27.546.480	-	-	-
	50.807.493	500.357	981.826	154.042
At 31 December 2017				
Borrowings (excluding finance lease liabilities)	7.637.824	884.554	5.062.079	-
Bank overdrafts (Note 24)	26.238.337	-	-	-
Trade and other payables	27.745.310	-	-	-
	61.621.471	884.554	5.062.079	-

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility (Note 24) and cash and bank balances (Note 22) and their potential future fluctuations on the basis of expected cash flow).

The borrowings of the Company and the Group are secured by guarantees from related companies (Note 24).

Additionally, the parent company confirmed that it will financially support the Company and the Group in case they need it.

(ii) Capital risk management

The Group and Company's objectives when managing capital are to safeguard the Group and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new share or sell assets to reduce debt.

Consistent with others in the retail sector, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

Gearing ratios at 31 December 2017 and 2016 were as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	€	€
Total borrowings (Note 26)	**52.214.325**	39.838.520	**39.120.468**	24.680.241
Less: Cash and bank balances (Note 22)	**(3.791.386)**	(2.733.845)	**(1.754.603)**	(1.247.618)
Net debt	**48.422.939**	37.104.675	**37.365.865**	23.432.623
Total equity	**55.870.573**	57.248.232	**51.964.529**	52.867.063
Total capital as defined by management	**104.293.512**	94.352.907	**89.330.394**	76.299.686
Gearing ratio	**46,4%**	39,3%	**41,8%**	30,7%

(iii) Fair value estimation

The carrying value of trade receivables less any impairment provisions and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

(iv) Offsetting financial assets and liabilities

The Company does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Estimated impairment of goodwill

  The Group and the Company test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require the use of estimates as disclosed in Note 17.

  We present below how the amount of goodwill will be affected if one or more of the main indicators used in the calculation of the value in use vary.

Ermes Department Stores Plc

	Revenue growth rate % 2018-2022 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	5,1	39,3	7,6	-
Adjusting the primary indicator:				
Revenue growth rate	4,1	39,3	7,6	1.750
Gross Profit Margin	5,1	38,3	7,6	-
Discount rate	5,1	39,3	8,6	-
Combined scenario	4,1	38,3	7,6	14.639

Superhome Center (DIY) Limited

	Revenue growth rate % 2018-2022 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	2,2	34,8	8,1	-
Adjusting the primary indicator:				
Revenue growth rate	1,2	34,8	8,1	-
Gross Profit Margin	2,2	33,8	8,1	-
Discount rate	2,2	34,8	9,1	-
Combined scenario	1,2	33,8	8,1	-

- **Estimated impairment of cost of investments of subsidiaries**

  The Company tests annually whether the cost of investment in subsidiaries has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount of cash generating units has been determined based on value-in-use calculations. These calculations require the use of estimates as disclosed in Note 18.

- **Income taxes**

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company and the Group recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

  If the final result (for judgemental areas) was 10% different from the Management estimates, the Group and the Company should increase/decrease the current tax liabilities by €120.000.

- **Loyalty schemes**

  The Company and the Group apply loyalty schemes based on which the program participants receive discounts on their next purchases.

  For determining the provision for loyalty schemes, estimates are required. The Company and the Group recognise liabilities for loyalty schemes based on calculations on whether an obligation will arise.

5. SEGMENT INFORMATION

Analysis per operating segment

IFRS 8 requires operating segments to be identified on the basis of internal reporting on operating segments of the Group and the Company that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The Board of Directors, through the Executive Directors, has been identified as the chief operating decision maker. The Board of Directors reviews internal reporting in order to assess performance and allocate resources across each operating segment.

The operating segments consist of Department Stores, Specialised Stores and other retail shops which are reported in a manner consistent with the internal reporting to the Board of Directors.

The Board of Directors assesses the performance of each operating segment based on earnings before interest, tax, depreciation and amortisation (EBITDA). The Board of Directors also monitors the revenues within the segments.

The following is an analysis of income and results of the Group by reportable segment:

	The Group		
	Department stores	Other retail Shops	Total
2017	€	€	€
Revenue	86.455.647	70.962.801	157.418.448
EBITDA	2.320.803	3.145.128	5.465.931
Total assets	124.129.183	29.939.146	154.068.329
Total liabilities	80.372.703	17.825.053	98.197.756
2016			
Revenue	94.555.977	58.432.382	152.988.359
EBITDA	1.295.257	2.392.471	3.687.728
Total assets	111.996.335	32.229.408	144.225.743
Total liabilities	66.657.648	20.319.863	86.977.511

NOTES TO THE FINANCIAL STATEMENTS

The reconciliation of EBITDA with loss before tax from continuing operations is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
EBITDA of all operating segments	5.465.931	3.687.728	2.236.749	1.686.214
Depreciation, amortisation and impairment charge	(4.017.034)	(4.324.246)	(2.846.244)	(3.033.917)
Finance income	1.590.966	1.122.177	2.105.582	1.682.600
Finance costs	(2.130.833)	(1.671.970)	(1.626.722)	(1.266.095)
Profit /(loss) before tax	909.030	(1.186.311)	(130.635)	(931.198)

The Company is considered a functional sector.

No customer of the Company and the Group generates revenues exceeding 10% of the total amount of revenues.

Significant assets and liabilities of the Company are used for all operating segments without any particular separation between them and as such it is not possible to provide fair analysis per operating segment.

6. OTHER INCOME

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Space usage fees	535.509	517.649	535.509	517.649
Other fees and compensations	1.079.534	383.237	1.663.104	728.615
Sundry income	179.085	102.419	16.589	11.176
Dividend income	-	-	1.053.660	1.049.700
Consultancy services	-	250.000	-	250.000
Profit/(loss) from sale of property, plant and equipment (Note 16)	20.850	9.389	12.879	(2.396)
Total other income	1.814.978	1.262.694	3.281.741	2.554.744

7. EXPENSES BY NATURE

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Changes in inventories	(2.871.541)	(1.016.730)	(4.354.065)	4.577.011
Purchases of finished goods and other direct expenses excluding staff costs	102.707.451	98.769.999	54.496.407	51.821.574
Depreciation of property, plant and equipment (Note 16)	3.890.960	4.177.402	2.751.679	2.932.153
Amortisation of intangible assets (Note 18)	126.074	146.844	94.565	101.764
Operating lease rentals	12.813.977	12.223.505	9.197.777	8.850.039
Auditors' remuneration	192.472	183.569	115.000	111.000
Auditors' remuneration of prior years	12.863	13.964	12.863	13.506
Repairs and maintenance	1.099.281	1.128.484	564.462	819.205
Staff costs (Note 8)	24.872.405	25.794.062	13.703.787	14.176.979
Advertising and promotion expenses	2.207.136	1.981.636	1.218.122	1.283.171
Security expenses	1.311.337	1.238.005	805.965	742.209
Insurance expenses	418.263	519.730	223.810	242.935
Credit card charges	660.401	638.759	367.540	377.789
Electricity, fuel and water	2.948.635	2.986.993	2.040.791	2.089.401
Other professional services	1.373.062	1.336.746	936.036	977.510
Trade receivables- write off trade receivables	8.084	-	8.084	-
Trade receivables – impairment charge for receivables (Note 21)	16.315	-	-	-
Other expenses	5.997.354	4.764.603	3.929.758	3.684.662
Total cost of goods sold, selling and distribution costs and administrative expenses	157.784.529	154.887.571	86.112.581	92.800.908

The total fees charged by the statutory auditor for the statutory audit of the annual financial statements of the Group and the Company for the year ended 31 December 2017 amounted to €192.472 (2016: €183.569) for the Group and €115.000 (2016: €111.000) for the Company. The total fees charged by the statutory auditor for the year ended 31 December 2017 for other assurance services amounted to €32.810 (2016: €14.550) for the Group and €30.900 (2016: €13.100) for the Company, and for other non-assurance services amounted to €8.100 (2016: €18.805) for the Group and €8.100 (2016: €18.805) for the Company.

NOTES TO THE FINANCIAL STATEMENTS

8. STAFF COSTS

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Wages	13.238.797	13.617.648	6.709.475	7.007.638
Salaries	8.429.741	9.414.247	5.217.598	5.394.330
Social insurance costs and other contributions	2.512.648	2.070.714	1.300.557	1.394.719
Provident fund contributions	291.420	159.936	153.871	77.697
Medical fund	323.442	227.198	245.929	227.198
Other	76.357	304.319	76.357	75.397
	24.872.405	25.794.062	13.703.787	14.176.979
Average number of staff employed during the year	1.759	1.951	993	1.121

The Group has a defined contribution scheme, the Ermes Department Stores Plc Employees' Provident Fund, which is funded separately and prepares its own financial statements whereby employees are entitled to payment of certain benefits upon retirement or prior termination of service.

9. FINANCE INCOME/(COSTS)

	The Group		The Company	
	2017	2016	2017	2016
Finance income	€	€	€	€
Interest income:				
Balances with related companies	1.332.433	854.464	1.849.054	1.415.694
Balances with other parties	256.507	266.875	256.507	266.875
Bank balances	2.026	838	21	31
Total finance income	1.590.966	1.122.177	2.105.582	1.682.600
Finance costs				
Interest expense:				
Bank borrowings	(2.005.597)	(1.611.260)	(1.473.828)	(1.103.484)
Borrowings from related parties (Note 28 (v))	-	-	(60.814)	(102.797)
Other interest and bank charges	(234.326)	(158.247)	(159.169)	(120.445)
Total interest expense	(2.239.923)	(1.769.507)	(1.693.811)	(1.326.726)
Net foreign exchange gain on financing activities	109.090	97.537	67.089	60.631
Total finance (costs)/income	(2.130.833)	(1.671.970)	(1.626.722)	1.266.095

10. INCOME TAX EXPENSE

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Current tax charge:				
Corporation tax	353.067	248.294	-	-
Defence contribution	1.905	950	951	950
Total current tax	354.972	249.244	951	950
Deferred tax (Note 25):				
Origination and reversal of temporary differences	(9.098)	47.441	-	(7.993)
Total deferred tax charge	(9.098)	47.441	-	(7.993)
Income tax charge/(credit)	345.874	296.685	951	(7.043)

The tax on the Company and the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Loss from continuing operations before tax	909.030	(1.186.311)	(130.635)	(931.198)
Loss from discontinued operations before tax	(961.306)	(1.673.912)	(770.948)	(1.397.358)
	(52.276)	(2.860.223)	(901.583)	(2.328.556)
Tax calculated at the applicable corporation tax rate of 12,5% and 26%	(6.535)	(357.528)	(112.698)	(291.070)
Tax effect of expenses not deductible for tax purposes	293.662	358.766	161.170	157.577
Tax effect of allowances and income not subject to tax	(131.007)	(343.060)	(151.303)	(228.643)
Defence contribution	1.905	950	950	950
Effect of tax losses for which no deferred tax was recognised	187.849	637.557	102.832	354.143
Income tax charge/(credit)	345.874	296.685	951	(7.043)

The Cyprus Companies of the Group are subject to corporation tax on taxable profits at the rate of 12,5%. The Greek Company of the Group is subject to corporation tax on taxable profits at the rate of 26%.

As from tax year 2012 brought forward, losses of only five years could be transferred and utilized against taxable profits.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%, increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

Tax effects of components of other comprehensive income

	Year ended 31 December					
	2017			2016		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	€	€	€	€	€	€
The Group and the Company						
Land and buildings:						
Deferred tax adjustment on fair value gains (Note 25)	-	832	832	-	(615)	(615)
Other comprehensive income	-	832	832	-	(615)	(615)

11. DISCONTINUED OPERATIONS

The discontinued operations include provisions for impairment charge on property, plant and equipment, inventory, provisions for probable refunds and other write offs regarding the discontinued operations of the subsidiary companies Domex Trading Co Limited, CW Artopolis Limited and the department stores Avenue, Ledras and Kiniras, as shown in the table below.

As a result of the above transactions/decisions, the results of the above mentioned companies for the current and prior period are presented in the consolidated financial statements and in the standalone financial statements as discontinued operations.

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Termination of other operations				
Impairment charge on property, plant and equipment (Note 16)	(280.094)	(1.124.831)	(280.094)	(471.801)
Write off of inventory	(191.212)	-	-	-
Write off of a balance with subsidiary	-	-	(854)	(444.887)
Reversal of provision for bank overdrafts which were guaranteed and that would have been repaid by the parent company	-	-	-	492.294
Provision for probable claims	490.000	(973.065)	490.000	(973.065)
Profit from the merger of operations of IDEEA Distribution of Appliances and E&G Electriplus Ltd (Note 18)	-	438.103	-	-
Others	-	(14.119)	-	-
	(961.306)	(1.673.912)	770.948	(1.397.358)
	(961.306)	(1.673.912)	770.948	(1.397.358)

12. LOSSES PER SHARE

The losses per share are calculated by dividing the loss attributable to the Company's shareholders using the weighted average number of issued shares during the year, excluding ordinary shares bought by the Company and held as treasury shares (Note 23).

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Loss for the year from continuing operations attributable to shareholders	(613.779)	(2.371.119)	(131.586)	(924.155)
Loss for the year from discontinued operations attributable to shareholders	(961.306)	(1.673.912)	(770.948)	(1.397.358)
Total	(1.575.085)	(4.044.718)	(902.534)	(2.321.513)
Weighted average number of issued shares	174.499.710	174.499.710	174.499.710	174.499.710
Basic losses per share – cents				
Continuing operations	(0,35)	(1,36)	(0,08)	(0,53)
Discontinued operations	(0,55)	(0,96)	(0,44)	(0,80)
	(0,90)	(2,32)	(0,52)	(1,33)

There are not any financial instruments (including potential shares under issue) which could possibly lead to adjustment of the losses per share.

13. DIVIDEND PER SHARE

The Board of Directors does not recommend the payment of dividend.

Dividends paid to individuals who are Cyprus tax residents are subject to a deduction of special contribution for defence at the rate of 17% (2016: 17%).

14. FINANCIAL INSTRUMENTS BY CATEGORY

	The Group		The Company	
	Loans and receivables	Available-for-sale	Loans and receivables	Available-for-sale
	€	€	€	€
31 December 2017				
Assets as per balance sheet				
Available for sale financial assets	-	7.405	-	3.989
Non-current receivables (Note 19)	46.117.012	-	57.992.530	-
Trade and other receivables (excluding prepayments)	4.862.980	-	2.224.672	-
Cash and bank balances (Note 22)	3.791.386	-	1.754.603	-
Total	54.771.378	7.405	61.971.805	3.989

NOTES TO THE FINANCIAL STATEMENTS

	The Group	The Company
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	€	€
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities) (Note 24)	52.214.325	39.120.468
Trade and other payables (excluding statutory liabilities)	44.174.675	27.745.310
Total	96.389.000	66.865.778

	The Group		The Company	
	Loans and receivables	Available-for-sale	Loans and receivables	Available-for-sale
	€	€	€	€
31 December 2016				
Assets as per balance sheet				
Available for sale financial assets	-	7.405	-	3.989
Non-current receivables (Note 19)	38.023.022	-	49.397.798	-
Trade and other receivables (excluding prepayments)	7.832.456	-	4.679.429	-
Cash and bank balances (Note 22)	2.733.845	-	1.247.618	-
Total	48.589.323	7.405	55.324.845	3.989

	The Group	The Company
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	€	€
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities) (Note 24)	39.838.520	24.680.241
Trade and other payables (excluding statutory liabilities)	42.856.212	27.546.480
Total	82.694.732	52.226.721

15. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade receivables				
Counter parties without external credit				
Group 1	**2.083.139**	2.379.942	**512.860**	299.916
Fully performing other receivables				
Group 2	**47.214.579**	39.128.967	**59.021.225**	50.257.609
Group 3	**1.004.240**	4.070.497	**504.852**	3.243.630
	48.218.819	43.199.464	**59.526.077**	53.501.239

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Cash at bank and short-term bank deposits (Moody's) (1)				
Caa1	**1.398.015**	103.403	**48.482**	-
Caa2	**212.178**	805.298	**968**	3.700
Caa3	**73.932**	215.340	**48.744**	6.258
Without rating	**-**	53	**-**	53
	1.684.125	1.124.094	**98.194**	10.011

(1)The rest of the balance sheet item 'cash and cash equivalents' is cash in hand.

Group 1 – existing customers with no defaults in the past.

Group 2 – companies within the group, common control companies and related companies with no defaults in the past.

Group 3 – other receivables with no defaults in the past

None of the financial assets that are neither past due nor impaired has been renegotiated in the last year, except as it is mentioned in Note 21.

None of the loans and receivables from related parties is past due or impaired.

16. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings	Leasehold building improvements	Display equipment and fixtures	Motor vehicles	Total
At 1 January 2016	€	€	€	€	€
Cost or valuation	15.143.420	35.337.949	44.184.353	1.932.699	**96.598.421**
Accumulated depreciation	(1.682.525)	(23.538.101)	(37.477.576)	(1.843.899)	**(64.542.101)**
Net book amount	13.460.895	11.799.848	6.706.777	88.800	**32.056.320**
Year ended 31 December 2016					
Opening net book amount	13.460.895	11.799.848	6.706.777	88.800	**32.056.320**
Additions	19.600	798.354	973.002	70.588	**1.861.544**
Disposals	-	(10.709)	(12.803)	-	**(23.512)**
Depreciation charge (Note 7)	(200.110)	(1.858.266)	(2.078.122)	(40.904)	**(4.177.402)**
Impairment- discontinued operations (Note 11)	-	(869.582)	(255.249)	-	**(1.124.831)**
Impairment – continued operations	-	(7.194)	-	-	**(7.194)**
Transfer from related parties	-	59.544	164.464	42.652	**266.660**
Transfer between categories	-	(315.211)	315.211	-	-
Closing net book amount	13.280.385	9.596.784	5.813.280	161.136	**28.851.585**
At 31 December 2016					
Cost or valuation	15.163.020	34.225.023	45.046.022	2.714.034	**97.148.099**
Accumulated depreciation	(1.882.635)	(24.628.240)	(39.232.741)	(2.552.898)	**(68.296.514)**
Net book amount	13.280.385	9.596.783	5.813.281	161.136	**28.851.585**
Year ended 31 December 2017					
Opening net book amount	13.280.385	9.596.783	5.813.280	161.136	**28.851.585**
Additions	149.438	2.036.733	1.943.045	73.262	**4.202.478**
Disposals	-	(20)	(198.681)	(9.971)	**(208.672)**
Depreciation charge (Note 7)	(206.372)	(1.770.521)	(1.854.504)	(59.563)	**(3.890.960)**
Impairment - continued operations	-	(38.718)	-	-	**(38.718)**
Impairment – discontinued operations (Note 11)	-	(172.380)	(107.714)	-	**(280.094)**
Closing net book amount	13.223.451	9.651.877	5.595.426	164.864	**28.635.619**
At 31 December 2017					
Cost or valuation	15.312.458	34.958.260	45.745.793	1.799.677	**97.816.188**
Accumulated depreciation	(2.089.007)	(25.306.383)	(40.150.367)	(1.634.813)	**(69.180.570)**
Net book amount	13.223.451	9.651.877	5.595.426	164.864	**28.635.618**

Bank borrowings and bank overdraft are secured on land and building of subsidiary company Superhome Center (DIY) Limited up to the amount of €11.572.000 (2016: €11.572.000) (Note 24). The carrying value of the mortgaged land and building amounted to €8.543.000.

NOTES TO THE FINANCIAL STATEMENTS

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017	2016
The Group	€	€
Cost	12.690.256	12.540.818
Accumulated depreciation	(2.089.007)	(1.882.635)
Net book amount	10.601.249	10.658.183

The Company

	Leasehold buildings improvements	Display equipment and fixtures	Motor vehicles	Total
	€	€	€	€
At 1 January 2016				
Cost	21.912.252	32.032.019	856.531	54.800.802
Accumulated depreciation	(17.940.812)	(27.037.563)	(784.931)	(45.763.306)
Net book amount	3.971.440	4.994.456	71.600	9.037.496
Year ended 31 December 2016				
Opening net book amount at the start of the year	3.971.440	4.994.456	71.600	9.037.496
Additions	773.582	838.201	10.000	1.621.783
Disposals	(10.709)	(5.706)	-	(16.415)
Impairment (Note 11)	(285.526)	(186.275)	-	(471.801)
Depreciation charge (Note 7)	(1.347.152)	(1.565.701)	(19.300)	(2.932.153)
Closing net book amount at the end of the year	3.101.635	4.074.975	(62.300)	7.238.910
At 31 December 2016				
Cost	21.296.698	30.413.147	866.531	52.576.376
Accumulated depreciation	(18.195.063)	(26.338.172)	(804.231)	(45.337.466)
Net book amount	3.101.635	4.074.975	62.300	7.238.910
Year ended 31 December 2017				
Opening net book amount at the start of the year	3.101.635	4.074.975	62.300	7.238.910
Additions	1.919.071	1.729.195	-	3.648.266
Disposals	-	(1.032)	(9.971)	(11.003)
Impairment – continued operations	(38.718)	-	-	(38.718)
Impairment – discontinued operations (Note 11)	(172.380)	(107.714)	-	(280.094)
Depreciation charge (Note 7)	(1.299.333)	(1.434.505)	(17.841)	(2.751.679)
Closing net book amount at the end of the year	3.510.275	4.260.919	34.488	7.805.682
At 31 December 2017				
Cost	21.912.522	31.372.103	594.798	53.879.423
Accumulated depreciation	(18.402.247)	(27.111.184)	(560.310)	(46.073.741)
Net book amount	3.510.275	4.260.919	34.488	7.805.682

NOTES TO THE FINANCIAL STATEMENTS

In the cash flow statement proceeds from the sale of property, plant and equipment comprise:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Net book amount	**208.672**	23.512	**11.003**	16.415
(Loss)/profit on sale of property, plant and equipment (Note 6)	**20.850**	9.389	**12.879**	(2.396)
Proceeds from sale of property, plant and equipment	**229.522**	32.901	**23.882**	14.019

Fair value of land and buildings

An independent valuation of the land and buildings of the Group was performed by valuers to determine the fair value of the land and buildings. The retail units in Limassol were last revalued on 31 December 2017 and no difference in the fair value of land and buildings arose.

The following table analyses the properties, plant and equipment which are carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group

Fair value measurements using significant unobservable inputs (Level 3)

	Fair value measurements at 31 December 2017 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€	€	€
Recurring fair value measurements			
Retail units – Limassol	-	-	13.223.451
	-	-	13.223.451

	Fair value measurements at 31 December 2016 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€	€	€
Recurring fair value measurements			
Retail units – Limassol	-	-	13.280.385
	-	-	13.280.385

The Group

	2017	2016
	Retail units - Limassol	Retail units - Limassol
	€	€
Opening balance	**13.280.385**	13.460.895
Additions	**149.438**	19.600
Depreciation charge	**(206.372)**	(200.110)
Closing balance	**13.223.451**	13.280.385

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of land and buildings of the Group periodically. The fair values of the land and buildings were determined by Rois Nicolaides K. Talattinis Ph. Christodoulou.

The external valuations of the Level 3 land and buildings have been performed using a sales comparison approach. However for retail units in Limassol there has been a limited number of similar sales in the local market and the valuations have been performed using unobservable inputs. The external valuers, in discussion with the Company's and the Group's internal valuation team, have determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable prices in the corresponding area. The most important factor in these valuation methods is the price per square meter.

The Group

Description	Fair value 31 December 2017 €	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair values
Retail units - Limassol	13.223.451	Comparable prices	Price per square metre	Land €316 Building €1.367 Sheds €513 Outdoor areas €85	The higher the price per square metre, the higher the fair value

Description	Fair value 31 December 2016 €	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair values
Retail units - Limassol	13.280.385	Comparable prices	Price per square metre	Land €316 Building €1.367 Sheds €513 Outdoor areas €85	The higher the price per square metre, the higher the fair value

17. INTANGIBLE ASSETS

The Group

	Goodwill €	Computer Software €	Brand name €	**Total** **€**
1 January 2016				
Cost	35.781.612	2.889.293	2.000.000	**40.670.905**
Accumulated amortisation and impairment charge	(1.325.425)	(2.723.035)	(2.000.000)	**(6.048.460)**
Net book amount	34.456.187	166.258	-	**34.622.445**
Year ended 31 December 2016				
Opening net book amount	34.456.187	166.258	-	**34.622.445**
Additions	-	339.626	-	**339.626**
Disposals	-	(5.753)	-	**(5.753)**
Transfers from and to related parties	-	541	-	**541**
Depreciation charge (Note 7)	-	(146.844)	-	**(146.844)**
Closing net book amount	34.456.187	353.828	-	**34.810.015**
At 31 December 2016				
Cost	35.781.612	3.279.812	2.000.000	**41.061.424**
Accumulated amortisation and impairment charge	(1.325.425)	(2.925.984)	(2.000.000)	**(6.251.409)**
Net book amount	34.456.187	353.828	-	**34.810.015**
At 1 January 2017				
Opening net book amount	34.456.187	353.828	-	**34.810.015**
Additions	-	23.202	-	**23.202**
Impairment	-	(55.603)	-	**(55.603)**
Depreciation charge (Note 7)	-	(126.074)	-	**(126.074)**
Closing net book amount	34.456.187	195.353	-	**34.651.540**
At 31 December 2017				
Cost	35.781.612	3.146.263	2.000.000	**40.927.875**
Accumulated amortisation and impairment charge	(1.325.425)	(2.950.910)	(2.000.000)	**(6.276.335)**
Net book amount	34.456.187	195.353	-	**34.651.540**

The Company

	Goodwill €	Computer Software €	**Total €**
At 1 January 2016			
Cost	17.807.789	1.521.685	**19.329.474**
Accumulated amortisation and impairment charge	-	(1.442.164)	**(1.442.164)**
Net book amount	17.807.789	79.521	**17.887.310**
At 1 January 2016			
Opening net book amount	17.807.789	79.521	**17.887.310**
Additions	-	318.869	**318.869**
Disposal	-	(5.753)	**(5.753)**
Depreciation charge (Note 7)	-	(101.764)	**(101.764)**
Closing net book amount	17.807.789	290.873	**18.098.662**
At 31 December 2016			
Cost	17.807.789	1.819.741	**19.627.530**
Accumulated amortisation and impairment charge	-	(1.528.868)	**(1.528.868)**
Net book amount	17.807.789	290.873	**18.098.662**
At 1 January 2017			
Opening net book amount	17.807.789	290.873	**18.098.662**
Additions	-	13.144	**13.144**
Impairment	-	(55.603)	**(55.603)**
Depreciation charge (Note 7)	-	(94.565)	**(94.565)**
Closing net book amount	17.807.789	153.849	**17.961.638**
At 31 December 2017			
Cost	17.807.789	1.679.056	**19.486.845**
Accumulated amortisation and impairment charge	-	(1.525.207)	**(1.525.207)**
Net book amount	17.807.789	153.849	**17.961.638**

The disposal of the intangible assets in the cash flow statement:

	The Group		The Company	
	2017 €	2016 €	**2017 €**	2016 €
Net book amount	-	5.753	-	5.753
(Loss)/profit from the disposal of intangible assets	-	-	-	-
Proceeds from the disposal of intangible assets	-	5.753	-	5.753

Impairment test for intangible assets with indefinite useful life

Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the businesses acquired at the date of acquisition.

Goodwill is allocated to cash generating units (CGU), identified according to operating segments as shown below:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Ermes Department Stores Plc	**21.960.460**	21.960.460	**17.807.789**	17.807.789
Superhome Center (DIY) Limited	**12.495.727**	12.495.727	**-**	-
	34.456.187	34.456.187	**17.807.789**	17.807.789

The recoverable amount of the cash generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering up to a five-year period and have been approved by Management.

The key assumptions used for the value-in-use calculations for the year ended 31 December 2017 are as follows:

	Gross margin	Sales growth rate 2018-2022	Discount rate
	%	%	%
Ermes Department Stores Plc	39,3	5,1	7,6
Superhome Center (DIY) Limited	34,8	2,2	8,1

The key assumptions used for the value-in-use calculations for the year ended 31 December 2016 are as follows:

	Gross margin	Sales growth rate 2017-2021	Discount rate
	%	%	%
Ermes Department Stores Plc	39,5	2,8	8,8
Superhome Center (DIY) Limited	34,7	3,6	9,3

Management determines budgeted gross margin based on past performance and its expectations for market developments.

The weighted average growth rate used is consistent with the forecasts included in reports for the retail sector relating to the Company and the Group. The discount rate used is pre-tax and reflects specific risks relating to the cash-generating unit. Using the above assumptions, goodwill as at 31 December 2017 amounting €34.456.187 (2016: €34.456.187) for the Group and €17.807.789 (2016: €17.807.789) for the Company, does not require any adjustment for impairment of its value, based on the value-in-use method.

The Company prepared a sensitivity analysis in Note 4.

Brand name

Brand name represents an intangible asset acquired as a result of the acquisition of Scandia Company Limited and was originally classified as goodwill. The total amount of consideration paid of €2.000.000 represents the brand name "Scandia". The brand name is not amortised but tested annually for impairment. On 31 December 2012, this goodwill has been fully impaired and has been written-off in the income statement.

18. INVESTMENTS IN SUBSIDIARIES

The Company

	2017	2016
	€	€
At the beginning of the year	**15.744.457**	15.744.457
Additions (1)	**2.100**	-
At the end of the year	**15.746.557**	15.744.457

(1) During the year, the Company and the Group incorporated two companies, Spar Holding Company Ltd (formerly Francela Holding Company Limited) and Vexelco Limited, which are 100% subsidiaries of Ermes Department Stores Plc for the amount of € 2.000 and € 100 respectively.

Impairment test of cost of investment of investments in subsidiaries

The recoverable amount of the cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering up to a five-year period and have been approved by Management.

The key assumptions used for the value-in-use calculations for the year ended 31 December 2017 are as follows:

	Gross margin %	Sales growth rate 2018-2022 %	Discount rate %
Superhome Center (DIY) Limited	34,8	2,2	8,1

The key assumptions used for the value-in-use calculations for the year ended 31 December 2016 are as follows:

	Gross margin %	Sales growth rate 2017-2021 %	Discount rate %
Superhome Center (DIY) Limited	34,7	3,6	9,3

The Management determines the budgeted gross profit margin based on past performance and expectations for the market development.

The weighted average growth rate which was used and is consistent with the provisions included in data and reports relevant to the industry of the activities of the above companies. The discount rate used does not include tax effects and reflects specific risks associated with each cash generating unit. Based on the above assumptions, the impairment loss recorded in the books of the Company as at 31 December 2017 was €Nil (31 December 2016: €Nil) for the Company.

The details of the subsidiary companies are as follows:

Name	Principal activity	Participation in share capital 2017 %	2016 %	Country of incorporation
Spar Distributors Ltd (previously Francela Distributors Limited)	Dormant	**100**	100	Cyprus
CW Artopolis Limited	Management of cafeterias and bakeries	**100**	100	Cyprus
Superhome Center (DIY) Limited	Operation of retail superstores selling items for the house, the workshop, the school the office and related products in Nicosia (2), Larnaca, Limassol and Paphos	**51**	51	Cyprus
Fashionlink S.A.	Operation of fashion retail stores	**100**	100	Greece
Anglo-Cyprus Association Limited	Dormant	**100**	100	Cyprus
Scandia Company Limited	Holding of investment	**100**	100	Cyprus
Ideea Distribution of Appliances Limited (100% subsidiary of Scandia Company limited)	Import and distribution of electric and electronic appliances	**100**	100	Cyprus
Novario Holding Limited (subsidiary of Ideea Distribution of Appliances Limited)	Retail sales through the chain stores of Scandia and Megaelectric	**50% + 1 share**	50% + 1 share	Cyprus
Domex Trading Co Limited	Dormant	**100**	100	Cyprus
The Avenue Department Stores Limited	Payroll company	**99**	99	Cyprus
Spar Holding Company Ltd (previously Francela Holding Company Ltd)	Dormant	**100**	-	Cyprus
Spar Larnaca (Drosia) Ltd (previously Francela Spar Larnaca (Drosia) Ltd) (100% subsidiary of Spar Holding Company Ltd)	Dormant	**100**	-	Cyprus
Vexelco Limited	Dormant	**100**	-	Cyprus

All investment in subsidiaries are included in consolidation.

During the year, the Company and the Group proceeded with the incorporation of the 100% subsidiary, Spar Larnaca (Drosia) Ltd (previously Francela Larnaca (Drosia) Ltd), which is a wholly owned subsidiary of Spar Holding Company Ltd (previously Francela Holding Company Ltd) for the amount of € 2.000.

On 6 April 2016, an agreement was signed between Ideea Distribution of Appliances Limited, which is a subsidiary company of the Group and owner company of the Scandia chain stores and E&G Electriplus Limited, owner company of the Megaelectric chain stores. Based on the agreement the two companies will transfer all their operations into a newly incorporated company, Novario Holding Limited. All of the assets and liabilities of the two companies, along with the employees will be transferred to the newly incorporated company. Ermes Department Stores Plc will continue to maintain control of the newly incorporated company, with ownership of 50%+1 share. As per the agreement, a payment should be made to Ermes Department Stores Plc of €438.103 which results from the difference between the valuation of the two operations transferred.

The participation to the above companies is direct, with the exception of Ideea Distribution of Appliances Limited and Novario Holding Limited. The percentage that is not controlled is owned by the non-controlling interest shareholders.

The total non-controlling interest at 31 December 2017 is €7.116.533 (2016: €6.919.108), of which €7.137.982 (2016: €6.928.837) relates to Superhome Center (DIY) Limited, €2.417 (2016: €2.174) to The Avenue Department Stores Limited and (€23.866) (2016: (€11.903)) to Novario Holding Limited.

Summarised financial information for subsidiary company with significant percentage of non-controlling interest

We set out below the summarised financial information for subsidiary Superhome Center (DIY) Limited whose non-controlling interest shareholders hold significant percentage in the share capital of the Company.

Summarised balance sheet	**Superhome Center (DIY) Limited**	
	2017	2016
Current	€	€
Assets	13.207.272	13.384.305
Liabilities	(15.552.096)	(16.148.834)
Total net current liabilities	(2.344.824)	(2.764.529)
Non-current		
Assets	19.943.178	20.388.369
Liabilities	(3.029.724)	(3.482.042)
Total net non-current assets	16.913.454	16.906.327
Net assets	14.568.630	14.141.798

Summarised statement of comprehensive income	2017	2016
	€	€
Revenue	43.685.609	41.545.814
Profit before tax	2.762.245	2.098.286
Tax	(336.245)	(260.768)
Profit after tax	2.426.000	1.837.518
Other comprehensive income		
Deferred tax	832	(45)
Total comprehensive income	2.426.832	1.837.473
Total comprehensive income attributable to non-controlling interest (49%)	1.189.148	900.362
Dividends paid to non-controlling interest	980.000	980.000

Summarised cash flow	2017	2016
	€	€
Cash flows from operating activities	5.397.494	1.486.024
Taxation paid	(322.750)	(225.000)
Net cash from operating activities	5.074.744	1.261.024
Net cash used in investing activities	(403.214)	(117.057)
Net cash (used in)/from financing activities	(2.521.312)	417.016
Net increase/(decrease) in cash and cash equivalents	2.150.218	1.560.983
Cash and cash equivalents at beginning of year	(4.188.209)	(5.749.192)
Cash and cash equivalents at end of year	(2.037.991)	(4.188.209)

We set out below summarised financial information of the subsidiary, Novario Holding Limited whose non-controlling interest shareholders hold a significant share in its share capital.

Summarised balance sheet	Novario Holding Limited	
	2017	2016
Current	**€**	€
Assets	**11.249.400**	12.246.203
Liabilities	**(8.869.819)**	(7.422.622)
Total net current liabilities	**2.379.581**	4.823.581
Non-current		
Assets	**379.526**	413.500
Liabilities	**(2.806.839)**	(5.260.886)
Total net non-current liabilities	**(2.427.313)**	(4.847.386)
Net liabilities	**(47.732)**	(23.805)

Summarised statement of comprehensive income		
	2017	2016
	€	€
Revenue	**27.192.925**	6.123.435
Loss before tax	**(23.927)**	(25.805)
Tax	**-**	-
Loss after tax	**(23.927)**	(25.805)
Total comprehensive loss attributable to non-controlling interest (50% - 1 share)	**(11.963)**	(12.902)

Summarised cash flow		
	2017	2016
	€	€
Cash flows from operating activities		
Cash generated from operating activities	**328.072**	(3.269.910)
Taxation paid	**-**	-
Net cash used in operating activities	**328.072**	(3.269.910)
Net cash used in investing activities	**(78.003)**	(33.028)
Net cash from financing activities	**(475.251)**	2.395.529
Net decrease in cash and cash equivalents	**(225.182)**	(907.409)
Cash and cash equivalents at beginning of year	**(907.409)**	-
Cash and cash equivalents at end of year	**(1.132.591)**	(907.409)

The above information is before any intercompany eliminations.

19. NON-CURRENT RECEIVABLES

	The Group		The Company	
	2017	2016	**2017**	2016
Non-current	**€**	€	**€**	€
Loan to related companies (Note 28 (iv))	**37.250.505**	29.150.522	**37.250.505**	29.150.522
Loan to other parties (Note 30)	**4.866.507**	8.872.500	**4.866.507**	8.872.500
Total loans	**42.117.012**	38.023.022	**42.117.012**	38.023.022
Balance with subsidiary company (Note 28 (iii))	**-**	-	**11.875.518**	11.374.776
Total	**42.117.012**	38.023.022	**53.992.530**	49.397.798
Current				
Loan to other parties (Note 30)	**4.000.000**	**-**	**4.000.000**	**-**
Total	**46.117.012**	**38.023.022**	**57.992.530**	**49.397.798**

Refer to Notes 28(iii) and 28(iv) for the period of repayment of the above receivables.

Loans comprise of loans granted to related companies for the Group and for the subsidiaries and related companies of the Company. There are no guarantees and securities in relation to the loans.

The fair value of non-current receivables equals to their carrying amount.

The effective interest rates on non-current receivables were as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	%	%	**%**	%
Loan to parent entity	**4,75**	5,1	**4,75**	5,1
Loan to related parties	**4,75**	5,1	**4,75**	5,1
Loan to other parties	**3**	3	**3**	3
Balance with subsidiary	**-**	-	**4,75**	5,1

The carrying amounts of the non-current receivables of the Group and the Company are denominated in the following currency:

	The Group		The Company	
	2017	2016	**2017**	2016
	%	%	**%**	%
Euro-functional and presentation currency	**46.117.012**	38.023.022	**57.992.530**	49.397.798

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The loan to other parties amounted to €8.866.507 (2016: €8.872.500) and is secured by a collateral of 13 800 000 shares in the company, The Mall of Cyprus (MC) Ltd which belongs to the borrower. None of the non-current receivables is either past due or impaired. For events after the balance sheet date, see Note 30.

20. INVENTORIES

Inventories consist of finished goods for resale. All inventories are shown at cost except for finished goods of the Group with carrying value of €592.731 (2016: €1.379.559) and €592.731 (2016: €1.379.559) of the Company, that are shown at net realisable value.

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Trade receivables	3.451.837	3.881.739	691.125	1.146.236
Less: provision for impairment of receivables	(690.664)	(1.225.725)	-	(570.248)
Trade receivables – net	2.761.173	2.656.014	691.125	575.988
Receivable from related companies (Note 28 (iii))	1.097.567	1.105.945	1.028.695	859.811
Advances, prepayments and other receivables	3.339.981	5.252.876	2.562.175	4.233.730
	7.198.721	9.014.835	4.281.995	5.669.529

The fair value of trade and other receivables are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Trade receivables	2.761.173	2.656.014	691.125	575.988
Receivable from related companies (Note 28 (iii))	1.097.567	1.105.945	1.028.695	859.811
Advances, prepayments and other receivables	3.339.981	5.252.876	2.562.175	4.233.730
	7.198.721	9.014.835	4.281.995	5.669.529

As of 31 December 2017, trade receivables of €2.083.139 (2016: €2.379.942) of the Group and €512.860 (2016: €299.916) of the Company were neither past due nor impaired.

Trade receivables that are less than six months past due are not considered impaired. As of 31 December 2017, trade receivables of the Group of €678.034 (2016: €276.072) and the Company of €178.265 (2016: €276.072) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Over 3 months	678.034	276.072	178.265	276.072

As of 31 December 2017, trade receivables of €690.664 (2016: €1.225.725) of the Group and €Nil (2016: €570.248) of the Company were impaired and provided for. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Over 3 months	690.664	1.225.725	-	570.248

Movements on the Group's and the Company's provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
At 1 January	**1.225.725**	1.225.725	**570.248**	570.248
Provision for receivables impairment (Note 7)	**16.315**	-	**-**	-
Receivables written off during the year as uncollectible	**(551.376)**	-	**(570.248)**	-
At 31 December	**690.664**	1.225.725	**-**	570.248

The creation of provision for impaired receivables has been included in "administrative expenses" in profit or loss (Note 7). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired or past due assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Group and the Company do not hold any collateral as security.

The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Euro - functional and presentation currency	7.198.721	9.014.835	4.281.995	5.669.529
	7.198.721	9.014.835	**4.281.995**	5.669.529

22. CASH AND BANK BALANCES

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank and in hand	3.769.039	2.711.495	1.754.590	1.247.602
Short term bank deposits	22.347	22.350	13	16
	3.791.386	2.733.845	1.754.603	1.247.618

The effective interest rate on short term bank deposits of the Company was 0,02% (2016: 0,02%) and 0,40% (2016: 0,46%) for the Group.

Cash and bank balances and bank overdrafts include the following for the purposes of the statement of cash flows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Cash and bank balances	3.791.386	2.733.845	1.754.603	1.247.618
Less: Bank overdrafts (Note 24)	(34.357.028)	(30.703.480)	(26.238.337)	(21.234.470)
	(30.565.642)	(27.969.635)	(24.483.734)	(19.986.852)

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Euro - functional and presentation currency	**3.791.386**	2.733.845	**1.754.603**	1.247.618

Reconciliation of liabilities arising from financing activities:

The Group	Bank borrowings	Loans from related parties	Total borrowings from financing activities
	€	€	€
Opening balance 1 January 2017	9.135.040	-	9.135.040
Cash flows:			
Proceeds from borrowings	14.072.587	-	14.072.587
Repayment of principal	(5.350.330)	-	(5.350.330)
Repayment of interest	(576.700)	-	(576.700)
Interest expense	576.700	-	576.700
Closing balance - 31 December 2017	17.857.297	-	17.857.297

The Company	Bank borrowings	Loans from related parties	Total borrowings from financing activities
	€	€	€
Opening balance 1 January 2017	3.445.771	**1.572.002**	5.017.773
Cash flows:			
Proceeds from borrowings	13.829.220	-	13.829.220
Repayment of principal	(4.392.859)	**(260.955)**	(4.653.814)
Repayment of interest	(402.770)	**60.814**	(341.956)
Interest expense	402.769	-	402.769
Closing balance - 31 December 2017	12.882.131	**1.371.861**	14.253.992

23. SHARE CAPITAL AND TREASURY SHARES

Authorised	Number of ordinary shares of 34 cents each	Share capital €	Treasury shares €	Total €
At 1 January 2016, 31 December 2016 and 31 December 2017	210 000 000	71.400.000	-	71.400.000
Issued and fully paid				
At 1 January 2016, 31 December 2016 and 31 December 2017	174 499 710	59.500.000	(154.583)	59.345.417

The total authorised number of ordinary shares is 210 000 000 shares (2016: 210 000 000 shares) of nominal value €0,34 per share. All issued shares are fully paid.

The number of treasury shares at 31 December 2017 is 500 290 (2016: 500 290). These shares would have to be sold, cancelled or distributed in accordance with the existing regulatory framework of the stock market. The

Company makes the necessary procedures for resolving the issue.

24. BORROWINGS

	The Group		The Company	
	2017	2016	2017	2016
Current	€	€	€	€
Bank overdrafts (Note 22)	34.357.028	30.703.480	26.238.337	21.234.470
Bank borrowings	8.173.609	2.777.995	7.322.211	1.939.471
	42.530.637	33.481.475	33.560.548	23.173.941
Non-current				
Bank borrowings	9.683.688	6.357.045	5.559.920	1.506.300
	9.683.688	6.357.045	5.559.920	1.506.300
Total borrowings	52.214.325	39.838.520	39.120.468	24.680.241
Maturity of non-current borrowings (excluding finance lease liabilities)				
Between 1 and 2 years	1.536.102	1.296.234	673.091	445.978
Between 2 and 5 years	7.094.395	3.534.959	4.886.829	908.599
Over 5 years	1.053.191	1.525.852	-	151.723
	9.683.688	6.357.045	5.559.920	1.506.300

The bank loans and overdrafts are secured as follows:

The Group

(a) A loan and overdrafts are secured by a mortgage on the land and building of the subsidiary company Superhome Center (DIY) Limited up to the amount of €11.572.000 (2016: €11.572.000), (Note 17). The carrying value of the mortgaged land and building amounted to €8.543.000.

(b) Bank overdraft amounting to €5.000.000 (2016: €5.000.000) is secured by a mortgage on a property of two related companies, Woolworth (Cyprus) Properties Plc and ZAKO Limited, amounting to €1.965.000 (2016: €1.965.000) and €1.680.000 (2016: €1.680.000) respectively, and fire policy amounting to €1.140.000 (2016: €1.140.000) and €886.785 (2016: €886.785), respectively.

(c) By corporate guarantees from related companies for €80.812.032 (2016: €74.285.151).

(d) By corporate guarantees of a company that is not owned by the Group and is owned by the non-controlling interest amounting of €3.050.000 (2016: 4.300.000).

(e) By personal guarantees of Executive Directors of a Company that is not owned by the Group and is owned by the non-controlling interest for €3.050.000 (2016: 4.300.000).

(f) By pledge of the corporate guarantees of related parties for €3.050.000.

(g) By floating charge on assets which are not owned by a company of the Group but are owned by the non-controlling interest for €3.050.000.

(h) Assignment of a Company's receivable due from other parties for €7.000.000.

(i) Assignment of fire policy for €13.584.632.

The Company

(a) Bank overdraft amounting to €5.000.000 (2016: €5.000.000) is secured by a mortgage on a property of two related companies, Woolworth (Cyprus) Properties Plc and ZAKO Limited for €1.965.000 (2016: €1.965.000) and €1.680.000 (2016: €1.680.000) respectively, and fire policy amounting to €1.140.000 (2016: €1.140.000) and €886.785 (2016: €886.785), respectively.

(b) By corporate guarantees from related companies for €73.368.884, (2016: €66.877.884).

(c) Bank overdraft amounting to €4.500.000 is secured by a mortgage on a property of the related company, Woolworth (Cyprus) properties Plc, amounting to €10.000.000 (2016: €10.000.000). The carrying value of the mortgaged property amounted to €16.000.000.

(d) Assignment of a receivable due from other parties amounting to €7.000.000.

The weighted average effective interest rates at the balance sheet date were as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Bank overdrafts	**4,4**	4,4	**4,5**	4,5
Bank borrowings	**4,1**	4,1	**4,1**	4,2

The bank borrowings and bank overdrafts of the Company and the Group are arranged mainly at floating rates. Borrowings at fixed rates expose the Company and the Group to fair value interest rate risk. For borrowings at floating rates the Company and the Group are exposed to cash flow interest rate risk. The bank loans are repayable by monthly installments by 2023.

The exposure of the Company's and the Group's borrowings to interest rate charges and the contractual reprising dates at the balance sheet dates are as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
6 months or less	**29.750.324**	14.107.625	**26.131.205**	14.107.625
6-12 months	**18.371.018**	25.730.895	**8.896.280**	10.572.616
1-5 years	**4.092.983**	-	**4.092.983**	-
	52.214.325	39.838.520	**39.120.468**	24.680.241

The Company and the Group have the following undrawn borrowing facilities:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Floating rate:				
Expiring within one year	**6.296.233**	9.726.048	**2.456.204**	6.461.097

The facilities expiring within one year are annual facilities subject to review at various dates during 2017.

The carrying amounts of bank overdrafts and bank loans approximate their fair value.

The carrying amounts of the Company's and the Group's borrowings are denominated in the following currencies:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Euro - functional and presentation currency	52.214.325	39.838.520	39.120.468	24.680.241

25. DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Deferred income tax assets				
- Deferred tax assets to be recovered after more than twelve months	647.085	647.085	647.085	647.085
Deferred income tax liabilities				
- Deferred tax liabilities to be settled after more than twelve months	(779.898)	(789.828)	-	-
Deferred income tax assets/(liabilities) - net	(132.813)	(142.743)	647.085	647.085

The gross movement on the deferred income tax account is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
At the beginning of the year	(142.743)	(94.687)	647.085	639.092
(Charge)/credit included in profit or loss (Note 10)	9.098	(47.441)	-	7.993
Tax charge relating to components of other comprehensive income (Note 10)	832	(615)	-	-
At the end of the year	(132.813)	(142.743)	647.085	647.085

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

The Group

Deferred tax liabilities	Difference between depreciation and wear and tear allowance	Fair value gains	Total
	€	€	€
At 1 January 2016	(74.217)	(694.450)	(768.667)
Credited to:			
Other comprehensive income (Note 10)	-	(615)	(615)
Income statement (Note 10)	(20.546)	-	(20.546)
At 31 December 2016/1 January 2017	(94.763)	(695.065)	(789.828)
Credited to:			
Other comprehensive income (Note 10)	-	832	832
Income statement (Note 10)	9.098	-	9.098
At 31 December 2017	85.665	694.233	779.898

Deferred tax liabilities	Difference between depreciation and wear and tear allowance
	€
At 1 January 2016	673.980
Credited to:	
Profit or loss (Note 10)	(26.895)
At 31 December 2016/ 1 January 2017	647.085
Credited to:	
Profit or loss (Note 10)	-
At 31 December 2017	647.085

The Company

Deferred tax liabilities	Difference between depreciation and wear and tear allowance
	€
1 January 2016	639.092
Credited to:	
Profit or loss (Note 10)	7.993
At 31 December 2016/ 1 January 2017	647.085
Credited to:	
Profit or loss (Note 10)	-
At 31 December 2017	647.085

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Current				
Trade payables	23.075.244	23.428.793	9.183.577	10.808.125
Social insurance and other taxes	401.183	370.894	363.591	326.068
V.A.T payable	424.601	2.939.798	46.871	1.318.695
Payables to related companies (Note 28 (iii))	3.510.296	3.253.962	3.235.986	2.949.778
Payable balance for the acquisition of subsidiaries and joint venture (Note 28 (v))	-	-	1.371.861	1.572.002
Other payables and accrued expenses	17.419.665	14.680.955	13.953.886	12.216.575
Warranty provision	169.470	100.421	-	-
	45.000.459	44.774.823	28.155.772	29.191.243
Non-current				
Payable to related parties (Note 28 (iii))	-	1.392.081	-	-
	45.000.459	46.166.904	28.155.772	29.191.243

The carrying amounts of the Company's and the Group's trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Euro functional currency and presentation	**42.940.125**	42.581.556	**26.747.500**	25.961.306
Pound Sterling	**1.687.310**	3.552.599	**1.393.803**	3.221.820
US Dollar	**373.017**	32.749	**14.469**	8.117
	45.000.408	46.166.904	**28.155.772**	29.191.243

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

27. COMMITMENTS

(i) Capital commitments

There were no capital expenditures contracted for at the balance sheet date and not yet incurred.

(ii) Commitments for operating leases – where the Company and the Group are the lessee

The Group and the Company lease various retail, outlets, offices and warehouses under the following operating lease commitments. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to profit or loss during the year is disclosed in Note 7.

At 31 December 2017 the Group and the Company had the following operating lease commitments:

(a) Stores leased from Woolworth (Cyprus) Properties Plc

The Company has agreements with Woolworth (Cyprus) Properties Plc (Woolworth) and its subsidiary companies for the right of use of space or rental of space of Debenhams Central (Nicosia), Apollon and Olympia (Limassol), Zenon (Larnaca), Korivos (Paphos), three NEXT stores, two ZAKO stores, one Fashion Bazaar Koumandarias store, one Peacocks Apollon (Limassol) store and the Central offices and Central warehouse of the Company at Latsia. The lease period is up to the year 2018.

(b) Superhome Center (DIY) Limited in Paphos

The subsidiary company Superhome Center (DIY) Limited has a lease agreement with Woolworth for its superstore in Paphos. The lease period is up to the year 2020.

(c) Superhome Center (DIY) Limited in Strovolos

The subsidiary company Superhome Center (DIY) Limited has a lease agreement with Woolworth for its superstore in Strovolos, up to the year 2022.

(d) Superhome Center (DIY) Limited in Larnaca

The subsidiary company Superhome Center (DIY) Limited has a long term lease agreement for the land, which was used to build the superstore in Larnaca, up to the year 2049.

(e) Novario Holding Limited

The subsidiary Novario Holding Limited has a rental agreement for the store in Paphos, for the administration offices and for the warehouse up to the year 2020.

(f) The Mall of Engomi (ME) Plc

The Group has agreements with The Mall of Engomi (ME) Plc for the right of use of space or rental of space for the operation of Debenhams, Oviesse and Peacocks (terminated its operation in 2017 and Oviesse store was expanded in its place), Next and Uber shops at 'Mall of Engomi'. Additionally the subsidiary company, Superhome Center (DIY) Limited, signed an agreement with the same company for the operation of a store in

Engomi. The duration of the lease agreements ranges from November 2021 to May 2025.

(g) The Mall of Cyprus (MC) Plc

The Company has agreements with The Mall of Cyprus (MC) Plc, for the right of use of space or rental of space for the operation of a Debenhams Department Store and one NEXT store, Oviesse, Navy & Green, Glow, Fashion Bazaar Nicosia and various stores that the subsidiary company CW Artopolis Limited manages at 'The Mall of Cyprus' and Annex 4. The Oviesse store and part of Next store terminated their operations in 2017 and were replaced by the stores Forever 21 and Armani Exchange. The duration of the lease is up to July 2022.

(h) Other stores

The Company has agreements with non-related parties for various stores, of which the expiry of the lease agreements ranges from May 2018 to February 2025.

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

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Not later than 1 year	7.844.918	10.417.254	7.065.775	9.500.219
Later than 1 and not later than 5 years	15.772.332	20.540.234	14.107.722	18.132.555
Later than 5 years	6.639.650	7.909.927	759.420	2.117.197
	30.256.900	38.867.415	21.932.917	29.749.971

28. RELATED PARTY TRANSACTIONS

At the date of this report, the main shareholder of the Company is Cyprus Trading Corporation Plc, which owns 66,99% of the share capital of the Company. Debenhams Retail Plc owns 10% of the Company's share capital. N.K. Shacolas (Holdings) Limited is owned by the members of the Shacolas family, none of which controls the Company.

The following transactions were carried out with related parties:

(i) Sales of goods and services

		The Group		The Company	
		2017	2016	2017	2016
Related companies	**Nature of transaction**	€	€	€	€
	Sales of goods	19.275	166.865	1.759	2.136
	Financing and interest	886.621	605.508	886.621	605.508
	Space usage fees	46.271	-	-	-
	Other	71.398	232.582	15.964	232.583
		1.023.565	1.004.955	904.344	840.227

		The Group		The Company	
		2017	2016	2017	2016
Parent company	**Nature of transaction**	€	€	€	€
	Sales of goods	60.418	59.354	1.763	22.872
	Financing and interest	403.694	248.954	403.694	248.954
	Space usage fees	971	3.600	-	-
	Other	107.527	110.332	82.368	98.596
		572.610	422.240	487.825	370.422

		The Group		The Company	
		2017	2016	2017	2016
Subsidiary companies	**Nature of transaction**	€	€	€	€
	Sales of goods	-	-	10.884	25.318
	Consultancy services	-	-	260.000	46.800
	Financing and interest	-	-	558.739	1.066.069
	Space usage fees	-	-	-	21.240
	Recharges	-	-	285.240	274.818
	Dividends	-	-	1.020.000	1.049.700
	Other	-	-	103.063	209.572
		-	-	2.237.926	2.693.516

(ii) Purchases of goods and services

		The Group		The Company	
		2017	2016	2017	2016
Related companies	**Nature of transaction**	€	€	€	€
	Purchase of goods – Debenhams Retail Plc	6.141.404	8.037.040	6.141.404	8.037.040
	Purchase of goods – other companies	7.207	104.914	-	34.746
	Consultancy services	271.114	265.070	271.114	265.070
	Space usage fees	6.388.208	5.442.734	5.432.584	4.390.432
	Other	929.117	1.257.223	848.651	683.007
		13.737.050	15.106.981	12.693.753	13.410.295

		The Group		The Company	
		2017	2016	2017	2016
Parent company	**Nature of transaction**	€	€	€	€
	Purchase of goods – other companies	4.773.931	4.903.172	3.832.208	4.261.474
	Consultancy services	506.477	-	504.077	-
	Space usage fees	131.580	1.236	-	1.236
	Other	574.823	593.351	399.507	430.900
		5.986.811	5.497.759	4.735.792	4.693.610

		The Group		The Company	
		2017	2016	2017	2016
Subsidiary companies	**Nature of transaction**	€	€	€	€
	Purchase of goods	-	-	3.031.055	3.446.258
	Financing and interest	-	-	60.814	102.797
	Space usage fees	-	-	3.360	3.360
	Recharges	-	-	3.155.629	3.123.412
	Other	-	-	173.009	187.015

	-	-	6.423.867	6.862.842

(iii) Year-end balances arising from the above transactions

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
Receivables				
Current (Note 21)				
Related companies (1)	1.097.567	1.105.945	776.382	803.370
Subsidiary companies (2)	-	-	252.513	56.441
	1.097.567	1.105.945	1.028.695	859.811
Non-current (Note 19)				
Subsidiary company (3)	-	-	11.875.518	11.374.776
Payables (Note 26)				
Current				
Related companies (4)				
- trade payables	1.200.478	941.220	1.200.478	941.220
- other payables	2.309.818	2.312.742	1.290.966	1.368.552
Subsidiary companies (5)				
- other payables	-	-	744.542	640.006
	3.510.296	3.253.962	3.235.986	2.949.778
Non - current				
Related companies				
- other payables	-	1.392.081	-	-

(1) Amounts receivable from related companies bear no interest and are repayable on demand.

(2) Amounts receivable from subsidiaries bear no interest and are repayable on demand.

(3) Non-current receivable consist from balances with the subsidiary company CW Artopolis Limited. The amount bears interest of 4,75% (2016: 5,1%) per annum and it has been agreed that no repayment will be demanded within the next year.

(4) Amounts payable from related companies bear no interest and are repayable on demand.

(5) Amounts payable from subsidiaries bear no interest and are repayable on demand.

(iv) Loans to related parties

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
At the beginning of the year	29.150.522	25.291.445	29.150.522	25.291.445
Loans advanced during the year	13.844.000	3.351.495	13.844.000	3.351.495
Loans repaid during the year	(7.034.332)	(346.880)	(7.034.332)	(346.880)
Interest charged	1.290.315	854.462	1.290.315	854.462
At the end of the year (Note 19)	37.250.505	29.150.522	37.250.505	29.150.522

The loans to related parties per company are analysed as follows:

	The Group		The Company	
	2017	2016	2017	2016
Woolworth (Cyprus) Properties Plc	€	€	€	€
At the beginning of the year	22.780.332	20.823.329	22.780.332	20.823.329
Loans advanced during the year	950.000	1.351.495	950.000	1.351.495
Loans repaid during the year	-	-	-	-
Interest charged	886.211	605.508	886.211	605.508
At the end of the year (Note 19)	24.616.543	22.780.332	24.616.543	22.780.332

The loan with the related company Woolworth (Cyprus) Properties Plc bears interest of 4,75% (2016: 5,1%). On 31 December 2016 there was an agreement between the related parties that no repayment will be demanded in the next five years from the date of agreement.

	The Group		The Company	
	2017	2016	2017	2016
Cyprus Trading Corporation Plc	€	€	€	€
At the beginning of the year	6.370.190	4.468.116	6.370.190	4.468.116
Loans advanced during the year	7.094.000	2.000.000	7.094.000	2.000.000
Loans repaid during the year	(500.000)	-	(500.000)	-
Transfer of balances from related parties	(727.305)	(346.880)	(727.305)	(346.880)
Interest charged	397.077	248.954	397.077	248.954
At the end of the year (Note 21)	12.633.962	6.370.190	12.633.962	6.370.190

The loan with the parent company Cyprus Trading Corporation Plc bears interest of 4,75% (2016: 5,1%). Ermes Department Stores Plc and Cyprus Trading Corporation Plc agreed that no repayment will be demanded in the next four years.

	The Group		The Company	
	2017	2016	2017	2016
Cassandra Trading Company Limited	€	€	€	€
At the beginning of the year	-	-	-	-
Loans advanced during the year	5.800.000	-	5.800.000	-
Loans repaid during the year	(5.807.027)	-	(5.807.027)	-
Interest charged	7.027	-	7.027	-
At the end of the year (Note 19)	-	-	-	-

The loan with the related company Cassandra Trading Company Limited bears interest of 4,75%. The loan was repaid during the year.

(v) Borrowings from related parties arising on acquisition of subsidiaries and joint ventures

	The Group		The Company	
	2017	2016	2017	2016
	€	€	€	€
At the beginning of the year	-	-	1.572.002	2.262.193
Loans advanced during the year	-	-	-	-
Loans repaid during year	-	-	(260.955)	(792.988)
Interest charged (Note 9)	-	-	60.814	102.797
At the end of the year (Note 26)	-	-	1.371.861	1.572.002

The loan from related companies bears interest at the rate of 4,75% (2016: 5,1%). There were no guarantees and securities in respect to the above borrowings.

(vi) Key management personnel compensation

The compensation of key management personnel and the close members of their family is as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Salaries and other short-term employee benefits	**2.057.481**	2.014.666	**1.385.325**	1.312.542

(vii) Directors' remuneration

The total remuneration of the Directors of the Group and the Company was as follows:

	The Group and the Company	
	2017	2016
	€	€
Fees as non-executive Directors	**251.796**	250.832
Fees as executive Directors	**12.400**	11.800
Emoluments in their executive capacity	**376.008**	407.559
Contributions to provident fund	**2.973**	2.718
	643.177	672.909

(viii) Personal guarantees/Corporate guarantees

The bank loans and overdrafts of the Company and the Group are guaranteed with corporate guarantees and with personal guarantees of the Directors of the parent company (Note 24).

(ix) Commitments

The total amount of commitments for operating leases with related parties as at 31 December 2017 amounted to €2.584.037 (2016: €8.041.775) for the Company and €10.908.020 (2016: €17.179.020) for the Group.

29. CONTINGENT LIABILITIES

On 31 December 2017 the Group and the Company had contingent liabilities regarding the following:

(i) Debenhams Avenue

The Company had a rental agreement for the Eliades' properties in Arch. Makariou III Avenue in Nicosia up until 2020. The Debenhams Avenue department store was operating in this building. On 24 January 2013 the Company and the Group decided to terminate the above agreement due to trading, financial and restructuring reasons, thereby transferring the operations of the department store to Debenhams Central.

The owner company of the property filed a lawsuit claiming compensation for unlawful termination of contract. The Company and the Group filed a counter claim demanding from the owner company compensation for the property, plant and other assets which were installed at the building at their own cost.

The Board of Directors and the Company's legal advisor are not in a position to reliably estimate the outcome of the above case, for which the legal proceeding is at an early stage.

The Board of Directors of the Company monitor the development of the case and will act accordingly.

(ii) Bank guarantees

Bank guarantees arise in the ordinary course of business from which it is not expected that significant obligations will arise. These guarantees amount to €3.697.553 (2016: €3.450.096) for the Group and €2.297.826 (2016: €1.974.778) for the Company.

30. EVENTS AFTER THE BALANCE SHEET DATE

On 15 March 2018, the Company and the Group entered into an agreement to collect most of the loan receivable balance from other parties (Note 19), which at that date amounted to €8.918.288. Specifically, the amount received amounted to €8.618.288.

There were no other material events after the balance sheet date, which have a bearing on the understanding of the financial statements.

Independent auditor's report in pages 30 to 35.