Annual Report 2016

ERMES DEPARTMENT STORES PLC

Ermes Group

Annual Report 2016

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BOARD OF DIRECTORS, OFFICERS AND OTHER OFFICIALS

BOARD OF DIRECTORS

Executive Chairman
George Aniliades

Chief Executive Officer
Nicos Karakoidas

Deputy Executive Chairman and Representative of Shareholders
Eleni N. Shacola

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

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

Secretary
George P. Mitsides

OFFICERS AND OTHER OFFICIALS

Chief Financial Officer
George Louka (acts as Chief Financial Officer)

Legal Advisors
Ioannides Demetriou
Tassos Papadopoulos & Associates

Auditors
PricewaterhouseCoopers Limited

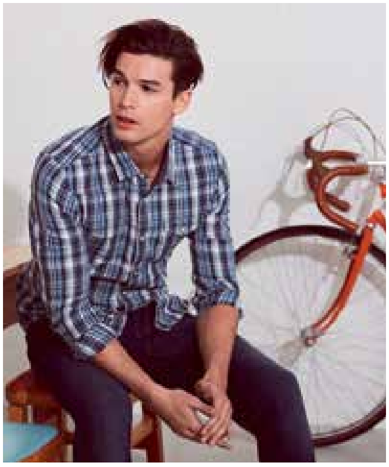
Registered Office
Shacolas Building
Old Nicosia – Limassol Road,
Athalassa, Nicosia

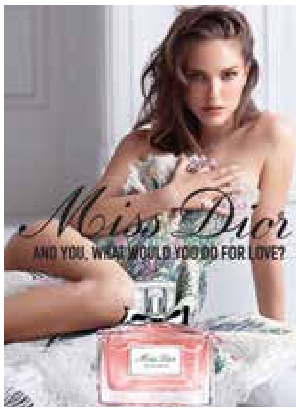
OPERATIONS OF THE ERMES GROUP

DEBENHAMS

7 DEPARTMENT STORES

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





next

6 FASHION STORES

PEACOCKS

The Great Value Fashion Store

2 FASHION STORES

OVS

ITALIAN FASHION

1 FASHION STORE

UBER
STORES

1 FASHION STORE

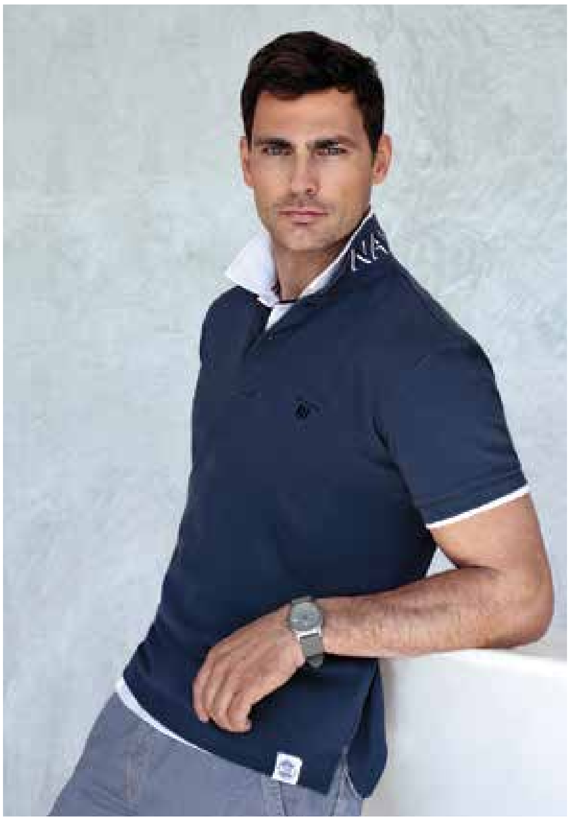
A|X
ARMANI EXCHANGE

1 FASHION STORE

FOREVER 21 **1** FASHION STORE

NAVY & GREEN

1 FASHION STORE



Glow

1 BEAUTY SHOP

Zako

28 STORES

UNDERWEAR / HOSIERY / SWIMWEAR / SLEEPWEAR / HABERDASHERY

Coffee &More

3 CAFETERIAS

ΑΡΤΟΠΟΛΙΣ
bakery

1 STORE **3** CORNERS

Bliss

1 GELATERIA

Scandia
ΣΧΕΣΗ ΠΟΥ ΗΛΕΚΤΡΙΖΕΙ

megaelectric
πουθενά αλλού!

6 Showrooms

ELECTRICAL &
ELECTRONIC APPLIANCES

5 Stores **7** Shop in Shop Stores

ELECTRICAL &
ELECTRONIC APPLIANCES

SUPER HOME CENTER

5 Home Improvement
& DIY Superstores

FashionLink

7 STORES IN GREECE

next

4 STORES

PEACOCKS

The Great Value Fashion Store

2 STORES

OVS

ITALIAN FASHION

1 STORE

LOYALTY CARDS

ERMES clubcard

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

DEBENHAMS
BEAUTY CLUB
REWARD CARD

Debenhams Beauty Reward Card
Launched in December 2013
with 74.000 members

HEAD OFFICES AND STORES

ERMES GROUP HEAD OFFICE

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

DEBENHAMS DEPARTMENT STORES

NICOSIA

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

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

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

LARNACA

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

LIMASSOL

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

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

PAPHOS

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

SUPER HOME CENTER

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

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

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

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

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

Pancyprian Tel: 77777545

HEAD OFFICES AND STORES

NEXT FASHION STORES

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

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

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

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

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

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

OVS FASHION STORES

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

PEACOCKS FASHION STORES

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

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

UBER STORES FASHION STORE

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

NAVY & GREEN FASHION STORE

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

FOREVER 21 FASHION STORE

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

ARMANI EXCHANGE FASHION STORE

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

GLOW BEAUTY SHOP

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

ARTOPOLIS BAKERIES

3 Bakeries at Debenhams Department Stores - in the Foodhall department

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

HEAD OFFICES AND STORES

COFFEE & MORE

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

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

BLISS

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

ZAKO STORES

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

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

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

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

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

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

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

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

SCANDIA SHOWROOMS

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

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

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

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

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

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

MEGAELECTRIC SHOPS

Megaelectric Nicosia
70 Kennedy Avenue
Tel.: +357 22428755

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

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

Megaelectric Larnaca
178 Faneromeni Avenue
Tel.: +357 24621451

Megaelectric Paphos
77 Messogis Avenue
Tel.: +357 26220411

HEAD OFFICES AND STORES

STORES IN GREECE

NEXT

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

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

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

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

PEACOCKS

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

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

OVS

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

FINANCIAL STATEMENTS 2016

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 2016, based on our knowledge we confirm that:

(a) The Annual Consolidated and separated and financial statements that are presented in pages 36 to 98:
  (i) Have been prepared according to International Financial Reporting Standards, as adopted by the European Union and according to section (4) of the Law, and
  (ii) give a true and fair view of the assets and liabilities, financial position and loss of Ermes Department Stores Plc and the companies that are included in the Consolidated Financial Statements as a total, and

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

MEMBERS OF THE BOARD OF DIRECTORS

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

RESPONSIBLE FOR THE DRAFTING OF THE CONSOLIDATED FINANCIAL STATEMENTS

George Louka	Acts as Chief Financial Officer

Nicosia, 25 April 2017

MANAGEMENT REPORT

The Board of Directors of Ermes Department Stores Plc (the "Company") together with its subsidiaries, which collectively referred to as the "Group", presents, its Annual Report together with the audited consolidated financial statements and the audited individual financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

The Company

Debenhams:	Seven department stores engaged in the sale of fashion items, cosmetics, toys, homeware, food, cafeteria and other products and services for all ages and the family. These department stores are located in Nicosia, Limassol, Larnaca and Paphos,
ZAKO:	Twenty eight retail stores engaged in the sale of lingerie, hosiery, swimwear, haberdashery e.t.c covering the whole of Cyprus. Twenty one stores are operating through exclusive franchise agreements,
NEXT:	Six fashion stores in Nicosia, Limassol, Larnaca and Paphos,
Peacocks:	Two fashion stores in Nicosia,
OVS:	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 Engomi.
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 Kiosks and 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: Five 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, in Paphos and in Larnaca (51% ownership),

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

Scandia Company Limited (and its subsidiary IDEEA Distribution of Appliances Limited up to 30 September 2016 and its subsidiary Novario Holding Limited from 1 October 2016 with participation of 50% +1 share) Engaged in the import, distribution, wholesale and retail sale of electrical and electronic appliances through the Scandia chain of retail sale of electrical and electric appliances (100% ownership).

RESULTS

The Group

The results of the Group are presented on page 36. The revenue of the Group for the year ended 31 December 2016, amounted to €152.988.359 compared to €151.284.184 in 2015, an increase of 1,1%.

After deducting operating expenses, depreciation, finance costs, taxation and the net loss of €1.673.912 arose from discontinued operations, the results of the year present a loss of €3.156.908 compared to the net loss of €17.862.188 in 2015. It is noted that the results of 2015 of the Group were negatively affected by a loss amounting to €13.655.596 due to the disposal of the investment in ITTL Trade Tourist and Leisure Park Plc and F. W. Woolworth (Chemists Limited).

During the year ended 31 December 2016, the Company and the Group invested in new property, plant and equipment an amount of €1.621.783 and €1.861.544 respectively.

The total assets of the Group as at 31 December 2016 amounted to €144.225.743 (31 December 2015: €138.461.480), whereas the net assets, were €57.248.232 (31 December 2015: €61.385.056).

The Company

The results of the Company are presented on page 41. The revenue for the year ended 31 December 2016 amounted to €88.898.461, compared to €96.814.522 in 2015, a decrease of 8,2%.

After deducting operating expenses, depreciation, non recurring expenses, finance costs and taxation the net loss for 2016 amounted to €2.321.513 compared to the net loss of €19.053.309 in 2015.

It is noted that the results of the Company for the year 2015 have been negatively affected by €14.200.024, which resulted from the disposal of Company's interest in ITTL Trade Tourist and Leisure Park Plc, and by €1.345.041 which resulted mainly from the impairment of investments in subsidiaries.

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

During 2016, the Cyprus Economy exhibited significant growth, driven primarily by the activity in the Tourism, Construction and Logistics industry sectors, as well as a slight reduction in the level of unemployment. Nevertheless, the lack of liquidity in the market, coupled with the low levels of consumer income, continue to suppress sales, margins and bottom line profitability in general. The Retail industry in this context continues to experience the pressures developed over the course of the last few years as a result of the financial crisis. In addition, the deflationary pressures persisted throughout 2016. Furthermore, competition is fierce and growing stronger as a result also of the entry of major brands in the local market.

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

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

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

In March 2017, the Group inaugurated the first ARMANI EXCHANGE shop in Cyprus offering high fashion at affordable prices for the consumer. In addition, the Group managed the opening of the FOREVER21 shop, the world renowned fashion retail brand. Both shops operate in the Mall of Cyprus in Nicosia. Further to the above, the Debenhams Department Store Korivos in Paphos is currently undergoing major renovation, as a number of other stores of the Group, aiming towards the enhancement and improvement of the shopping experience and customer service.

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

All of the aforementioned have already contributed significantly towards the achievement of the financial performance of the Group in 2016, albeit their positive impact on the 2017 results is expected to be more.

EXPECTED DEVELOPMENTS AND RISKS FOR 2017 ONWARDS

On the basis of reports coming out of the European Union, the International Monetary Fund and the forecasts of the Cyprus Government, it is expected that the economy will continue to improve in 2017 with GDP growing as supported by the positive contribution of a range of industry sectors and primarily that of tourism. In this context, the sustainability of the current status with respect to the operation of the shops on Wednesdays and Sundays reflect a positive perspective for the improvement of the local economy, as does the increase exhibited in the disposable income of the consumers.

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

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

DIVIDEND

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

SHARE CAPITAL

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

BOOK VALUE OF SHARE

The book value of the Company's share, based on the consolidated net assets was €0,29 (31 December 2015: €0,31) per share of €0,34.

ENVIRONMENTAL RESPONSIBILITY

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

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

CORPORATE SOCIAL RESPONSIBILITY

The Companies of the CTC Group in cooperation with the Ministry of Education, continued throughout the academic period 2015- 2016 to support the children in need attending primary and secondary schools through the provision of breakfast meals on a daily basis. With the conclusion of the academic year in June 2016, the total contribution of the Group exceeded the level of €1.500.000. Furthermore, and in co-operation with a number of municipalities and organized groups, the Group continues to provide significant financial support to large families and other fellow citizens in need.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company are disclosed in Notes 1, 3, 4 and 29 of the financial statements. The Company is operating in Cyprus and as a result has been affected by the economic crisis which prevailed in Cyprus over the last three years. Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

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

USE OF FINANCIAL INSTRUMENTS BY THE COMPANY

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

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

FOREIGN EXCHANGE RISK

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

At 31 December 2016, if the Euro had weakened or strengthened by 10% (2015:10%) against the US Dollar with all other variables held constant, the post-tax profit for the year would have been €2.866 (2015: €4.619) for the Group and €711 (2015: €711) for the Company, lower or higher respectively, mainly as a result of foreign exchange gains/losses on conversion of cash balances denominated in US Dollars.

At 31 December 2016, if the Euro had weakened/strengthened by 10% (2015:10%) against the Pound sterling, with all other variables held constant, the post-tax profit for the year would be €310.852 (2015: €276.436) for the Group and €281.909 (2015: €240.878) for the Company lower or higher respectively, mainly as a result of foreign exchange gains/losses on conversion of cash balances denominated in Pound sterling.

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

CASH FLOW INTEREST RATE RISK

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

At 31 December 2016, if interest rates on Euro- denominated bank deposits had been 0,25% (2015: 0,25%) higher/lower, with all other variables held constant, the post-tax profit for the year would be €2.529 (2015: €1.480) for the Group and €14 (2015: €124) for the Company, higher or lower respectively, mainly as a result of higher/lower interest income on floating rate bank deposits.

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

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

At 31 December 2016, if the interest rates on Euro-denominated borrowings had been 0,25% (2015: 0,25%) higher or lower with all other variables held constant, the post-tax profit for the year would be €89.637 (2015: €76.656) for the Group and €53.988 (2015: €46.586) for the Company, higher or lower respectively, mainly 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 and retail customers, including outstanding receivables and committed transactions.

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

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

During the year the Company incurred losses of €nil (2015: €120.469) from a provision for bank overdrafts of a subsidiary company which was guaranteed and will be repaid by the Company. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

LIQUIDITY RISK

Management ensures that there is a possibility of flexibility in financing preserving the unused part of the authorized credit lines. Management continuously monitors the amount of available liquidity reserves, (including the unused facilities, cash and bank deposits and their possible future changes on the basis of their projected cash flows).

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2016 and at the date of this report are shown on page 4. All of them were members of the Board throughout the year 2016. Mrs Suzanne Marie Harlow, who held office at 1 January 2016, resigned on 10 January 2017 and Mr David John Smith was appointed the same date in her position.

According to the Company's Articles of Association, at each Annual General Meeting ½ of the longest serving members of the Board, as well as those appointed after the previous Annual General Meeting, retire but have the right to be re-elected. At the next Annual General Meeting, Mr Nicos Karakoidas, Chrysoula N. Shacola, George Louka, Demetris Demetriou, Marios Panayides and David John Smith will retire and will be eligible to offer themselves for re-election.

There were no significant changes in the assignment of responsibility 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 2016 and on the date of this report, were as follows:

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

DIRECTOR'S INTERESTS IN THE COMPANY'S SHARE CAPITAL

On 31 December 2016 and on the date of this report, the following shareholders of the Company held over 5% of the Company's issued share capital either directly or indirectly:

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

CONTRACTS WITH DIRECTORS AND RELATED PARTIES

Except from the balances and transactions of financial statements disclosed in Note 30, there were no other significant contracts with the Company, its subsidiaries or its related companies on 31 December 2016, within which a Director or related parties had a significant interest.

EVENTS AFTER THE BALANCE SHEET DATE

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

BRANCHES

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

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, 25 April 2017

MANAGEMENT REPORT ON CORPORATE GOVERNANCE

PART A

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

PART B

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

BOARD OF DIRECTORS AND DIRECTORS' REMUNERATION

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

The position of the Executive Chairman of the Board of Directors is held by Mr. George Aniliades. The day to day operations and activities of the Company are dealt with by the Chief Executive Officer 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 2016, 6 meetings were held. The Board of Directors has set out a formal agenda of issues on which decisions must be taken only by the Board. Some of the issues can be referred to special committees of the Board of Directors, without this meaning that the members of the Board of Directors are exempted from their collective responsibility. No category of members of the Board of Directors is differentiated as to its responsibility towards any other category.

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

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

The Board of Directors at the date of this Report is composed by the Directors as shown in table 1 below. All of them were members of the Board throughout the year 2016, except Mr David John Smith who was appointed on 10 January 2017, in the place of Mrs Suzane Harlow who resigned on 10 January 2017.

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

According to the Company's Articles of Association, at each Annual General Meeting ½ of the longest serving members of the Board, as well as those appointed after the previous Annual General Meeting, retire but have the right to be re-elected. At the next Annual General Meeting, Mr Nicos Karakoidas, Chrysoula N. Shacola, George Louca, Demetris Demetriou, Marios Panayides and David John Smith who was appointed on 10/01/2017 will retire and will be eligible to offer themselves for re-election.

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

Nicos Karakoidas – Studied Electrical Engineering 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 consultant at Deloitte. He works in Shacolas Group of Companies since 2002. He was appointed as General Manager of Fashionlink S.A. in 2004 and as a General Manager of Ermes Department Stores Plc in 2012. He serves as Managing Director since 2014.

Chrysoula N. Shacola – Studied Social Sciences and Administration in the University of London. She has been working from 1981 as a Manager in the Shacolas Group, as well as, as an Executive Director of Cyprus Trading Corporation Plc since its incorporation, Cyprus Limni Resorts & Golfcourses Plc, N.K.Shacolas (Holdings) Ltd and other companies.

George Louca – Studied Mechanical Engineering at Purdue University of USA and is an FCA Chartered Accountant . He worked at Deloitte in the audit department, as a Financial Controller in Infotel Limited (Germanos), 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 serves as the Executive Chairman of CTC Automotive Ltd, Executive Director of Cyprus Trading Corporation Plc, Ermes Department Stores Plc and other private companies.

Demetris Demetriou – An FCA Chartered Accountant. He worked in the United Kingdom. In 1986, he started working in Cyprus Trading Corporation Plc, in which he served as Deputy General Manager. As from 2000 he holds the position of General Manager of N.K. Shacolas (Holdings) Limited. He is Chairman of Woolworth (Cyprus) Properties Plc, Executive Chairman of HOB House of Beauty Limited and Amaracos Holding (CTC & PG) Limited as well as the Managing Director of Cyprus Trading Corporation Plc, Cyprus Limni Resorts & Golfcourses Plc and other private companies.

Marios Panayides – Graduated from Bristol University in the U.K. and holds a degree in BSc Economics and Accounting and is a Chartered Accountant (ACA). He worked at Ernst & Young in London and as an executive in several large brokerage firms in Greece and Cyprus. He serves as the Deputy General Manager of N.K. Shacolas (Holdings) Limited, Managing Director of Woolworth (Cyprus) Properties Plc and Cyprus Limni Resorts and Golfcourses Plc, as well as the Executive Director of Cyprus Trading Corporation Plc and other companies.

David John Smith – Graduated from Northumbria University and holds a degree in Business Administration. He served as an Executive Director in Europe and Asia in various fashion organisations over the last 20 years. As of May 2016 he holds the position of International Operations Director at Debenhams Plc.

DIRECTORS' INDEPENDENCE

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

Table 1: The Company's Board of Directors

Executive Directors

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

Non-Executive Directors

George Aniliades	- Chairman
Demetris Demetriou	
Pambos Ioannides	
Marios Panayides	
Costas Z. Severis	- Independent (see note below)
Menealos C. Shacolas	- Independent (see note below)
Suzanne Marie Harlow	(up to 10/01/2017)
Antonis Ayiomamitis	
David John Smith	(from 10/01/2017)

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

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

a. Nominations Committee

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

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

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

b. Remunerations Committee

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

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

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

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

c. Audit Committee

The role and the responsibility of the Audit Committee 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
Costas Severis	– Non-Executive, Independent

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

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

The total fees charged by the statutory auditor for the statutory audit of the annual financial statements of the Group and the Company for the year ended 31 December 2016 amounted to €169.969 (2015: €180.454) for the Group and €97.400 (2015: €101.400) for the Company. The total fees charged by the statutory auditor for the year ended 31 December 2016 for other assurance services amounted to €13.600 (2015: €13.600) for the Group and €13.600 (2015: €13.600) for the Company, for tax advisory services amounted to €14.550 (2015: €10.260) for the Group and €13.100 (2015: €9.700) for the Company and for other non-assurance services amounted to €18.805 (2015: €13.378) for the Group and €18.805 (2015: €13.378) for the Company.

The Audit Committee reviews and approves the Auditors' Report to the Members of the Board.

The Audit Committee assesses the independence of the external auditors, as well as of the Internal Audit Department.

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

The Audit Committee discussed the Regulation of the European Union in relation to the Public Interest Entities and the implication on the rotation of the external auditors. According to the transitional provisions of the new regulatory framework the term of office of the present external auditors of the Company expires in 2017.

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

d. Authorisation of Capital Expenditure Committee

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

The members of the Committee are the following:

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

DIRECTORS' REMUNERATION

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

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

The remuneration of the Directors, under their capacity as members of the Committees of the Board of Directors, is determined by the Board of Directors and is proportional to the time spent on managing the Company. The remuneration of the Directors, under their capacity as members of the Board of Directors, is approved by the Shareholders at the General Meeting.

The remuneration of the Non-Executive Directors is not 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 2016 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 Managing Directors.

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

The remuneration of Executive Directors, including employer's contributions and other benefits are the following for 2016 Messrs Eleni N Shacola - Deputy Executive Chairman, €194.786 (2015: €165.876), Nicos Karakoidas – Chief Executive Officer €212.773 (2015: €214.650). The remaining Executive Directors have benefited from their remuneration as members of the Board of Directors as follows: Messrs Marios N. Shacolas €3.800, Chrysoula N. Shacola €4.000 and George Louca €4.000. The remuneration of Mr George Louca and Chrysoulas N. Shacola has been paid to their employer, as a compensation for the time they spent as a Non-Executive Directors of Ermes Department Stores Plc. The total remuneration of the Executive Directors of the Group amounted to €419.359 (2015: €390.776).

During 2016, the Company has not paid any additional remuneration to the Non-Executive Directors, with the exception of the remuneration of the Chairman of the Company Mr George Aniliades amounting to €213.762 (2015: €208.178), except from their annual remuneration as members of the Board of Directors and other various committees, which was approved at the last year's Annual General Meeting of the Company. As such, this is analysed as follows: Messrs Costas Severis €5.020, Pambos Ioannides €3.570, Menelaos Const. Shacolas €3.710, Marios Panayides €3.400, Demetris Demetriou €5.870, Antonis Ayiomamitis €4.000 and Suzanne Marie Harlow €11.500. The remuneration of Messrs Marios Panayides, Demetris Demetriou, Antonis Ayiomamitis and Suzane Marie Harlow has been paid to their employer as compensation for the time they spent as Non-Executive Directors of Ermes Department Stores Plc. The total remuneration of the Non-Executive Directors of the Company amounted to €250.832 (2015: €250.138).

The Directors' remuneration is also enclosed in Note 30 of the financial statements.

RESPONSIBILITY AND CONTROL

INTERNAL CONTROL SYSTEM

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

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

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

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

The Internal Audit Department assists the Group to achieve its goals through the implementation of a systematic and disciplined methodology in the evaluation and improvement of Risk Management Systems, Internal Control Systems and the application of the Code on Corporate Governance by each Company. The Internal Audit Department is liable to the Board of Directors and to the Audit Committee of the Company regarding the execution of its duties. In the context of its independence, its staff reports administratively and operationally directly to the Audit Committee. Manager of the Internal Audit Department is Mr. Rovertos 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.

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

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

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

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

LOANS TO DIRECTORS

Loans to the Directors of the Group from Group Companies and information relating to potential interest of the Directors in transactions or matters that affect the Company, are disclosed in Note 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 id 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 Const. 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, 25 April 2017

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

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

OUR OPINION

In our opinion, the accompanying consolidated financial statements of Ermes Department Stores Plc ("the Company") and its subsidiaries (together "the Group") and the separate financial statements of Ermes Department Stores Plc give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, and of its financial performance and its 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.

What we have audited

We have audited the consolidated and the separate financial statements which are presented in pages 36 up to 98 which comprise:

- the consolidated and separate balance sheet as at 31 December 2016;
- the consolidated and separate income statement for the year then ended;
- the consolidated and separate statement of other comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

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

BASIS FOR OPINION

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

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

Independence

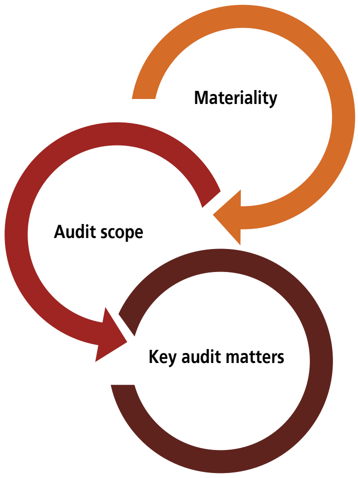
We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements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

OUR AUDIT APPROACH

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we considered the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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



- Overall group materiality for the audit of consolidated financial statements: €1.150.000, which represents 0,75% of total revenues
- Overall company materiality for the audit of the separate financial statements: €660.000, which represents 0,75% of total revenues
- We audited the complete financial information of 4 components, assessed as significant components.
- In addition, for 1 component not assessed as significant, audit work over specific financial statement lines was performed.
- Our audit scope addressed 100% of the Group's revenues, 100% of the Group's absolute value of underlying profit/loss and 100% of the Group's total assets

We have identified the following key audit matters:

- Impairment assessment of Goodwill
- Inventory valuation
- Impairment assessment of investments in subsidiaries in separate financial statements

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements and the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality for the audit of the consolidated financial statements	€ 1.150.000
Overall company materiality for the audit of the separate financial statements	€660.000
How we determined it	0,75% of total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark, because in our view, it is the benchmark against which the performance of the Group and the Company is most commonly measured by the users of the financial statements, as the main activity of the Group and the Company is the retail and wholesale trade in Cyprus and Greece, through department stores and specialised stores, and is a generally accepted benchmark. We chose 0,75% which based on our experience is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee and those charged with governance that we would report to them individual misstatements identified during our audit above €57.500 and €33.000 on the consolidated and the separate financial statements respectively as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

How we tailored our group audit scope

Ermes Department Stores Plc is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of Ermes Department Stores Plc.

Considering our ultimate responsibility for the opinion on the Group financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group's operation is the retail and wholesale trade in Cyprus and Greece, through department stores and specialised stores. For financial reporting purposes, the Group is structured into 11 reporting units, comprising the Company and subsidiary or sub-subsidiary entities of the Company.

In establishing the overall approach to the group audit, we determined the scope of work that needed to be performed for each reporting unit and whether this would be performed by us as the group engagement team, on component auditors on other non-network firms, operating under our instructions. Accordingly, out of the Group's 11 reporting units, we performed an audit of the complete financial information of 4 reporting units, which were selected either due to their size, or their risk characteristics. For 1 reporting unit of the Group, specified procedures over specific financial statement lines were performed so as to ensure we obtain sufficient audit evidence on individual financial statement line items. For the remaining reporting units of the Group, no procedures were performed as individually and in aggregate they were immaterial for the Group Financial Statements.

Taken together, our audit work addressed 100% of the Group's revenues, 100% of the Group's absolute value of underlying loss/profit and 100% of the Group's total assets.

Where the work was performed by component auditors, we as group auditors determined the level of involvement we needed to have in the audit work at those reporting units to be able us to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement in that work included, amongst others, review of the audit work in the files of component auditors in scope, including the nature, timing and extent of the work impacting the Group audit opinion and frequent communications with component audit teams to ensure that our audit plan was appropriately executed. We focused our review on significant/complex areas, such as the impairment assessment of property, plant and equipment, related party balances, inventory valuation, revenue recognition etc. The group consolidation and financial statement disclosures are audited by the group engagement team.

By performing the procedures above at components, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters

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

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of Goodwill Refer to Note 2, Summary of Significant Accounting Policies, Note 3, Significant Accounting Estimates and Judgements and Note 18, Intangible Assets. Ermes Department Stores Plc has Goodwill of €34.456.187 and €17.807.789 as at 31 December 2016 in the consolidated and separate financial statements respectively, representing 24% and 17% of the Group's and the Company's total assets respectively. Goodwill is tested annually for impairment as at 31 December by comparing the carrying amount with the value in use. The value in use is measured using a discounted cash flow valuation technique for each Cash Generating Unit. Management's annual Goodwill impairment test is considered complex and requires significant management judgement with respect to future market and economic conditions, revenue growth, margins, working capital levels and capital expenditure, which individually may have a material effect on the result of the calculation.	Our procedures in relation to Management's assessment for impairment of Goodwill included an evaluation of the Goodwill impairment testing methodology including the main parameters and assumptions used. This encompassed assessing the forecasted margins, working capital, capital expenditure, discount rate and reperforming the calculation. The procedures performed included comparing assumptions to external and internal data. Furthermore, we analysed sensitivities, and compared the projected cash flows to budgets. Our team included in-house valuation experts to assess the valuation models and parameters used. Furthermore we evaluated the adequacy of the Group's and the Company's disclosures regarding the impairment assessment of Goodwill.
Inventory valuation Refer to Note 2, Summary of Significant Accounting Policies, Note 4, Significant Accounting Estimates and Judgements and Note 22, Inventory. The Group and the Company have inventory of €30.046.296 and €8.837.657 respectively at 31 December 2016 representing 21 % and 8% of the Group's and the Company's total assets respectively. Inventory is carried in the Financial Statements at the lower of cost and net realisable value. Sales of individual product categories in the fashion industry can be volatile with consumer demand changing significantly based on current trends. As a result, there is a risk that the carrying value of inventory exceeds its net realisable value. Provisions to bring down the stock to net realisable value are based on a number of factors including seasonality. This exercise entails significant Management judgement.	Our audit procedures included attendance at yearend physical inventory counts to ensure that the quantities included in the stock listing and used for the calculation of the Net Realisable Value were appropriate. Furthermore our team included in house experts to reperform the calculation of Net Realisable Value and compare to carrying value, using Computer Assisted Audit Techniques. In addition we evaluated the adequacy of the Group's and the Company's provisions against inventory based on seasonality, by selecting a sample of items to test that they were correctly classified in the appropriate bracket at the lower of cost and net realisable value.
Impairment assessment of investments in subsidiaries in the separate financial statements of the Company Refer to Note 2, Summary of Significant Accounting Policies, Note 4, Significant Accounting Estimates and Judgements and Note 19. Investments in Subsidiaries. Investment in subsidiaries is carried at cost less impairment of €15.744.457 in the separate financial statements of Ermes Department Stores Plc as at 31 December 2016 representing 15 % of total assets. The carrying value of investment in subsidiaries is tested annually for impairment at 31 December by comparing the carrying amount with the value in use. The value in use is measured using a discounted cash flow valuation technique for each Cash Generating Unit. Management's annual impairment test of investment in subsidiaries is considered complex and requires significant management judgement with respect to future market and economic conditions, revenue growth, margins, working capital levels and capital expenditure, which individually may have a material effect on the result of the calculation.	Our procedures in relation to Management's assessment for impairment of investment in subsidiaries included an evaluation of the impairment testing model including the main assumptions. This encompassed assessing the forecasted margins, working capital and capital expenditure and discount rate and reperforming the calculation. The procedures performed included comparing assumptions to external and internal data. Furthermore, we analysed sensitivities and compared the projected cash flows to budgets. Our team included in-house valuation experts to assess the valuation models and parameters used. Furthermore we evaluated the adequacy of the Company's disclosures regarding the impairment assessment of Investments in Subsidiaries.

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

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the Management report and the Management report on Corporate Governance. Other information does not include the consolidated and the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, 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 Company, so far as appears from our examination of these books.
- The Company's consolidated and separate financial statements are in agreement with the books of account.
- 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 management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated and separate financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit of this consolidated and separate financial statements, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated and separate financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit of the consolidated and separate financial statements, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

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 Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

Nicos A. Theodoulou

Certified Public Accountant and Registered Auditor for and on behalf of

PricewaterhouseCoopers Limited Certified Public Accountants and Registered Auditors

Nicosia, 25 April 2017

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 €	2015 €
Continuing operations			
Revenue	5	152.988.359	151.284.184
Cost of sales		(97.753.269)	(98.321.279)
Gross profit		55.235.090	52.962.905
Selling and distribution expenses		(44.027.793)	(44.968.412)
Administrative expenses		(8.782.263)	(7.779.563)
Other income	6	1.262.694	1.495.556
Profit before depreciation and impairment charge		3.687.728	1.710.486
Depreciation	7	(4.324.246)	(4.510.687)
Loss after depreciation and impairment charge		(636.518)	(2.800.201)
Finance income	10	1.122.177	795.802
Finance costs	10	(1.671.970)	(1.990.334)
Loss before tax		(1.186.311)	(3.994.733)
Income tax expense	11	(296.685)	(211.859)
Loss for the year from continuing operations		(1.482.996)	(4.206.592)
Discontinued operations			
Loss for the year from discontinued operations	12	(1.673.912)	(13.655.596)
Loss for the year		(3.156.908)	(17.862.188)
Attributable to:			
Owners of the parent		(4.044.718)	(18.545.232)
Non-controlling interest		887.810	683.044
		(3.156.908)	(17.862.188)
Losses per share attributable to the equity holders of the Company (cents per share):	13		
Basic			
Continuing operations		(1,36)	(2,80)
Discontinued operations		(0,96)	(7,83)
Total		(2,32)	(10,63)

The notes on pages 45 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		€	€
Loss for the year		(3.156.908)	(17.862.188)
Other comprehensive income **Items that will not be reclassified to profit or loss**			
Deferred tax adjustment	27	(615)	(11.755)
Items that will not be reclassified to profit or loss		(615)	(11.755)
Other comprehensive income for the year, net of tax		(615)	(11.755)
Total comprehensive income for the year		(3.157.523)	(17.873.943)
Attributable to:			
Owners of the parent		(4.045.031)	(18.551.227)
Non-controlling interests		887.508	677.284
		(3.157.523)	(17.873.943)
Comprehensive income for the year attributable to the equity holders of the Company comes from:			
Continuing operations		(2.371.119)	(4.895.631)
Discontinued operations		(1.673.912)	(13.655.596)
		(4.045.031)	(18.551.227)

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

The notes on pages 45 to 98 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2016

	Note	2016	2015
		€	€
Assets			
Non-current assets			
Property, plant and equipment	17	28.851.585	32.056.320
Intangible assets	18	34.810.015	34.622.445
Deferred tax assets	27	647.084	673.980
Available-for-sale financial assets		7.406	5.426
Non-current receivables	21	38.023.022	34.189.854
		102.339.112	101.548.025
Current assets			
Inventories	22	30.046.296	29.029.566
Tax refundable		91.655	86.693
Trade and other receivables	23	9.014.835	5.735.684
Cash and bank balances	24	2.733.845	2.061.512
		41.886.631	36.913.455
Total assets		144.225.743	138.461.480
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		1.694.401	1.694.714
Accumulated losses		(11.011.743)	(6.967.025)
		50.329.125	54.374.156
Non-controlling interest		6.919.107	7.010.900
Total equity		57.248.232	61.385.056
Non-current liabilities			
Borrowings	26	6.357.045	1.137.767
Deferred income tax liabilities	27	789.828	768.667
Trade and other payables	28	1.392.081	-
		8.538.954	1.906.434
Current liabilities			
Trade and other payables	28	44.774.823	42.059.854
Current income tax liabilities		182.259	178.747
Borrowings	26	33.481.475	32.931.389
		78.438.557	75.169.990
Total liabilities		86.977.511	77.076.424
Total equity and liabilities		144.225.743	138.461.480

On 25 April 2017, the Board of Directors of Ermes Department Stores Plc authorised these financial statements for issue.

George Aniliades — Executive Chairman

Nicos Karakoidas — Chief Executive Officer

The notes on pages 45 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share capital	Difference from conversion of share capital into Euro	Treasury shares	Retained earnings/ (Accumulated losses	Fair value reserve	Capital and reserves attributable to the Company's shareholders	Non-controlling interests	Total
		€	€	€	€	€	€	€	€
Balance at 1 January 2015		59.500.000	301.050	(154.583)	11.578.207	1.700.709	72.925.383	7.070.186	79.995.569
Comprehensive income									
(Loss)/Profit for the year		-	-	-	(18.545.232)	-	(18.545.232)	683.044	(17.862.188)
Other comprehensive income									
Land and Buildings:									
Deferred tax adjustment	27	-	-	-	-	(5.995)	(5.995)	(5.760)	(11.755)
Total other comprehensive income		-	-	-	-	(5.995)	(5.995)	(5.760)	(11.755)
Total comprehensive income for the year 2015		-	-	-	(18.545.232)	(5.995)	(18.551.227)	677.284	(17.873.943)
Transactions with owners									
Dividend paid		-	-	-	-	-	-	(736.570)	(736.570)
Total transactions with owners		-	-	-	-	-	-	(736.570)	(736.570)
Balance at 31 December 2015/1 January 2016		59.500.000	301.050	(154.583)	(6.967.025)	1.694.714	54.374.156	7.010.900	61.385.056
Comprehensive income									
(Loss)/Profit for the year		-	-	-	(4.044.718)	-	(4.044.718)	887.810	(3.156.908)
Other comprehensive income									
Land and Buildings:									
Deferred tax adjustment	27	-	-	-	-	(313)	(313)	(302)	(615)
Total other comprehensive income		-	-	-	-	(313)	(313)	(302)	(615)
Total comprehensive income for the year 2016		-	-	-	(4.044.718)	(313)	(4.045.031)	887.508	(3.157.523)
Transactions with owners									
Non – controlling interest in subsidiary Company		-	-	-	-	-	-	1.000	1.000
Dividend paid		-	-	-	-	-	-	(980.301)	(980.301)
Total transactions with owners		-	-	-	-	-	-	(979.301)	(979.301)
Balance at 31 December 2016		59.500.000	301.050	(154.583)	(11.011.743)	1.694.401	50.329.125	6.919.107	57.248.232

(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

The notes on pages 45 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
Cash flows from/(used in) operating activities		€	€
Loss before income tax:			
Continuing operations		(1.186.311)	(3.994.733)
Discontinued operations		(1.673.912)	(13.655.596)
Loss before income tax including discontinued operations		(2.860.223)	(17.650.329)
Adjustments for:			
Depreciation of property, plant and equipment	17	4.177.402	4.428.716
Amortisation of intangible assets	18	146.844	81.971
Interest expense	10	1.769.507	1.818.046
Interest income	10	(1.122.177)	(795.802)
Loss/(Profit) on sale of property, plant and equipment	17	(9.389)	27.336
Impairment charge on property, plant and equipment due to termination of operations	17	1.132.025	-
Share of profit of associate	20	-	(1.926.834)
Loss from disposal of subsidiary		-	18.556
Loss from disposal of associate	20	-	15.073.874
		3.233.989	1.075.534
Changes in working capital:			
Inventories		(1.016.730)	(700.343)
Receivables		(3.279.151)	326.952
Payables		3.839.851	1.436.750
Cash generated from operations		2.777.959	2.138.793
Income tax paid		(250.694)	(292.416)
Net cash from operating activities		2.527.265	1.816.377
Cash flows used in investing activities			
Purchases of property, plant and equipment	17	(1.861.544)	(7.080.215)
Purchases of intangible assets	18	(339.626)	(100.552)
Proceeds from sale of property, plant and equipment	17	32.901	23.712
Proceeds from sale of intangible assets	18	5.753	-
Interest received		838	7.399
Proceeds from disposal of associate company	20	-	28.618.376
Proceeds from disposal of subsidiary		-	6.162
Acquisition of available for sale financial assets		(1.980)	-
Loans to related parties	30(iv)	(3.351.495)	(23.722.181)
Loans to other parties	21	-	(8.780.284)
Repayment of borrowing to related parties	30(iv)	346.880	10.373.264
Repayment of borrowings to third parties		292.783	-
Proceeds from the issue of share capital		1.000	-
Net cash used in investing activities		(4.874.490)	(654.319)
Cash flows from/(used in) financing activities			
Interest paid		(1.670.098)	(1.803.025)
New bank borrowings		8.648.881	750.000
Repayment of bank borrowings		(1.911.681)	(2.443.258)
Dividend paid from subsidiary Company to non-controlling interest		(980.301)	(736.570)
Net cash from/(used in) financing activities		4.086.801	(4.232.853)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		1.739.576	(3.040.796)
Cash, cash equivalents and bank overdrafts at beginning of year		(29.709.211)	(26.668.415)
Cash and cash equivalents and bank overdrafts at end of year	24	(27.969.635)	(29.709.211)

The notes on pages 45 to 98 are an integral part of these financial statements.

INCOME STATEMENT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		€	€
Continuing operations			
Revenue	5	88.898.461	96.814.522
Cost of sales		(56.398.585)	(63.845.659)
Gross profit		32.499.876	32.968.863
Selling and distribution expenses		(27.360.233)	(29.704.124)
Administrative expenses		(6.008.173)	(5.430.609)
Other income	6	2.554.744	2.655.538
Operating profit before depreciation		1.686.214	489.668
Depreciation and amortisation	7	(3.033.917)	(3.224.766)
Operating loss after depreciation		(1.347.703)	(2.735.098)
Non recurring expenses	9	-	(1.345.041)
		(1.347.703)	(4.080.139)
Finance income	10	1.682.600	1.385.384
Finance costs	10	(1.266.095)	(1.550.766)
Loss before income tax		(931.198)	(4.245.521)
Income tax credit	11	7.043	2.875
Loss for the year from continuing operations		(924.155)	(4.242.646)
Discontinued operations			
Loss for the year from discontinued operations	12	(1.397.358)	(14.810.663)
Loss for the year		(2.321.513)	(19.053.309)
Losses per share attributable to the equity holders of the Company (cents per share)	13		
Basic			
Continuing operations		(0,53)	(2,43)
Discontinued operations		(0,80)	(8,49)
Total		(1,33)	(10,92)

The notes on pages 45 to 98 are an integral part of these financial statements.

BALANCE SHEET OF THE COMPANY AT 31 DECEMBER 2016

	Note	2016	2015
Assets		€	€
Non-current assets			
Property, plant and equipment	17	7.238.910	9.037.496
Intangible assets	18	18.098.662	17.887.310
Investment in subsidiaries	19	15.744.457	15.744.457
Deferred income tax asset	27	647.085	639.092
Available-for-sale financial assets		3.989	2.009
Non-current receivables	21	49.397.798	44.496.208
		91.130.901	87.806.572
Current assets			
Inventories	22	8.837.657	13.414.668
Trade and other receivables	23	5.669.529	3.769.205
Cash and bank balances	24	1.247.618	1.176.583
		15.754.804	18.360.456
Total assets		106.885.705	106.167.028
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)
Accumulated losses		(6.779.404)	(4.457.891)
Total equity		52.867.063	55.188.576
Non-current liabilities			
Borrowings	26	1.506.300	484.549
Current liabilities			
Trade and other payables	28	29.191.243	29.536.259
Current income tax liabilities		147.158	145.674
Borrowings	26	23.173.941	20.811.970
		52.512.342	50.493.903
Total liabilities		54.018.642	50.978.452
Total equity and liabilities		106.885.705	106.167.028

On 25 April 2017, the Board of Directors of Ermes Department Stores Plc authorised these financial statements for issue.

George Aniliades
Executive Chairman

Nicos Karakoidas
Chief Executive Officer

The notes on pages 45 to 98 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Difference from conversion of share capital into Euro	Treasury shares	Retained earnings/ (Accumulated losses) (1)	Total
	€	€	€	€	€
Balance at 1 January 2015	59.500.000	301.050	(154.583)	14.595.418	74.241.885
Comprehensive income					
Loss for the year	-	-	-	(19.053.309)	(19.053.309)
Total comprehensive income for the year 2015	-	-	-	(19.053.309)	(19.053.309)
Balance at 31 December 2015/ 1 January 2016	59.500.000	301.050	(154.583)	(4.457.891)	55.188.576
Comprehensive income					
Loss for the year	-	-	-	(2.321.513)	(2.321.513)
Total comprehensive income for the year 2016	-	-	-	(2.321.513)	(2.321.513)
Balance at 31 December 2016	59.500.000	301.050	(154.583)	(6.779.404)	52.867.063

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

The notes on pages 45 to 98 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
Cash flows from/(used in) operating activities		€	€
(Loss)/profit before income tax from:			
Continuing operations		(931.198)	(4.245.521)
Discontinued operations		(1.397.358)	(14.810.663)
Loss before taxation including discontinued operating		(2.328.556)	(19.056.184)
Adjustments for:			
Depreciation of property, plant and equipment	17	2.932.153	3.214.438
Amortisation of intangible assets	18	101.764	10.328
Impairment charge on property, plant and equipment	12	471.801	-
Impairment charge of investment in subsidiary	9	-	1.345.041
Loss on disposal of subsidiary	19	-	170
Loss from disposal of associate company	20	-	14.200.024
Interest expense	10	1.326.726	1.432.741
Interest income	10	(1.682.600)	(1.385.384)
Loss on sale of property, plant and equipment	17	2.396	40.065
Dividend income	6	(1.049.700)	(920.430)
		(226.016)	(1.119.191)
Changes in working capital:			
Inventories		4.577.011	1.382.183
Receivables		(2.968.746)	(1.059.354)
Payables		345.175	(1.520.026)
Cash generated from/(used in) operations		1.727.424	(2.316.388)
Income tax paid		535	(1.716)
Net cash generated from/(used in) operating activities		1.727.959	(2.318.104)
Cash flows (used in)/from investing activities			
Purchases of property, plant and equipment	17	(1.621.783)	(1.859.461)
Purchases of intangible assets	18	(318.869)	(74.166)
Proceeds from disposal of subsidiary	19	-	1
Proceeds from disposal of associate company	20	-	28.618.376
Acquisition of available for sale financial assets		(1.980)	-
Proceeds from sale of property, plant and equipment	17	14.019	8.685
Proceeds from disposal of intangible assets	18	5.753	-
Loans to other parties	21	-	(8.780.284)
Loans to related parties	30(iv)	(3.351.495)	(23.722.181)
Repayment of borrowing to related parties	30(iv)	346.880	10.373.264
Repayment of borrowings to other parties		292.783	-
Interest received		561.263	596.982
Dividend received		1.049.700	920.430
Net cash (used in)/from investing activities		(3.023.729)	6.081.646
Cash flows from/(used in) financing activities			
Interest paid		(1.326.726)	(1.432.741)
Repayment of bank loans		(1.185.709)	(1.512.955)
New bank borrowings		3.098.065	-
Repayment of borrowings from related parties		(690.191)	(573.515)
New borrowing from related parties		-	300.000
Net cash used in financing activities		(104.561)	(3.219.251)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(1.400.331)	544.291
Cash, cash equivalents and bank overdrafts at the beginning of year		(18.586.521)	(19.130.812)
Cash, cash equivalents and bank overdrafts at the end of year	24	(19.986.852)	(18.586.521)

The notes on pages 45 to 98 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

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

This operating environment, 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 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 and the Group's management in relation to the impairment assessment for financial and non-financial assets.

The Company 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 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2016 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 and available-for-sale financial assets.

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

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

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company and the Group:

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 2016, 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 and to the financial statements of the Company except the following:

- Annual Improvements to IFRSs 2012. The improvements consist of changes to ten standards, six of them affect the accounting policy of the Company and Group as described below: IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

  IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. Equity Method in Separate Financial Statements - Amendments to IAS 27. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- Annual Improvements to IFRSs 2014. The amendments impact 4 standards, 3 of them affect the accounting policy of the Company and Group as described below: IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.
- Disclosure Initiative Amendments to IAS 1. The Standard was amended to clarify the concept of materiality and explain that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognized and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS. As a result of this disclosure initiative, the Company has applied the concept of materiality in disclosures in the financial statements. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.
- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal.

  Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019) *. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018)*. The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28)*. The improvements impact three standards. The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity, associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)*. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. At this stage, the Group and Company's Management evaluates the effect of the amendments on the financial statements.

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

Consolidated financial statements

General

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

Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

(ii) Transactions with non-controlling interests

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

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

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

(iii) Associates

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

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

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

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

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

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

Sale of subsidiaries, joint ventures or associates

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

Separate financial statements of the Company

(i) Subsidiaries

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

(ii) Associates

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

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

Revenue recognition

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

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

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

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

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

(b) Sales of services

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

NOTES TO THE FINANCIAL STATEMENTS

(c) Interest income

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

(d) Space usage fees

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

(e) Dividend income

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

Employee benefits

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Current and deferred income tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Dividend distribution

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by

comparing proceeds with carrying amount and are recognised in "other income" in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

Leases

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

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

Goodwill

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

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

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

Computer software

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

Brand name

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

Impairment of non-financial assets

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

Loans and receivables

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

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

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

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

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

Offsetting financial instruments

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

Inventories

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

Trade receivables

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

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

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

Share capital

Ordinary shares are classified as equity.

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

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

Provisions

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

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

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

Borrowings

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

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

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

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

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

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

Trade payables

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

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

Cash and cash equivalents

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

Segment reporting

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

Changes in ownership rights

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

3. FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

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

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

- **Market risk**

  Foreign exchange risk

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

  At 31 December 2016, if the Euro had weakened or strengthened by 10% (2015:10%) against the US Dollar with all other variables held constant, post-tax profit for the year would have been €2.866 (2015: €4.619) for the Group and €711 (2015: €711) for the Company, lower or higher respectively, mainly as a result of foreign exchange gains/losses on conversion of cash balances denominated in US Dollars.

  At 31 December 2016, if the Euro had weakened or strengthened by 10% (2015:10%) against the Pound sterling with all other variables held constant, post – tax profit for the year would have been €310.852 (2015:€ 276.436) for the Group and €281.909 (2015: €240.878) 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 2016, if interest rates on Euro-denominated bank deposits had been 0,25% (2015: 0,25%) higher/lower, with all other variables held constant, post-tax profit/loss for the year for the Group would have been €2.529 (2015: €1.480) and for the Company €14 (2015: €124) 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 2016, if interest rates on Euro-denominated borrowings had been 0,25% (2015: 0,25%) higher or lower with all other variables held constant, post-tax profit for the year for the Group would have been €89.637(2015: €76.656) and for the Company €53.988 (2015: €46.586) lower or higher respectively, as a result of higher/lower interest expense on floating rate borrowings.

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

- **Credit risk**

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

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

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

During the year the Company incurred losses of €nil (2015: €120.469) from a provision for bank overdrafts of a subsidiary company which was guaranteed and will be repaid by the Company (Note 12).

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

- **Liquidity risk**

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

The Group	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	After 5 years
	€	€	€	€
At 31 December 2015				
Borrowings (excluding finance lease liabilities)	1.210.376	238.612	894.654	68.207
Bank overdrafts (Note 26)	31.770.723	-	-	-
Trade and other payables	39.669.826	-	-	-
	72.650.925	238.612	894.654	68.207
At 31 December 2016				
Borrowings (excluding finance lease liabilities)	2.865.067	1.350.613	3.608.186	1.528.181
Bank overdrafts (Note 26)	30.703.480	-	-	-
Trade and other payables	42.856.212	-	-	-
	76.424.759	1.350.613	3.608.186	1.528.181

The Company	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	After 5 years
	€	€	€	€
At 31 December 2015				
Borrowings (excluding finance lease liabilities)	1.098.576	120.012	360.036	68.207
Bank overdrafts (Note 26)	19.763.104	-	-	-
Trade and other payables	28.049.246	-	-	-
	48.910.926	120.012	360.036	68.207
At 31 December 2016				
Borrowings (excluding finance lease liabilities)	2.026.543	500.357	981.826	154.042
Bank overdrafts (Note 26)	21.234.470	-	-	-
Trade and other payables	27.546.480	-	-	-
	50.807.493	500.357	981.826	154.042

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.

(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 2016 and 2015 were as follows:

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Total borrowings (Note 26)	39.838.520	34.069.156	24.680.241	21.296.519
Less: Cash and bank balances (Note 24)	(2.733.845)	(2.061.512)	(1.247.618)	(1.176.583)
Net debt	37.104.675	32.007.644	23.432.623	20.119.936
Total equity	57.248.232	61.385.056	52.867.063	55.188.576
Total capital as defined by management	94.352.907	93.392.700	76.299.686	75.308.512
Gearing ratio	39,3%	34,3%	30,7%	26,7%

(iii) Fair value estimation

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

(iv) Offsetting financial assets and liabilities

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

- **Estimated impairment of goodwill**

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

  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 % 2017-2021 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	2,8	39,5	8,8	-
Adjusting the primary indicator:				
Revenue growth rate	1,8	39,5	8,8	-
Gross Profit Margin	2,8	38,5	8,8	-
Discount rate	2,8	39,5	9,8	-
Combined scenario	1,8	38,5	9,8	(11.280)

Superhome Center (DIY) Limited

	Revenue growth rate % 2017-2021 %	Gross Profit Margin %	Discount rate %	Impairment €000
Main scenario	3,6	34,7	9,3	-
Adjusting the primary indicator:				
Revenue growth rate	2,6	34,7	9,3	(426)
Gross Profit Margin	3,6	33,7	9,3	(270)
Discount rate	3,6	34,7	10,3	(1.009)
Combined scenario	2,6	33,7	10,3	(2.674)

- **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.

- **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 and the Company that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

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

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

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

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

	The Company			The Group	
	Department stores	Specialised stores	Total	Other retail Shops	Total
2016	€	€	€	€	€
Revenue	71.661.879	17.236.582	88.898.461	64.089.898	152.988.359
EBITDA	1.280.014	288.521	1.686.214	2.001.514	3.687.728
Total assets	-	-	106.885.705	37.340.038	144.225.743
Total liabilities	-	-	54.018.642	32.958.869	86.977.511
2015					
Revenue	80.145.741	16.668.781	96.814.522	54.469.662	151.284.184
EBITDA	250.303	239.365	489.668	1.220.818	1.710.486
Total assets	-	-	106.167.028	32.294.452	138.461.480
Total liabilities	-	-	50.978.452	26.097.972	77.076.424

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	€	€
EBITDA of all operating segments	**3.687.728**	1.710.486	**1.686.214**	489.668
Depreciation, amortisation and impairment charge	**(4.324.246)**	(4.510.687)	**(3.033.917)**	(3.224.766)
Non recurring expenses	-	-	-	(1.345.041)
Finance income	**1.122.177**	795.802	**1.682.600**	1.385.384
Finance costs	**(1.671.970)**	(1.990.334)	**(1.266.095)**	(1.550.766)
Profit before tax	**(1.186.311)**	(3.994.733)	**(931.198)**	(4.245.521)

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.

The income of the Company and the Group includes services offered amounting to €nil and €783.106 respectively.

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER INCOME

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Space usage fees	517.649	537.673	517.649	537.673
Other fees and compensations	383.237	359.530	728.615	715.299
Sundry income	102.419	125.689	11.176	22.201
Dividend income	-	-	1.049.700	920.430
Consultancy services	250.000	500.000	250.000	500.000
Profit/(loss) from sale of property, plant and equipment (Note 17)	9.389	(27.336)	(2.396)	(40.065)
Total other income	1.262.694	1.495.556	2.554.744	2.655.538

7. EXPENSES BY NATURE

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Changes in inventories	(1.016.730)	(700.343)	4.577.011	1.382.183
Purchases of finished goods and other direct expenses excluding staff costs	98.769.999	99.021.622	51.821.574	62.463.476
Depreciation of property, plant and equipment (Note 17)	4.177.402	4.428.716	2.932.153	3.214.438
Amortisation of intangible assets (Note 18)	146.844	81.971	101.764	10.328
Operating lease rentals	12.223.505	12.235.160	8.850.039	9.172.267
Auditors' remuneration	183.569	194.054	111.000	106.000
Auditors' remuneration of prior years	13.964	16.516	13.506	16.183
Repairs and maintenance	1.128.484	1.152.159	819.205	776.163
Staff costs (Note 8)	25.794.062	24.293.137	14.176.979	14.570.198
Advertising and promotion expenses	1.981.636	2.279.539	1.283.171	1.598.520
Security expenses	1.238.005	1.183.562	742.209	775.803
Insurance expenses	519.730	439.518	242.935	272.675
Credit card charges	638.759	1.213.881	377.789	784.796
Electricity, fuel and water	2.986.993	3.532.511	2.089.401	2.553.462
Other professional services	1.336.746	716.422	977.510	543.139
Trade receivables – impairment charge for receivables (Note 23)	-	211.232	-	211.232
Other expenses	4.764.603	5.280.284	3.684.662	3.754.294
Total cost of goods sold, selling and distribution costs and administrative expenses	154.887.571	155.579.941	92.800.908	102.205.157

The total fees charged by the statutory auditor for the statutory audit of the annual financial statements of the Group and the Company for the year ended 31 December 2016 amounted to €169.969 (2015: €180.454) for the Group and €97.400 (2015: €101.400) for the Company. The total fees charged by the statutory auditor for the year ended 31 December 2016 for other assurance services amounted to €13.600 (2015: €13.600) for the Group and €13.600 (2015: €13.600) for the Company, for tax advisory services amounted to €14.550 (2015: €10.260) for the Group and €13.100 (2015: €9.700) for the Company and for other non-assurance services amounted to €18.805 (2015: €13.378) for the Group and €18.805 (2015: €13.378) for the Company.

8. STAFF COSTS

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Wages	13.617.648	12.775.190	7.007.638	7.350.773
Salaries	9.414.247	8.948.380	5.394.330	5.445.048
Social insurance costs and other contributions	2.070.714	1.999.104	1.394.719	1.422.438
Provident fund contributions	159.936	141.681	77.697	82.407
Medical fund	227.198	214.018	227.198	214.018
Other	304.319	214.764	75.397	55.514
	25.794.062	24.293.137	14.176.979	14.570.198
Average number of staff employed during the year	1.951	1.779	1.121	1.163

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 Co Limited acquired on 1 January 2009 continue to participate in the Employees' Provident Fund of Cyprus Trading Corporation Plc.

9. NON-RECURRING EXPENSES

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Impairment charge of cost of investments in subsidiaries (Note 19)	-	-	-	(1.345.041)
	-	-	-	(1.345.041)

10. FINANCE INCOME/(COSTS)

	The Group		The Company	
	2016	2015	2016	2015
Finance income	€	€	€	€
Interest income:				
Balances with related companies	854.464	670.276	1.415.694	1.267.018
Balances with other parties	266.875	125.037	266.875	118.125
Bank balances	838	489	31	241
Total finance income	1.122.177	795.802	1.682.600	1.385.384
Finance costs				
Interest expense:				
Bank borrowings	(1.611.260)	(1.777.290)	(1.103.484)	(1.305.600)
Overdue taxation	-	(16.466)	-	-
Borrowings from related parties (Note 30 (v))	-	-	(102.797)	(125.978)
Other interest and bank charges	(158.247)	(24.290)	(120.445)	(1.163)
Total interest expense	(1.769.507)	(1.818.046)	(1.326.726)	(1.432.741)
Net foreign exchange gain/(loss) on financing activities	97.537	(172.288)	60.631	(118.025)
Total finance (costs)/income	(1.671.970)	(1.990.334)	1.266.095	(1.550.766)

11. INCOME TAX EXPENSE

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Current tax charge:				
Corporation tax	248.294	182.000	-	-
Defence contribution	950	3.410	950	977
Total current tax	249.244	185.410	950	977
Deferred tax (Note 27):				
Origination and reversal of temporary differences	47.441	26.449	(7.993)	(3.852)
Total deferred tax charge	47.441	26.449	(7.993)	(3.852)
Income tax charge/(credit)	296.685	211.859	(7.043)	(2.875)

NOTES TO THE FINANCIAL STATEMENTS

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	
	2016	2015	2016	2015
	€	€	€	€
Loss from continuing operations before tax	(1.186.311)	(3.994.733)	(931.198)	(4.245.521)
Loss from discontinued operations before tax	(1.673.912)	(13.655.596)	(1.397.358)	(14.810.663)
	(2.860.223)	(17.650.329)	(2.328.556)	(19.056.184)
Tax calculated at the applicable corporation tax rate of 12,5% and 26%	(357.528)	(2.206.291)	(291.070)	(2.382.023)
Tax effect of expenses not deductible for tax purposes	358.766	2.087.965	157.577	2.006.779
Tax effect of allowances and income not subject to tax	(343.060)	(373.407)	(228.643)	(122.586)
Defence contribution	950	3.410	950	977
Effect of tax losses for which no deferred tax was recognised	637.557	700.182	354.143	493.978
Income tax charge/(credit)	296.685	211.859	(7.043)	(2.875)

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

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

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

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

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

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

Tax effects of components of other comprehensive income

	Year ended 31 December					
	2016			2015		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	€	€	€	€	€	€
The Group and the Company						
Land and buildings:						
Deferred tax adjustment on fair value gains (Note 27)	-	(615)	(615)	-	(11.755)	(11.755)
Other comprehensive income	-	(615)	(615)	-	(11.755)	(11.755)

12. DISCONTINUED OPERATIONS

On 23 July 2015, following a decision of the Board of Directors, the Company and the Group disposed the shareholding of 45% in the associate group company ITTL Trade Tourist and Leisure Park Plc. As a result of the above disposal, the Company and the Group incurred a loss amounting to €14.200.024 and €15.073.874 respectively.

On 31 December 2015, following a decision of the Board of Directors, the Company and the Group disposed the shareholding of 100% in the subsidiary F.W.Woolworth (Chemists) Limited. As a result of the above disposal, the Company and the Group incurred a loss amounting to €170 and €18.556 respectively.

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

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

The financial information relevant to the discontinued operations are shown below:

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
ITTL Trade Tourist and Leisure Park Plc				
Loss on disposal of associate company (Note 20)	-	(15.073.874)	-	(14.200.024)
Share of profit from associate company up to the disposal date	-	1.926.834	-	-
	-	(13.147.040)	-	(14.200.024)
F.W. Woolworth (Chemists) Ltd				
Loss on disposal of subsidiary company (Note 19)	-	(18.556)	-	(170)
Termination of other operations				
Impairment charge on property, plant and equipment (Note 17)	(1.124.831)	-	(471.801)	-
Write off of a balance with subsidiary	-	-	(444.887)	-
Reversal of provision for bank overdrafts which were guaranteed and that would have been repaid by the parent company	-	-	492.294	-
Provision for bank overdrafts which were guaranteed and will be repaid by the parent company	-	-	-	(120.469)
Provision for probable claims	(973.065)	(490.000)	(973.065)	(490.000)
Profit from the merger of operations of IDEEA				
Distribution of Appliances and E&G				
Electriplus Ltd (Note 19)	438.103	-	-	-
Others	(14.119)	-	101	-
	(1.673.912)	(490.000)	(1.397.358)	(610.469)
	(1.673.912)	(13.655.596)	(1.397.358)	(14.810.663)

NOTES TO THE FINANCIAL STATEMENTS

13. LOSSES PER SHARE

The losses per share are calculated by dividing the loss attributable to the Company's shareholders using the weighted average number of issued shares during the year, excluding ordinary shares bought by the Company and held as treasury shares (Note 25).

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	€	€
Loss for the year from continuing operations attributable to shareholders	**(2.370.806)**	(4.889.636)	**(924.155)**	(4.242.646)
Loss for the year from discontinued operations attributable to shareholders	**(1.673.912)**	(13.655.596)	**(1.397.358)**	(14.810.663)
Total	**(4.044.718)**	(18.545.232)	**(2.321.513)**	(19.053.309)
Weighted average number of issued shares	**174.499.710**	174.499.710	**174.499.710**	174.499.710
Basic losses per share – cents				
Continuing operations	**(1,36)**	(2,80)	**(0,53)**	(2,43)
Discontinued operations	**(0,96)**	(7,83)	**(0,80)**	(8,49)
	(2,32)	(10,63)	**(1,33)**	(10,92)

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

14. DIVIDEND PER SHARE

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

Dividends paid to individuals who are Cyprus tax residents are subject to a deduction of special contribution for defence at the rate of 17% (2015: 17%).

15. FINANCIAL INSTRUMENTS BY CATEGORY

	The Group		**The Company**	
	Loans and receivables	Available for sale	Loans and receivables	Available for sale
	€	€	€	€
31 December 2016				
Assets as per balance sheet				
Available for sale financial assets	-	7.406	-	3.989
Non-current receivables (Note 21)	38.023.022	-	49.397.798	-
Trade and other receivables (excluding prepayments)	7.832.456	-	4.679.429	-
Cash and bank balances (Note 24)	2.733.845	-	1.247.618	-
Total	48.589.323	7.406	55.324.845	3.989

	The Group	The Company
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	€	€
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities) (Note 26)	**39.838.520**	**24.680.241**
Trade and other payables (excluding statutory liabilities)	**42.856.212**	**27.546.480**
Total	**82.694.732**	**52.226.721**

	The Group		The Company	
	Loans and receivables	Available for sale	Loans and receivables	Available for sale
	€	€	€	€
31 December 2015				
Assets as per balance sheet				
Available for sale financial assets	-	5.426	-	2.009
Non-current receivables (Note 21)	34.189.854	-	44.496.208	-
Trade and other receivables (excluding prepayments)	4.169.913	-	2.432.451	-
Cash and bank balances (Note 24)	2.061.512	-	1.176.583	-
Total	40.421.279	5.426	48.105.242	2.009

	The Group	The Company
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	€	€
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities) (Note 26)	**34.069.156**	**21.296.519**
Trade and other payables (excluding statutory liabilities)	**39.669.826**	**28.049.246**
Total	**73.738.982**	**49.345.765**

16. 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	
	2016	2015	**2016**	2015
	€	€	**€**	€
Trade receivables				
Counter parties without external credit				
Group 1	**2.379.942**	1.293.693	**299.916**	196.988
Fully performing other receivables				
Group 2	**39.128.967**	34.715.601	**50.257.609**	45.088.462
Group 3	**4.070.497**	1.859.749	**3.243.630**	1.293.688
	43.199.464	36.575.350	**53.501.239**	46.382.150

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Cash at bank and short-term bank deposits (Moody's) (1)				
Caa1	**103.403**	-	**-**	-
Caa2	**805.298**	205.710	**3.700**	-
Caa3	**215.340**	451.973	**6.258**	62.083
Without rating	**53**	53	**53**	53
	1.124.094	657.736	**10.011**	62.136

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

Group 1 – existing customers with no defaults in the past.
Group 2 – companies within the group, common control companies and related companies with no defaults in the past.
Group 3 – other receivables with no defaults in the past

None of the financial assets that are neither past due nor impaired has been renegotiated in the last year, except as it is mentioned in Note 23.

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

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings	Leasehold building improvements	Display equipment and fixtures	Motor vehicles	Total
At 1 January 2015	€	€	€	€	**€**
Cost or valuation	15.124.160	30.364.371	42.748.747	1.872.639	**90.109.917**
Accumulated 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**
Year ended 31 December 2015					
Opening net book amount	13.641.204	8.691.521	7.061.747	62.568	**29.457.040**
Additions	19.260	5.040.196	1.958.481	62.278	**7.080.215**
Disposals	-	(2.682)	(46.148)	(2.218)	**(51.048)**
Depreciation charge (Note 7)	(199.569)	(1.928.016)	(2.267.303)	(33.828)	**(4.428.716)**
Decrease of assets due to disposal of subsidiary company	-	(1.171)	-	-	**(1.171)**
Closing net book amount	13.460.895	11.799.848	6.706.777	88.800	**32.056.320**
At 31 December 2015					
Cost or valuation	15.143.420	35.337.949	44.184.353	1.932.699	**96.598.421**
Accumulated depreciation	(1.682.525)	(23.538.101)	(37.477.576)	(1.843.899)	**(64.542.101)**
Net book amount	13.460.895	11.799.848	6.706.777	88.800	**32.056.320**
Year ended 31 December 2016					
Opening net book amount	13.460.895	11.799.848	6.706.777	88.800	**32.056.320**
Additions	19.600	798.354	973.002	70.588	**1.861.544**
Disposals	-	(10.709)	(12.803)	-	**(23.512)**
Depreciation charge (Note 7)	(200.110)	(1.858.266)	(12.078.122)	(40.904)	**(4.177.402)**
Impairment- discontinued operations	-	(869.582)	(255.249)	-	**(1.124.831)**
Impairment – continued operations	-	(7.194)	-	-	**(7.194)**
Transfer from related parties	-	59.544	164.464	42.652	**266.660**
Transfer between categories	-	(315.211)	315.211	-	**-**
Closing net book amount	13.280.385	9.596.784	5.813.280	161.136	**28.851.585**
At 31 December 2016					
Cost or valuation	15.163.020	34.225.023	45.046.021	2.714.034	**97.148.099**
Accumulated depreciation	(1.882.635)	(24.628.240)	(39.232.741)	(2.552.898)	**(68.296.514)**
Net book amount	13.280.385	9.596.783	5.813.280	161.136	**28.851.585**

Bank borrowings and bank overdraft are secured on land and building of subsidiary company, Superhome Center (DIY) Limited up to the amount of €11.572.00 (2015: €11.572.000) (Note 26). The carrying value of the mortgaged land and building amounted to €8.543.000.

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

	2016	2015
The Group	€	€
Cost	12.540.818	12.521.218
Accumulated depreciation	(1.882.635)	(1.682.525)
Net book amount	10.658.183	10.838.693

The Company

	Leasehold buildings improvements	Display equipment and fixtures	Motor vehicles	Total
	€	€	€	€
At 1 January 2015				
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
Year ended 31 December 2015				
Opening net book amount at the start of the year	5.174.277	5.235.939	31.007	10.441.223
Additions	287.362	1.509.821	62.278	1.859.461
Disposals	(2.682)	(46.068)	-	(48.750)
Depreciation charge (Note 7)	(1.487.517)	(1.705.236)	(21.685)	(3.214.438)
Closing net book amount at the end of the year	3.971.440	4.994.456	71.600	9.037.496
At 31 December 2015				
Cost	21.912.252	32.032.019	856.531	54.800.802
Accumulated depreciation	(17.940.812)	(27.037.563)	(784.931)	(45.763.306)
Net book amount	3.971.440	4.994.456	71.600	9.037.496
Year ended 31 December 2016				
Opening net book amount at the start of the year	3.971.440	4.994.456	71.600	9.037.496
Additions	773.582	838.201	10.000	1.621.783
Disposals	(10.709)	(5.706)	-	(16.415)
Impairment (Note 12)	(285.526)	(186.275)	-	(471.801)
Depreciation charge (Note 7)	(1.347.152)	(1.565.701)	(19.300)	(2.932.153)
Closing net book amount at the end of the year	3.101.635	4.074.975	(62.300)	7.238.910
At 31 December 2016				
Cost	21.296.698	30.413.147	866.531	52.576.376
Accumulated depreciation	(18.195.063)	(26.338.172)	(804.231)	(45.337.466)
Net book amount	3.101.635	4.074.975	62.300	7.238.910

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	€	€
Net book amount	**23.512**	51.048	**16.415**	48.750
(Loss)/profit on sale of property, plant and equipment (Note 6)	**9.389**	(27.336)	**(2.396)**	(40.065)
Proceeds from sale of property, plant and equipment	**32.901**	23.712	**14.019**	8.685

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 20 March 2015.

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

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

The Group

Fair value measurements using significant unobservable inputs (Level 3)

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

	Fair value measurements at 31 December 2015 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	-	-	**13.460.895**
	-	-	13.460.895

The Group

	2016 Retail units - Limassol	2015 Retail units - Limassol
	€	€
Opening balance	**13.460.895**	13.641.204
Additions	**19.600**	19.260
Depreciation charge	**(200.110)**	(199.569)
Closing balance	**13.280.385**	13.460.895

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

Description	Fair value 31 December 2015 €	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair values
Retail units - Limassol	13.460.895	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

18. INTANGIBLE ASSETS

The Group

	Goodwill €	Computer Software €	Brand name €	**Total** **€**
1 January 2015				
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**
Year ended 31 December 2015				
Opening net book amount	34.472.119	147.677	-	**34.619.796**
Additions	-	100.552	-	**100.552**
Amortisation charge (Note 7)	-	(81.971)	-	**(81.971)**
Decrease of goodwill value due to the disposal of a subsidiary company	(15.932)	-	-	**(15.932)**
Closing net book amount	34.456.187	166.258	-	**34.622.445**
At 31 December 2015				
Cost	35.781.612	2.889.293	2.000.000	**40.670.905**
Accumulated amortisation and impairment charge	(1.325.425)	(2.723.035)	(2.000.000)	**(6.048.460)**
Net book amount	34.456.187	166.258	-	**34.622.445**
Year ended 31 December 2016				
Opening net book amoun	34.456.187	166.258	-	**34.622.445**
Additions	-	339.626	-	**339.626**
Disposals	-	(5.753)	-	**(5.753)**
Transfers from and to related parties	-	541	-	**541**
Amortisation charge (Note 7)	-	(146.844)	-	**(146.844)**
Closing net book amount	34.456.187	353.828	-	**34.810.015**
At 31 December 2016				
Cost	35.781.612	3.279.812	2.000.000	**41.061.424**
Accumulated amortisation and impairment charge	(1.325.425)	(2.925.984)	(2.000.000)	**(6.251.409)**
Net book amount	34.456.187	353.828	-	**34.810.015**

NOTES TO THE FINANCIAL STATEMENTS

The Company

	Goodwill €	Computer Software €	**Total €**
At 1 January 2015			
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**
Year ended 31 December 2015			
Opening net book amount	17.807.789	15.683	**17.823.472**
Additions	-	74.166	**74.166**
Amortisation charge (Note 7)	-	(10.328)	**(10.328)**
Closing net book amount	17.807.789	79.521	**17.887.310**
At 31 December 2015			
Cost	17.807.789	1.521.685	**19.329.474**
Accumulated amortisation and impairment charge	-	(1.442.164)	**(1.442.164)**
Net book amount	17.807.789	79.521	**17.887.310**
Year ended 31 December 2016			
Opening net book amount	17.807.789	79.521	**17.887.310**
Additions	-	318.869	**318.869**
Disposals	-	(5.753)	**(5.753)**
Amortisation charge (Note 7)	-	(101.764)	**(101.764)**
Closing net book amount	17.807.789	290.873	**18.098.662**
At 31 December 2016			
Cost	17.807.789	1.819.741	**19.627.530**
Accumulated amortisation and impairment charge	-	(1.528.868)	**(1.528.868)**
Net book amount	17.807.789	290.873	**18.098.662**

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

	The Group		**The Company**	
	2016 €	2015 €	**2016 €**	2015 €
Net book amount	**5.753**	-	**5.753**	-
(Loss)/profit on sale of property, plant and equipment (Note 6)	**-**	-	**-**	-
Proceeds from sale of property, plant and equipment	**5.753**	-	**5.753**	-

Impairment test for intangible assets with indefinite useful life

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

NOTES TO THE FINANCIAL STATEMENTS

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Ermes Department Stores Plc	**21.960.460**	21.960.460	**17.807.789**	17.807.789
Superhome Center (DIY) Limited	**12.495.727**	12.495.727	**-**	-
	34.456.187	34.456.187	**17.807.789**	17.807.789

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

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

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

The key assumptions used for the value-in-use calculations for the year ended 31 December 2015 are as follows:

	Gross margin	Sales growth rate 2016-2020	Discount rate
	%	%	%
Ermes Department Stores Plc	37,9	2,9	8,8
Superhome Center (DIY) Limited	33,8	6,9	9,4

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

The weighted average growth rate used is consistent with the forecasts included in reports for the retail sector relating to the Company and the Group. The discount rate used is pre-tax and reflects specific risks relating to the cash-generating unit. Using the above assumptions, goodwill as at 31 December 2016 amounting €34.456.187 (2015: €34.456.187) for the Group and €17.807.789 (2015: €17.807.789) for the Company, does not require any adjustment for impairment of its value, based on the value-in-use method.

The Company prepared a sensitivity analysis in Note 4.

Brand name

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

19. INVESTMENTS IN SUBSIDIARIES

The Company

	2016	2015
	€	€
At the beginning of the year	**15.744.457**	17.089.669
Disposals (1)	-	(171)
Provision for impairment (2)	-	(1.345.041)
At the end of the year	**15.744.457**	15.744.457

(1) On 31 December 2015, the Company and the Group proceeded to the disposal of the investment in F. W. Woolworth (Chemists) Limited, 100% subsidiary company, for the consideration of €1. The loss for the Group and the Company regarding the disposal amounted to €18.556 and €170 respectively and it is included in non-recurring expenses in the income statement (Note 12). The agreement is effective from 31 December 2015.

(2) On 31 December 2015, the Company recognised an impairment loss for the cost of investment in subsidiaries amounting to €1.345.041. The impairment was recognised in the income statement and relates to the total write-off of investments in Ideea Distribution of Apppliances Limited and Fashionlink S.A. for the amount of €917.041 and €428.000 respectively (Note 9).

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 2016 are as follows:

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

The key assumptions used for the value-in-use calculations for the year ended 31 December 2015 are as follows:

	Gross margin %	Sales growth rate 2016-2020 %	Discount rate %
Ideea Distribution of Appliances Limited	22,9	4,8	10,1
Fashionlink S.A.	49,5	1,9	13,1
Superhome Center (DIY) Limited	33,8	6,9	9,4

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 2016 was €nil (31 December 2015: impairment loss €1.345.041) for the Company.

NOTES TO THE FINANCIAL STATEMENTS

The details of the subsidiary companies are as follows:

Name	Principal activity	Participation in share capital 2016 %	2015 %	Country of incorporation
F.W. Woolworth (Chemists) Limited	Operation of pharmacies	-	-	Cyprus
Francela 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), Larnaca, Limassol and Paphos	51	51	Cyprus
Fashionlink S.A.	Operation of fashion retail stores	100	100	Greece
Anglo-Cyprus Association Limited	Dormant	100	100	Cyprus
Scandia Company Limited	Holding of investments	100	100	Cyprus
Ideea Distribution of Appliances Limited (100% subsidiary of Scandia Company limited)	Import and distribution of electric and electronic appliances	100	100	Cyprus
Novario Holding Limited (subsidiary of Ideea Distribution of Appliances Limited)	Retail sales through the chain stores of Scandia and Megaelectric	50%+1 share	-	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.

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

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

The total non controlling interest at 31 December 2016 is €6.919.108 (2015: €7.010.900), of which €6.928.837 (2015: €7.008.991) relates to Superhome Center (DIY) Limited, €2.174 (2015: €1.909) to Avenue Department Stores Limited and €11.903 (2015: €Nil) to Novario Holding Limited.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Summarised balance sheet	Superhome Center (DIY) Limited	
	2016	2015
Current	€	€
Assets	13.384.305	11.783.385
Liabilities	(16.148.834)	(17.195.749)
Total net current liabilities	(2.764.529)	(5.412.364)
Non-current		
Assets	20.388.369	21.139.143
Liabilities	(3.482.042)	(1.422.454)
Total net non-current assets	16.906.327	19.716.689
Net assets	14.141.798	14.304.325

Summarised statement of comprehensive income

	2016	2015
	€	€
Revenue	41.545.814	36.101.344
Profit before tax	2.098.286	1.600.247
Tax	(260.768)	(207.045)
Profit after tax	1.837.518	1.393.202
Other comprehensive income		
Deferred tax	(45)	(12.319)
Total comprehensive income	1.837.473	1.380.883
Total comprehensive income attributable to non-controlling interest (49%)	900.362	676.633
Dividends paid to non-controlling interest	980.000	735.000

Summarised cash flow

	2016	2015
	€	€
Cash flows from operating activities	1.486.024	3.989.724
Taxation paid	(225.000)	(238.715)
Net cash from operating activities	1.261.024	3.751.009
Net cash used in investing activities	(117.057)	(4.995.241)
Net cash from /(used in) financing activities	417.016	(1.680.260)
Net (increase) /decrease in cash and cash equivalents	1.560.983	(2.924.492)
Cash and cash equivalents at beginning of year	(5.749.192)	(2.824.700)
Cash and cash equivalents at end of year	(4.188.209)	(5.749.192)

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

NOTES TO THE FINANCIAL STATEMENTS

Summarised balance sheet

Summarised balance sheet	Novario Holding Limited
	2016
Current	€
Assets	12.246.203
Liabilities	(7.422.622)
Total net current liabilities	4.823.581
Non-current	
Assets	413.500
Liabilities	(5.260.886)
Total net non-current liabilities	(4.847.386)
Net liabilities	(23.805)

Summarised statement of comprehensive income

	2016
	€
Revenue	6.123.435
Loss before tax	(25.805)
Tax	-
Loss after tax	(25.805)
Total comprehensive loss attributable to non-controlling interest (50% - 1 share)	(12.890)

Summarised cash flow

	2016
	€
Cash flows from operating activities	
Cash generated from operating activities	(3.269.910)
Taxation paid	-
Net cash used in operating activities	(3.269.910)
Net cash used in investing activities	(33.028)
Net cash from financing activities	2.395.529
Net decrease in cash and cash equivalents	(907.409)
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	907.409

20. INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
At the beginning of the year	-	41.765.415	-	42.818.400
Disposals (1)	-	(43.692.249)	-	(42.818.400)
Share of profit after tax	-	1.926.834	-	-
At the end of the year	-	-	-	-

(1) On 23 July 2015, the Company and the Group proceeded with the disposal of the investment in associate ITTL Trade Tourist and Leisure Park Plc for the amount of €28.618.376 to Atterbury Cyprus Limited. The Group and Company's loss from the disposal amounted to €15.073.874 and €14.200.024 respectively and are included in non-recurring expenses in the income statement (Note 12).

The associated companies of the Company and the Group are presented below as at 31 December 2015, 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 constitutes 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 2015:

Name of entity 2015	Place of business/ country of Incorporation	% of ownership interest	Nature of the relationship	Measurement method
ITTL Trade Tourist and Leisure Park Plc	Cyprus	45% until the disposal date	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.

Summarised financial information for associates

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

Summarised statement of comprehensive income	23 July 2015
	€
Rights for use of space and other income	6.520.157
Finance costs	1.088.144
Profit before income tax	3.249.069
Income tax expense	1.032.785
Profit after tax and total comprehensive income for the year	4.281.854
Dividends received from associated company	-

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.

NOTES TO THE FINANCIAL STATEMENTS

21. NON-CURRENT RECEIVABLES

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Non-current				
Loan to related companies (Note 30 (iv))	**29.150.522**	25.291.445	**29.150.522**	25.291.445
Loan to other parties	**8.872.500**	8.898.409	**8.872.500**	8.898.409
Total loans	**38.023.022**	34.189.854	**38.023.022**	34.189.854
Balance with subsidiary company (Note 30 (iii))	**-**	-	**11.374.776**	10.306.354
Total	**38.023.022**	34.189.854	**49.397.798**	44.496.208

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. There are no guarantees and securities in relation to the loans.

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

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

	The Group		The Company	
	2016	2015	2016	2015
	%	%	%	%
Loan to parent entity	5,1	5,9	5,1	5,9
Loan to related parties	5,1	5,5	5,1	5,5
Loan to other parties	3	3	3	3
Balance with subsidiary	-	-	5,1	6

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

	The Group		The Company	
	2016	2015	**2016**	2015
	%	%	**%**	%
Euro-functional and presentation currency	**38.023.022**	34.189.854	**49.397.798**	44.496.208

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The loan to other parties amounted to €8.872.500 (2015: €8.898.409) is secured by a collateral of 13 800 000 shares in the Company, The Mall of Cyprus (MC) Ltd which they belong to the borrower. The Company and the Group do not hold any collateral as security. None of the non-current receivables is either past due or impaired.

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 €1.379.559 (2015: €1.338.951) and €1.379.559 (2015: €1.338.951) of the Company, that are shown at net realisable value.

23 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Trade receivables	3.881.739	3.040.425	1.146.236	1.116.757
Less: provision for impairment of receivables	(1.225.725)	(1.225.725)	(570.248)	(570.248)
Trade receivables – net	2.656.014	1.814.700	575.988	546.509
Receivable from related companies (Note 30 (iii))	1.105.945	525.747	859.811	592.254
Advances, prepayments and other receivables	5.252.876	3.395.237	4.233.730	2.630.442
	9.014.835	5.735.684	5.669.529	3.769.205

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

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Trade receivables	2.656.014	1.814.700	575.988	546.509
Receivable from related companies (Note 30 (iii))	1.105.945	525.747	859.811	592.254
Advances, prepayments and other receivables	5.252.876	3.395.237	4.233.730	2.630.442
	9.014.835	5.735.684	5.669.529	3.769.205

As of 31 December 2016, trade receivables of €2.379.942 (2015: €1.293.693) of the Group and €299.916 (2015: €196.988) 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 2016, trade receivables of the Group of €276.072 (2015: €521.007) and the Company of €276.072 (2015: €349.521) 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	
	2016	2015	2016	2015
	€	€	€	€
Over 3 months	276.072	521.007	276.072	349.521

As of 31 December 2016, trade receivables of €1.225.725 (2015: €1.225.725) of the Group and €570.248 (2015: €570.248) of the Company were impaired and provided for. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Over 3 months	1.225.725	1.225.725	570.248	570.248

During 2016 the Group recognised loss for the impairment of trade receivables of €nil (2015: €211.232), and the Company recognised loss of €nil (2015: €211.232).

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
At 1 January	**1.225.725**	1.014.706	**570.248**	359.229
Provision for receivables impairment (Note 7)	**-**	211.232	**-**	211.232
Receivables written off during the year as uncollectible	**-**	(213)	**-**	(213)
At 31 December	**1.225.725**	1.225.725	**570.248**	570.248

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	
	2016	2015	**2016**	2015
	€	€	**€**	€
Euro - functional and presentation currency	**9.014.835**	5.672.132	**5.669.529**	3.769.205
US Dollar	**-**	63.552	**-**	-
	9.014.835	5.735.684	**5.669.529**	3.769.205

NOTES TO THE FINANCIAL STATEMENTS

24. CASH AND BANK BALANCES

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Cash at bank and in hand	**2.711.495**	2.039.102	**1.247.602**	1.176.507
Short term bank deposits	**22.350**	22.410	**16**	76
	2.733.845	2.061.512	**1.247.618**	1.176.583

The effective interest rate on short term bank deposits of the Company was 0,02% (2015: 0,05%) and 0,46% (2015: 1,50%) 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	
	2016	2015	**2016**	2015
	€	€	**€**	€
Cash and bank balances	**2.733.845**	2.061.512	**1.247.618**	1.176.583
Less: Bank overdrafts (Note 26)	**(30.703.480)**	(31.770.723)	**(21.234.470)**	(19.763.104)
	(27.969.635)	(29.709.211)	**(19.986.852)**	(18.586.521)

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Euro - functional and presentation currency	**2.733.845**	2.061.512	**1.247.618**	1.176.583

25. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares of 34 cents each	Share capital €	Treasury shares €	Total €
Authorised				
At 1 January 2015, 31 December 2015 and 31 December 2016	210 000 000	71.400.000	-	71.400.000
Issued and fully paid				
At 1 January 2015, 31 December 2015 and 31 December 2016	174 499 710	59.500.000	(154.583)	59.345.417

The total authorised number of ordinary shares is 210 000 000 shares (2015: 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 2016 is 500 290 (2015: 500 290). These shares would have to be sold, cancelled or distributed in accordance with the existing regulatory framework of the stock market. The Company makes the necessary procedures for resolving the issue.

26. BORROWINGS

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Current				
Bank overdrafts (Note 24)	30.703.480	31.770.723	21.234.470	19.763.104
Bank borrowings	2.777.995	1.160.666	1.939.471	1.048.866
	33.481.475	32.931.389	23.173.941	20.811.970
Non-current				
Bank borrowings	6.357.045	1.137.767	1.506.300	484.549
	6.357.045	1.137.767	1.506.300	484.549
Total borrowings	39.838.520	34.069.156	24.680.241	21.296.519
Maturity of non-current borrowings (excluding finance lease liabilities)				
Between 1 and 2 years	1.296.234	214.640	445.978	96.040
Between 2 and 5 years	3.534.959	856.077	908.599	321.459
Over 5 years	1.525.852	67.050	151.723	67.050
	6.357.045	1.137.767	1.506.300	484.549

The bank loans and overdrafts are secured as follows:

The Group

(a) A loan and overdrafts are secured by a mortgage on the land and building of the subsidiary company Superhome Center (DIY) Limited up to the amount of €11.572.000 (2015: €11.572.000), (Note 17). The carrying value of the mortgaged land and building amounted to €8.543.000.

(b) Bank overdraft amounting to €5.000.000 (2015: €5.000.000) is secured by a mortgage on a property of two related companies, Woolworth (Cyprus) Properties Plc and ZAKO Limited, €1.965.000 (2015: €1.965.000) and €1.680.000 (2015: €1.680.000) respectively, and fire policy amounting to €1.140.000 (2015: €1.140.000) and €886.785 (2015: €886.785), respectively.

(c) By corporate guarantees from related companies for €74.285.151 (2015: €62.565.151).

(d) By corporate guarantees of a company that is not owned by the Group and is owned by the non-controlling interest amounting of €4.300.000 (2015: €nil).

(e) By personal guarantees of Executive Directors of a company that is not owned by the Group and is owned by the non-controlling interest for €4.300.000 (2015: €nil).

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

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

The Company

(a) Bank overdraft amounting to €5.000.000 (2015: €5.000.000) is secured by a mortgage on a property of two related companies, Woolworth (Cyprus) Properties Plc and ZAKO Limited for €1.965.000 (2015: €1.965.000) and €1.680.000 (2015: €1.680.000) respectively, and fire policy amounting to €1.140.000 (2015: €1.140.000) and €886.785 (2014: €886.785), respectively.

(b) By corporate guarantees from related companies for €66.877.884, (2015: €54.177.884).

(c) bank overdraft amounting to €4.500.000 is secured by a mortgage on a property of the related company, Woolworth (Cyprus) properties Plc, amounting to €10.000.000 (2015: €10.000.000). The carrying value of the mortgaged property amounted to €16.000.000.

NOTES TO THE FINANCIAL STATEMENTS

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Bank overdrafts	**4,4**	5,1	**4,5**	5,1
Bank borrowings	**4,1**	4,9	**4,2**	5,4

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 2022.

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	
	2016	2015	**2016**	2015
	€	€	**€**	€
6 months or less	**14.107.625**	4.122.888	**14.107.625**	3.630.594
6-12 months	**25.730.895**	29.946.268	**10.572.616**	17.665.925
	39.838.520	34.069.156	**24.680.241**	21.296.519

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Floating rate:				
Expiring within one year	**9.726.048**	8.322.570	**6.461.097**	7.932.733

The facilities expiring within one year are annual facilities subject to review at various dates during 2016.

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	
	2016	2015	2016	2015
	€	€	€	€
Euro - functional and presentation currency	39.838.520	34.069.156	24.680.241	21.296.519

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	
	2016	2015	2016	2015
	€	€	€	€
Deferred income tax assets				
- Deferred tax assets to be recovered after more than twelve months	647.085	673.980	647.085	639.092
Deferred income tax liabilities				
- Deferred tax liabilities to be settled after more than twelve months	(789.828)	(768.667)	-	-
Deferred income tax assets/(liabilities) - net	(142.743)	(94.687)	647.085	639.092

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

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
At the beginning of the year	(94.687)	(56.483)	639.092	635.240
(Charge)/credit included in profit or loss (Note 11)	(47.441)	(26.449)	7.993	3.852
Tax charge relating to components of other comprehensive income (Note 11)	(615)	(11.755)	-	-
At the end of the year	(142.743)	(94.687)	647.085	639.092

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

The Group

Deferred tax liabilities	Difference between depreciation and wear and tear allowance	Fair value gains	Total
	€	€	€
At 1 January 2015	(43.916)	(682.695)	(726.611)
Credited to:			
Other comprehensive income (Note 11)	-	(11.755)	(11.755)
Profit or loss (Note 11)	(30.301)	-	(30.301)
At 31 December 2015/1 January 2016	(74.217)	(694.450)	(768.667)
Credited to:			
Other comprehensive income (Note 11)	-	(615)	(615)
Profit or loss (Note 11)	(20.546)	-	(20.546)
At 31 December 2016	(94.763)	(695.065)	(789.828)

Deferred tax liabilities	Difference between depreciation and wear and tear allowance
	€
At 1 January 2015	670.128
Credited to:	
Profit or loss (Note 11)	3.852
At 31 December 2015/ 1 January 2016	673.980
Credited to:	
Profit or loss (Note 11)	(26.895)
At 31 December 2016	647.085

The Company

Deferred tax liabilities	Difference between depreciation and wear and tear allowance
	€
1 January 2015	635.240
Credited to:	
Profit or loss (Note 11)	3.852
At 31 December 2015/ 1 January 2016	639.02
Credited to:	
Profit or loss (Note 11)	7.993
At 31 December 2016	647.085

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Current				
Trade payables	23.428.793	22.180.769	10.808.125	10.161.717
Social insurance and other taxes	370.894	502.190	326.068	386.964
V.A.T payable	2.939.798	1.887.838	1.318.695	1.100.049
Payables to related companies (Note 30 (iii))	3.253.962	3.060.496	2.949.778	2.924.851
Payable balance for the acquisition of subsidiaries and joint venture (Note 30 (v))	-	-	1.572.002	2.262.193
Other payables and accrued expenses	14.680.955	14.388.119	12.216.575	12.700.485
Warranty provision	100.421	40.422	-	-
	44.774.823	42.059.854	29.191.243	29.536.259
Non-current				
Payable to related parties (Note 30 (iii))	1.392.081	-	-	-
	46.166.904	42.059.854	29.191.243	29.536.259

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	
	2016	2015	**2016**	2015
	€	€	**€**	€
Euro functional currency and presentation	**42.581.556**	38.889.822	**25.961.306**	26.775.254
Pound Sterling	**3.552.599**	3.159.266	**3.221.820**	2.752.888
US Dollar	**32.749**	10.766	**8.117**	8.117
	46.166.904	42.059.854	**29.191.243**	29.536.259

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

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 2016 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, two ZAKO stores, one Fashion Bazaar Koumandarias store, one Oviesse Apollon (Limassol) store, which terminated its operation in 2017 and was replaced by Peacocks Apollon (Limassol) and the Central offices and Central warehouse of the Company at Latsia. The lease period is up to the year 2018.

(b) Superhome Center (DIY) in Paphos

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

The lease period is up to the year 2020.

(c) 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 was up to the end of the year 2016. The Company agreed with Armonia Estates Limited to stop the tenancy on 30 November 2016.

(d) Debenhams Ledra in Nicosia

The Company has a lease agreement for the Shacolas Tower with Woolworth up to 31 March 2016. The Company agreed to terminate the lease on 31 March 2016. 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 the year 2020.

(f) Superhome Center (DIY) Limited in Larnaca

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

(g) Ideea Distribution of Appliances Limited in Limassol

The subsidiary company, Ideea Distribution of Appliances Limited has a lease agreement of its store in Limassol up to the year 2018.

(h) The Mall of Engomi (ME) Plc

The Group has agreements with The Mall of Engomi (ME) Plc for the right of use of space or rental of space for the operation of Debenhams, Oviesse and Peacocks (terminated its operation in 2017 and Oviesse store was expanded in its place. Next and Uber shops at 'Mall of Engomi'. Additionally the subsidiary company Superhome Center (DIY) Limited signed an agreement with the same company for operating a superstore in Engomi. The duration of the lease agreements range from November 2021 to May 2025.

(i) The Mall of Cyprus (MC) Plc

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

(j) Other stores

The Company has agreements with non-related parties for various stores, of which the expiry of the agreement range from January 2017 to December 2022.

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Not later than 1 year	**10.417.254**	10.954.998	**9.500.219**	9.479.612
Later than 1 and not later than 5 years	**20.540.234**	27.680.806	**18.132.555**	24.448.272
Later than 5 years	**7.909.927**	12.313.143	**2.117.197**	6.362.913
	38.867.415	50.948.947	**29.749.971**	40.290.797

30. RELATED PARTY TRANSACTIONS

At the date of this report, the main shareholder of the Company is Cyprus Trading Corporation Plc, which owns 65,95% of the share capital of the Company. Debenhams Retail Plc owns 10% of the Company's share capital. N.K.Shacolas (Holdings) Ltd is owned by the members of the Shacolas family, none of which controls the Company.

The following transactions were carried out with related parties:

(i) Sales of goods and services

		The Group		The Company	
		2016	2015	2016	2015
Related companies	**Nature of transaction**	€	€	€	€
	Sales of goods	166.865	409.968	2.136	3.485
	Financing and interest	605.508	189.777	605.508	189.777
	Other	232.582	94.706	232.583	94.707
		1.004.955	694.451	840.227	287.969

		The Group		The Company	
		2016	2015	2016	2015
Associated companies	**Nature of transaction**	€	€	€	€
	Sales of goods	-	4.054	-	-
	Financing and interest	-	25.313	-	25.313
	Other	-	5.057	-	5.057
		-	34.424	-	30.370

		The Group		The Company	
		2016	2015	2016	2015
Parent company	**Nature of transaction**	€	€	€	€
	Sales of goods	59.354	20.498	22.872	973
	Financing and interest	248.954	462.099	248.954	462.098
	Space usage fees	3.600	1.860	-	-
	Other	110.332	43.849	98.596	60.468
		422.240	528.306	370.422	523.539

		The Group		The Company	
		2016	2015	2016	2015
Subsidiary companies	**Nature of transaction**	€	€	€	€
	Sales of goods	-	-	25.318	455.955
	Consultancy services	-	-	46.800	42.400
	Financing and interest	-	-	1.066.069	589.831
	Space usage fees	-	-	21.240	12.240
	Recharges	-	-	274.818	257.829
	Dividends	-	-	1.049.700	920.430
	Other	-	-	209.572	362.289
		-	-	2.693.516	2.640.974

(ii) Purchases of goods and services

		The Group		The Company	
		2016	2015	2016	2015
Related companies	**Nature of transaction**	€	€	€	€
	Purchase of goods – Debenhams Retail Plc	8.037.040	10.378.566	8.037.040	10.378.566
	Purchase of goods – other companies	104.914	209.055	34.746	38.481
	Consultancy services	265.070	244.879	265.070	240.000
	Financing and interest	-	105.706	-	-
	Space usage fees	5.442.734	5.838.038	4.390.432	5.073.252
	Recharges	-	-	-	755.542
	Other	1.257.223	2.596.470	683.007	516.917
		15.106.981	19.372.714	13.410.295	17.002.758

		The Group		The Company	
		2016	2015	2016	2015
Associated companies	**Nature of transaction**	€	€	€	€
	Space usage fees	-	1.348.265	-	1.348.265
	Other	-	22.241	-	440.032
		-	1.370.506	-	1.788.297

		The Group		The Company	
		2016	2015	2016	2015
Parent company	**Nature of transaction**	€	€	€	€
	Purchase of goods – other companies	4.903.172	5.648.491	4.261.474	5.037.958
	Space usage fees	1.236	128.898	1.236	-
	Other	593.351	774.260	430.900	195.629
		5.497.759	6.551.649	4.693.610	5.233.587

		The Group		The Company	
		2016	2015	2016	2015
Subsidiary companies	**Nature of transaction**	€	€	€	€
	Purchase of goods	-	-	3.446.258	4.296.006
	Financing and interest	-	-	102.797	125.978
	Rent	-	-	-	2.370
	Space usage fees	-	-	3.360	-
	Recharges	-	-	3.123.412	2.793.609
	Other	-	-	187.015	1.076
		-	-	6.862.842	7.219.039

NOTES TO THE FINANCIAL STATEMENTS

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

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
Receivables				
Current (Note 23)				
Related companies (1)	1.105.945	525.747	803.370	351.310
Subsidiary companies (2)	-	-	56.411	240.944
	1.105.945	525.747	859.811	592.254
Non-current (Note 21)				
Subsidiary company (3)	-	-	11.374.776	10.306.354
Payables (Note 28)				
Current				
Related companies (4)				
- trade payables	941.220	1.315.946	941.220	1.315.946
- other payables	2.312.742	1.744.550	1.368.552	1.097.143
Subsidiary companies (5)				
- other payables	-	-	640.006	511.762
	3.253.962	3.060.496	2.949.778	2.924.851
Non - current				
Related companies				
- other payables	1.392.081	-	-	-

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

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

(3) Non-current receivable consist from balances with the subsidiary company C.W. Artopolis Limited. The amount bears interest of 5,1% (2015: 6%) per annum and it has been agreed that no repayment will be demanded within the next year.

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

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

(iv) Loans to related parties

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
At the beginning of the year	25.291.445	11.272.251	25.291.445	11.272.251
Loans advanced during the year	3.351.495	23.722.181	3.351.495	23.722.181
Loans repaid during the year	(346.880)	(10.373.264)	(346.880)	(10.373.264)
Interest charged	854.462	670.277	854.462	670.277
At the end of the year (Note 21)	29.150.522	25.291.445	29.150.522	25.291.445

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

	The Group		The Company	
	2016	2015	2016	2015
Woolworth (Cyprus) Properties Plc	€	€	€	€
At the beginning of the year	20.823.329	-	20.823.329	-
Loans advanced during the year	1.351.495	21.137.303	1.351.495	21.137.303
Loans repaid during the year	-	(503.751)	-	(503.751)
Interest charged	605.508	189.777	605.508	189.777
At the end of the year (Note 21)	22.780.332	20.823.329	22.780.332	20.823.329

The loan with the related company Woolworth (Cyprus) Properties Plc bears interest 5,1% (2015: 5,5%). On 31 December 2016 there was an agreement between the related parties that no repayment will be demanded in the next five years from the date of agreement.

	The Group		The Company	
	2016	2015	**2016**	2015
Cyprus Trading Corporation Plc	**€**	€	**€**	€
At the beginning of the year	**4.468.116**	9.022.251	**4.468.116**	9.022.251
Loans advanced during the year	**2.000.000**	2.584.878	**2.000.000**	2.584.878
Loans repaid during the year	**-**	(6.850.000)	**-**	(6.850.000)
Transfer of balances from related parties	**(346.880)**	(744.200)	**(346.880)**	(744.200)
Interest charged	**248.954**	455.187	**248.954**	455.187
At the end of the year (Note 21)	**6.370.190**	4.468.116	**6.370.190**	4.468.116

The loan with the parent company Cyprus Trading Corporation Plc bears interest 5,1% (2015: 5,9%). Ermes Department Stores Plc and Cyprus Trading Corporation Plc agreed that no repayment will be demanded in the next four years.

	The Group		The Company	
	2016	2015	2016	2015
ITTL Trade Tourist and Leisure Park Plc	€	€	€	€
At the beginning of the year	-	2.250.000	-	2.250.000
Transfer of balances from related parties	-	(2.275.313)	-	(2.275.313)
Interest payable	-	25.313	-	25.313
At the end of the year (Note 21)	-	-	-	-

The loan with the associated company ITTL Trade Tourist and Leisure Park Plc does not bear any interest (2015: 4,5%). The loan was transferred to the current account of Woolworth (Cyprus) Properties Plc.

There were no securities or guarantees for these loans.

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

	The Group		The Company	
	2016	2015	2016	2015
	€	€	€	€
At the beginning of the year	-	-	2.262.193	2.535.708
Loans advanced during the year	-	-	-	300.000
Loans repaid during the year	-	-	(792.988)	(699.493)
Interest charged (Note 10)	-	-	102.797	125.978
At the end of the year (Note 28)	-	-	1.572.002	2.262.193

The loan from related companies bears interest at the rate of 5,1% (2015: 5,61%). There were no guarantees and securities in respect to the above borrowings.

(vi) Key management personnel compensation

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

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Salaries and other short-term employee benefits	**2.289.832**	1.935.564	**1.312.542**	1.125.281

(vii) Directors' remuneration

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

	The Company	
	2016	2015
	€	€
Fees as non-executive Directors	250.832	250.138
Fees as executive Directors	11.800	10.250
Emoluments in their executive capacity	407.559	380.526
Contributions to provident fund	2.718	2.718
	672.909	643.632

(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 amount of commitments for operating leases with related parties as at 31 December 2016 amounted to €8.041.775 (2015: €11.407.070) for the Company and €17.179.020 (2015: €22.065.220) for the Group.

NOTES TO THE FINANCIAL STATEMENTS

31. CONTINGENT LIABILITIES

On 31 December 2016 the Group and the Company had contingent liabilities regarding the following:

(i) Debenhams Avenue

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

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

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

The Board of Directors of the Company 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 €3.450.096 (2015: €2.635.025) for the Group and €1.974.778 (2015: €1.614.851) for the Company.

32. EVENTS AFTER THE BALANCE SHEET DATE

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

Independent auditor's report in pages 30 to 35.