ANNUAL REPORT 2014

Ermes Department Stores Plc

Ermes Group

Member of the Shacolas Group of Companies

Annual Report 2014

Ermes Group

Member of the Shacolas Group of Companies

Contents

Notice of Annual General Meeting

The Annual General Meeting of Ermes Department Stores Plc will be held at the Hilton Hotel in Nicosia, on Thursday September 10, 2015, at 5:30 pm, with the following issues.

Agenda

1. Examination of the Directors' Report and the Financial Statements for the year ended December 31, 2014.
2. Election of the Board of Directors.
3. Determination of the remuneration of the Board of Directors.
4. Reappointment of Auditors and authorization of the Board of Directors to fix their remuneration.

George P. Mitsides
Secretary
Nicosia, 7 August 2015

DOCUMENTS AND INFORMATION AVAILABLE

The full and complete text of the Annual Report of the Company for the year 2014 (including the Corporate Governance Report, the Directors' Report, the Auditors' Report and Financial Statements for the year ended December 31, 2014) and the instrument appointing proxy are available on the Company's website www.ermesgroup.com.cy and Cyprus Stock Exchange website, www.cse.com.cy. Copies of the documents referred to can be obtained from the Registered Office of the Company, Shacolas House, Shacolas House, Shares Department, 3rd Floor, 200 Limassol Avenue (Old Nicosia-Limassol Road), Strovolos, P O Box 21744, 1589-Nicosia (tel.:22740000) or by sending a request by email at shares@nksgroup.com, without any charge. The Invitation to the Annual General Meeting will not be sent to shareholders under the provisions of Article 128 of the Companies Law, Cap. 113.

Board of Directors, officers and other officials

Directors & Other Officials

Lifetime Honorary Chairman
Nicolas K. Shacolas

Board of Directors

Non - Executive Chairman
George Aniliades

Deputy Executive Chairman and Representative of Shareholders
Eleni N. Shacola

Executive Directors
Marios N. Shacolas
Nicos Karakoidas (appointed on 15 July 2014)
George Louca (appointed on 15 July 2014)
Chrysoula N.Shacola (appointed on 4 August 2015)
Nicholas Wilson (appointed on 30 December 2014 - resigned on 4 August 2015)

Non - Executive Directors (in alphabetical order)
Antonis Ayiomamites (appointed on 4 August 2015)
Demetris Demetriou
Suzanne Marie Harlow (appointed on 15 June 2015)
Pambos Ioannides
Marios Panayides
Costas Severis
Menelaos C. Shacolas
Antonis Hadjipavlou (resigned on 4 August 2015)
Haris Haralambous (resigned on 30 December 2014)
Francis John McAuley (resigned on 15 June 2015)
Dinos Lefkarites (resigned on 4 August 2015)
Andreas Moushoutas (resigned on 4 August 2015)

Secretary
George P. Mitsides
George Michael - Assistant Secretary

Chief Financial Officer
Eliana Lambride

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

9 Department Stores

Fashion | Cosmetics | Homeware | Foodhall | Cafeterias

next 6 Fashion Stores

OVS 4 Fashion Stores

PEACOCKS 2 Fashion Stores

NAVY & GREEN 1 Fashion Store

UBER STORES 1 Fashion Store

Glow 1 Beauty Shop

Zako

31 Stores (Underwear | Hosiery | Swimwear | Sleepwear | Haberdashery)

8 Stores ΑΡΤΟΠΟΛΙΣ bakery

1 MANGIA TRATTORIA | PIZZERIA | CAFFE

2 Coffee &More

Scandia
ΣΧΕΣΗ ΠΟΥ ΗΛΕΚΤΡΙΖΕΙ

6 Showrooms

Electrical and electronic appliances.

SUPER HOME CENTER

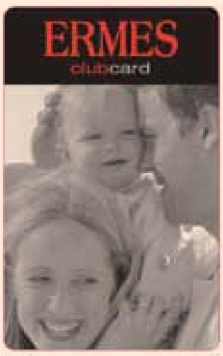
4 Home Improvement & DIY superstores

7 Stores in Greece FashionLink

4 Next Stores

1 OVS Store

2 Peacocks stores



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 65,000 active members.

Head Offices and Stores

ERMES GROUP HEAD OFFICE

154, Giannou Kranidioti Ave., 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 Ave. and 13 Cretes Str., 1065 Nicosia
P.O. BOX 22273, 1584 Nicosia
Tel.: +357 22758801, Fax: +357 22757471

Debenhams Ledra
171-179, Ledra Str., 1011 Nicosia
P.O. BOX 22273, 1584 Nicosia
Tel.: +357 22679369, Fax: +357 22675127

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

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

Limassol

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

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

Larnaca

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

Paphos

Debenhams Kinyras
1, Ledas Str., 8041 Paphos
P.O. BOX 60315, 8102 Paphos
Tel.: +357 26947122, Fax: +357 26947161

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

SUPER HOME CENTER

Super Home Center Nicosia
30, Kampou Str., 2030 Strovolos
P.O. BOX 12658, 2251 Latsia, Nicosia
Tel.: +357 22205555, Fax: +357 22570050

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

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

Super Home Center Paphos
2, Dimokratias Ave., 8028 Paphos
P.O. BOX 60315, 8024 Paphos
Tel.: +357 26220999, Fax: +357 26923668

Head Offices and Stores

NEXT FASHION STORES

NEXT Mall of Cyprus
3, Verginas Str., Athalassa, 2025 Strovolos
Tel.: +357 22002444, Fax: +357 22002363

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

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

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

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

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

OVS FASHION STORES

OVS Mall of Cyprus
3, Verginas Str., Athalassa, 2025 Strovolos
Tel.: +357 22002400, Fax: +357 22002363

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

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

OVS Kinyras
2, Ledas Str., 8041 Paphos
Tel.: +357 26947122, Fax: +357 26947161

PEACOCKS FASHION STORES

Peacocks Mall of Cyprus
3, Verginas Str., Athalassa, 2025 Strovolos, Nicosia
Tel.: +357 22002420, Fax: +357 22002363

Peacocks Mall of Engomi
7-9, 28 Octovriou Ave.,
2414 Engomi, Nicosia
Tel.: +357 22002577, Fax: +357 22025555

UBER STORES FASHION STORE

Mall of Engomi
7-9, 28 Octovriou Ave.,
2414 Engomi, Nicosia
Tel.: +357 22002500, Fax: +357 22002555

NAVY & GREEN FASHION STORE

Mall of Cyprus
3, Verginas Str., Athalassa, 2025 Strovolos
Tel.: +357 22002424, Fax: +357 22002363

GLOW COSMETICS STORE

Mall of Cyprus
3, Verginas Str., Athalassa, 2025 Strovolos
Tel.: +357 22815571, Fax: +357 22002363

ARTOPOLIS BAKERIES

6 Bakeries at Debenhams Department Stores - Foodhall

Artopolis Annex 4 - Shacolas Emporium Park
4, Verginas Str., Athalassa 2025, Strovolos
Tel.: +357 22005800

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

Head Offices and Stores

MANGIA - RESTAURANT

Annex 4 - Shacolas Emporium Park
4, Verginas Str., Athalassa 2025, Strovolos
Tel.: +357 22461610

COFFEE & MORE

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

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

ARTE ITALIANA
The Mall of Cyprus
3 Verginas Str., Athalassa 2025, Strovolos
Tel.: +357 22002430

ZAKO CENTRAL STORES

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

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

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

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

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

ZAKO Larnaca
8-10, Ermou Str., 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:	13
Limassol:	4
Larnaca:	2
Famagusta:	3
Paphos:	2
Total:	24

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 Str. & Archangelos Ave.,
2057 Strovolos,
Tel.: 22210888, Fax: 22590109

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

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

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

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

Head Offices and Stores

STORES IN GREECE

NEXT

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

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

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

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

PEACOCKS

Athens
96-98, Kifisou Ave.,
(River West Shopping Mall)
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

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 2014, based on our knowledge we confirm that:

(a) The Annual Consolidated and separated and Financial statements that are presented in pages 34 to 96:

(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 profit 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.

Lifetime Honorary Chairman
Nicolas K. Shacolas

Members of the Board of Directors

Executive Chairman
George Aniliades

Deputy Executive Chairman
Eleni N. Shacola

Executive Director
Marios N. Shacolas
Nikos Karakoidas
George Louca
Nicholas Wilson

Non - Executive Directors
Demetris Demetriou
Pambos Ioannides
Dinos Lefkarites
Andreas Moushoutas
Marios Panayides
Costas Severis
Menelaos C. Shiacolas
Antonis Hadjipavlou
Francis John McAuley

Responsible for the drafting of the Consolidated Financial Statements

Chief Financial Officer
Eliana Lambride

Nicosia, 29 April 2015

Report of the Board of Directors

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 2014.

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

ZAKO: Thirty one retail stores engaged in the sale of lingerie, hosiery, swimwear, haberdashery e.t.c covering the whole of Cyprus. Twenty five stores are operating through exclusive franchise agreements,

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

Peacocks: Three fashion stores in Nicosia,

Oviesse: Four fashion stores in Nicosia, Limassol and Paphos and within the Debenhams Department Stores,

Navy & Green: One fashion store in the Mall of Cyprus and within the Debenhams Department Stores,

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

Glow: One cosmetics store in the Mall of Cyprus.

The Group

C. W. Artopolis Limited: Management and operation of cafeterias and bakeries within the Debenhams Department Stores, the Mini Bakery, the Coffee & More Kiosk, the gelateria Arte Italiana in “The Mall of Cyprus”, the bakery and the Mangia Restaurant in Annex 4 in the Shacolas Emporium Park in Nicosia (100% ownership),

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

BFCR: The Group participated to the Joint Venture British Forces Cyprus Retail (BFCR) since September of 2007 under a 5 year agreement, which was extended for a further 2 years’ period with Sodexo Limited, for the operation of stores at British Bases, with 50% ownership. The agreement expired on 31 October 2014,

Fashionlink SA: Retail trade in Greece, with four Next fashion stores, two Peacocks fashion stores and one Oviesse fashion store, in Athens, Piraeus, Heraklion, Larisa, Patra and Ioannina (100% ownership),

Scandia Company Limited: (and its subsidiary IDEEA Distribution of Appliances Limited): Engaged in the import, distribution, wholesale and retail sale of electrical and electronic appliances through the Scandia chain of stores (100% ownership),

ITTL Trade Tourist and Leisure Park Plc: Holding company of Shacolas Commercial Park (45% ownership since 15 July 2014).

Results

The Group

The results of the Group are presented on page 34. The revenue of the Group for the year ended 31 December 2014, amounted to €156.038.779 compared to €167.019.502 in 2013, a decrease of 6,6%.

After deducting operating expenses, depreciation, non recurring income, finance costs and taxation, the net profit for 2014 amounted to €8.820.646 compared to €2.574.600 in 2013. In 2014 results are included non recurring income amounting to €10.088.423, resulted from the disposal of Group's interest in CTC-ARI Holdings Ltd and Cyprus Airports (F&B) Ltd.

The total assets of the Group as at 31 December 2014 amounted to €154.115.044 (31 December 2013: €163.673.593), whereas the net assets, following the payment of dividend in 2014 of €12.214.980 (2013: €3.489.994), was €79.995.569 (31 December 2013: €84.385.378).

The Company

The results of the Company are presented on page 39. The revenue for the year ended 31 December 2014 was €101.616.664 (2013: €109.861.971). After deducting operating expenses, depreciation, non recurring income, finance costs and taxation the net profit for 2014 amounted to €8.296.846 compared to €524.334 in 2013.

It is noted that the results of the Company have been positively affected by €15.656.739, resulted from the disposal of Group's interest in CTC-ARI Holdings Ltd and Cyprus Airports (F&B) Ltd, and negatively affected by €7.899.608 which resulted mainly from the impairement of investments in subsidiaries.

Review of developments, current position and performance of the Group's business

The year 2014, as expected has proven to be another hard and unpredictable year for the economy of Cyprus, despite the positive actions achieved by the Government. There were improvements in Public Finance, which were positively assessed by the international markets and international rating agencies. At the same time, the successful bank recapitalisation helped the stabilisation of the banking system and its small but substantial recovery, giving hopes for economic recovery. The consequences of continuing high unemployment along with the reduced purchasing power of consumers, the domestic and international political and economic developments, continue to adversely affect the psychology and the market.

The Group's immediate actions, its determination, its presence in various retail sectors, the enrichment of the range of products offered to the consumers as well the continuous trust shown by its local and international suppliers, associates and consumers, has allowed it to continue unimpeded its operations to become even more competitive and limit the impact of economic crisis. All the aforementioned were the result of the collective cooperation, productive contribution and understanding of all the Group's employees.

One of the positive aspects during the year was the fact that the stores were open seven days a week (including Wednesdays afternoons and Sundays) across Cyprus. This measure was greatly welcomed by businesses and consumers as it rejuvenates the market and consumers can shop unimpeded during the whole week, while foreign visitors can spend more of their time in the Cypriot market. The commercial traffic is growing and helps and supports many other services and business serving the consumers and their families including entertainment, catering etc. The Government's revenue are also increased due to VAT and other fees, because of the increase of retail trade. The Group not only maintains the new jobs created since the extension of opening hours but further increase them to ensure good customer service.

Report of the Board Of Directors

During the year, the Group proceeded with the disposal of its investment in CTC-ARI Holdings Ltd, the Company which operates the retail stores in Larnaca and Paphos airports, as well as its investment in Cyprus Airports (F&B) Ltd, the Company which manages the catering facilities in the above airports for the amounts of €57.856.944 incurring profits of €10.198.813.

In July 2014, the Company acquired from Woolworth (Cyprus) Properties Plc 45% of the share capital held in ITTL Trade Tourist and Leisure Park Plc. Ermes proceeded with this purchase to use part of the cash received from the disposal of its share in CTC-ARI Holdings Ltd with a respective high quality and prospects but also a secure investment while securing at the same time the rights to The Mall of Cyprus, property of ITTL, since in this area the Group Ermes Department Stores Plc, Debenhams, Next and other, have the presence of their commercial activities with stores of total area of about 7.300 square meters (about 30% of retail space of The Mall of Cyprus).

Expected developments and risks for 2015 onwards

Despite the stabilization of 2015 compared to previous years, the market continues to have downward trend, although to a lesser extent than in the past. The recent problems in the Greek economy - although no longer having the same effect that formerly had - the weakening of the euro against foreign currencies and other national and international factors, adversely affect the economy and consumers' sentiment. A positive development is the passage of the bill for the divestitures and the insolvency framework. The government should continue to take measures to improve public finances, solving the problems of the banks and liquidity, to enable the economy as a whole to recover.

The Board of Directors and the Management of the Group continue to manage the difficult and uncertain circumstances with utmost care so as to minimise any adverse effects, retain its competitiveness, maintain its profitability to meet all of its obligations as well as to exploit any potential future opportunities that may arise. In this content the Group makes targeted promotions and development of product range to attract new customers and implements a series of selective acquisitions and development measures such as the construction of a large Super Home Centre DIY in Larnaca, the expansion of retail space in the The Mall of Engomi, the renovation of existing stores, the upgrade of systems and procedures, the improvement of the educational program and the enhancement of executive staff.

The consequences of the current economic recession and the intense competition inherent in the market represent the greatest risk factors currently faced by the Group. Considering these factors, Management is confident that is capable of adequately facing the situation.

Dividend

The Board of Directors does not recommend the payment of a dividend and it will re-examine the distribution of an interim dividend before the end of the current year.

On 22 August 2014, dividends were paid out of the company's profits for the years 2012, 2013 and 2014, for the amount of €12.214.980 which is equivalent to 10 cents per share or 20,6% on the share's nominal price.

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 €0,42 (31 December 2013: €0,44) 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 operational 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 harfull materials (batteries, light builds 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.

Social Contribution

Shacolas Group continues to actively support the society of Cyprus through donations for charitable causes in society and associations with proven social project.

Shacolas Group of Companies, for the second continuous year, continue to provide thousands of breakfast meals to children in need of primary schools and some high schools on a daily basis in all districts of Cyprus, in cooperation with the Ministry of Education.

Board of Directors

The members of the Board of Directors on 31 December 2014 and on the date of this report are shown on page 6. All of them were members of the Board throughout the year 2014, except Mr. Nicos Karakoidas and Mr. George Louca, who were appointed on 15 July 2014 and Mr. Nicholas Wilson who was appointed on 30 December 2014 and Mr. Haris Haralambous who resigned on 30 December 2014.

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.

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 2014 and on the date of this report, were as follows:

	%
Nicolas K. Shacolas	67,86
George Aniliades	-
Eleni N. Shacola	0,17
Marios N. Shacolas	-
Demetris Demetriou	-
Francis John McAuley	0,06
Andreas Moushoutas	0,01
Marios Panayides	0,24
Costas Severis	0,03
Menelaos C. Shiacolas	0,29
Antonis Hadjipavlou	0,01
Pambos Ioannides	-
Dinos Lefkarites	-
Nicos Karakoidas	-
George Louca	-
Nicholas Wilson	-

The interests of Mr. Nicolas K. Shacolas include the interests of his wife and children, who are not members of the Board of Directors, as well as those of Cyprus Trading Corporation Plc and other companies in which he owns, directly or indirectly, at least 20% of the voting rights.

Main shareholders

On 31 December 2014 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:

	%
Nicolas K. Shacolas (through Cyprus Trading Corporation Plc and other Companies)	67,86
Debenhams Retail Plc	10,00

Contracts with Directors and related parties

Except from the balances and transactions of financial statements disclosed in Note 31, there were no other significant contracts with the Company, its subsidiaries or its related companies on 31 December 2014, 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 had a bearing on the understanding of the financial statements of the Group and the Company.

Branches

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

Material differences between the indicative results announced and the audited consolidated results for the year

The differences between the indicative results announced and the audited consolidated results for the year are disclosed in Note 31 of the financial statements.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, 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, 29 April 2015

Directors' 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.

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 2019. 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 15 members, 9 of whom are Non-Executive and 4 of whom are Independent.

The position of the Executive Chairman of the Board of Directors is held by Mr. George Aniliades. The role of the Executive Chairman concerns mainly matters of strategy and determination of policy of the Company and presenting matters for approval by the Board of Directors. The day to day operations and activities of the Company are dealt with by the General Manager of the Company, a position held by Mr. Nicos Karakoidas.

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 2014, 7 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 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 of Directors throughout the year 2014, except Mr. Nicos Karakoidas and Mr. George Louca who were appointed on 15 July 2014, Mr. Nicholas Wilson who was appointed on 30 December 2014 and Mr. Haris Haralambous who resigned on 30 December 2014. The Board of Directors, in a meeting 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, 1/2 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.

During the next Annual General Meeting Messrs George Analiades, Pambos Ioannides, Dinos Lefkaritis, Antonis Hadjipavlou, Francis McAuley, Nicos Karakoidas, George Louca and Nicholas Wilson retire, and being eligible, 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.
George Aniliades - Studied and worked as a Chartered Accountant (ACA) in the United Kingdom and Cyprus. He

Directors' Report on Corporate Governance

has been working in the Shacolas Group since 1995 where he held the positions of General Manager of ZAKO Ltd, Deputy General Manager of Woolworth (Cyprus) Properties Plc and General Manager of Superhome Centre (D.I.Y.) Ltd. He is a Director in various companies of the Group. He held the position of Managing Director of Ermes Department Stores Plc from 2005 to April 2012, when he was appointed Executive Chairman of the Company.

Pambos Ioannides - Studied law at the University of Athens and the University of London. He possesses the title Master of Law of the University of London and he is member of the Cyprus Bar Association. He is the Managing Partner of the law office Ioannides Demetriou, legal advisor in various organisations, banks and other corporations and member of the Board of Directors in public companies.

Dinos Lefkarites - Studied in the UK (Business Studies in West London College). He works as Executive Financial Director in LEFKARITIS Group of Companies and PETROLINA BROTHERS since 1974. He is also a Director in Woolworth (Cyprus) Properties Plc and Cyprus Trading Corporation Plc.

Antonis Hadjipavlou - Studied Business Management in the American University of Beirut and the ASTON University, in Birmingham UK. He is a member of the British Institute of Management, of the Chartered Institute of Marketing and Fellow of the Institute of Directors. He is a Chairman and Executive Manager of ETKO Ltd, OLYMPUS Wineries Ltd and the Winery Olympus Hellas SA. He is Chairman of the Union of Winemakers in Cyprus, member of the Board of Directors of wine products, as well as a Director of various other companies.

Francis McAuley - Studied Business Management in the UK. He has great experience in the retail sector and worked for many years in large companies in the UK, Ireland, Spain, the Netherlands and Germany. He held the position of manager of overseas operations in Sears Clothing Group. He works in Debenhams Retail Plc in the UK since 1999, where he currently holds the position of Manager of International Operations.

Nicos Karakoidas - Studied Electrical Engineer at the Democritus University of Thrace. He holds a master degree in MSc Engineering Business Management from the Warwick University with a scholarship from the Onassis Foundation. He first worked in a construction company and then as a Manager in Deloitte. He works in Shacolas Group of Companies since 2002. He was appointed as Executive Director of Fashionlink in 2004 and as a General Manager in Ermes Department Stores Plc in 2012. He acts as Executive Director and CEO since July 2014.

George Louca - Studied Mechanical Engineer at Purdue University of USA and he is a Chartered Accountant FCA. He worked in Deloitte in the Audit department, he was a CFO in Infotel Limited, Head of Finance and Information Systems in CTC-ARI Airports Ltd which operates the retail stores in Cyprus airports, Chief Financial Officer in Cyprus Trading Corporation Plc and from 2014 he is the Head of Finance and Information Technology of Shacolas Group of Companies. He is Executive Chairman in CTC Automotive Ltd, Director of Cyprus Trading Corporation Plc, Woolowrth (Cyprus) Properties Plc, Ermes Department Stores Plc and other private companies.

Nicholas Wilson - Holds a degree BSc (Joint Honours) in Marketing and Business Administration of North London University and a master degree MSc in International Marketing Management of Surrey University. He works in Ermes Department Stores Plc since 2012 and he acts as Executive Director since December 2014 and as a General Manager of Food since May 2014.

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
George Aniliades
Nicos Karakoidas (from 15/07/2014)
Eleni N. Shacola
Marios N. Shacolas
George Louca (from 15/07/2014)
Nicholas Wilson (from 30/12/2014)

Non Executive Directors
Demetris Demetriou
Pambos Ioannides
Dinos Leukaritis - Independent
Andreas Moushoutas - Independent (see note below)
Marios Panayides
Costas Severis
Menealos C. Shacolas – Independent (see note below)
Haris Haralambous (up to 30/12/2014)
Antonis Hadjipavlou – Independent (see note below)
Francis McAuley

Note: Even though Messrs Andreas Moushoutas, Menelaos C. Shacolas and Antonis Hadjipavlou 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 judgement 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:

Marios Panayides – Chairman – Non – Executive
George Aniliades – Executive
Andreas Moushoutas – 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
Antonis Hadjipavlou - 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.

c. Audit Committee

The role and the responsibility of the Audit Committee relate 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
Andreas Moushoutas - 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 External Auditors of the Company, other than the audit services offered to the Company during the year 2014, have not provided any other work of service for the Tax and V.A.T, matters that are directly related to the audit services they provide.

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.

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, except the employment contract of the General Manager which expires on 31 July 2016, 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 associated with profitability, nor does it take the form of participation in a pension or insurance scheme of the Company. The remuneration of Executive Directors for 2014 is disclosed below and is disclosed separately from the remuneration of Executive and Non-Executive Directors.

There are currently no schemes, which provide pre-emption or purchasing share options to the 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 2014 Messrs George Aniliades - Executive Chairman €209.682 (2013: €184.049), Eleni N Shacola - Deputy Executive Chairman, €167.075 (2013: €144.173), Nicos Karakoidas - General Manager (since his appointment date) €109.203.

Nicholas Wilson was appointed on 30 December 2014 and has not been rewarded as Executive Director for the year 2014. The remaining two Executive Directors, Mr. Marios N. Shacolas and Mr. George Louca, have not been rewarded as Executive Directors, apart from their remuneration as members of the Board of Directors of €3.400 (2013: €4.000) and €1.775 respectively. The remuneration of Mr. George Louca has been paid as a compensation for the time he spent as Executive Director in Ermes Department Stores Plc. The total remuneration of the Executive Directors of the Group amounted to €491.135 (2013: €332.222).

During 2014, the Company has not paid any additional remuneration to the Non – Executive Directors, 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 analyzed as follows: Mr. Costas Severis €4.200, Mr. Andreas Moushoutas €4.680, Mr. Antonis Hadjipavlou €4.370, Mr. Pambos Ioannides €4.000, Mr. Menelaos K. Shacolas €5.050, Mr. Dinos Leukaritis € 3.000, Mr. Haris Haralambous €2.600, Mr. Francis McAuley €4.700, Mr. Marios Panayides €4.170 and Mr. Demetris Demetriou €6.270. The remuneration of Mr. Marios Panayides and Mr. Demetris Demetriou has been paid 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 amounts to €43.040 (2013:€42.640).

The Directors' remuneration is also enclosed in Note 30 in the Directors' Remunerations of the Financial Statements.

RESPONSIBILITY AND CONTROL

Internal Control System

The Board of Directors is assured that the Company maintains an adequate Internal Control System in order to safeguard to 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. Chairman of the Internal Audit Department is Mr. Robertos Yiousellis, who is a Chartered Accountant (FCCA, MBA Finance).

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.

Loans to Directors

Any 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 30 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 possibility to register matters for discussion in 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, 29 April 2015

Independent auditor's Report to the Members of Ermes Department Stores Plc

Report on the consolidated financial statements and the separate financial statements of Ermes Department Stores Plc

We have audited the accompanying consolidated financial statements of Ermes Department Stores Plc and its subsidiaries ("The Group") and the separate financial statements of Ermes Department Stores Plc (the "Company"), which comprise the balance sheets of the Group and the Company as at 31 December 2014, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of consolidated and separate financial statements of the Company 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013, we report the following:

• We have obtained all the information and explanations we considered necessary for the purposes of our audit.

• In our opinion, proper books of account have been kept by the Group and the Company so far as appears from our examination of these books.

• The consolidated and separate financial statements are in agreement with the books of account.

Independent auditor's Report to the Members of Ermes Department Stores Plc

• In our opinion and to the best of our information and according to the explanations given to us, the consolidated and separate financial statements give the information required by the Cyprus Companies Law,
Cap. 113, in the manner so required.

• In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated and separate financial statements.

Pursuant to the requirements of the Directive DI 190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a Corporate Governance statement has been made for the information concerning paragraphs (a), (b), (c), (f) and (g) of article 5 of the above Directive, and it forms a special part of the Report of the Board of Directors.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013 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.

Nicos A. Theodoulou
Certified Public Accountant and Registered Auditor
for and behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 29 April 2015

Consolidated income statement for the year ended 31 December 2014

	Note	2014 €	2013 €
Revenue	5	**156.038.779**	167.019.502
Cost of sales		**(100.946.773)**	(108.456.608)
Gross profit		**55.092.006**	58.562.894
Selling and distribution expenses		**(45.307.553)**	(44.679.179)
Administration expenses		**(7.375.561)**	(7.085.155)
Other income	6	**1.997.993**	3.744.605
Profit before depreciation and amortisation		**4.406.885**	10.543.165
Depreciation and amortisation	7	**(4.815.262)**	(6.866.078)
Depreciation charge of favourable contract	18	**-**	(150.000)
(Loss)/profit after depreciation and amortisation		**(408.377)**	3.527.087
Non recurring income/(expenses)	9	**10.088.423**	(2.012.580)
		9.680.046	1.514.507
Finance costs	10	**983.682**	954.118
Finance income	10	**(2.589.369)**	(2.359.695)
Share of profit from associate	20	**1.197.015**	205.229
Share of (loss)/profit from joint venture	18	**(99.498)**	2.643.817
Profit before tax		**9.171.876**	2.957.976
Income tax expense	11	**(351.230)**	(383.376)
Profit for the year		**8.820.646**	2.574.600
Attributable to:			
Owners of the parent		**7.954.437**	1.492.092
Non-controlling interest		**866.209**	1.082.508
		8.820.646	2.574.600

	Note	2014	2013
Earnings per share distributable to the equity holders of the Company (cents per share):	12		
Basic		**4,56**	0,86
Fully		**4,56**	0,86

The notes on pages 39 to 92 are an integral part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2014

	Note	2014 €	2013 €
Profit for the year		**8.820.646**	2.574.600
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Deferred tax adjustment on fair value gains	27	**(15.225)**	(24.545)
Loss on revaluation of land, net of tax		**-**	(45.561)
Items that will not be reclassified to profit or loss		**(15.225)**	(70.106)
Other comprehensive income for the year, net of tax		**(15.225)**	(70.106)
Total comprehensive income for the year		**8.805.421**	2.504.494
Attributable to:			
Owners of the parent		**7.946.672**	(1.434.014)
Non-controlling interests		**858.749**	1.070.480
		8.805.421	2.504.494

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 39 to 92 are an integral part of these financial statements.

Consolidated Balance Sheet at 31 December 2014

	Note	2014 €	2013 €
Assets			
Non-current assets			
Property, plant and equipment	16	29.457.040	33.307.895
Intangible assets	17	34.619.796	34.664.129
Investment in joint ventures	18	-	46.741.268
Investment in associate	20	41.765.415	1.016.361
Deferred tax assets	27	670.128	762.648
Available-for-sale financial assets		5.426	5.126
Non-current receivables	21	11.272.251	11.973.234
		117.790.056	128.470.661
Current assets			
Inventories	22	28.421.246	26.378.984
Tax refundable		38.569	38.569
Trade and other receivables	23	6.067.399	4.978.014
Cash and bank balances	24	1.797.774	3.807.365
		36.324.988	35.202.932
Total assets		154.115.044	163.673.593
		==========	==========
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	25	59.500.000	59.500.000
Difference from conversion of share capital into Euro		301.050	301.050
Treasury shares	25	(154.583)	(154.583)
Fair value reserve		1.700.709	1.708.474
Retained earnings		11.578.207	15.838.750
		72.925.383	77.193.691
Non-controlling interest		7.070.186	7.191.687
Total equity		79.995.569	84.385.378
Non-current liabilities			
Borrowings	26	1.495.186	4.765.529
Deferred income tax liabilities	27	726.611	710.720
		2.221.797	5.476.249
Current liabilities			
Trade and other payables	28	40.730.456	44.237.618
Current income tax liabilities		219.549	201.391
Borrowings	26	30.947.673	29.372.957
		71.897.678	73.811.966
Total liabilities		74.119.475	79.288.215
Total equity and liabilities		154.115.044	163.673.593
		==========	==========

On 29 April 2015, the Board of Directors of Ermes Department Stores Plc authorised these financial statements for issue.

George Aniliades	Eleni N. Shacola
Executive Chairman	Deputy Executive Chairman

The notes on pages 39 to 92 are an integral part of these financial statements.

Consolidated statement of chages in equity for the year ended 31 December 2014

	Note	Share capital €	Difference from conversion of share capital into Euro €	Treasury shares €	Retained Earnings €	Fair value reserve €	Capital and reserves attributable to the Company's shareholders €	Non-controlling interests €	Total €
Balance at 1 January 2013		59.500.000	301.050	(154.583)	17.836.652	1.766.553	79.249.672	6.777.615	86.027.287
Comprehensive income									
Profit for the year		-	-	-	1.492.092	-	1.492.092	1.082.508	2.574.600
Other comprehensive income									
Land and Buildings:									
Deferred tax adjustment	27	-	-	-	-	(12.518)	(12.518)	(12.027)	(24.545)
Fair value losses		-	-	-	-	(45.561)	(45.561)	-	(45.561)
Total other comprehensive income		-	-	-	-	(58.079)	(58.079)	(12.027)	(70.106)
Total comprehensive income for the year 2013		-	-	-	1.492.092	(58.079)	1.434.013	1.070.481	2.504.494
Transactions with owners									
Dividend paid	13	-	-	-	(3.489.994)	-	(3.489.994)	(656.409)	(4.146.403)
Total transactions with owners		-	-	-	(3.489.994)	-	(3.489.994)	(656.409)	(4.146.403)
Balance at 31 December 2013/ 1 January 2014		59.500.000	301.050	(154.583)	15.838.750	1.708.474	77.193.691	7.191.687	84.385.378
Comprehensive income									
Profit for the year		-	-	-	7.954.437	-	7.954.437	866.209	8.820.646
Other comprehensive income									
Land and Buildings:									
Deferred tax adjustment	27	-	-	-	-	(7.765)	(7.765)	(7.460)	(15.225)
Total other comprehensive income		-	-	-	-	(7.765)	(7.765)	(7.460)	(15.225)
Total comprehensive income for the year 2014		-	-	-	7.954.437	(7.765)	7.946.672	858.749	8.805.421
Transactions with owners									
Dividend paid	13	-	-	-	(12.214.980)	-	(12.214.980)	(980.250)	(13.195.230)
Total transactions with owners		-	-	-	(12.214.980)	-	(12.214.980)	(980.250)	(13.195.230)
Balance at 31 December 2014		59.500.000	301.050	(154.583)	11.578.207	1.700.709	72.925.383	7.070.186	79.995.569
		=========	=========	=========	=========	=========	=========	=========	=========

(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 39 to 92 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2014

	Note	2014 €	2013 €
Cash flows (to)/from operating activities			
Profit before income tax		9.171.876	2.957.976
Adjustments for:			
Depreciation of property, plant and equipment	16	4.713.365	6.753.761
Amortisation of intangible assets	17	101.897	112.317
Interest expense	10	2.139.042	2.529.968
Interest income	10	(983.682)	(954.118)
Loss on sale of property, plant and equipment	16	(21.429)	24.210
Impairment of software, goodwill and brand name	17	-	441
Impairment of property, plant and equipment due to termination of operations	16	116.415	2.012.139
Depreciation charge of favourable contract	18	-	150.000
Impairment charge of investment in joint venture	18	99.498	-
Share of profit of associate	20	(1.197.015)	(205.229)
Share of profit of joint venture	18	-	(2.643.817)
Profit from disposal of associate	20	(2.108.639)	-
Profit from disposal of joint venture	18	(8.090.174)	-
		3.941.154	10.737.648
Changes in working capital:			
Inventories		(2.042.262)	4.999.311
Receivables		(1.089.385)	667.797
Payables		(3.507.162)	(5.449.337)
Cash (used in)/ generated from operations		(2.697.655)	10.955.419
Income tax paid		(239.886)	(339.470)
Net cash (to)/from operating activities		(2.937.541)	10.615.949
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(994.466)	(403.692)
Purchases of intangible assets	17	(57.564)	(14.103)
Proceeds from sale of property, plant and equipment	16	36.970	127.153
Interest received		19.505	92.663
Proceeds from disposal of associate company	20	3.125.000	-
Proceeds from disposal of joint venture	18	54.731.944	-
Acquisition of associate company	20	(42.818.400)	-
Acquisition of available for sale financial assets		(300)	-
Loans to related parties	30(iv)	(12.002.099)	(2.350.000)
Repayment of borrowing to related parties	30(iv)	13.667.259	4.574.130
Dividends received from joint ventures	18	-	2.000.000
Dividends received from associate companies	20	2.250.000	145.000
Net cash from investing activities		17.957.849	4.171.151
Cash flows used in financing activities			
Interest paid		(2.139.042)	(2.529.968)
Repayment of bank borrowings		(5.546.133)	(4.170.902)
Dividend paid to Company's shareholders	13	(12.214.980)	(3.489.994)
Dividend paid from subsidiary Company to non-controlling interest		(980.250)	(656.409)
Net cash used in financing activities		(20.880.405)	(10.847.273)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(5.860.097)	3.939.827
Cash, cash equivalents and bank overdrafts at beginning of year		(20.808.318)	(24.748.145)
Cash and cash equivalents and bank overdrafts at end of year	24	(26.668.415)	(20.808.318)
		=========	=========

The notes on pages 39 to 92 are an integral part of these financial statements.

Income statement of the Company for the year ended 31 December 2014

	Note	2014 €	2013 €
Revenue		101.616.664	109.861.971
Cost of sales	5	(66.623.460)	(71.349.234)
Gross profit		34.993.204	38.512.737
Selling and distribution expenses		(30.891.222)	(29.362.444)
Administration expenses		(4.989.226)	(4.693.108)
Other income	6	5.518.554	6.784.720
Operating profit before depreciation and amortisation		4.631.310	11.241.905
Depreciation and amortisation	7	(3.340.605)	(5.139.915)
Operating profit after depreciation and amortisation		1.290.705	6.101.990
Non recurring income/(expenses)	9	7.757.131	(5.164.582)
		9.047.836	937.408
Finance costs	10	1.523.117	1.455.298
Finance income	10	(2.181.047)	(1.815.391)
Profit before income tax		8.389.906	577.315
Income tax expense	11	(93.060)	(52.981)
Profit for the year		8.296.846	524.334
		=========	=========
Earnings per share attributable to the equity holders of the Company (cents per share)	12		
Basic		4,75	0,30
Fully diluted		4,75	0,30

The notes on pages 39 to 92 are an integral part of these financial statements.

Balance sheet of the Company at 31 December 2014

	Note	2014 €	2013 €
Assets			
Non-current assets			
Property, plant and equipment	16	10.441.223	13.397.569
Intangible assets	17	17.823.472	17.825.268
Investment in subsidiaries	19	17.089.669	24.473.669
Investment in joint ventures	18	-	41.000.000
Investment in associates	20	42.818.400	1.200.205
Deferred income tax asset	27	635.240	725.980
Available-for-sale financial assets		2.009	1.709
Non-current receivables	21	20.422.809	19.872.986
		109.232.822	118.497.386
Current assets			
Inventories	22	14.796.851	13.550.000
Trade and other receivables	23	3.865.647	2.894.649
Cash and bank balances	24	1.277.262	2.436.959
		19.939.760	18.881.608
Total assets		129.172.582	137.378.994
Equity and liabilities			
Capital and reserves attributable to the Company's Shareholders			
Share capital	25	59.500.000	59.500.000
Difference from conversion of share capital into Euro		301.050	301.050
Treasury shares	25	(154.583)	(154.583)
Retained earnings		14.595.418	18.513.552
Total equity		74.241.885	78.160.019
Non-current liabilities			
Borrowings	26	1.495.186	3.905.945
Current liabilities			
Trade and other payables	28	31.329.800	33.749.459
Current income tax liabilities		146.413	145.855
Borrowings	26	21.959.298	21.417.716
		53.435.511	55.313.030
Total liabilities		54.930.697	59.218.975
Total equity and liabilities		129.172.582	137.378.994

On 29 April 2015, the Board of Directors of Ermes Department Stores Plc authorised these financial statements for issue.

George Aniliades — Executive Chairman

Eleni N. Shacola — Deputy Executive Chairman

The notes on pages 39 to 92 are an integral part of these financial statements.

Statement of changes in equity of the Company for the year ended 31 December 2014

	Note	Share capital	Difference from conversion of share capital into Euro	Treasury shares	Retained earnings (1)	Total
		€	€	€	€	€
Balance at 1 January 2013		59.500.000	301.050	(154.583)	21.479.212	81.125.679
Comprehensive income						
Profit for the year		-	-	-	524.334	524.334
Total comprehensive income for the year 2013		-	-	-	524.334	524.334
Transactions with owners						
Dividend paid	13	-	-	-	(3.489.994)	(3.489.994)
Total transactions with owners		-	-	-	(3.489.994)	(3.489.994)
Balance at 31 December 2013/ 1 January 2014		59.500.000	301.050	(154.583)	18.513.552	78.160.019
Comprehensive income						
Profit for the year		-	-	-	8.296.846	8.296.846
Total comprehensive income for the year 2014		-	-	-	8.296.846	8.296.846
Transactions with owners						
Dividend paid	13	-	-	-	(12.214.980)	(12.214.980)
Total transactions with owners		-	-	-	(12.214.980)	(12.214.980)
Balance at 31 December 2014		59.500.000	301.050	(154.583)	14.595.418	74.241.885

(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 39 to 92 are an integral part of these financial statements.

Statement of cash flows of the Company for the year ended 31 December 2014

	Note	2014 €	2013 €
Cash flows from operating activities			
Profit before income tax		**8.389.906**	577.315
Adjustments for:			
Depreciation of property, plant and equipment	16	**3.333.999**	5.131.846
Amortisation of intangible assets	17	**6.606**	8.069
Impairment charge of property, plant and equipment	9	**116.415**	1.379.248
Impairment charge of investment in subsidiary	9	**7.744.000**	1.500.000
Impairment charge of loan to subsidiary company	9	**-**	825.266
Profit from disposal of associate company	20	**(1.924.795)**	-
Profit from disposal of joint venture	18	**(13.731.944)**	-
Interest expense	10	**1.773.440**	1.975.965
Interest income	10	**(1.523.117)**	(1.455.298)
Loss on sale of property, plant and equipment	16	**(992)**	(21.913)
Dividend income	6	**(3.294.750)**	(2.828.201)
		888.768	7.092.297
Changes in working capital:			
Inventories		**(1.246.851)**	428.881
Receivables		**(2.221.804)**	(156.763)
Payables		**(2.557.534)**	(2.740.525)
Cash generated from operations		**(5.137.421)**	4.623.890
Income tax paid		**(1.762)**	(104.114)
Net cash generated from operating activities		**(5.139.183)**	4.519.776
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**(500.071)**	(270.642)
Purchases of intangible assets	17	**(4.810)**	-
Proceeds from disposal of associate company	20	**3.125.000**	-
Proceeds from disposal of joint venture	18	**54.731.944**	-
Acquisition of associate company	20	**(42.818.400)**	-
Purchase of shares in subsidiary company	19	**(360.000)**	-
Acquisition of available for sale financial assets		**(300)**	-
Proceeds from sale of property, plant and equipment	16	**6.995**	23.214
Loans to related parties	30(iv)	**(12.002.099)**	(2.462.367)
Repayment of borrowing to related parties	30(iv)	**13.667.259**	4.871.976
Interest received		**558.940**	530.288
Dividend received		**3.294.750**	2.828.201
Net cash from/(used in) investing activities		**19.699.208**	5.520.670
Cash flows used in financing activities			
Interest paid		**(1.773.440)**	(1.975.965)
Repayment of bank loans		**(3.759.361)**	(3.070.552)
Dividends paid to the Company's shareholders	13	**(12.214.980)**	(3.489.994)
Net cash used in financing activities		**(17.747.781)**	(8.536.511)
Net increase in cash, cash equivalents and bank overdrafts		**(3.187.756)**	1.503.935
Cash, cash equivalents and bank overdrafts at the beginning of year		**(15.943.056)**	(17.446.991)
Cash, cash equivalents and bank overdrafts at the end of year	24	**(19.130.812)**	(15.943.056)
		=========	=========

The notes on pages 39 to 92 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 Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the 'Troika') for financial support which resulted into the Eurogroup decision on 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through a 'bail in'. Additionally, during 2013 and 2014 the Cyprus economy further contracted with a decrease in the Gross Domestic Product.

The uncertain economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector through "bail in" for Laiki Bank and Bank of Cyprus, and the imposition of capital controls together with the current situation of the banking system and the continuing overall economic recession, could affect (1) the ability of the Company and the Group to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions, (2) the ability of the Company's and the Group's trade and other debtors to repay the amounts due to the Company and the Group, (3) the ability of the Company and the Group to generate sufficient turnover, to sell its existing inventories and/or offer its services to customers, and (4) the cash flow forecasts of the Company's and the Group's management in relation to the impairment assessment for financial and non-financial assets.

The economic conditions described above, together with the impact of the Eurogroup decision of 25 March 2013 on Cyprus, may have an adverse impact on the Company's and the Group's debtors (inability to meet their obligations towards the Company and the Group), suppliers (inability to continue trading or continue the supply of products and services at terms and conditions as previously), real estate valuation, bankers (inability to provide adequate finance at terms and conditions similar to those applied to earlier transactions), revenue (decreased demand for the Company's and Group's products or services due to decreased purchasing power of consumers) and ability of the Company and the Group to generate sufficient turnover and to sell its existing inventories.

The deterioration of operating conditions could also have an impact on the cash flow forecasts of the Company and Group's management and in effect:

(a) in the assessment for impairment of financial assets,

(b) in the valuation of assets that are measured at fair value based on discounted cash flows,

(c) in the management's assessment for the existence of satisfactory financial assistance for the Company and the Group.

Notes to the financial statements

1. General information (continued)

Operating Environment of the Company and the Group (continued)

The Company's and the Group's management has assessed:

(1) Whether any impairment allowances are deemed necessary for the financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are.

(2) Whether the net realizable value for the Company's and the Group's inventory exceeds cost. Where net realizable value is below cost, the excess should be charged to the profit or loss for the year.

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, 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.

Additionally 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 and the Cyprus Stock Exchange Laws and Regulations.

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 2014 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.

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, the investments in properties 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.

Notes to the financial statements

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 2014. This adoption did not have a material effect on the accounting policies of the Company and the Group with the exception of the following:

• IFRS 11, "Joint Arrangements". IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer permitted. As a result of the above, the investments of the Company and the Group fall into the category of Joint Ventures and will be recognised under the equity method. The comparative figures have been restated to take into account the above changes.

• IFRS 12, "Disclosures of Interests in Other Entities". IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. Refer to Notes 19 and 20 for the relevant disclosures.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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 govern the financial and operating policies and generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control when it does not have more than 50% of the voting rights but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of other shareholders participation, give to the Group the power to govern the financial and operating policies etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

(i) Subsidiaries (continued)

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. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the 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.

(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.

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.

Notes to the financial statements

(iv) Joint Ventures

Effective from 1 January 2014, investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in joint ventures includes goodwill, identified on acquisition net of any accumulated impairment loss. Previously, the Group recognised its participation in joint ventures using proportionate consolidation. The comparative figures have been restated to take into account the change in accounting policy.

The Group's share of its joint venture's 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 a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

After the application of the equity method, including the recognition of the joint ventures' losses, the carrying amount of the investment in joint venture 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, joint ventures or associates

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

(iii) Joint Ventures

The Company carries the investments in joint ventures 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, associates or joint ventures is calculated as the difference between the sale proceeds and the carrying amount of the subsidiary, associate or joint venture.

2. Summary of significant accounting policies (continued)

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 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 Company and the Group 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 on a time proportion basis using the effective interest rate method.

(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.

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.

Notes to the financial statements

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.

No deferred taxation arises for investments in subsidiaries and associates because the profits from the sale of securities are not taxable.

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.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

Notes to the financial statements

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 annually for impairment.

Favourable contract

Favourable contract represents an intangible asset that was acquired with the joint venture CTC-ARI Airports Limited on 1 January 2009 and refers to the contract signed by the Company with Hermes Airports Limited for the exclusive right to manage the duty free shops at Larnaca and Paphos airports. This favourable contract will be amortised using the straight line method over a period of 21 years which is consistent with the contract expiration date in 2031.

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" 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.

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.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

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.

Notes to the financial statements

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.

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.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the presentation for the current year (Note 18).

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 2014, if the Euro had weakened/strengthened by 10% (2013: 10%) against the US Dollar with all other variables held constant, post tax profit for the year would have been €21.559 (2013: €4.557) for the Group and €710 (2013: €706) 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.

3. Financial risk management (continued)

• **Market risk (continued)**

Foreign exchange risk (continued)

At 31 December 2014, if the Euro had weakened or strengthened by 10% (2013: 10%) against the Pound sterling with all other variables held constant, post – tax profit for the year would have been €249.805 (2013:€232.500) for the Group and €248.425 (2013: €232.485) 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 2014, if interest rates on Euro-denominated bank deposits had been 0,25% (2013: 0,25%) higher/lower, with all other variables held constant, post-tax profit/loss for the year for the Group would have been €1.080 (2013: €5.046) and for the Company €271 (2013: €2.520) 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 2014, if interest rates on Euro-denominated borrowings had been 0,25% (2013: 0,25%) higher or lower with all other variables held constant, post-tax profit for the year for the Group would have been €72.966 (2013: €76.812) and for the Company €51.294 (2013: €55.395) 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 15 for further disclosure on credit risk.

During the year the Company incurred losses of €39.193 from a provision for bank overdrafts of a subsidiary company which was guaranteed and will be repaid by the Company (Note 9).

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

Notes to the financial statements

- **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.

Notes to the financial statements

3. Financial risk management (continued)

The Group

	Less than 1 year €	Between 1 and 2 years €	Between 2 to 5 years €	After 5 years €
At 31 December 2013				
Borrowings (excluding finance lease liabilities)	5.093.889	3.582.018	1.343.907	-
Bank overdrafts (Note 26)	24.615.683	-	-	-
Trade and other payables	40.017.787	-	-	-
	69.727.359	3.582.018	1.343.907	-
At 31 December 2014				
Borrowings (excluding finance lease liabilities)	2.574.401	1.096.847	360.036	187.659
Bank overdrafts (Note 26)	28.466.189	-	-	-
Trade and other payables	36.727.119	-	-	-
	67.767.709	1.096.847	360.036	187.659

The Company

	Less than 1 year €	Between 1 and 2 years €	Between 2 to 5 years €	After 5 years €
At 31 December 2013				
Borrowings (excluding finance lease liabilities)	3.374.316	2.722.434	1.343.907	-
Bank overdrafts (Note 26)	18.380.015	-	-	-
Trade and other payables	30.790.465	-	-	-
	52.544.796	2.722.434	1.343.907	-
At 31 December 2014				
Borrowings (excluding finance lease liabilities)	1.644.141	1.096.847	360.036	187.659
Bank overdrafts (Note 26)	20.408.074	-	-	-
Trade and other payables	28.616.302	-	-	-
	50.668.517	1.096.847	360.036	187.659

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 26) and cash and bank balances (Note 24) 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 26).

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

Notes to the financial statements

(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 2014 and 2013 were as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Total borrowings (Note 26)	**32.442.859**	34.138.486	**23.454.484**	25.323.661
Less: Cash and bank balances (Note 24)	**(1.797.774)**	(3.807.365)	**(1.277.262)**	(2.436.959)
Net debt	**30.645.085**	30.331.121	**22.177.222**	22.886.702
Total equity	**79.995.569**	84.385.378	**74.241.885**	78.160.019
Total capital as defined by management	**110.640.654**	114.716.499	**96.419.107**	101.046.721
Gearing ratio	**27,7%**	26,4%	**23,0%**	22,6%

(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.

Notes to the financial statements

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 2015-2019 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	6,0	37,3	11,2	-
Reducing the primary indicator:				
Revenue growth rate	5,0	37,3	11,2	-
Gross Profit Margin	6,0	36,3	11,2	-
Discount rate	6,0	37,3	12,2	-
Combined scenario	5,0	36,3	12,2	(8.306)

Superhome Center (DIY) Limited	Revenue growth rate 2015-2019 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	5,1	35,3	11,1	-
Adjusting the primary indicator:				
Revenue growth rate	4,1	35,3	11,1	(1.423)
Gross Profit Margin	5,1	34,3	11,1	(936)
Discount rate	5,1	35,3	12,0	(1.372)
Combined scenario	4,1	34,3	12,0	-

Notes to the financial statements

• **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 19.

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

Ideea Distribution of Appliances Limited

	Revenue growth rate 2015-2019 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	3,9	23,8	11,4	(3.572)
Adjusting the primary indicator:				
Revenue growth rate	2,9	23,8	11,4	(4.000)
Gross Profit Margin	3,9	22,8	11,4	(4.000)
Discount rate	3,9	23,8	10,4	(3.908)
Combined scenario	2,9	22,8	10,4	(4.000)

Fashionlink S.A.

	Revenue growth rate 2015-2019 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	3,1	49,7	14,6	(4.172)
Adjusting the primary indicator:				
Revenue growth rate	2,1	49,7	14,6	(4.609)
Gross Profit Margin	3,1	48,7	14,6	(4.486)
Discount rate	3,1	49,7	15,6	(4.255)
Combined scenario	2,1	48,7	15,6	(4.929)

• **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 €100.000.

• **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.

Notes to the financial statements

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 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:

	Company			Group	
2014	Department stores €	Specialised stores €	Total €	Other retail Shops €	Total €
Revenue	85.776.660	15.840.004	101.616.664	54.422.115	156.038.779
EBITDA	4.162.433	468.877	4.631.310	(224.425)	4.406.885
Total assets	-	-	129.172.582	24.942.462	154.115.044
Total liabilities	-	-	54.930.697	19.189.278	74.119.475

	Company			Group	
2013	Department stores €	Specialised stores €	Total €	Other retail Shops €	Total €
Revenue	93.517.222	16.344.749	109.861.971	57.157.531	167.019.502
EBITDA	9.365.554	1.876.351	11.241.905	(698.740)	10.543.165
Total assets	-	-	137.378.994	26.294.599	163.673.593
Total liabilities	-	-	59.218.975	20.069.240	79.288.215

Notes to the financial statements

The reconciliation of EBITDA with profit before tax is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
EBITDA of all operating segments	**4.406.885**	10.543.165	**4.631.310**	11.241.905
Depreciation, amortisation and impairment charge	**(4.815.262)**	(6.866.078)	**(3.340.605)**	(5.139.915)
Depreciation of favourable contract	**-**	(150.000)	**-**	-
Non recurring income/(expenses)	**10.088.423**	(2.012.580)	**7.757.131**	(5.164.582)
Finance income	**983.682**	954.118	**1.523.117**	1.455.298
Finance costs	**(2.589.369)**	(2.359.695)	**(2.181.047)**	(1.815.391)
Share of profit from associate	**1.197.015**	205.229	**-**	-
Share of profit from joint venture	**(99.498)**	2.643.817	**-**	-
Profit before tax	**9.171.876**	2.957.976	**8.389.906**	577.315

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	
	2014	2013	**2014**	2013
	€	€	**€**	€
Space usage fees	**611.452**	569.533	**611.452**	569.533
Other fees and compensations	**390.334**	517.892	**765.129**	783.688
Sundry income	**160.072**	115.191	**31.525**	15.186
Dividend income	**-**	-	**3.294.750**	2.828.201
Consultancy services	**814.706**	2.566.199	**814.706**	2.566.199
Profit/(loss)/profit from sale of property, plant and equipment (Note 16)	**21.429**	(24.210)	**992**	21.913
Total other income	**1.997.993**	3.744.605	**5.518.554**	6.784.720

Consultancy services represent management fees provided to related companies.

Notes to the financial statements

7. Expenses by nature

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Changes in inventories	**(2.042.262)**	4.999.311	**(1.246.851)**	428.881
Purchases of finished goods and other direct expenses excluding staff costs	**102.989.035**	103.457.297	**67.870.311**	70.920.353
Depreciation of property, plant and equipment (Note 16)	**4.713.365**	6.753.761	**3.333.999**	5.131.846
Amortisation of intangible assets (Note 17)	**101.897**	112.317	**6.606**	8.069
Operating lease rentals	**12.801.869**	11.944.421	**9.837.213**	8.679.629
Auditors' remuneration	**177.162**	181.288	**106.000**	116.436
Auditors' remuneration of prior years	**7.439**	-	**5.000**	-
Repairs and maintenance	**794.658**	742.694	**534.326**	448.330
Staff costs (Note 8)	**23.713.986**	23.876.980	**14.770.149**	14.669.568
Advertising and promotion expenses	**2.289.514**	1.931.520	**1.726.834**	1.417.641
Security and guarding expenses	**1.289.118**	1.261.367	**746.512**	676.170
Credit card charges	**1.285.470**	1.325.558	**859.961**	888.265
Electricity, fuel and water	**4.456.893**	4.796.481	**3.251.685**	3.492.459
Other professional services	**685.708**	824.423	**469.202**	552.583
Trade receivables – impairment charge for receivables (Note 23)	**54.243**	176.161	**-**	-
Other expenses	**5.080.884**	4.703.441	**3.573.566**	3.114.471
Total cost of goods sold, selling and distribution costs and administrative expenses	**158.445.149**	167.087.020	**105.844.513**	110.544.701

The fees other than auditor's remuneration charged by the Group and the Company's statutory audit firm are as follows:

Group €48.305 (2013: €16.030), Company €45.120 (2013: €43.400) for tax consultancy services and Group €40.520 (2013: €43.400) and Company €40.520 (2013: €13.450) for other non – assurance services.

8. Staff costs

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Wages and salaries	**21.125.661**	21.268.656	**12.943.430**	12.995.274
Social insurance costs and other contributions	**2.073.448**	2.001.868	**1.482.258**	1.355.327
Provident fund contributions	**121.777**	33.129	**90.127**	24.400
Medical fund	**211.624**	252.167	**211.624**	252.167
Other	**181.476**	321.160	**42.710**	42.400
	23.713.986	23.876.980	**14.770.149**	14.669.568

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. The employees of the subsidiary companies Ideea Distribution of Appliances Limited and Domex Trading Limited acquired on 1 January 2009 continue to participate in the Employees' Provident Fund of Cyprus Trading Corporation Plc.

Notes to the financial statements

9. Non recurring income/(expenses)

	The Group		The Company	
	2014 €	2013 €	2014 €	2013 €
Impairment charge of property, plant and equipment and intangible assets (Note 16 and 17)	(116.415)	(2.012.580)	(116.415)	(1.379.248)
Impairment charge of loan to subsidiary company (Note 30 (iv))	-	-	-	(825.266)
Provision for bank overdrafts of the subsidiary company Domex Trading Co. Ltd which were guaranteed and will be repaid by the parent company	-	-	(39.193)	(1.460.068)
Reversal of provision for impairment of inventory of the subsidiary company Domex Trading Co. Ltd	6.025	-	-	-
Profit from disposal of associate company (Note 20)	2.108.639	-	1.924.795	-
Profit from disposal of joint venture (Note 18)	8.090.174	-	13.731.944	-
Impairment charge of cost of investments in subsidiaries(Note 19)	-	-	(7.744.000)	(1.500.000)
	10.088.423	(2.012.580)	7.757.131	(5.164.582)

The non recurring income for the Group amounting to €10.088.423 (2013: expenses €2.012.580) and for the Company income of €7.744.000 (2013: expenses €5.164.582) relate to impairement charges of property, plant and equipment, inventories and other write offs resulting from the termination of the operations of Debenhams Avenue and the termination of operations of the subsidiary company Domex Trading Co. Ltd during 2013. The non recurring income also include the profit of the Group and the Company from the disposal of associate company CTC-ARI (F&B) Limited, and the disposal of joint venture CTC-ARI Holdings Ltd, during 2014 (Notes 20 and 18 respectively). Finally, includes impairement charge of the cost of investment of subsidiaries amounting to €7.744.000 (Note 19).

10. Finance costs - net

	The Group		The Company	
	2014 €	2013 €	2014 €	2013 €
Finance income				
Interest income:				
Balances with related companies	964.177	861.455	1.510.897	1.432.618
Bank balances	19.505	92.663	12.220	22.680
Total finance income	983.682	954.118	1.523.117	1.455.298
Finance costs				
Interest expense:				
Bank borrowings	(2.138.670)	(2.518.835)	(1.635.565)	(1.817.216)
Overdue taxation	-	(793)	-	(793)
Borrowings from related parties (Note 30 (v))	-	-	(137.875)	(147.935)
Other interest	(372)	(10.340)	-	(10.021)
Total interest expense	(2.139.042)	(2.529.968)	(1.773.440)	(1.975.965)
Net foreign exchange (loss)/profit on financing activities	(450.327)	170.273	(407.607)	160.574
Total finance costs	(2.589.369)	(2.359.695)	(2.181.047)	(1.815.391)

11. Income tax expense

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current tax charge:				
Corporation tax	**254.829**	421.502	**-**	100.000
Defence contribution	**3.215**	22.276	**2.320**	1.289
Total current tax	**258.044**	443.778	**2.320**	101.289
Prior year tax charge:				
Corporation tax of prior years	**-**	90.872	**-**	100.000
Total prior year charge	**-**	90.872	**-**	100.000
Deferred tax (Note 27):				
Origination and reversal of temporary differences	**93.186**	(151.274)	**90.740**	(148.308)
Total deferred tax charge	**93.186**	(151.274)	**90.740**	(148.308)
Income tax charge	**351.230**	383.376	**93.060**	52.981

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	
	2014	2013	**2014**	2013
	€	€	**€**	€
Profit before tax	**9.171.876**	2.957.976	**8.389.906**	577.315
Tax calculated at the applicable corporation tax rate of 12,5% and 26%	**1.146.485**	369.747	**1.048.738**	72.165
Tax effect of expenses not deductible for tax purposes	**211.612**	42.836	**1.031.520**	256.223
Tax effect of allowances and income not subject to tax	**(1.431.848)**	(366.104)	**(2.388.072)**	(235.626)
Defence contribution	**3.215**	22.276	**2.320**	1.289
Corporation tax-prior years	**-**	90.872	**-**	100.000
Effect of tax losses utilised	**421.766**	362.433	**398.554**	-
Effect of tax losses for which no deferred tax was recognised	**-**	(142.032)	**-**	(144.418)
Additional tax charge	**-**	3.348	**-**	3.348
Income tax charge	**351.230**	383.376	**93.060**	52.981

Notes to the financial statements

The Cyprus Companies of the Group are subject to corporation tax on taxable profits at the rate of 10% up to 31 December 2012, and at the rate of 12,5% as from 1 January 2013. The Greek Company of the Group is subject to corporation tax on taxable profits at the rate of 20% for the accounting period ended between 31 July 2011 and 31 December 2012 and 26% on taxable profits for the accounting period ended after 1 January 2013.

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					
	2014			2013		
The Group and the Company	**Before tax €**	**Tax (charge)/ credit €**	**After tax €**	Before tax €	Tax (charge)/ credit €	After tax €
Land and buildings:						
Deferred tax adjustment on fair value gains (Note 27)	**-**	**(15.225)**	**(15.225)**	-	(24.545)	(24.545)
Loss from land revaluation (Note 18)	**-**	**-**	**-**	(45.561)	-	(45.561)
Other comprehensive income	**-**	**(15.225)**	**(15.225)**	(45.561)	(24.545)	(70.106)

12. Earnings per share

Earnings per share are calculated by dividing the profit 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 25).

	The Group		The Company	
	2014 €	2013 €	**2014 €**	2013 €
Profit for the year attributable to Shareholders	**7.954.437**	1.492.092	**8.296.846**	524.334
Weighted average number of issued shares	**174.499.710**	174.499.710	**174.499.710**	174.499.710
Basic earnings per share – cents	**4,56**	0,86	**4,75**	0,30
Adjusted weighted average number of shares	**174.499.710**	174.499.710	**174.499.710**	174.499.710
Fully diluted earnings per share – cents	**4,56**	0,86	**4,75**	0,30

13. Dividend per share

The Board of Directors does not recommend the payment of dividend but will reconsider the payment of interim dividend before the end of the current year.

On 22 August 2014, a dividend amounting to €12.214.980 which equals to 7,0 Euro cent per share or 20,6% of the nominal value of the share, was paid in relation to the profit of the Company for the years 2012, 2013 and 2014.

On 28 December 2013, a dividend amounting to €3.489.994 which equals to 2,0 Euro cent per share or 5,88% of the nominal value of the share, was paid in relation to the profit of the Company for the year ended 31 December 2011.

Dividends paid to individuals who are Cyprus tax residents are subject to a deduction of special contribution for defence at the rate of 20%.

14. Financial instruments by category

	The Group		The Company	
	Loans and receivables €	Available for sale €	Loans and receivables €	Available for sale €
31 December 2014				
Assets as per balance sheet				
Available for sale financial assets	-	5.426	-	2.009
Non-current receivables (Note 21)	11.272.251	-	20.422.809	-
Trade and other receivables (excluding prepayments)	4.618.404	-	2.714.929	-
Cash and bank balances (Note 24)	1.797.774	-	1.277.262	-
Total	17.688.429	5.426	24.415.000	2.009

	The Group	The Company
	Financial liabilities €	Financial liabilities €
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities) (Note 26)	32.442.859	23.454.484
Trade and other payables (excluding statutory liabilities)	36.727.119	28.616.302
Total	69.169.978	52.070.786

	The Group		The Company	
	Loans and receivables €	Available for sale €	Loans and receivables €	Available for sale €
31 December 2013				
Assets as per balance sheet				
Available for sale financial assets	-	5.126	-	1.709
Non-current receivables (Note 21)	11.973.234	-	19.872.986	-
Trade and other receivables (excluding prepayments)	3.838.793	-	2.036.672	-
Cash and bank balances (Note 24)	3.807.365	-	2.436.959	-
Total	19.619.392	5.126	24.346.617	1.709

Notes to the financial statements

	The Group	The Company
	Financial liabilities €	Financial liabilities €
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities) (Note 26)	34.138.486	25.323.661
Trade and other payables (excluding statutory liabilities)	40.017.787	30.790.465
Total	74.156.273	56.114.126

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	
	2014 €	2013 €	2014 €	2013 €
Trade receivables				
Counter parties without external credit				
Group 1	1.942.219	2.335.304	696.711	1.171.060
Fully performing other receivables				
Group 2	12.614.625	12.517.223	21.531.022	20.161.066
Group 3	1.015.550	622.602	699.052	577.532
	13.630.175	13.139.825	22.230.074	20.738.598

	The Group		The Company	
Cash at bank and short-term bank deposits (Moody's) (1)	2014 €	2013 €	2014 €	2013 €
A2	2.624	5.852	-	-
B1	-	1.239	-	1.239
B2	1.108	-	1.108	-
Caa1	212.394	128.914	121.717	9.641
Caa3	263.736	834.621	2.360	-
Ca	-	1.271.815	-	1.141.137
Without rating	58	79	58	79
	479.920	2.242.520	125.243	1.152.096

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

Notes to the financial statements

16. Property, plant and equipment

The Group

	Land and buildings €	Leasehold building improvements €	Display equipment and fixtures €	Motor vehicles €	**Total €**
At 1 January 2013					
Cost or valuation	15.120.730	33.756.545	45.077.139	2.250.004	**96.204.418**
Accumulation depreciation	(1.084.208)	(19.230.798)	(32.030.913)	(2.037.033)	**(54.382.952)**
Net book amount	14.036.522	14.525.747	13.046.226	212.971	**41.821.466**
Year ended 31 December 2013					
Opening net book amount	14.036.522	14.525.747	13.046.226	212.971	**41.821.466**
Additions	2.200	104.782	290.983	5.727	**403.692**
Disposals	-	-	(136.625)	(14.738)	**(151.363)**
Depreciation charge (Note 7)	(199.340)	(2.735.975)	(3.711.816)	(106.630)	**(6.753.761)**
Impairment charge due to termination of operations (Note 9)	-	(1.347.256)	(664.883)	-	**(2.012.139)**
Closing net book amount	13.839.382	10.547.298	8.823.885	97.330	**33.307.895**
At 31 December 2013					
Cost or valuation	15.122.930	30.411.723	42.587.405	1.996.565	**90.118.623**
Accumulation depreciation	(1.283.548)	(19.864.425)	(33.763.520)	(1.899.235)	**(56.810.728)**
Net book amount	13.839.382	10.547.298	8.823.885	97.330	**33.307.895**
Year ended 31 December 2014					
Opening net book amount	13.839.382	10.547.298	8.823.885	97.330	**33.307.895**
Additions	1.230	204.514	765.696	23.026	**994.466**
Disposals	-	-	(4.884)	(10.657)	**(15.541)**
Depreciation charge (Note 7)	(199.408)	(1.997.859)	(2.468.967)	(47.131)	**(4.713.365)**
Impairment charge due to termination of operations (Note 9)	-	(62.432)	(53.983)	-	**(116.415)**
Closing net book amount	13.641.204	8.691.521	7.061.747	62.568	**29.457.040**
At 31 December 2014					
Cost or valuation	15.124.160	30.364.371	42.748.747	1.872.639	**90.109.917**
Accumulation depreciation	(1.482.956)	(21.672.850)	(35.687.000)	(1.810.071)	**(60.652.877)**
Net book amount	13.641.204	8.691.521	7.061.747	62.568	**29.457.040**
	==========	==========	==========	=========	==========

Bank borrowings amounting to €8.500.000 and bank overdrafts amounting to €1.700.000 (2013: €8.500.000 and €1.700.000 respectively) are secured by mortgage on land and building (Note 26).

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

The Group	**2014 €**	2013 €
Cost	**12.501.958**	12.500.728
Accumulated depreciation	**(1.482.956)**	(1.283.548)
Net book amount	**10.019.002**	11.217.180
	==========	==========

Notes to the financial statements

The Company

	Leasehold buildings improvements €	Display equipment and fixtures €	Motor vehicles €	Total €
At 1 January 2013				
Cost	25.230.296	31.110.583	948.939	**57.289.818**
Accumulated depreciation	(15.121.304)	(21.634.384)	(894.808)	**(37.650.496)**
Net book amount	10.108.992	9.476.199	54.131	**19.639.322**
Year ended 31 December 2013				
Opening net book amount	10.108.992	9.476.199	54.131	**19.639.322**
Additions	82.281	182.634	5.727	**270.642**
Disposals	-	(1.301)	-	**(1.301)**
Depreciation charge (Note 7)	(2.155.909)	(2.943.682)	(32.255)	**(5.131.846)**
Impairment charge (Note 9)	(1.336.597)	(42.651)	-	**(1.379.248)**
Closing net book amount	6.698.767	6.671.199	27.603	**13.397.569**
At 31 December 2013				
Cost	21.879.995	31.223.721	802.443	**53.906.159**
Accumulated depreciation	(15.181.228)	(24.552.522)	(774.840)	**(40.508.590)**
Net book amount	6.698.767	6.671.199	27.603	**13.397.569**
Year ended 31 December 2014				
Opening net book amount	6.698.767	6.671.199	27.603	**13.397.569**
Additions	52.120	424.925	23.026	**500.071**
Disposals	-	(4.286)	(1.717)	**(6.003)**
Depreciation charge (Note 7)	(1.514.178)	(1.801.916)	(17.905)	**(3.333.999)**
Impairment charge (Note 10)	(62.432)	(53.983)	-	**(116.415)**
Closing net book amount	5.174.277	5.235.939	31.007	**10.441.223**
At 31 December 2014				
Cost	21.680.248	31.044.993	794.253	**53.519.494**
Accumulated depreciation	(16.505.971)	(25.809.054)	(763.246)	**(43.078.271)**
Net book amount	5.174.277	5.235.939	31.007	**10.441.223**

Notes to the financial statements

16. Property, plant and equipment (continued)

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

	The Group		The Company	
	2014 €	2013 €	2014 €	2013 €
Net book amount	15.541	151.363	6.003	1.301
(Loss)/profit on sale of property, plant and equipment (Note 6)	21.429	(24.210)	992	21.913
Proceeds from sale of property, plant and equipment	36.970	127.153	6.995	23.214

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 30 September 2007.

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 at 31 December 2014 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	-	-	13.641.204
	-	-	13.641.204

Fair value measurements using significant unobservable inputs (Level 3).

The Group	2014 Retail units - Limassol €	2013 Retail units - Limassol €
Opening balance	13.839.382	14.036.522
Additions	1.230	2.200
Depreciation charge	(199.408)	(199.340)
Closing balance	13.641.204	13.839.382

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 A.N. Mavreas Ltd.

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.

Notes to the financial statements

The external valuers, in discussion with the Company's and the Group's internal valuation team, has 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 at 31 December 2014 €	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average) €	Relationship of unobservable inputs to fair values
Retail units - Limassol	13.641.204	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 €
At 1 January 2013				
Cost	35.797.544	2.717.072	2.000.000	40.514.616
Accumulated amortisation and impairment charge	(1.325.425)	(2.426.407)	(2.000.000)	(5.751.832)
Net book amount	34.472.119	290.665	-	34.762.784
Year ended 31 December 2013				
Opening net book amount	34.472.119	290.665	-	34.762.784
Additions	-	14.103	-	14.103
Amortisation charge (Note 7)	-	(112.317)	-	(112.317)
Impairment charge (Note 9)	-	(441)	-	(441)
Closing net book amount	34.472.119	192.010	-	34.664.129
1 January 2014				
Cost	35.797.544	2.731.175	2.000.000	40.528.719
Accumulated amortisation and impairment charge	(1.325.425)	(2.539.165)	(2.000.000)	(5.864.590)
Net book amount	34.472.119	192.010	-	34.664.129
Year ended 31 December 2014				
Opening net book amount	34.472.119	192.010	-	34.664.129
Additions	-	57.564	-	57.564
Impairment charge (Note 7)	-	(101.897)	-	(101.897)
Closing net book amount	34.472.119	147.677	-	34.619.796
At 31 December 2014				
Cost	35.797.544	2.788.739	2.000.000	40.586.283
Accumulated amortisation and impairment charge	(1.325.425)	(2.641.062)	(2.000.000)	(5.966.487)
Net book amount	34.472.119	147.677	-	34.619.796

Notes to the financial statements

17. Intangible assets (continued)

The Company

	Goodwill €	Computer software €	Total €
At 1 January 2013			
Cost	17.807.789	1.442.709	**19.250.498**
Accumulated amortisation and impairment charges	-	(1.417.161)	**(1.417.161)**
Net book amount	17.807.789	25.548	**17.833.337**
Year ended 31 December 2013			
Opening net book amount	17.807.789	25.548	**17.833.337**
Amortisation charge (Note 7)	-	(8.069)	**(8.069)**
Closing net book amount	17.807.789	17.479	**17.825.268**
At 31 December 2013			
Cost	17.807.789	1.442.709	**19.250.498**
Accumulated amortisation and impairment charges	-	(1.425.230)	**(1.425.230)**
Net book amount	17.807.789	17.479	**17.825.268**
Year ended 31 December 2014			
Opening net book amount	17.807.789	17.479	**17.825.268**
Additions	-	4.810	**4.810**
Amortisation charge (Note 7)	-	(6.606)	**(6.606)**
Closing net book amount	17.807.789	15.683	**17.823.472**
At 31 December 2014			
Cost	17.807.789	1.447.519	**19.255.308**
Accumulated amortisation and impairment charge	-	(1.431.836)	**(1.431.836)**
Net book amount	17.807.789	15.683	**17.823.472**

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	
	2014 €	2013 €	**2014 €**	2013 €
Ermes Department Stores Plc	**21.976.392**	21.976.392	**17.807.789**	17.807.789
Superhome Center (DIY) Limited	**12.495.727**	12.495.727	**-**	-
	34.472.119	34.472.119	**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 2014 are as follows:

	Gross margin %	Sales growth rate 2015-2019 %	Discount rate %
Ermes Department Stores Plc	37,3	6,0	11,2
Superhome Center (DIY) Limited	35,3	5,1	11,1

The key assumptions used for the value-in-use calculations for the year ended 31 December 2013 are as follows:

	Gross margin %	Sales growth rate 2015-2019 %	Discount rate %
Ermes Department Stores Plc	37,2	4,1	11,20
Superhome Center (DIY) Limited	36,2	8,6	11,14

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 amounting €34.472.119 (2013: €34.472.119) for the Group and €17.807.789 (2013: €17.807.789) for the Company, does not require any adjustment for impairment of its value, based on the value-in-use method.

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. Interest in joint ventures

As from September 2007, the Group participates in the joint venture British Forces Cyprus Retail (BFCR) based on an agreement with a duration of 5 years, which was extended for an additional period of two years with the company Sodexho Defence Services Limited for the operation of shops at the British bases, with a participation interest of 50%. The agreement was terminated on 31 October 2014 and was not renewed.

As from 1 January 2009 the Group participates in the joint venture CTC-ARI Airports Limited with the company AER Rianta International (Middle East) WLL after the acquisition of 50% of the shareholding of the Company held by the related companies Cyprus Trading Corporation Plc, Woolworth (Cyprus) Properties Plc and N.K. Shacolas (Holdings) Limited.

On 6 April 2010, Ermes Department Stores Plc and AER Rianta International (Middle East) WLL exchanged their 50% shareholdings in CTC-ARI Airports Limited for shares in CTC-ARI Holdings Limited and as a result CTC-ARI Airports Limited became a 100% subsidiary of CTC-ARI Holdings Limited. Following this transaction, Ermes Department Stores Plc and AER Rianta International (Middle East) WLL each owned a shareholding of 50% of the share capital of CTC-ARI Holdings Limited.

Notes to the financial statements

18. Interest in joint ventures (continued)

The share of the Company and the Group in joint ventures, which are not listed on the Stock Exchange are:

Name	Main activity	Country of incorporation	2014 % of shares/ participation	2013 % of shares/ participation
CTC-ARI Holdings Limited	Operation of shops at Larnaca and Paphos airports	Cyprus	-	50
British Forces Cyprus Retail	Operation of shops at British Bases	Cyprus	-	50

Due to the application of IFRS 11, effective from 1 January 2014 the proportional consolidation of joint ventures is no longer permitted. As a result, the Group's interest in joint ventures will be accounted for using the equity method of accounting. The comparative figures have been restated to take into account the above changes.

	The Group		The Company	
	2014 €	2013 €	**2014 €**	2013 €
At the beginning of the year	**46.741.268**	46.293.012	**41.000.000**	41.000.000
Disposals (1)	**(46.641.770)**	-	**(41.000.000)**	-
Depreciation charge of favourable contract (2)	**-**	(150.000)	**-**	-
Impairment charge of investment (3)	**(99.498)**	-	**-**	-
Reversal of fair value reserve	**-**	(45.561)	**-**	-
Share of profit after tax	**-**	2.643.817	**-**	-
Dividend received	**-**	(2.000.000)	**-**	-
At the end of the year	**-**	46.741.268	**-**	41.000.000

(1) During the year, the Company and the Group proceeded to the disposal of the investment in CTC-ARI Holdings Limited for the consideration of €54.731.944. The profit for the Group and the Company respectively regarding the disposal amounted to €8.090.174 and €13.731.944 and it is included in non-recurring income in the income statement (Note 9). The agreement is effective from 1 January 2014.

(2) Investments in Joint ventures as at 31 December 2013 include goodwill of €37.393.820. Part of goodwill, amounting to €3.150.777, represents a favourable contract signed by the company CTC – ARI Airports Limited with Hermes Airports Limited for the exclusive right to manage the duty free shops at Larnaca and Paphos Airports. This favourable contract is presented in Note 18 as a part of intangible assets and will be amortised on a straight-line basis over a period of 21 years which is consistent with the contract expiration date in 2031.

Notes to the financial statements

(3) On expiry of the agreement with the joint venture, British Forces Cyprus Retail (BFCR), a loss of €99.498 was recognised for the proportionate consolidated cost of the joint venture on the expiry date of the Agreement.

The Group's share in the results of the joint ventures which it participates, and which are unlisted, and its share in the assets and liabilities, are as follows:

Name	Assets €	Liabilities €	Revenues €	Profit €
2014				
British Forces Cyprus Retail	**-**	**-**	**5.628.100**	**-**
2013				
CTC-ARI Holdings Limited	17.428.404	11.930.707	43.939.522	2.643.817
British Forces Cyprus Retail	1.574.664	2.596.711	7.400.918	-
	19.003.068	14.527.418	51.340.440	2.643.817

Contingent liabilities of CTC-ARI Holdings Limited

As at 31 December 2011, CTC – ARI Airports Limited, subsidiary company of CTC-ARI Holdings Limited, had a dispute with Hermes Airports Limited regarding the method of calculation of concession fees. The cumulative disputed amount for the years 2009, 2010 and 2011 amounts to €4.224.708, in respect of which a provision amounting to €2.824.708 was made in the Group's financial statements for 2011.

On 8 October 2012 the matter was reffered to a fast Track Dispute Resolution Procedure. The process took place in London in November 2012, during which the joint venture was fully vindicated for its position. On 21 December 2012, Hermes Airports Limited referred the above decision to arbitration.

The Board of Directors of the Company and the Group believes that this decision can hardly be reversed and therefore proceeded in 2012 with the reversal of the provision made in 2011 amounting to €2.824.708 and did not provide for any amount during 2012 and 2013.

On 1 October 2014 the parties agreed to a mutual agreement for a final and definite resolution of the dispute at no additional cost for the Company and the Group.

Notes to the financial statements

19. Investments in subsidiaries

The Company	2014 €	2013 €
At the beginning of the year	**24.473.669**	25.973.669
Additions (1)	**360.000**	-
Provision for impairment (2), (3)	**(7.744.000)**	(1.500.000)
At the end of the year	**17.089.669**	24.473.669
	==========	==========

(1) On 29 October 2014, the Company paid an amount of €360.000 as an advance for the issue of new share capital in Fashionlink S.A.

(2) In September 2013, after a decision of the Board of Directors the operations of the subsidiary company Domex Trading Co Limited were terminated and the company remained dormant. As a result the Company proceeded with a provision for impairment of the cost of investment of the subsidiary company amounting to €1.500.000 (Note 9).

(3) On 31 December 2014, the Company recognised an impairement loss for the cost of investment in subsidiaries of €7.744.000. The impairement was recognized in income statement and relates to investments in Ideea Distribution Appliances Limited and Fashionlink S.A. for €3.572.000 and €4.172.000 respectively (Note 19).

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 2014 are as follows:

	Gross margin %	Sales growth rate 2015-2019 %	Discount rate %
Ideea Distribution Appliances Limited	23,8	3,9	11,4
Fashionlink S.A.	49,7	3,1	14,6

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 2014 is €7.744.000 for the Company.

Notes to the financial statements

The details of the subsidiary companies are as follows:

Name	Principal activity	Participation in share capital 2014 %	2013 %	Country of incorporation
F.W. Woolworth (Chemists) Limited	Operation of pharmacies	**100**	100	Cyprus
Francella Distributors Limited	Dormant	**100**	100	Cyprus
C. W. 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), 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	Operation of retail stores for electric and electronic appliances	**100**	100	Cyprus
Domex Trading Co Limited	Dormant	**100**	100	Cyprus
Avenue Department Stores Ltd	Payroll company	**99**	99	Cyprus

All investment in subsidiaries are included in consolidation.

The total non controlling interest of 31 December 2014 is €7.070.186, of which €7.067.164 relates to Superhome Center (DIY) Limited and €3.022 to Avenue Department Stores Limited.

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

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 2014 €	2013 €
Current		
Assets	**9.881.591**	9.432.845
Liabilities	**(11.605.546)**	(10.721.323)
Total net current liabilities	**(1.723.955)**	(1.288.478)
Non-current		
Assets	**16.873.349**	17.535.697
Liabilities	**(726.611)**	(1.570.304)
Total net non-current assets	**16.146.738**	15.965.393
Net assets	**14.422.783**	14.676.915

Notes to the financial statements

19. Investments in subsidiaries (continued)

Summarised statement of comprehensive income

	2014 €	2013 €
Revenue	35.247.466	35.239.668
Profit before tax	2.017.476	2.546.798
Tax	(256.383)	(337.599)
Profit after tax	1.761.093	2.209.199
Other comprehensive income		
Deferred tax	(15.225)	(24.545)
Total comprehensive income	1.745.868	2.184.654
Total comprehensive income attributable to non-controlling interest (49%)	855.475	1.070.480
Dividends paid to non-controlling interest	980.000	656.409

Summarised cash flow

Cash flows from operating activities

	2014 €	2013 €
Cash generated from operating activities	487.182	4.687.069
Taxation paid	(253.583)	(216.623)
Net cash from operating activities	233.599	4.470.446
Net cash used in investing activities	(100.178)	64.295
Net cash used in financing activities	(3.794.883)	(2.995.263)
Net (decrease)/increase in cash and cash equivalents	(3.661.462)	1.539.478
Cash and cash equivalents at beginning of year	836.762	(702.716)
Cash and cash equivalents at end of year	(2.824.700)	836.762

The above information is before any intercompany eliminations.

20. Investments in associates

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
At the beginning of the year	**1.016.361**	956.132	**1.200.205**	1.200.205
Additions (2)	**42.818.400**		**42.818.400**	-
Disposals (1)	**(1.016.361)**		**(1.200.205)**	-
Share of profit after tax	**1.197.015**	205.229	**-**	-
Dividend received	**(2.250.000)**	(145.000)	**-**	-
At the end of the year	**41.765.415**	1.016.361	**42.818.400**	1.200.205
	==========	==========	==========	==========

As at 31 December 2013, the Group held 50% of the share capital of CTC-ARI (F&B) Limited. CTC-ARI (F&B) Limited holds 50% plus 2 shares in Cyprus Airports (F&B) Limited, which manages the catering facilities at Larnaca and Paphos airports.

(1) On 24 January 2014, the Company and the Group proceeded to the disposal of the investment in associate CTC-ARI (F&B) Limited for €3.125.000 to AER Rianta International (Middle East) WLL. The Group's and Company's profit from the disposal amounted to €2.108.639 and €1.924.795 for the Group and the Company respectively, and is included in non-recurring income in the income statement (Note 9).

(2) On 15 July 2014, the Company and the Group proceeded to the acquisition of 45% of share capital (45 000 000 shares) of ITTL Trade Tourist and Leisure Park Plc, from the related company Woolworth (Cyprus) Properties Plc for €42.818.400 (including €68.400 transaction costs). The principal activity of the Company, is the leasing / granting of rights of use of space of its property the Shacolas Emporium Park which includes a Shopping Mall, an IKEA store and other building developments for retail/commercial purposes. The net assets of the Company as at 30 June 2014 were €77.040.343.

Presented below are the associated companies of the Company and the Group at 31 December 2014, which in the opinion of the Board of Directors, are important to the Company and the Group. The share capital of the associated companies presented below constitute of ordinary shares, held directly by the Company and the Group. The country of incorporation or register is also the country of their business activities.

Nature of investments in associates in 2014:

Name of entity	Place of business/ country of Incorporation	% of ownership interest	Nature of the relationship	Measurement method
2014				
ITTL Trade Tourist and Leisure Park Plc	Cyprus	45%	Note 1	Net asset position

Note 1: The associate company ITTL Trade Tourist and Leisure Park Plc is listed in the Cyprus Stock Exchange in the Emerging Companies Market. They have introduced a total of 100 000 000 shares of nominal value €0,50 each. The indicative market value was €0,75 each but it cannot be considered representative since the trade of the shares in the market was very limited.

There are no contingent liabilities relating to the Company's interest in investment of associates.

Significant restrictions

There are no significant restrictions resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with significant influence over the Company's associates, on the ability of associates to transfer funds to the Company in the form of cash dividends, or to repay loans or advances made by the Company.

Notes to the financial statements

20. Investments in associates (continued)

Summarised financial information for associates

Presented below are the summarised financial information for associate ITTL Trade Tourist and Leisure Park Plc which is accounted for using the equity method.

Summaried balance sheet

	ITTL Trade Tourist and Leisure Park Plc As at 31 December 2014 €
Current	
Cash and cash equivalents	479.599
Other current assets	2.101.720
Total current assets	2.581.319
Financial liabilities (excluding trade payables)	(8.209.934)
Other current liabilities (including trade payables)	(4.658.694)
Total current liabilities	(12.868.628)
Non current	
Assets	179.954.807
Financial liabilities	(74.594.362)
Other liabilities	(20.372.759)
Total non-current liabilities	(94.967.121)
Net assets	74.700.377

Summarised statement of comprehensive income

	As at 31 December 2014 €
Rights for use of space and other income	10.729.479
Finance costs	2.233.389
Profit before income tax	7.867.406
Income tax expense	(1.402.029)
Profit after tax and total comprehensive income for the year	6.465.377
Dividends received from associated company	5.000.000

The information above reflects the amounts presented in the financial statements of the associates (and not the Company's share of those amounts) adjusted for differences in accounting policies between the Company and the associates.

Reconciliation of summarised financial information

Summarised financial information	2014 €
Opening net assets	
1 January	73.235.000
Profit for the period	6.465.377
Dividends paid	(5.000.000)
Closing net assets	74.700.377
Interests in associates (45%)	33.615.170
Goodwill	8.081.845
Transaction costs	68.400
Net position	41.765.415

21. Non-current receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Non-current				
Loan to related companies	**11.272.251**	11.973.234	**11.272.251**	11.973.234
Total loans (Note 30 (iv))	**11.272.251**	11.973.234	**11.272.251**	11.973.234
Balance with subsidiary company (Note 30 (iii))	**-**	-	**9.150.558**	7.899.752
Total	**11.272.251**	11.973.234	**20.422.809**	19.872.986
	==========	==========	==========	==========

Refer to Notes 30(iii) and 30(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. During the year 2013, loan to subsidiary company amounting to €825.266 was impaired due to inability of the subsidiary company to repay (Note 9). There are no guarantees and securities in relation to the loans. No guarantees and securities were provided in relation to these 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	
	2014	2013	**2014**	2013
	%	%	**%**	%
Loan to parent entity	**-**	-	**6,25**	-
Loan to subsidiary	**-**	-	**-**	7,0
Loan to associate	**-**	-	**4,5**	-
Loan to related parties	**7,47**	7,25	**7,47**	7,25
Balance with subsidiary	**-**	-	**6,5**	6,5

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Euro-functional and presentation currency	**11.272.251**	11.973.234	**20.422.809**	19.872.986
	==========	==========	==========	==========

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Company and the Group do not hold any collateral as security. None of the non-current receivables is either past due or impaired.

Notes to the financial statements

22. 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 €2.137.462 (2013: €2.453.712) and €2.137.462 (2013:€2.453.712) of the Company, that are shown at net realisable value.

23. Trade and other receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade receivables	**3.275.186**	3.632.665	**1.266.893**	1.530.289
Less: provision for impairment of receivables	**(1.014.706)**	(960.463)	**(359.229)**	(359.229)
Trade receivables – net	**2.260.480**	2.672.202	**907.664**	1.171.060
Receivable from related companies (Note 30 (iii))	**1.342.374**	543.989	**1.108.213**	288.080
Advances, prepayments and other receivables	**2.464.545**	1.761.823	**1.849.770**	1.435.509
	6.067.399	4.978.014	**3.865.647**	2.894.649
	==========	==========	==========	==========

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade receivables	**2.260.480**	2.672.202	**907.664**	1.171.060
Receivable from related companies (Note 30 (iii))	**1.342.374**	543.989	**1.108.213**	288.080
Advances, prepayments and other receivables	**2.464.545**	1.761.823	**1.849.770**	1.435.509
	6.067.399	4.978.014	**3.865.647**	2.894.649
	==========	==========	==========	==========

As of 31 December 2014, trade receivables of €1.942.219 (2013: €2.335.304) of the Group and €696.711 (2013: €1.171.060) 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 2014, trade receivables of the Group of €318.261 (2013: €336.898) 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	
	2013	2012	**2013**	2012
	€	€	**€**	€
Over 3 months	**318.261**	336.898	**210.953**	-
	========	========	======	======

Notes to the financial statements

As of 31 December 2014, trade receivables of €1.014.706 (2013: €960.463) of the Group and €359.229 (2013: €359.229) of the Company were impaired and provided for. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Over 3 months	**1.014.706**	960.463	**359.229**	359.229
	========	========	**=======**	=======

During 2014 the Group recognised loss for the impairment of trade receivables of €54.243 (2013: €176.161), and the Company recognised loss of €Nil (2013: €Nil).

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
At 1 January	**960.463**	798.715	**359.229**	359.229
Provision for receivables impairment (Note 7)	**54.243**	176.161	**-**	-
Receivables written off during the year as uncollectible	**-**	(14.413)	**-**	-
At 31 December	**1.014.706**	960.463	**359.229**	359.229
	==========	==========	**==========**	==========

The creation of provision for impaired receivables have 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	
	2014	2013	**2014**	2013
	€	€	**€**	€
Euro - functional and presentation currency	**6.067.399**	4.876.355	**3.865.647**	2.894.649
US Dollar	**-**	101.659	**-**	-
	6.067.399	4.978.014	**3.865.647**	2.894.649
	==========	==========	**==========**	==========

24. Cash and bank balances

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Cash at bank and in hand	**1.795.510**	2.666.369	**1.274.999**	1.295.963
Short term bank deposits	**2.264**	1.140.996	**2.263**	1.140.996
	1.797.774	3.807.365	**1.277.262**	2.436.959

The effective interest rate on short term bank deposits of the Company was 0,25% (2013: 0,25%) and 2,38% (2013: 0,18%) 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	
	2014	2013	**2014**	2013
	€	€	**€**	€
Cash and bank balances	**1.797.774**	3.807.365	**1.277.262**	2.436.959
Less:				
Bank overdrafts (Note 26)	**(28.466.189)**	(24.615.683)	**(20.408.074)**	(18.380.015)
	(26.668.415)	(20.808.318)	**(19.130.812)**	(15.943.056)

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Euro - functional and presentation currency	**1.796.674**	3.806.133	**1.276.162**	2.435.727
Pound Sterling	**1.088**	1.220	**1.088**	1.220
US Dollar	**12**	12	**12**	12
	1.797.774	3.807.365	**1.277.262**	2.436.959

25. Share capital and treasury shares

	Number of ordinary shares of 34 cents each	Share capital €	Treasury shares €	Total €
Authorised				
At 1 January 2013, 31 December 2013 and 31 December 2014	210.000.000	71.400.000	-	71.400.000
Issued and fully paid				
At 1 January 2013, 31 December 2013 and 31 December 2014	174.499.710	59.500.000	(154.583)	59.345.417

The total authorised number of ordinary shares is 210 000 000 shares (2013: 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 2014 is 500 290 (2013: 500 290).

Notes to the financial statements

26. Borrowings

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current				
Bank overdrafts (Note 24)	**28.466.189**	24.615.683	**20.408.074**	18.380.015
Bank borrowings	**2.481.484**	4.757.274	**1.551.224**	3.037.701
	30.947.673	29.372.957	**21.959.298**	21.417.716
Non-current				
Bank borrowings	**1.495.186**	4.765.529	**1.495.186**	3.905.945
	1.495.186	4.765.529	**1.495.186**	3.905.945
Total borrowings	**32.442.859**	34.138.486	**23.454.484**	25.323.661
Maturity of non-current borrowings (excluding finance lease liabilities)				
Between 1 and 2 years	**1.018.116**	3.429.097	**1.018.116**	2.569.513
Between 2 and 5 years	**317.701**	1.336.432	**317.701**	1.336.432
Over 5 years	**159.369**	-	**159.369**	-
	1.495.186	4.765.529	**1.495.186**	3.905.945

The bank loans and overdrafts are secured as follows:

The Group

(a) A loan of €8.500.000 (2013: €8.500.000) is secured by a mortgage on the land and building of the subsidiary company Superhome Center (DIY) Limited, (Note 16).

(b) Bank overdraft amounting to €1.700.000 (2013: €1.700.000) is secured by a mortgage on a property of the subsidiary company Superhome Center (DIY) Limited.

(c) Bank overdraft amounting to €5.000.000 (2013: €Mnδέν) is secured by a mortgage on a property of two related companies, Woolworth (Cyprus) Properties Plc and ZAKO Limited, €1.965.000 and €1.680.000 respectively, and fire policy amounting to €1.140.000 and €886.785, respectively.

(d) By corporate guarantees from related companies for €60.954.868 (2013: €50.466.668)

(e) By personal guarantees of Executive Directors of the parent company for €34.173 (2013: €234.173 and British pound £1.200.000).

The Company

(a) Bank overdraft amounting to €5.000.000 (2013: €Nil) is secured by a mortgage on a property of two related companies, Woolworth (Cyprus) Properties Plc and ZAKO Limited, €1.965.000 and €1.680.000 respectively, and fire policy amounting to €1.140.000 and €886.785, respectively.

(b) By corporate guarantees from related companies for €52.567.601, (2013: €39.722.601).

26. Borrowings (continued)

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

	The Group		The Company	
	2014	2013	2014	2013
	%	%	%	%
Bank overdrafts	6,2	6,3	5,9	6,1
Bank borrowings	6,3	6,2	6,8	6,3

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 2021.

The exposure of 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	
	2014	2013	2014	2013
	€	€	€	€
6 months or less	4.669.292	6.349.232	3.046.410	3.770.075
6-12 months	23.563.579	27.789.254	20.408.074	21.553.586
1 – 5 years	4.209.988	-	-	-
	32.442.859	34.138.486	23.454.484	25.323.661
	==========	==========	==========	==========

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

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Floating rate:				
Expiring within one year	8.505.942	13.259.536	6.837.145	8.962.309
	==========	==========	==========	==========

The facilities expiring within one year are annual facilities subject to review at various dates during 2015. 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	
	2014	2013	2014	2013
	€	€	€	€
Euro - Functional & Presentation Currency	32.442.859	34.138.486	23.454.484	25.323.661
	==========	==========	==========	==========

27. Deferred income Tax assets/(liabilities)

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

	The Group		The Company	
	2014	2013	2014	2013
Deferred income tax assets	€	€	€	€
Deferred tax assets to be recovered after more than twelve months	670.128	762.648	635.240	725.980
Deferred income tax liabilities				
Deferred tax liabilities to be settled after more than twelve months	(726.611)	(710.720)	-	-
Deferred income tax assets/(liabilities) - net	(56.483)	51.928	635.240	725.980
	========	========	========	========

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

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
At the beginning of the year	51.928	(74.801)	725.980	577.672
Charge included in profit or loss (Note 11)	(93.186)	151.274	(90.740)	148.308
Tax charge relating to components of other comprehensive income (Note 11)	(15.225)	(24.545)	-	-
At the end of the year	(56.483)	51.928	635.240	725.980
	========	========	========	========

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

	Difference between depreciation and wear and tear allowance	Fair value gains	Total
	€	€	€
Deferred tax liabilities			
At 1 January 2013	(33.014)	(642.925)	(675.939)
Charged to:			
Other comprehensive income (Note 11)	-	(24.545)	(24.545)
Profit or loss (Note 11)	(10.236)	-	(10.236)
At 31 December 2013/1 January 2014	(43.250)	(667.470)	(710.720)
Charged to:			
Other comprehensive income (Note 11)	-	(15.225)	(15.225)
Profit or loss (Note 11)	(666)	-	(666)
At 31 December 2014	(43.916)	(682.695)	(726.611)
	=========	=========	=========

Notes to the financial statements

27. Deferred income Tax assets/(liabilities) (continued)

The Group **Deferred tax assets**	**Difference between depreciation and wear and tear allowance** **€**
At 1 January 2013	601.140
Charged to:	
Profit or loss (Note 11)	161.508
At 31 December 2013/1 January 2014	762.648
Charged to:	
Profit or loss (Note 11)	(92.520)
At 31 December 2014	670.128
	========

The Company **Deferred tax liabilities**	**Difference between depreciation and wear and tear allowance** **€**
At 1 January 2013	577.672
Charged to:	
Profit or loss (Note 11)	148.308
At 31 December 2013/1 January 2014	725.980
Charged to:	
Profit or loss (Note 11)	(90.740)
At 31 December 2014	635.240
	========

28. Trade and other payables

	The Group		**The Company**	
	2014 **€**	2013 €	**2014** **€**	2013 €
Trade payables	**20.299.981**	22.748.603	**10.648.819**	11.630.154
Social insurance and other taxes	**492.576**	464.883	**379.955**	359.433
V.A.T payable	**3.510.764**	3.754.948	**2.333.543**	2.599.561
Payables to related companies (Note 30 (iii))	**4.558.199**	6.201.282	**4.675.170**	5.666.477
Payable balance for the acquisition of subsidiaries and joint venture (Note 30 (v))	**-**	-	**2.535.708**	2.397.833
Other payables and accrued expenses	**11.782.603**	10.988.515	**10.756.605**	11.096.001
Warranty provision	**86.333**	79.387	**-**	-
	40.730.456	44.237.618	**31.329.800**	33.749.459
	===========	===========	==========	==========

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**	
	2014 **€**	2013 €	**2014** **€**	2013 €
Euro functional presentation and currency	**37.628.053**	41.529.670	**28.481.454**	31.083.186
Pound Sterling	**2.856.001**	2.658.362	**2.840.229**	2.658.187
US Dollar	**246.402**	49.586	**8.117**	8.086
	40.730.456	44.237.618	**31.329.800**	33.749.459
	===========	===========	==========	==========

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

Notes to the financial statements

29. 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 2014 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), Koroivos (Paphos), three NEXT stores, three ZAKO stores and the Central offices and Central warehouse of the Company at Latsia. The lease agreement is up to 2018.

(b) Superhome Center (DIY) in Paphos

The subsidiary company Superhome Center (DIY) Limited has a lease agreement with Woolworth for its megastore in Paphos.

The lease agreement is up to 2020.

(c) Debenhams Kinyras in Paphos

The Company has a lease agreement for the Debenhams Kinyras in the centre of old Paphos with Armonia Estates Limited and an adjacent building. The duration of the rental agreement is up to 2016. The Company has the right to renew this agreement for another three years up to 2019.

(d) Debenhams Ledra in Nicosia

The Company has a lease agreement for the Shacolas Tower with Woolworth up to 2028. The building is used for the operation of the Debenhams Ledra Department Stores.

(e) Superhome Center in Strovolos

The subsidiary company Superhome Center (DIY) Limited has a lease agreement with Woolworth for its superstore in Strovolos, up to 2021.

(f) Woolworth Commercial Centre Limited

The Group has agreements with Woolworth Commercial Centre Limited for the right of use of space or rental of space for the operation of Debenhams, Oviesse and Peacocks shops at ‘Mall of Engomi’. Additionally the subsidiary company Superhome Center (DIY) Limited signed an agreement with the same company for operating a superstore in Engomi. The duration of the lease is up to 2021.

(g) ITTL Trade Tourist & Leisure Park Plc

The Company has agreements with ITTL Trade Tourist & Leisure Park Plc, a subsidiary of Woolworth, for the right of use of space or rental of space for the operation of Debenhams Department Stores and one NEXT store, Oviesse, Cortefiel, a Glow store and various stores that the subsidiary company C.W. Artopolis Ltd operates at ‘The Mall of Cyprus’. 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 agreement range from December 2015 to September 2021.

29. Commitments (continued)

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Not later than 1 year	**11.948.011**	11.246.595	**10.064.466**	9.321.953
Later than 1 and not later than 5 years	**37.855.655**	39.999.303	**30.398.724**	32.491.346
Later than 5 years	**22.526.643**	30.645.005	**20.267.348**	26.854.589
	72.330.309	81.890.903	**60.730.538**	68.667.888
	===========	===========	===========	===========

30. Related party transactions

At the date of this report, the main Shareholder of the Company is Cyprus Trading Corporation Plc ("CTC"), which owns 65,95% of the share capital of the Company. Debenhams Retail Plc owns 10% of the Company's share capital. Mr Nicos K Shacolas, Lifetime Honorary Chairman, indirectly controls, through his participation in Cyprus Trading Corporation Plc, the share capital of the Company.

The following transactions were carried out with related parties:

i) Sales of goods and services

		The Group		The Company	
		2014	22013	**2014**	2013
Related companies		**€**	€	**€**	€
	Nature of transaction				
	Sales of goods	**489.829**	380.559	**1.648**	1.692
	Consultancy services	**571.401**	-	**564.706**	-
	Financing and interest	**591.389**	861.455	**591.389**	861.455
	Other	**97.163**	83.717	**97.163**	83.408
		1.749.782	1.325.731	**1.254.906**	946.555
		==========	==========	==========	==========

		The Group		The Company	
		2014	2013	**2014**	2013
Associated companies		**€**	€	**€**	€
	Nature of transaction				
	Sales of goods	**-**	102	**-**	-
	Dividends	**2.250.000**	145.000	**2.250.000**	145.000
	Other	**6.692**	-	**6.692**	-
		2.256.692	145.102	**2.256.692**	145.000
		==========	==========	==========	==========

Notes to the financial statements

Parent company

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Sales of goods	38.729	12.745	1.352	749
Financing and interest	372.788	-	372.788	-
Space usage fees	-	6.900	-	-
Other	89.667	156.129	89.667	147.678
	501.184	175.774	463.807	148.427

Joint ventures

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Sales of goods	41.347	150.469	-	2.283
Consultancy services	-	2.566.199	-	2.566.199
Financing and interest	8.904	18.473	8.904	18.473
Recharges	53.764	71.305	53.764	71.305
Dividends	-	2.000.000	-	2.000.000
Other	83.408	98.293	83.408	98.293
	187.423	4.904.739	146.076	4.756.553

Subsidiary companies

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Sales of goods	-	-	2.703.275	2.136.280
Consultancy services	-	-	42.400	42.400
Financing and interest	-	-	546.720	571.163
Recharges	-	-	239.116	209.166
Dividends	-	-	1.020.000	683.201
Other	-	-	942.249	355.975
	-	-	5.493.760	3.998.185

Notes to the financial statements

30. Related party transactions (continued)

(ii) Purchases of goods and services

Related companies

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Purchase of goods – Debenhams Retail Plc	10.756.306	9.999.817	10.756.306	9.999.817
Purchase of goods – other companies	116.386	17.505	-	11.605
Consultancy services	240.000	395.860	240.000	240.000
Space usage fees	9.228.594	10.092.828	7.435.638	8.298.003
Dividends	980.000	656.409	-	-
Other	2.280.227	806.208	1.266.498	606.490
	23.601.513	21.968.627	19.698.442	19.155.915

Associated companies

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Space usage fees	1.155.656	-	1.155.656	
Other	376.502	-	376.502	-
	1.532.158	-	1.532.158	-

Parent company

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Purchase of goods – other companies	6.248.743	6.917.723	5.712.803	6.415.818
Consultancy services	125.010	4.948	-	-
Space usage fees	134.868	263.714	-	-
Other	152.899	199.433	125.599	150.427
	6.661.520	7.385.818	5.838.402	6.566.245

Joint ventures

Nature of transaction	The Group 2014 €	The Group 2013 €	The Company 2014 €	The Company 2013 €
Other	-	967	-	-

Notes to the financial statements

		The Group		The Company	
		2014	2013	2014	2013
		€	€	€	€
Subsidiary companies	**Nature of transaction**				
	Purchase of goods	-	-	4.252.579	4.560.230
	Financing and interest	-	-	137.875	147.935
	Space usage fees	-		1.200	-
	Recharges	-	-	2.489.087	2.170.426
	Other	-	-	62.612	52.856
		-	-	6.943.353	6.931.447

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

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Receivables				
Current (Note 23)				
Related companies (1)	1.342.374	543.989	1.082.685	111.699
Subsidiary companies (2)	-	-	25.528	176.381
	1.342.374	543.989	1.108.213	288.080
Non-current (Note 21)				
Subsidiary company (3)	-	-	9.150.558	7.899.752
Payables (Note 28)				
Related companies (4)				
- trade payables	2.117.810	2.076.862	2.117.810	2.076.862
- other payables (5)	2.440.389	4.124.420	1.665.998	2.890.249
Subsidiary companies				
- other payables	-	-	891.362	699.366
	4.558.199	6.201.282	4.675.170	5.666.477

(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 6,5% 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.

30. Related party transactions (continued)

(iv) Loans to related parties

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
At the beginning of the year	**11.973.234**	13.335.909	**11.973.234**	14.283.099
Loans advanced during the year	**12.002.099**	2.350.000	**12.002.099**	2.462.367
Loans repaid during the year	**(13.667.259)**	(4.574.130)	**(13.667.259)**	(4.871.976)
Impairment charge during the year (Note 9)	**-**	-	**-**	(825.266)
Interest charged	**964.177**	861.455	**964.177**	925.010
At the end of the year (Note 21)	**11.272.251**	11.973.234	**11.272.251**	11.973.234

In 2014, the Company's borrowings analysed above consists of three loans provided by the Company to related companies.

The existing loan with Woolworth (Cyprus) Properties Plc bears interest 7,47% (2013: 7,25%) and was fully repaid during 2014. The interest charged for the year amounted to €584.373. The loan balance at 31 December 2014 was €11.973.234 for the Company and the Group.

On 20 March 2014, the Company provided a loan of €962.179 to the related company (from 15 July 2014 associate) ITTL Trade Tourist and Leisure Park Plc. The loan bears interest 6,25%. On 1 April 2014, the loan, plus interest €7.016, was fully transferred to Woolworth (Cyprus) Properties Plc, which was fully repaid during 2014, as mentioned above.

On 31 December 2014, the Company provided a loan of €2.250.000 to the associated company ITTL Trade Tourist and Leisure Park Plc. The loan bears interest 4,5%. Based on the agreement between Ermes Department Stores Plc and ITTL Trade Tourist and Leisure Park Plc, no repayment will be demanded in the next four years. At 31 December 2014, the loan balance was €2.250.000.

During the 2014, the Company provided net loan of €8.649.463 to its parent company, Cyprus Trading Corporation Plc. The loan bears interest 6,25%. Ermes Department Stores Plc and Cyprus Trading Corporation Plc agreed that no repayment will be demanded in the next four years. At 31 December 2014, the loan balance including capitalised interest of €372.788, amounted to €9.022.251.

On 31 December 2013, the Company proceeded with the impairement of the total amount of the loan with its subsidiary company Domex Trading Co Limited, which amounted to €825.266, following the termination of the operations of Domex Trading Co Limited in September 2013.

There were no securities or guarantees for these loans.

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
At the beginning of the year	**-**	-	**2.397.833**	2.817.734
Loans repaid during year	**-**	-	**-**	(567.836)
Interest charged (Note 10)	**-**	-	**137.875**	147.935
At the end of the year	**-**	-	**2.535.708**	2.397.833

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

Notes to the financial statements

(vi) Key management personnel compensation

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Salaries and other short-term employee benefits	**1.887.196**	1.820.732	**1.141.354**	1.032.229
	==========	==========	==========	==========

(vi) Directors' remuneration

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

	The Group and the Company	
	2014	2013
	€	€
Fees as Non-Executive Directors	**43.040**	42.640
Fees as Executive Directors	**5.175**	4.000
Emoluments in their executive capacity	**483.242**	327.519
Contributions to provident fund	**2.718**	703
	534.175	374.862
	==========	==========

(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 26).

(ix) Commitments

The total commitments for operating leases with related parties as at 31 December 2014 is €55.756.382 (2013: €64.780.980) for the Company and €67.124.403 (2013: €77.710.445) for the Group.

31. Material differences between the indicative results announced and the audited consolidated results for the year

The audited consolidated results of the Group present the following material differences between the indicative results announced and the audited consolidated results for the year.

	€
Profit as per indicative announced results	**9.296.295**
Deferred taxation	(240.708)
Share of profit from associate	(222.376)
Other differences	(12.566)
Profit as per the consolidated results	**8.820.645**

32. Contingent liabilities

On 31 December 2014 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 for any provisions.

The Board of Directors of the Company will 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 €2.227.528 (2013: €2.607.158 and USD $300.000) for the Group and €1.246.406 (2013: €1.392.375 and USD $300.000) for the Company.

33. 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.

Independent auditor's report in pages 28 to 29.