



Annual Report 2017



WE SOURCE



WE SERVE



WE SUPPLY

value adding distribution partner



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CEO'S STATEMENT



"2017 marked my 25 years with B&S Group.

I am proud of the Company that we are today, and feel energised about our future"

I am pleased to report that the year ended 31 December 2017 has been another strong year of development and growth for the B&S Group.

Results

These results reflect the continued successful execution of our strategy in growing our business both organically and through carefully selected acquisitions. This growth is supported by leveraging our scale in our sourcing activities, our clear focus on digitisation to further thrive efficiency and cost leadership, and focused business selection.

For our HTG segment, the growth of internet retailing and demand for premium beauty products in Asia resulted in increased business in our Health & Beauty category. With the growth of European value retail, we were able to further increase the success of our 2016 acquisition of Topbrands, which strengthened our Health & Beauty sub-segment with private label products for value retail customers.

Within our B&S segment, we saw subtle growth from further development of Consumer Goods distribution from our Dubai branch and the cross-selling opportunities between Topbrands and the B&S segment. The other markets remained fairly stable and, in comparison to 2016 showed either a small increase, for example offshore catering, or a small decrease, for example government and defence.

For our Retail segment, we are proud to report that in 2017, we opened new stores at Vienna Airport and Helsinki Airport. On top of that, we were awarded the concession for five shops in the new terminal of Abu Dhabi Airport at the end of 2017.

Strategy

Our strategy of driving organic growth combined with carefully selected acquisitions, and our continuous focus on operational improvements, have led to a strengthened profile of the B&S Group. By offering both our suppliers and customers value adding services as their specialised distribution partner, we have further strengthened long term and mutually beneficial relationships. Our acquisition activities continued in 2017, where at the end of December we acquired a controlling interest in Alcodis, a liquor distribution company based in Spain, to further strengthen our position in the Liquor product category.

We look to achieve further organic growth by enhancing leadership in the selected channels and specialised markets we operate and by exploring possibilities to expand our operations in other geographical areas. We seek to further optimise our global sourcing operations, to continue to focus on digitisation, to continue our service minded approach and to further simplify the supply chain for both our suppliers and customers. Additionally, we intend to further strengthen our growth with carefully selected acquisitions.

Delivery against strategy

B&S Group is an entrepreneurial business with a clear focus on consistent growth and performance. Our steady track record demonstrates yearlong strong top-line development in turnover and strong EBITDA growth with consistently improved margins on Group level. Over the past years we have further sharpened our business focus through prioritising higher margins over turnover increase, resulting in a 7.0% EBITDA margin in FY2017 and a return on capital employed of over 36% as at 31 December 2017.

Our high solvency level of 43% as at 31 December 2017 and our limited long term financing provide a solid base and flexibility in seizing sourcing opportunities as soon as they arise.

Although we serve very fragmented markets and specialised channels with a wide geographical spread, the heart of all our activities lies in our value adding distribution that is nurtured by what we call our source-serve-supply model

Investing in the future

We will continue to invest in our centralised platform to support our organic growth. By doing so, we are able to enhance our customer offering and retain a competitive advantage. In 2017, we have continued to improve our existing warehouse facilities and invested in the construction of a new automated warehouse that makes our operations more efficient. We are centralising and continuously improving our IT systems by rolling out a tailored Enterprise Resource Planning (ERP) system and integrating newly acquired businesses into the Group's centralised backbone. We also continue to focus on compliance and have embedded these procedures in our systems.

Our decentralised operations drive our entrepreneurial culture and allow us to benefit from in-depth market expertise, aiding us in anticipating our customers' needs in a diverse set of specialised markets. In addition, our international scope and local approach are supported by local business hubs that further strengthen our services towards our customers.

Strong workforce

As a value adding distribution partner, we rely heavily on the skills of our people and the commitment of our management. I would like to thank them all for their achievements this year which have contributed to our continuous success.

In 2017 we have revised our job evaluation framework to enhance our incentive system and further drive the retention of our talented workforce. I take pride in the fact that the majority of our management has started their career with our company and have been on board with us for many years. The same rings true for me; 2017 marked my 25-year jubilee within the organisation, of which I have been CEO since 2004. Having seen this organisation grow into the strong global value adding distributor it is today, energises me and makes me look forward with confidence. I am confident the best is yet ahead of us.

J.B. Meulman,
CEO

KEY FIGURES

x €1,000,000

2017

2016

2015

PROFIT OR LOSS ACCOUNT

Turnover	1,507	1,339	1,338
Gross margin	216	189	187
As a % of turnover	14.3%	14.1%	14.0%
EBITDA	106	89	83
As a % of turnover	7.0%	6.6%	6.2%
EBIT	98	81	77
As a % of turnover	6.5%	6.0%	5.8%
Profit for the period	83	69	66
As a % of turnover	5.5%	5.2%	4.9%

STATEMENT OF FINANCIAL POSITION

Total assets	564	549	467
Current assets	498	481	419
Bank debts	193	202	145
Total equity	242	230	196

RATIOS

Turnover increase	12.5%	0.1%	16.1%
Result increase	20.3%	4.5%	37.5%
Current assets/Total assets	88.3%	87.6%	89.7%
Inventory in days	85.0	88.8	76.7
Debtors in days	39.5	44.2	39.0
Solvency	42.9%	41.9%	42.0%
Interest cover ratio	21.9	20.0	20.9
Bank debts/EBITDA ratio	1.8	2.3	1.7

€1,507
million
↑ 12.5%
2016: €1,339 million

TURNOVER DEVELOPMENT

(in millions of euros)



€216
million
↑ 14.3%
2016: €189 million

GROSS MARGIN DEVELOPMENT

(in millions of euros)



€106
million
↑ 19.1%
2016: €89 million

EBITDA

(in millions of euros)



€83
million
↑ 20.3%
2016: €69 million

PROFIT FOR THE PERIOD

(in millions of euros)



€242
million
↑ 5.2%
2016: €230 million

GROUP EQUITY

(in millions of euros)



COMPANY PROFILE

Value adding distribution partner We are a value adding distributor of Fast Moving Consumer Goods in over 100 countries and act as a single source supplier to attractive channels and specialised markets.

Adding value for both supplier and customer

We focus on serving distinct niche markets worldwide that are generally difficult to serve efficiently due to their specific demands and characteristics. We provide tailored solutions

throughout the supply chain, linking suppliers and customers that would otherwise find it difficult to connect.



With **our suppliers**, we engage in mutually beneficial relationships, seeking to simplify the supply chain whilst enabling them to grow their business by providing them with access to niche markets, market intelligence, customer expertise and marketing support.

Our suppliers include:

- Brand owners
- Producers
- Wholesalers and distributors
- International retail chains



To **our customers**, we offer a product portfolio of over 40,000 products at competitive prices whilst adhering to strict compliance standards and arranging customs handling and transportation to locations that are often hard to reach.

Our customers include:

- Retail (B2B); Value, online, secondary, underserved, duty-free
- Maritime; Ship suppliers and cruise lines
- Remote; Caterers at remote industrial sites, peacekeeping missions, government and defence operations
- Retail (B2C); Customers in (travel) retail outlets and specialty retail markets

90

Suppliers in nearly 90 countries

5%

Number 1 supplier only 5% of total purchase value

100

Customers in over 100 countries

4%

Number 1 customer only 4% of total turnover

Read more about our competitive edge

Full compliance p. 20 ■ Committed leadership p. 39 ■ Centralised approach p. 28 ■ Asset light operations p. 16 ■ value adding service p. 24

Our business model

Our business model, based on adding value to both our suppliers and our customers, has led to strong growth in our selected markets and channels and allows us to continuously develop new business opportunities.

Value adding distribution through efficient sourcing, focus on service and expertise in supply chain operations

We are active in diversified channels and specialised niche markets across the globe. All of these markets have in common that they are in some sense difficult to serve, either due to geography, remoteness of locations, extensive regulation, high compliance requirements, or fast-changing market

conditions. Our highly efficient sourcing mechanism, our focus on providing service and our expertise in supply chain operations help us achieve our goal to be able to supply our customers with nearly any product, any place, anytime.

Our source-serve-supply model



We Source

Our differentiated sourcing is key to our proposition and we do this in a highly efficient manner. Through our scale and global reach we have built a deep understanding of regional cost imbalances. Our modern and integrated platform allows us to act quickly and benefit from sourcing opportunities whenever they arise. We pass the advantages of our highly efficient sourcing on to our customers. Additionally, we fulfil requests to source hard-to-find products within our categories of expertise, providing our customers with access to nearly any product they desire.



We Serve

Value adding services lie at the heart of our business and we believe it is what creates our strong and longstanding partnerships with suppliers and customers. Through the consistent delivery of high-quality and high-value services over time we have earned a reputation of trusted and reliable business partner. In turn, this enables us to build new longstanding relationships, and deepen the partnership with our existing suppliers and customers. We do not merely serve as a link between the two, but offer a clear value proposition to both.



We Supply

Our expertise in supply chain operations is of major importance in the markets we serve. Facilitated by our sophisticated warehouses at strategic locations and in partnership with our longstanding logistics partners, we strive to deliver our products to our customers at any location, at any time. We operate bonded warehouses, which allow us to distribute internationally, without having to pay import duties, VAT or excise anywhere, other than in the final end-market. Our partly automated warehousing allows for faster picking and order handling, and has enabled our increased servicing of e-commerce customers.

Our business segments Our business operates through the following three business segments: the HTG Segment, the B&S Segment and the Retail Segment. Each segment is responsible for developing and executing its strategy and business plan, driving and managing sales and managing its customer relationships; all based on our source-serve-supply business model.

BUSINESS SEGMENT**WE SOURCE**

60% 40% of segment total

- With our differentiated internal sourcing proposition, we buy products in bulk on an ad hoc basis from manufacturers, wholesalers and distributors and international retail chains, allowing our subsidiaries to benefit from geographical price differences and price differences in channels.
- We provide our suppliers the opportunity to efficiently dispose of stock lots, close-out products, excess inventory and non-standard product sizes and match these with opportunities to sell in a variety of end markets.



53% 34% 13% of segment total

- We buy Consumer Goods directly from premium brand owners with whom we maintain close relationships.
- We source hard-to-find products and are able to track and ensure to our customers that they adhere to strict food safety guidelines or fit specific cultural and national preferences or requirements.
- Additionally, we work with manufacturers that produce dry and canned food products for our private label GoodBurry, ensuring a value for money alternative in our product assortment.



70% 30% of segment total

- Within our retail operations, we source a focused selection of travel electronics from trusted partnerships with premium brands and a range of travel electronic products under our private labels.
- Additionally, we offer a selected assortment of the product groups that we source within our distribution activities in our HTG and B&S segments.



⁽¹⁾ Excluding elimination of cross segment intercompany turnover of € (34) million and EBITDA of € 0.1 million.



WE SERVE

- We provide a key connection to A-branded products in the Liquor segment for B2B retailers (mainly underserved markets) and local distributors and wholesalers.
- We provide a key connection to A-branded products and private label products in the Health & Beauty segment for B2B retailers (Value-for-money retailers, secondary channels, underserved markets, e-commerce platforms) and local distributors and wholesalers.

- We provide capillary distribution services for hard to reach places including maritime, remote and specific Retail (B2B) markets, acting as a one-stop shop with over 30,000 products available in the Food & Beverages, Liquor and Health & Beauty product categories.
- In some of these markets we add additional value by supporting our suppliers with brand development and marketing, and we always work in close partnership with our customers to tailor our service to their specific logistical complexities.

- We provide end consumers at international airports with an exclusive retail concept based on inspiring shopping environments. Our assortment consists of consumer lifestyle electronics from selected quality brands complemented with private label alternatives.
- To end consumers at regional airports, on board cruise vessels and at military bases, we offer consumer goods tailored to regional and cultural preferences.
- To our suppliers we provide a showcase window for their brands in unique locations with consumers that show different buying behaviour compared to conventional retail. [Read more on p 27](#)



WE SUPPLY

- Most products are branded and have a long shelf life, enabling direct delivery of the assortment in our warehouses.
- Our customs certificates allow us to store products that will not or have not yet been imported into the EU. Our extensive knowledge in customs compliance regulation and our status as Authorised Economic Operator (AEO) allows us to clear goods through customs in an expedited manner.
- Our main warehouse is completely automated and uses robots and automated picking stations for storing and moving products, enabling order fulfilment for e-commerce platforms and distribution of products to end-consumers.

- Our warehouse locations enable us to deliver within tight time frames and to supply perishable and other goods to complex markets.
- Our customs certificates allow us to store products that will not or have not yet been imported into the EU and to store non-EU destined veterinary products. We have extensive knowledge in customs compliance regulation and our AEO status allows us to clear goods through customs in an expedited manner.
- Our knowledge in logistics facilitates setting up complex logistics routes to remote areas with our logistic partners. [Read more on p 16](#)

- We have extensive knowledge of the supply chain and the demands of end consumers. It enables us to support airports and away from home locations with a differentiated retail concept and tailored product assortment.

Markets we serve Our operations have a global reach, combining our activities in developed markets with strong positions in emerging markets. We supply a wide range of consumer goods, including liquors, perfumes, cosmetics, food and beverages and electronics to retailers, the maritime sector, remote markets and (travel) retail consumers.

RETAIL B2B**We serve**

- Independent retailers, value-for-money retailers, secondary channels and e-commerce platforms mainly in Europe and Asia
- Local distributors and wholesalers in Central Asia and the Middle-East
- Duty-free and underserved markets worldwide

**We source and supply**

- A-branded Liquors
- A-branded and private label Health & Beauty products
- A-branded and private label Food & Beverages

MARITIME**We serve**

- Cruise lines and ship supply services mainly in Europe.

**We source and supply**

- A-branded and private label Food & Beverages
- A-branded Liquors
- A-branded Health & Beauty products



HEALTH & BEAUTY

40%

of turnover FY 2017



LIQUORS

35%

of turnover FY 2017



FOOD & BEVERAGES

16%

of turnover FY 2017



ELECTRONICS & OTHER

9%

of turnover FY 2017

REMOTE**We serve**

- Catering service providers for government and defence operations, peacekeeping missions and industrial sites in remote areas worldwide.

RETAIL B2C**We serve**

- End consumers in airport shops, military shops and shops on board of cruise vessels.

B&S**We source and supply**

- A-branded and private label Food & Beverages
- A-branded Liquors
- A-branded Health & Beauty products

RETAIL**We source and supply**

- Premium branded and private label electronic products
- A selection of our B2B distribution assortment

Operating in over 100 countries worldwide, serving four fragmented main markets with diversified product categories, makes us resilient to economic challenges.

Growth strategy Growth is an integral part of our strategy, mainly organically driven and complemented by selected acquisitions. We will further execute our growth strategy by continuing our drive in existing markets, by continuing our focus on digitisation and by continuing to leverage our scale, all complemented by selected strategic acquisitions.

Organic growth

Our roots go back to 1872, when one of our anchor companies was founded in the Netherlands. The Group in its current form represents the combination of a number of wholesale and distribution businesses, developed through organic growth and targeted & selected acquisitions. That strong legacy combined with a clear vision has formed B&S Group as it is today.

First and foremost, the Group is focused on organic growth that is based on four main drivers:

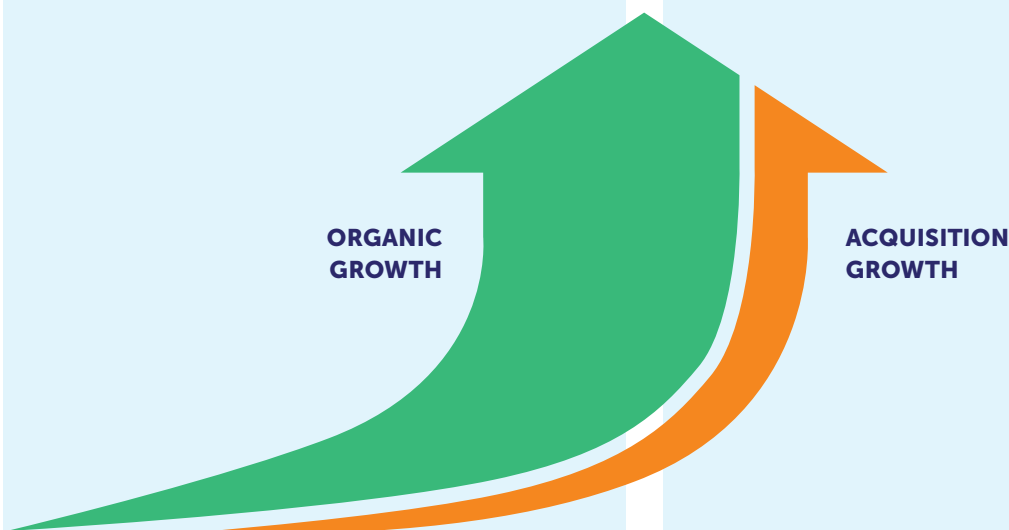
- Expansion of our business by **increasing presence** in our **current markets**
- Tapping into **new products and markets**
- The **cross-selling** of our products to existing customers
- Utilising the **growth of our customers** by matching their increased demand for our product

Selected M&A

Additionally, selected acquisitions form an integral part of our growth strategy. We carefully target companies that match the Group's DNA and which show potential for further organic growth. We attach importance to initiating acquisitions as a partnership or Joint Venture and keeping management on board as it fosters the entrepreneurship and co-ownership that characterises the Group DNA.

B&S Group's selected M&A strategy has four main pillars:

- Strengthening buying power in a product category through **scale** and **complementary sourcing routes**
- Gaining or strengthening our position in certain **distribution channels**
- Adding **new product categories** to our existing platform
- Strengthening our position in certain **geographical areas**





We expect substantial growth in some of the market channels in which we currently operate, such as the air travel market.

Growth in existing markets

We actively manage our existing supplier and customer relationships and aim to strengthen these and to increase the number and range of products that we sell to existing customers.

Increasing presence in current markets

We particularly seek to expand and optimise our exposure to Asia, in particular China, and to expand our operations in the Middle East as the fast-moving consumer goods market in the Middle East and Asia is expected to grow, and the demand for the A-brand products that we deliver is expected to increase. In 2013, we opened our office in Dubai to serve the Middle Eastern market more efficiently and in 2017 we opened an office in Hong Kong, and we believe we are well positioned to capture the growth opportunities in that region.

Tapping into new product groups and markets

We aim to tap into new product groups and markets and to further penetrate markets where we are currently underrepresented through expanding existing supplier relationships and forming new ones across geographies and products. We expect that there will be an increased demand for tailor-made distribution solutions in the supply chain, which is increasingly becoming more complex and more demanding, in terms of delivery time and reliability. We believe we are able to deal with the increased supply chain complexities and demands, which is evidenced by our track-record and reputation of being a reliable distribution partner.

Cross-selling

We see significant opportunities in cross-selling our products across our segments to our existing customers, specifically with our focus on digitisation and in particular with our online product offering.

Growth of customers

We expect substantial growth in some of the market channels in which we currently operate, such as the online market and the air travel market. For example, the e-commerce platforms that we serve, have experienced significant growth over the past few years which is expected to continue. We believe that we can benefit from the growth of our customers by meeting their increased demand.

Focus on digitisation

Our investments in IT, focused both on internal efficiency and client services, have equipped us for future growth.

Driven by data

Our proprietary IT systems are designed to enable us to operate our business effectively and to monitor data on customer orders, inventory, orders with suppliers and operational performance on a segment and sub-segment level. These capabilities are instrumental in monitoring our business on a day-to-day basis, and of critical importance in our efforts to continuously optimise our product and category performance. Moreover, this data is key in analysing customer and supplier behaviour in order to assist them in optimising their operation and simultaneously enhancing our service



offering to both by optimised inventory management and sourcing activities.

Our real time track and trace system enables us to further enhance our compliance level by knowing exactly when our products arrive where, and to act on this data immediately if needed.

[Read more on our efficient operations on p 17](#)

Robotisation

Within our HTG segment we operate the robotised warehouse system Autostore and we intend to deploy similar systems in more of our warehouses. The Autostore system allows faster and more precise order selection and picking, leading to increased effective warehouse capacity and short delivery times. The scalability of our robotised warehouse system allows for expansion within short timeframes, anticipating further growth. Combining this with the integration of external transportation systems and our logistic processes, has set us up for servicing our suppliers and customers in an efficient manner.

Information and communication technology

Our corporate digitisation program, BiT ERP, includes software systems for purchasing, sales & marketing and warehousing to streamline internal operations at Group level. The central financial and compliance layer provides a rigid control framework. BiT ERP also allows integration of external systems, enabling us to plug in future newly acquired businesses into our centralised control framework in no time. Our IT backbone is also a driver of our tax efficiency and connectivity with customs. As a result we can maintain our

high standards of compliance and can further increase them towards the future. Adding to this, we are implementing our Product Information Management system (PIM) which allows us to enhance compliance with food safety and customs requirements in an online environment and anticipates the increasing demand of our customers for high-quality and up-to-date product information. With the implementation of PIM, we can provide our customers 24/7 access to our product assortment – readily available to order in any desired quantity – and benefit from the cross-selling of products in this online order setting.

Leveraging our scale

Our global footprint allows us to progress our margins, leverage our price position, increase our service offering in selected markets and adhere a clear focus on profitable business.

Continuous margin improvement

We believe that our entrepreneurial culture and excellence in execution, combined with a strong focus on profitability, contributes to our ability to increase gross profits, EBITDA, cash flows and ROCE, while maintaining our EBITDA Margin. This is further supported by the strength of our decentralised operating model and our centralised risk management and strict control processes, which enables a strict control over costs.

[Read more on risk management on p 45](#)



Our international scale gives us access to a vast range of suppliers and products.

Increasing service offering in selected markets

Our international scale gives us access to a vast range of suppliers and products. Combining this with our deep understanding of what drives regional cost imbalances results in continuous assortment and price improvement for our customers. Our focus on digitisation enhances our offering even further and unlocks our assortment to customers in any location.

Our global customer base on the other hand serves our suppliers in growing their business and developing their brand in non-core markets. Adding to this, our digitisation strategy aids efficient inventory management and enables product showcasing on an even larger scale.

Selected partnerships

Our scale allows us to selectively focus on profitable business, and benefits us in the eyes of brand owners who are more and more looking to centralise their distribution with selected key partners. Our scale of operations aids the further strengthening of solid partnerships with brand owners who seek reliable and long-term focused distributors to whom they can outsource their business operations in selected geographical areas.

Undertaking selected acquisitions

We maintain a regular dialogue with various market participants to ensure that we are ready to execute on the right acquisition opportunities when they occur.

Business model fit

We apply strict selection criteria when evaluating potential acquisition candidates, and we are disciplined and selective in the targets that we identify as suitable acquisition candidates. Any acquisition should fit in with our business model, our entrepreneurial culture and our focus on profitable growth and maintaining a strong balance sheet.

Integration focused on organic growth

Once we have completed an acquisition, we seek to integrate the acquired business in a way that fosters organic growth. We integrate the back-office and sourcing systems, but we seek to maintain the management and the entrepreneurial front-end of the acquired business. We intend to continue to focus on those acquisition opportunities that foster entrepreneurship within our business and that we believe have the potential to further expand and strengthen our position for example by means of strengthening our buying power in a product category through scale or complementary sourcing routes, by gaining or strengthening our position in certain distribution channels or by strengthening our position in certain geographical areas.

Our competitive edge

Asset light operations The vast majority of the products that we source are subsequently stored in our warehouses in the Netherlands before they are shipped to our customers. We have multiple warehouses with dry, chilled and frozen areas where we store our goods.

BUILT ON A STRONG BASE...

Efficient storage mechanism

Our storage capacity combined with the quick turn-around time of our mainly branded product assortment, ensures optimal use of storage capacity, and enables us to take inventory management hassles away from retailers. We can also fulfil our customers' need for just-in-time deliveries as we always have a selected assortment in stock.

The quick turn-around times of our product assortment, our warehouse capacity and our efficient storage and picking systems also enable us to buy and store overstock and end-of-line products from brand owners and manufacturers at any time, giving us the advantage of seizing these opportunities as soon as they arise.

Bonded status

We operate several bonded warehouses, allowing us to distribute our product assortment internationally without having to pay import duties, VAT or excise anywhere other than in the end-market. We maintain good relations with the Dutch customs authority and are certified as an Authorised Economic Operator (AEO). Our customs certificates allow us to store both products that have not yet been in or will not be imported in the EU as well as non-EU destined veterinary products. Our AEO status enables us to clear these goods through customs in an expedited manner.

Outsourcing logistics

We outsource the logistical process of transporting products from our warehouses to our customers, as it allows us to focus our resources on our core competences and also reduces our fixed costs. It also provides the opportunity to scale sales volumes up or down depending on demand.

We stay closely involved in the planning of the transport, and work closely together with our transport partners in mapping the routes and time schedules for the transport, utilising our experience and knowledge with respect to difficult-to-reach areas. For all modes of transport, the main considerations in selecting our transport partners are operating procedures and experience, quality of service, reliability and competitive pricing.

...ANTICIPATING FUTURE GROWTH

Optimising warehouse capacity

Over the years we have made various investments with a view to operating more efficiently. To facilitate further growth, we have invested in a new partly automated warehouse in the Netherlands. With the completion of this new warehouse, we will have 13 warehouses at our disposal – most of them being leased - with a total storage capacity of over 147,000 square meters, and two of them fully or partly automated.

These automated warehouses reduce warehouse space requirements and allow for faster order picking and delivery compared to conventional warehouses, resulting in us being able to maintain higher sales volumes per square meter compared with conventional storage systems.

This enables us to serve e-commerce platforms with order fulfilment services, and has enabled us to add online retail businesses – with long tail assortment focus - to our customer base. This serves our operations as well by means of disposing products within our assortment for which our traditional retail clients have low demand.

Our tailored IT backbone

We operate a BiT ERP system that is fully tailored to our operations, enabling us to track and manage inventory levels across our platforms. Integration into the systems of our customers and suppliers offers them the possibility to track our inventory, supporting them in optimising their own inventory management by making their order placements more organised and cost-efficient.

Most of the warehouses at our disposal are being leased.

**FROM ORDER
FULFILMENT...**

**...TO
DELIVERY**





Source - Serve - **Supply**

“

The warehouse functionalities for the HTG business operations are mainly focused on storage and distribution of perfume and cosmetic products in a fast and efficient manner. The Autostore system in our warehouse is completely automated and uses robots and automated picking stations for storing and moving products. This facilitates order fulfilment for our e-commerce platform customers. We go as far as placing numerous individual end-consumers' orders including end-consumers addresses on one pallet and distributing it to our e-commerce customer, who then only needs to send the individual packages to the end consumer.

”

Ken Lageveen – Managing Director Operations
HTG Segment

Our competitive edge

Full compliance on all levels **Our compliance function is vital within the organisation, and organised both on a group level and on a segment level.**

Our centralised approach

The compliance function at Group level is organised in subsections, focussing on supplier and customer acceptance procedures, export controls, customs, tax, data protection and more general legal matters, such as intellectual property. On a segment basis, the compliance function is responsible for customs, quality control and food safety requirements. Compliance is not limited to the people working in compliance functions. We invest substantial time and resources in ensuring that compliance is top-of-mind within our organisation and managed to high standards, and we provide our employees with compliance training throughout all segments.

Customs

Our status as an Authorised Economic Operator in the Netherlands makes us a trusted party, and partners know we comply with applicable customs requirements. We are subject to the Union Customs Code, an EU regulation that provides rules on and procedures for goods that are brought into or are taken out of the customs territory of the EU. We regularly perform self-assessments and have external audits conducted to check compliance with the requirements for being an Authorised Economic Operator.

Know your relations

Developing sustainable relationships with our customers is key and our customers expect us to comply to the highest standards. We adhere to various sets of rules and regulations, such as export control regulations, Anti Money Laundry (AML) and anti-bribery rules and regulations. We have a procedure in place for accepting new customers, suppliers and other business relations. Once relationships are established, we continue to monitor compliance on an ongoing basis. Our existing business relations are screened automatically per our compliance standards once every two weeks with our compliance and risk management tool.



Strong focus on food safety

ISO 22000 & HACCP

To ensure the safety of the food supply chains of our customers, we adhere to strict food safety standards. Our ISO 22000 certification and implementation of the Hazard Analysis and Critical Control Point system (HACCP) allow us to demonstrate to our customers around the world that we meet internationally accepted food safety standards. For product recalls, we have a strict HACCP compliant procedure in place ensuring that we are, at all times, able to trace where products have been supplied in order to be able to adequately respond to any recall request.



NVWA

We are subject to the supervision of the Netherlands Food and Consumer Product Safety Authority (NVWA) which performs audits of our compliance with the HACCP system. In order to comply with food safety and transparency requirements, we check our compliance and safety procedures on an ongoing basis with special attention being paid to high-risk products, such as meat and poultry. The food products that enter our warehouses are subject to comprehensive quality controls and are stored in climate-controlled environments.



Nederlandse Voedsel- en
Warenautoriteit
Ministerie van Economische Zaken,
Landbouw en Innovatie

U.S. Army Public Health Center

In addition, we are approved by the U.S. Army Public Health Command which allows us to supply U.S. Army caterers. The United States Army performs an annual sanitation audit to check compliance with the HACCP and checks the required food defence policy aimed at protecting food supply against intentional adulteration, among other things.



United Nations Global Marketplace

Finally, we are an officially registered supplier at the United Nations Global Marketplace, the common procurement portal of the United Nations system of organisations. This registration allows us to participate in tender processes for contracts of the United Nations.



A photograph of a kitchen or food service area. In the foreground, there's a counter with several cans of food, including tomato paste, tomato sauce, and fruit cocktail. A pineapple is also visible. In the background, there are shelves stocked with various bottles and containers. A calendar is hanging on the wall, showing the month of July. The text "FROM THE SOURCE..." is overlaid in white, bold, sans-serif font on the left side of the image.

**FROM THE
SOURCE...**

**...TO
THE PLATE**



Source - Serve - Supply

“

Military caterers in peacekeeping operations rely heavily on our sourcing capabilities and our supply chain expertise to provide exactly those products that comply to stringent guidelines regarding food safety - for example nutritional values, product pictures and product labelling - and to have the goods delivered to remote locations in time, including all relevant documentation.

”

Maurice Riegel - Managing Director

B&S Segment

Our competitive edge

Value adding services Our value adding services to both our customers and our suppliers lie at the heart of our attractive proposition. We strive to continuously support our partners in growing their businesses, and concurrently grow ourselves.

SERVING BOTH SUPPLIERS...

Brand development

The strongest business is business we develop together with our industry partners, making joint business plans to reach out to as many customers as possible and by doing so, making a compelling proposal to our supplier. This has led to strong relations in where our brand partners outsource an important part of their business to us – mainly in underserved and duty-free markets – to develop their brands in uncovered sales areas. As we serve many customers, this gives us the opportunity to distribute our complete assortment to these sales areas, growing our business alongside our suppliers.

Showcase window in specialised markets

We provide our suppliers access to areas that would otherwise be too difficult or fragmented for them to serve. In our distribution operations, we offer suppliers access to sales areas in remote locations and specialised channels that are often difficult to reach logistically. In our retail operations, we offer suppliers of selected brands a showcase window in airports to reach consumers that have a different buying behaviour than at conventional retail locations.

...AND CUSTOMERS

Broad and relevant assortment

We provide our customers with an assortment of over 40,000 items, varying from retail packaging to catering sizes, and from A-branded to private label. We act as their one-stop shop by consolidating various products and multiple brands in a single order.

GoodBurry is our own value brand, representing reliability, professionalism and good quality at a fair price. It serves both remote and retail (B2B) customers in our B&S Segment.

Scale advantage

By combining our sourcing activities for all business segments, we create economies of scale, which we share with our customers, enabling them to grow along with us.

Packing and labelling

We have the expertise to pack and label products that are destined for various end-markets. Whether for our super-market customers in Angola, where we provide product labels with Portuguese language, or for military caterers, where strict guidelines with regards to nutritional values and product information apply, we are able to service our customers' needs.



Specialised sourcing

We source products on customers' request, for instance based on cultural and national preferences. As an example, it is important for our cruise line customers to serve American meat to their American passengers on board, wherever they are. Therefore, we source U.S. meat and comply with all veterinary regulations.

Marketing support

Being active in B2C retail ourselves, we share our experience with our B2B retail customers helping them develop and grow their retail business in a variety of ways. These include concept positioning and customer profiling, shop spacing concept and design, selection of product portfolio according to target group, project operation and team management, sales optimisation, in-store communication, advertising and promotions.



GoodBurry is our own value brand, representing reliability, professionalism and good quality at a fair price. It serves both remote and retail (B2B) customers in our B&S Segment.



**TURNING
SHOPS...**

**...INTO
EXPERIENCES**



Source - **Serve** - Supply

“

We understand that buying behaviour in travel retail is different from conventional retail. Travellers at an airport have time on their hands, searching to be inspired during their dwell time. With our cutting-edge retail concept, offering customers a trend-setting and inspiring shopping environment, we make an important contribution to the total airport experience. Our core business and our marketing concepts are fully adapted to travellers searching for a strong brand portfolio and airport exclusive propositions.

”

Peter Wiggers – Managing Director
RETAIL Segment



Our competitive edge

Decentralised operations, centrally managed
We operate a decentralised organisation with three business segments that are responsible for developing and executing their strategy and business plan, supported by our centralised back-office services.

Our segments are centrally supported with respect to finance and administration, IT, human resources, internal audit, legal and tax. This approach ensures entrepreneurship in every business segment and at the same time utilises the extensive business knowledge, system intelligence and management experience on Group level.

Sharing information

We benefit from using the knowledge of all business segments, sharing best practices and continuously learning from each other, whilst actively stimulating our people to take ownership for their entity on a segment level. We believe that the stand-alone right to exist remains important for every business segment as it stimulates the entrepreneurial spirit that fuels the growth of the Group.

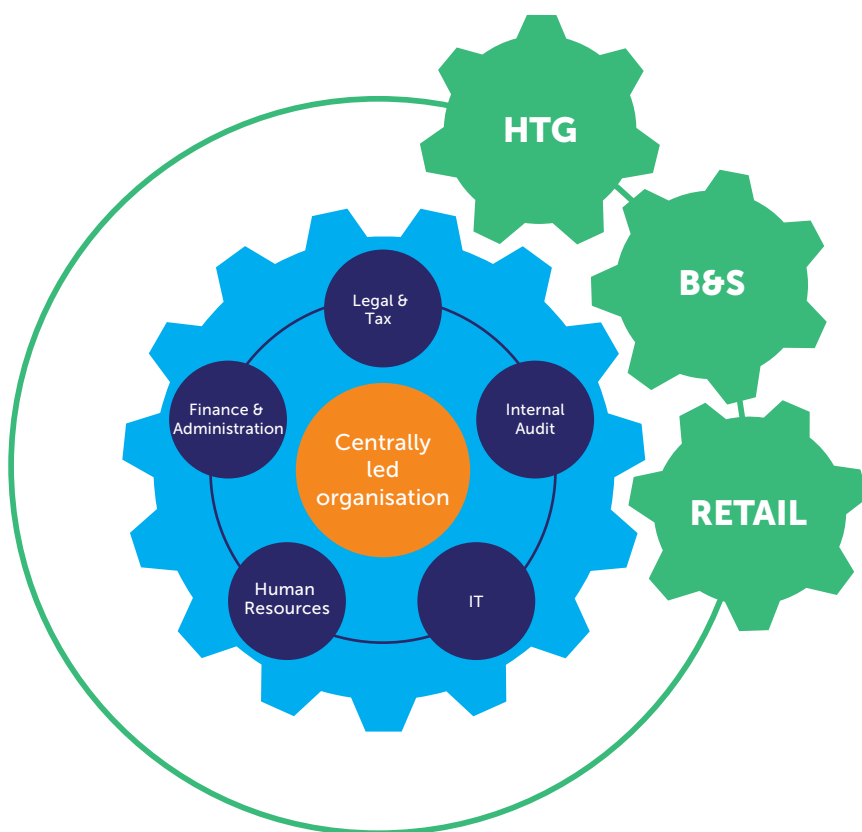
Creating synergies

The interaction between our business segments is very open and focused on synergies; market knowledge and business strategies are shared to create win-win situations that build our business as a Group. We stimulate information sharing and actively promote customer referring between and within our business segments to serve our customers in an optimal way.

“Market knowledge and business strategies are shared to create win-win situations that build our business as a Group”



Our centralised model



ACHIEVEMENTS AND PERFORMANCE IN 2017



"In 2017 we have confirmed the success of our previous years' approach of focussing on profitable business and investing in our centralised platform"

Financial performance

In 2017 we have confirmed the success of our previous years' approach of focussing on profitable business and investing in our centralised platform, increasing our EBITDA to € 105.9 million (2016: € 88.9 million).

2017 was yet another year of growth for the Group. We managed to increase our turnover from €1,339 million in 2016 to € 1,507 million in 2017, while simultaneously increasing our gross profit as a percentage of turnover from 14.1% in 2016 to 14.3% in 2017. This growth was both driven organically and by the Topbrands acquisition we finalised in August 2016. We are proud to report that all our business segments contributed to the organic growth.

Our operating expenses as a percentage of gross profit slightly increased from 55.9% in 2016 to 56.5% in 2017, mainly as a result of increased personnel expenses. This was mainly related to further investments in our IT department. Furthermore, the warehousing platform in our B&S segment reached its maximum capacity from the start of the cruise season in the second quarter of the year, leading to an increased number of temporary staff up until the third quarter of the year.

Despite the slightly increased operating expenses we again managed to increase our EBITDA significantly from € 88.9 million (6.6% margin) in 2016 to € 105.9 (7.0% margin) in 2017. This is the result of our ability to leverage our centralised platform successfully. Our return on capital employed improved from 30.2% as at 31 December 2016 to 34.2% as at 31 December 2017.

Profit for the year from continuing operations ended at € 82.9 million in 2017, therewith overachieving last year's record of € 69.4 million by € 13.5 million.

HTG segment

HIGHLIGHTS

(in € 1,000 unless indicated otherwise)

	2017	2016
Turnover	985,196	821,457
Gross profit	119,063	89,625
Gross margin	12.1%	10.9%
EBITDA	65,717	45,475
EBITDA margin	6.7%	5.5%



Source
Differentiated
sourcing



Serve
Distribution
services



Supply
Supplying
specialty
channels

MAIN MARKET



Retail B2B

PRODUCT GROUPS



60%



40%

EMPLOYEES



604

The HTG segment managed to realise a 19.9% growth of turnover in 2017. Topbrands, acquired in August 2016, contributed to this growth but also the other business lines within this segment taken together showed significant organic growth.

In the 2016 annual report we indicated that the HTG segment in that year focused on improving its gross margin. We successfully managed to continue this effort during 2017 which resulted in a growth of our gross profit margin to 12.1% (2016: 10.9%).

We successfully managed to continue our effort during 2017 which resulted in a growth of our gross profit margin.

Turnover growth of the HTG segment and our focus on margin and further leveraging of our centralised platform significantly increased the EBITDA margin of the HTG segment from 5.5% in 2016 to 6.7% in 2017.

On 29 December 2017 the HTG segment acquired a 51% controlling interest in STG Holding Import-Export S.L. which is the parent company of Alcodis, a local liquor distribution company based in Valencia, Spain. Since the HTG segment only gained control as per December 29th, the P&L was not impacted by this acquisition but the full balance sheet was consolidated as per the date of acquisition. As at 31 December 2017 STG Holding had a balance sheet total of € 15 million, generated a turnover of € 46 million in 2017 and an EBITDA of € 0.8 million.

B&S segment

B&S

HIGHLIGHTS

(in € 1,000 unless indicated otherwise)

	2017	2016
Turnover	426,158	424,530
Gross profit	63,822	65,978
Gross margin	15.0%	15.5%
EBITDA	29,663	30,221
EBITDA margin	7.0%	7.1%



Source

Trusted sourcing relationships



Serve

Capillary distribution services



Supply

Supply in complex markets

MAIN MARKETS



Maritime



Remote



Retail B2B

PRODUCT GROUPS



56%



29%



15%

EMPLOYEES



519

The B&S segment managed to increase its turnover from € 425 million in 2016 to € 426 million in 2017. During 2017, the segment reached its full warehousing capacity in Dordrecht, slowing down the growth during the year and causing inefficiencies in its warehousing operation. As indicated in last year's financial report, a new robotised warehouse is being built in Dordrecht alongside its current operation and expected to be completed in Q1 2018, making the segment ready for future growth. During 2017, given its warehousing constraints, some of B&S' clients - especially within

the liquor distribution operations - were carried over to the HTG segment allowing the B&S segment to further focus on its food & beverage distribution.

Despite these inefficiencies, our strict control on operating expenses and tight management made it possible for the segment to keep its EBITDA margin at circa 7%.

The new robotised warehouse in Dordrecht is expected to be completed in Q1 2018, which makes the segment ready for future growth.

Retail segment

RETAIL HIGHLIGHTS

(in € 1,000 unless indicated otherwise)

	2017	2016
Turnover	130,221	122,537
Gross profit	33,240	33,181
Gross margin	25.5%	27.1%
EBITDA	10,376	12,682
EBITDA margin	8.0%	10.3%



Source

Trusted partnerships with selected brand-owners



Serve

Exciting shopping experience



Supply

Differentiating retail concept

MAIN MARKET



Retail B2C

PRODUCT GROUPS



70%



30%

EMPLOYEES



333

The Retail segment showed an increase in turnover from € 123 million in 2016 to € 130 million in 2017. During the year the segment opened new shops at Vienna airport and Helsinki airport that contributed to this turnover growth. The growth was further stimulated by a full year of operations of the shops opened at Bremen airport in December 2016 and by organic growth of, amongst others, our shops at Eindhoven airport and our shops in Mali. The growth was, however, partly offset by the concession agreement at Oslo airport that ended in December 2016 and resulted in closing of the shops.

The EBITDA of the Retail segment was negatively impacted by loss-making contracts relating to the shops on board cruise vessels that were chosen to be ended in December 2017. EBITDA was further impacted by a 10 year renewal of concession agreements which, although providing us with a solid foundation for the coming 10 years, resulted in a slightly increased concession fee.

As a result of the foregoing, EBITDA of the Retail segment slightly decreased from € 12.7 million in 2016 to € 10.4 million in 2017. However, strategic decisions to terminate less profitable parts of the business as well as the renewal of concession agreements is setting the segment up for future profitable growth. Adding to this, the Retail segment successfully tendered on Abu Dhabi concessions at the newly built terminal to be opened in 2019. The segment was granted these concessions in December 2017, even further solidifying its base for its future growth.

During the year the retail segment opened new shops at Vienna airport and Helsinki airport that contributed to the turnover growth.

Balance sheet

Fixed assets

Fixed assets decreased from € 68.2 million as at 31 December 2016 to € 65.5 million as at 31 December 2017, mainly as a result of a repayment on loans provided to STG Holding Import Export S.L., the company of which we acquired a controlling 51% interest as per 29 December 2017. During the year B&S Group invested another € 3.3 million in its IT platform. The company believes these investments to be key for a successful implementation of its strategy, including in relation to reaching its growth targets.

Current assets

Current assets amounted to € 498 million as per the end of 2017 compared to € 481 million as per the end of 2016. Current assets amounted to 88% of the company's total assets, reflecting its asset light business model in line with previous years.

Inventory increased from € 280 million as at 31 December 2016 to € 301 million as at 31 December 2017. With an increase in turnover of 12.5% in 2017, the 7% increase in inventory is well within the boundaries as set by the Group, improving the days of inventory from 89 in 2016 to 85 in 2017. Trade debtors outstanding remained stable at € 163 million as at 31 December 2017 (€ 162 million as at 31 December 2016), improving the days of sales outstanding from 44 in 2016 to 39 in 2017, proving the company's effective and strict credit control policies.

Group equity

With the Group's equity level rising from € 230 million as at 31 December 2016 to € 242 million as at 31 December 2017, our solvency improved from 42% to 43%. We believe this strong solvency level is crucial for our business model allowing us to respond to market developments instantly while being a healthy and reliable business partner for both our suppliers and our customers. The company simultaneously delivered for its shareholders. Our profitability allowed us to pay a dividend of over € 69 million to our shareholders during 2017, while maintaining our strong financial profile.

Long-term liabilities

Long-term liabilities, mainly comprising a loan relating to the Topbrands acquisition, decreased from € 30 million as at 31 December 2016 to € 28 million as at 31 December 2017. During the financial year 2017 no new loans were attracted.

Short-term liabilities

Short-term liabilities increased from € 289 million as at 31 December 2016 to € 293 million as at 31 December 2017 mainly as a result of turnover growth. Trade payables and supplier finance increased by € 4 million due to our growth, while our short-term debt to financial institutions, combined with borrowings due within one year, decreased by € 3 million as a result of our strong working capital management.

Financing

The Group is mainly financed by short-term working capital credit facilities at a segment level. These facilities allow for growth as a result of our healthy working capital. During 2017 our total net debt decreased from € 202 million as per the end of 2016 to € 193 million per the end of 2017. As such, our net debt to EBITDA ratio improved from 2.3 as per the end of 2016, following the Topbrands acquisition, to 1.8 as per the end of 2017, which is well within our internal target level.

The vast majority of our financing agreements contain covenants regarding our solvency (>25%), interest coverage ratio (>3.0) and current ratio (>1.2) levels. The company remained well within these covenants, creating room for ample growth within the current facilities we have in place.

Outlook 2018

We expect 2018 to be another great year in which we will continue to focus on sustainable profitable growth for which we believe our platform is well suited. We will focus on further leveraging our existing platform to increase our EBITDA margin while maintaining an efficient in-control organisation.

Within all segments we believe we have already provided the basis for this growth. The Spanish liquor distributor we acquired within the HTG segment, the new warehouse being set up for the B&S segment and the successful Abu Dhabi tender process in the Retail segment are all expected to contribute to our growth aspirations.

At the end of 2017, anticipating the termination date of our current tax agreement, we initiated an extensive transfer pricing investigation followed by an open and transparent dialogue with the Dutch tax authority, resulting in an Advanced Pricing Agreement. This agreement will lead to an increase of our effective tax rate from 2018 onwards to a level that we believe to be in line with the common practice and current economic developments, providing us comfort on our transfer pricing methodology for the upcoming years.

In 2018 we will continue to invest in our digitisation strategy. Contracts for robotising our new warehouse in Dordrecht have been signed and also our future-proof ERP system will be rolled out further in our business segments. Our 2018 investments in digitisation, in the shops in Abu Dhabi following the tender we won and in general replacement capex are expected to be around € 10-12 million.

We intend to sustain our solid capital structure by maintaining strict control on working capital. We believe this to be crucial for upholding the strong partnerships we have with all our stakeholders, being our shareholders, our working capital providers, our suppliers and our customers.

We expect 2018 to be another great year in which we will continue to focus on sustainable profitable growth for which we believe our platform is well suited.

Sustainable business Sustainability is a vital part of our corporate culture, necessary to continue and increase our long-term success and to minimise our future development risks. Our CSR policy is based on three pillars: Environmental Responsibility, Social Engagement and Economic Enhancement.



ENVIRONMENTAL RESPONSIBILITY

Our environmental performance is constantly improved by applying sustainable principles along our entire value chain. We strive to reduce and mitigate adverse effects from our activities while ensuring health and safety for our employees.



Logistics

We operate sophisticated warehouses, in which we use modern technology to help us in efficiently loading and unloading trucks, reducing fuel and resource requirements.



Architecture

We use automated systems in our main warehouses that ensure we can operate as effectively and efficiently as possible. Additionally, we invest in modern IT across our offices and facilities, boosting efficiency and cutting energy use. We use the warmth of the earth as a significant heating source in our offices in the B&S Segment and in 2018 we will start the installation of solar panels on the roofs of our warehouses.



Waste management

Whenever possible, we reduce, reuse, recycle and improve materials to utilise resources in the most environmentally prudent manner. In our offices, we raise awareness of waste disposal and waste reduction and we recycle waste paper. We invest in digital administration systems that make us work more efficient and reduce our paper use.



Procurement

We actively promote transparency on product information. We comply with the most stringent regulations. Our warehouses are ISO 22000 and HACCP certified, and operate a high-level processing risk management system. All products that enter our facilities are subject to comprehensive quality controls, handled with the utmost care, and stored in climate-controlled environments.



SOCIAL ENGAGEMENT

We pursue meaningful social initiatives that improve people's lives by enabling local community and societal participation.



Human rights

Our human rights procedures are firmly embedded in our Code of Conduct, which is applicable to all staff members working within the Group. Being part of the UN Global Compact highlights our commitment to the ten universally accepted principles in the areas of human rights, labor rights, the environment and anti-corruption.



Employee empowerment

We provide a workplace that is free from discrimination, harassment and victimisation, where everyone receives equal treatment. Our people are given autonomy in performing their tasks, and we encourage them to act as pioneers and entrepreneurs. We invest in sophisticated equipment and warehouses to create a safe workplace. Keeping a positive working atmosphere is also about creating a healthy workplace, giving people energy and self-confidence. To that end, we provide free access to a gym, encouraging employees to exercise during working hours.



Talent development

We maintain close relationship with (applied) universities to spot talent early on and provide students with internships in various disciplines. Once on board, we offer young graduates trainee programs in our B&S Academy, preparing them to become experts in their field.



Local development

Our focus lies on improving people's lives through community and societal participation. For example, we provide employees who are disabled or have a distance to the labour market with appropriate functions. We also work with general food associations or food banks to ensure that surplus food, which is too close to its expiration date to be sold, is distributed to those in need. In the event of a major catastrophe or crisis, we help facilitate the transportation of aid to the region in which it has occurred to help alleviate suffering, which we believe is a worthwhile contribution to social development.

We strive for long-term relationships built on expertise and involvement to understand our stakeholders' needs.



ECONOMIC ENHANCEMENT

We follow strict customer and supplier acceptance procedures, and set quality standards that suppliers and customers need to comply with. Implementing these procedures enables us to ensure that compliance is safeguarded along our entire supply chain.



Credit Risk

The aim of our corporate policy is to safeguard our continuity, while maintaining a balance between risk and financial returns. Our strong balance sheet enables us to remain independent and ensure sustainable growth.



Currency

We source and distribute large quantities of goods globally. To reduce risk from currency transactions, we match incoming and outgoing cashflows as closely as possible in the same currency. To safeguard our stability, our treasury department uses hedging instruments. [Read more on p 52](#)



Long term relationships

We strive for long-term relationships built on expertise and involvement to understand our stakeholders' needs. We have relationships with a variety of customers and suppliers in many countries and are committed to understand and respect these relationships by maintaining an open dialogue.



Know your relation

Before taking on a new customer or supplier, we apply our Know Your Relation procedure, gathering all relevant data. Creditworthiness of new relations is checked upfront to avoid corruption, bribery, fraud and other unethical behaviour. Customer relationships are checked with the OFAC and EU Sanctions list.

Skilled people, committed leaders Our well-trained and experienced workforce is a key component of our business. The quality and expertise of our employees is critical to building long-term relationships with our suppliers and customers and to providing them with high-quality distribution services.

FROM TRAINEESHIP...

In our internal training program, the B&S Academy, new recruits are trained to become experts in their field. Through this academy, we provide a path to management positions for employees with high potential. We train our employees to identify unique sourcing opportunities and help structure tailor-made solutions to deliver to our customers within the complex environment in which we operate.

Owing to our deep tradition as a distribution partner, we place importance on the identification and pursuit of new commercial opportunities. Employees at all levels are trained, encouraged and incentivised to identify new markets, new products, new sources of supply and new ways to profitably expand our business. It is that entrepreneurial culture that drives our business.

...TO LEADERSHIP

We have developed an entrepreneurial and highly motivating management culture throughout our organisation. The vast majority of the management within our business segments have started their careers with us and key managers of the businesses we acquired in the last ten years continue to stay with the company. It is important to keep them invested and we make sure they continue to take ownership by offering them an equity stake, nurturing commitment to increase the value of the business and fostering our entrepreneurial culture.

Our bench of next-generation leaders to grow into management positions are identified through our B&S Academy and are developed and trained particularly with future leadership roles in mind. Continuity of our business is a point we take seriously and we focus on identifying high potentials across our business segments and sub-segments at an early stage of their careers.

Our recruitment policy is aimed at young professionals and we focus on attracting talent at (applied) universities through in-house days and internships. Once on board, retaining these talents is key to us. We provide trainings in our B&S Academy, offer attractive bonus schemes and rotational opportunities across different disciplines and in all business segments.

Key figures Human Resources



36%

university degree



39%

front-office staff



37%

female



63%

male



**AVERAGE NUMBER
OF EMPLOYEES**

1,460 in 2017

1,419 in 2016



**AVERAGE AGE
OF EMPLOYEES**

37 in 2017

37 in 2016

KEY STAFF REQUIREMENTS

- energetic
- ability to navigate an international environment
- strong communication skills
- ability to work with deadlines
- well educated and ability to learn on the job

SEGMENTAL LEADERSHIP

17 years average tenure

Per segment:

HTG
19
years

B&S
19
years

RETAIL
10
years



RETENTION RATES

>50%

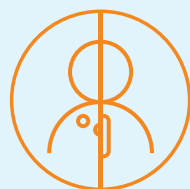
of employees have
been with B&S Group
for over 5 years

80%

of management started
their career at B&S Group

9 years

2017 Average
employee retention
9 years in 2016



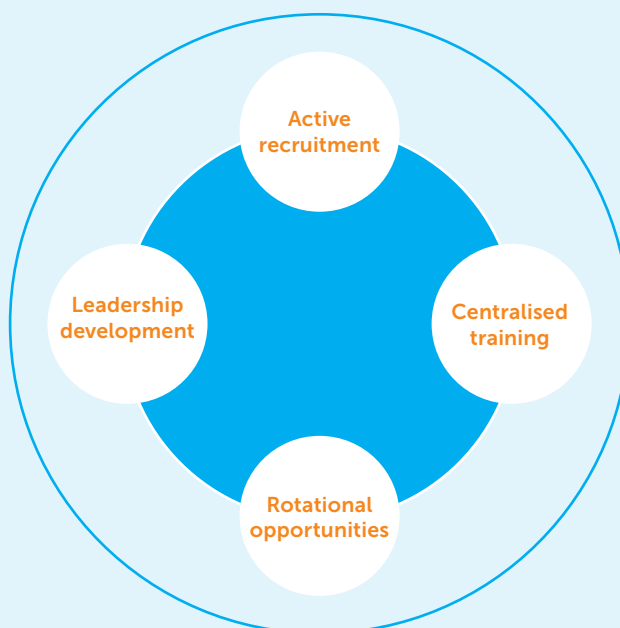
**PERMANENT /
TEMPORARY
EMPLOYEES**

62%

permanent

38%

temporary



Our DNA



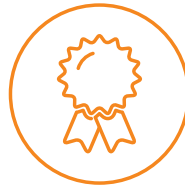
Reliable

Serving our customers with a consistent high level of quality and service that meets their expectations.



Successful

Building on a strong and healthy financial foundation with a long and proven track record in innovative supply-chain management.



Professional

Selecting prospective employees based on professional characteristics, their potential for development and their ambition to get the job done.



Flexible

Showcasing customer-driven flexibility, dealing creatively and effectively with unusual challenges and opportunities.



Ambitious

Fostering entrepreneurship and co-ownership in every level of the company to keep up with our increasing scale of markets and customers.



Unique

Focusing on business diversification and creating synergies between our segments while combining their volume to strengthen our purchasing power.



Efficient

Upholding a goal-oriented approach with constant business process innovation that is supported by state-of-the-art technology.



Personal

Concentrating on long term relationships with suppliers, customers and employees that are based on trust, transparency and understanding.

GOVERNANCE

EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive board



Mr. J.B. Meulman (born 1967, Dutch) is the Group's CEO and a member of the Executive board. Mr. Meulman started his career in a Sales role at Kamstra Shipstores – which currently forms part of the HTG Segment – and became partner there three years later. After becoming the managing director of a group of companies that currently forms part of the HTG Segment, he was appointed as the Group's CEO in 2004. In his role as CEO he holds responsibility for Corporate Strategy, Business Development, Marketing & Sales and Human Resources.

Mr. Meulman holds a bachelor degree in Human Resources from Hanze Applied University in Groningen, the Netherlands.



Mr. G. Van Laar (born 1954, Dutch) is the Group's CFO and a member of the Executive board. After being advisor to the Group for a number of years, he was appointed as CFO in 2009. Mr. Van Laar has extensive experience in various senior finance positions. Furthermore, he is a member of the Dutch Institute of Chartered Accountants. In his role as CFO he holds responsibility for Finance, Risk Management and IT.

Mr. van Laar holds a bachelor degree in Economics and a Master in Accountancy from NIVRA in Amsterdam, the Netherlands.



Mr. B.L.M. Schreuders (born 1954, Dutch) is a member of the Executive board. He started his career as a lawyer with Citco Bank & Trust and held senior positions at various banks, amongst others as managing director of MeesPierson Bank in Luxembourg (1997). Before joining B&S Group in 2012, he was the CEO of Intertrust Group in Geneva, Switzerland. In his role as member of Executive board he holds responsibility for Legal Affairs.

Mr. Schreuders holds a Master in Law from the University of Utrecht, the Netherlands.



Mr. N.G.P. Groen (born 1987, Dutch) has been appointed as a member of the Executive board per 28 December 2017. He started his career as Trainee Business Controller at B&S International in 2011 and held several Finance positions before becoming Finance Director in 2017 for one of the business segments of the Group. In his role as member of Executive board he supports our CFO in the responsibility for Finance and Risk Management.

Mr. Groen holds a Master in International Business from Tilburg University, the Netherlands and a Master in Business Administration from the University of Wollongong in Dubai, United Arab Emirates.

Supervisory board



Mr. W.A. Blijdorp (born 1952, Dutch) founded Kamstra Shipstores – which currently forms part of the HTG Segment – in 1979, is founder of B&S Group and a member of the Supervisory board since 2004.



Mr. P.N.S. Luttjehuizen (born 1946, Dutch) has been a member of the Supervisory board since 2001. Previously he was a member of the Board of Directors of the Dutch Investment Bank (Nationale Investeringsbank).

Corporate governance Good governance oversees the implementation of our strategy which has successfully built the business. Our Executive board is key in ensuring long term success and continuous growth of the Group.

As at December 31, 2017, the Executive board comprises four members and the Supervisory board comprises two members.

Corporate governance function

Corporate Governance is an integral part of how the Group chooses to do business. The desire to pursue best practices is embedded in the Group's corporate philosophy and policies. Besides our internal control, risk management and audit procedures, we encourage our employees to review their own and each other's activities and outputs and confirm that correct decisions have been made – and to challenge each other to continuously improve our way of working. The Group has an Internal Audit Department with a key function focused on compliance matters in place as an integral part of Corporate Governance. On behalf of the Executive board, the Internal Audit Department monitors compliance by analysing and testing critical business processes.

Corporate governance structure

The Group maintains a two-tier governance structure in which the executive and supervisory responsibilities are separated.

As much authority as possible is delegated to the business segments and their sub-segments. Within agreed guidelines the Group's staff, especially its senior managers, enjoy a high degree of autonomy and responsibility.

The Group has an Internal Audit Department with a key function focused on compliance matters in place.

Executive board

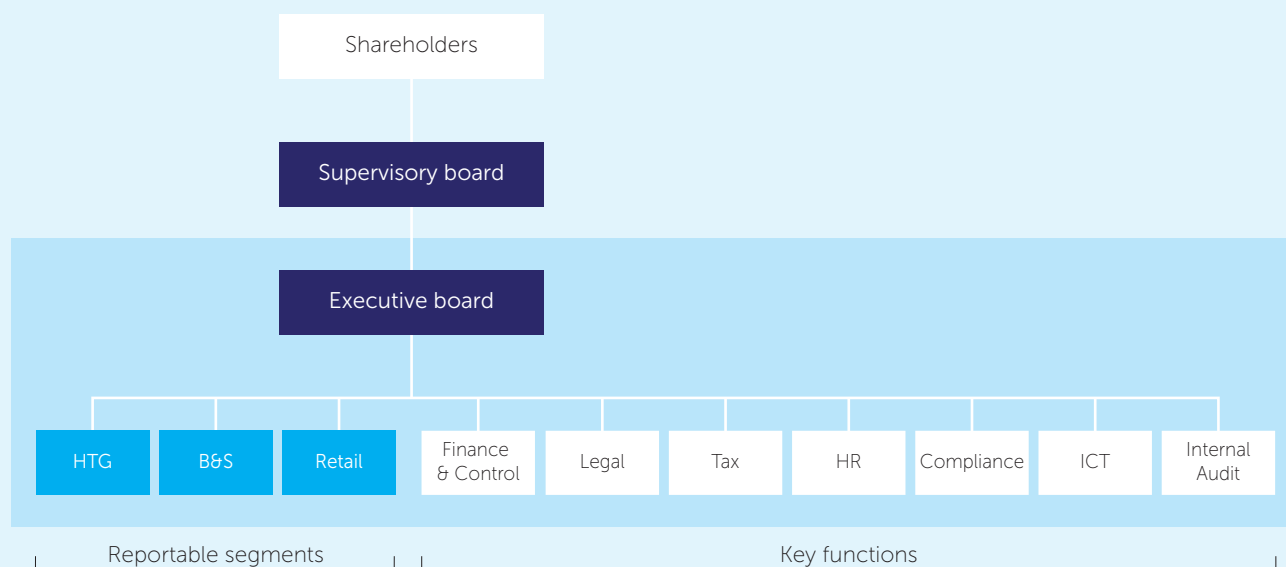
The Executive board is responsible for the Group's day-to-day management, its strategy and the advocacy of the general stakeholders' interests and is based on the creation of an optimum span of control. The Executive board is appointed by the General Meeting of Shareholders.

Supervisory board

The main function of the Supervisory board is to offer the Executive board general advice for achieving its business goals and corporate strategy. Its objective is to safeguard and uphold the Group's goals and ensure that the management achieves them. The Supervisory board focusses on the interests of the Group and its associated businesses and carries out its advisory task through regular formal meetings with the Group's Executive board. The Supervisory board is appointed by the General Meeting of Shareholders.

Conflicts of interest

Members of the Executive board and the Supervisory board are required to avoid situations where they (could) have interest that directly or indirectly conflicts with the Group's interest. Members of the Supervisory board are required to give notice of any significant (potential) conflict of interest to the Chairman and provide all relevant information, which is then considered and – if necessary – authorised accordingly by the Supervisory board. Members of the Supervisory board are permitted to obtain independent professional advice at the expense of B&S Group S.à r.l.



Segment managers

The Executive board of the Group is supported by the management teams of the three reporting business segments and the key corporate functions managers of the Group in its overview of operations and implementation of the Group's strategy.

Future board composition

In light of the intended listing of B&S Group on Euronext Amsterdam, the governance structure of the Company will be amended during 2018 in order to be aligned with the requirements of being a listed company and in line with the principles of the Dutch Corporate Governance Code, which will be adopted by the Company on a voluntary basis.

Risk management & internal control The identification, the assessment and the monitoring of risks is part of the Group's day-to-day operations. The Group has established a risk management framework to identify risks, to assess the likelihood and impact of these risks, and to determine the mitigating actions and controls deemed necessary for the remaining risk to match risk appetite.

Risk assessment & management

Strategic objectives are defined by the Group and include the encouragement of entrepreneurship and accountability. The Executive board, supported by senior management, continuously evaluates the B&S Group strategy and the risks impacting the business by identifying, assessing and managing risks. The Executive board assesses overall identified risks in Strategic, Operational, Legal & Compliance and Financial & Reporting areas. The identification of risks is performed based on the Group's strategy and the environment in which the Group operates, consisting of, but not limited to technological, political, economic, environmental, social and legal circumstances and developments. The assessment of risks is performed during the year in Supervisory board meetings, Executive board meetings, senior management team meetings, meetings with external service providers and on the basis of a continuous dialogue as part of the B&S Group Enterprise Risk Model (ERM).

Enterprise risk management model

The meeting of objectives is closely monitored and facilitated by the Group's ERM, which combines internal and external sources of information and fits the Group's entrepreneurial mindset and hands-on mentality. Various stakeholders are involved during the identification, assessment and monitoring of risks. These stakeholders reflect the Group's operations, Group functions and Internal Audit, as well as external advisors and the external auditor. See visual on next page.

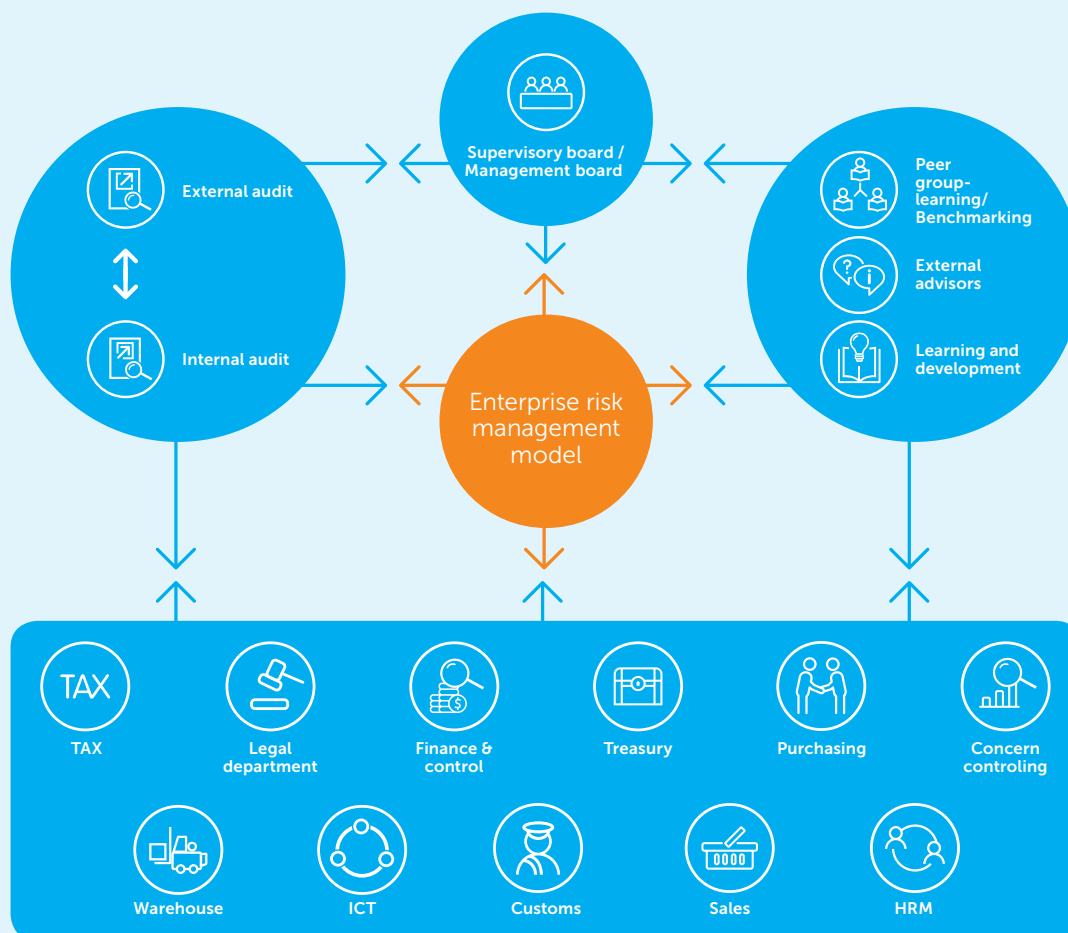
Strategic objectives are defined by the Group and include the encouragement of entrepreneurship and accountability.

Throughout the year, Internal Audit, on behalf of the Executive board, carries out self-assessments. These are combined with various external audits in relation to the defined key risk areas. For several risks the Group goes through various sensitivity analyses, enabling estimation of the approximate exposure in the event that certain specified parameters were to be met under a specific set of assumptions. The scenarios that are tested include, but are not limited to, the effect of rapid changes in market conditions, changes in gross margin, increases in interest rate and currency fluctuations on net result, cash flow and equity. The range of changes chosen reflects the changes which, in the Group's view, are reasonably possible during a one-year period. These scenarios do not reflect any action the Executive board could take which might mitigate the effects. As the Group holds sizeable levels of inventory with a certain volatility throughout the year, we also carry out critical stress tests on the theoretical financial boundaries of inventory positions versus equity, covenants and working capital financing. In 2017 the tests showed that the Group remains within its long-term targets and financial guidance and thereby demonstrated the Group has adequate buffers for dealing with substantial effects of potential risks.

In addition to the sensitivity analysis, the Group applies benchmark assignments within the organisation, comparing various metrics with the averages of peer organisations and best practices for individual business segments within the Group. These benchmark analyses are supporting strategic decisions and provide forward-looking insight.

All results are reported frequently and discussed with and between the Executive board and the Supervisory board. The outcome is furthermore used for internal staff training and for improving the risk awareness within the organization amongst staff members. The management of the Group believes that the internal risk management and control systems provide a reasonable assurance that the financial statements do not contain any errors of material importance and that these systems worked properly during the year.

ERM Model



In 2017 none of the stated risks and uncertainties in this paragraph did materially influence the Group.

Risk appetite

The Executive board, supported by senior management, outlines the classification and assessment of all risks as identified by B&S Group. The risk appetite is defined per risk category, but in general can be characterised as conservative. For strategic risks the Group accepts moderate risks in order to achieve its strategic objectives, whilst aiming for minimization of operational risks. Financial risks are handled in a prudent manner with a focus on maintaining strict cash management, and the Group takes a risk adverse stance when it comes to Compliance matters.

Responsibility of the Executive board

The financial statements give a true and fair view of the position as at the date of the statement of financial position and the business development during the financial year of B&S Group and the Group companies for which the financial information is recognised in its financial statements. The directors confirm that they have reviewed the effectiveness of the Group's risk management and internal control systems in operation during 2017. The major risks to which the Group is exposed are described in this Annual Report.

Risk management summary

STRATEGIC

Risk type	Possible risk	Mitigation by
Developments in broader economy	We may be affected by general developments in the broader economy and by specific demand fluctuations, both globally and in the regions where we operate, and we are particularly exposed to unfavourable developments in the markets of the European Union resulting in a loss of market share or not realising our growth ambitions.	Demand for the products we distribute is affected by general economic conditions, particularly those which underpin consumer spending. However, products in our assortment are generally seen as basic consumer goods, and therefore continued to be purchased in times of economic crisis. Specific major events affecting the markets in which we operate, including but not limited to natural disasters and major national or international political developments could also have an adverse impact on our regional businesses. These risks are mitigated by diversification in markets, product groups, regions and client portfolio.
International nature of our business	The international scope of our operations, particularly through our operations in certain developing countries and emerging markets exposes us to: <ul style="list-style-type: none"> the risk that we will fail to comply with applicable regulations or that we will be negatively affected by changes in regulation; the risk that we will be negatively affected by import/export licensing requirements, quotas or wage and price controls; the risk that we will be negatively affected by trade protection measures; the risk that we will be unable to repatriate income or capital; the risk that we will be negatively affected by changes to taxation policies; the risk that our assets will be subject to seizure; the risk of nationalisation or expropriation of our property, inventory or other assets; and the risk of terrorist acts, war and civil disturbances. These risks might lead to additional costs for our operations, a loss of sales or the company not realising its growth ambitions.	As far as the market diversification is concerned, the Group has spread its risks over various niche markets all over the world, making it less vulnerable to declines in specific market segments and / or to geographical risks. Although geographical economic recessions can have some effect, the risk to a disproportionately adverse effect will be limited because of the indicated market diversification and regional spread.
Seasonal fluctuations	Parts of our business are subject to seasonal fluctuations. We typically experience a peak in sales in the third and fourth quarters of the year, and any events or circumstances that adversely affect the luxury products market or the travel industry during the second half of a year could have a disproportionately adverse effect on our results of operations for the full year.	
Political risks	We are exposed to a variety of social and political risks due to our operations in areas with high security risks. These risks might lead to business interruption and as such loss of sales and/or additional costs for the group.	We have strict procedures for staff on ground in these areas and contingency plans for cases of emergency. Within these markets we seek advice from reputed companies and lawyers, and within the markets with high security risks we only do business with well-known international companies that have been contracted by international peacekeeping organisations or governments. Additionally, we keep insurance for both political risk and war on land.

STRATEGIC CONTINUED

Risk type	Possible risk	Mitigation by
Managing growth	We may be unable to effectively manage our growth resulting in additional costs of an inefficient organisation.	The quality of our growth does always have priority as it must remain sustainable, manageable and well under control. Challenging economic market conditions could have an adverse effect on the Group's growth strategy. This is mitigated by diversification in markets, product groups, regions and client portfolio, making the business less cyclical and less vulnerable to turnover volatility or seasonality effects [In order to support further future growth, the Group has invested substantially in optimisation and digitisation of business processes and compliance procedures and in expansion of warehousing and storage facilities.
Acquisitive growth	We may fail to acquire other businesses as contemplated by our growth strategy or to realise the expected benefits from such acquisitions and we may inadvertently acquire actual or potential liabilities resulting in the group not reaching its growth ambitions.	Acquisitions are preceded by careful due diligence processes carried out by both internal and external experts to ascertain whether an acquisition will provide adequate financial returns and whether it will contribute towards the Group's synergy and integration demands. The financial, integration and other risks are considered greater than those associated with organic growth, but are mitigated by applying stringent due diligence and integration measures. The added-value and cash flow contributions of intangible assets is tested regularly and impairment is applied if deemed necessary. In accordance with good Corporate Governance, when it concerns sizeable investments and acquisitions the Group's Executive board consults with the Supervisory board in advance.
Competitors	Increased pressure from existing or new competitors could erode our gross margin.	As a result of diversification, competition risks are limited to local competition at sub-segment level and within specific markets or regions. With the support of the strong purchasing power of the Group as a whole and by pursuing cost effectiveness, local entities and Group sub-segments can stay comfortably ahead of their competition. And due to the economies of scale resulting from bulk purchasing, the Group is able to pass on benefits to clients while maintaining a sharp eye on its own gross margin development.
Reputational risks	Our reputation and our relationship with our suppliers and customers could be harmed by performance failures by us or other parties in the supply chain resulting in a loss of sales.	Dependency on individual relations – both suppliers and customers – is limited due to the successful long-term partnerships and contracting and is further mitigated by maintaining a wide client portfolio spread over different markets and regions. Our focus on maintaining long term partnerships with our customers also make us less vulnerable to reputational damage as we are focused on adding value to our partners' businesses by providing service and flexibility, which results in trustworthy relationships.
Relational risks	Loss of major suppliers or customers and disintermediation in the supply chain of the products that we distribute could adversely affect our business.	

OPERATIONAL

Risk type	Possible risk	Mitigation by
ICT risks	The integrity, reliability and efficiency of our information technology systems and of the information technology systems of parties that we rely on may not be guaranteed resulting in an interruption of our business.	To mitigate these risks the ICT infrastructure is designed to support the needs of our decentralised organisation in an efficient, reliable and secure manner. The objective is to ensure continuity of information systems and the confidentiality, privacy and integrity of confidential and sensitive information. We have established partnerships with carefully selected IT providers that are acquainted with our business activities and by coming needs, and pro-actively implement and continuously optimise our IT systems. Additionally, the ICT systems and procedures are checked yearly by external experts.
ICT risks	We rely on third-party service providers for several important functions, such as transport logistics and IT, and the failure to find qualified service providers or the failure of service providers to perform their obligations could have a material adverse effect on our business, financial condition and results of operations.	
Staff shortage	We rely significantly on the skills and experience of our managerial staff, technical, sourcing and sales personnel, and a loss of any key individuals or the failure to recruit suitable managers and other key personnel, both for expanding our operations and for replacing people who leave us, could result in an inability to meet customer demand resulting in a loss of customers.	This risk is mitigated by recruiting employees to cover both business growth and fluctuations in employee composition. To retain staff we offer a balanced remuneration package and a stimulating workplace with good opportunities for personal development.
Inventory risk	We may be unable to manage our inventory successfully resulting in additional tied up capital and eroding margins.	The quality control on inventories - inventory positions, quality, rotation, shelf life and the level of returned and out of date products - is the responsibility of dedicated inventory management departments that are divided into product categories. The overall inventory quality and inventory rotation of the Group is well within the boundaries set by the Executive board.
Product risks	<p>Inconsistent quality or contamination of the products we distribute or sell could harm the integrity of, or customer demand for, these products, adversely affect our reputation and the sales of those products and expose us to potential product liability claims. The Group offers food and electronic products under private labels which could become subject to reputational damage.</p> <p>Electronics under our private label that are sold directly to consumers generally have to take the risk of short product life-cycles due to on-going technological developments into consideration.</p>	<p>The Group has a diverse assortment of mainly consumer products ranging from A-brands to private label. There is no dependency on an article or product and hence the Group is less vulnerable to turnover volatility. In addition, products in our assortment are generally seen as basic consumer goods, and therefore continued to be purchased in times of economic crisis.</p> <p>All private label food products are produced in factories that are either audited or certificated by European authorities or national food safety authorities. As is the case with all other (purchased) food products the primary responsibility, and therefore risk, lies with the producer. However, if an incident occurs the Group might have to take action to avoid any reputational damage.</p> <p>Risk for electronic products is mitigated by keeping inventory levels relatively low and by adjusting prices as appropriate.</p>

OPERATIONAL CONTINUED

Risk type	Possible risk	Mitigation by
Logistical risks	Our business and operating results may be adversely affected by disruption to our warehouse facilities resulting in a loss of customers.	Any prolonged interruption at any of our main warehouse facilities could reduce storage and distribution capacity and have a material adverse effect on our business, results of operations and financial condition. We carry insurance to cover losses at our warehouses and distribution centres and losses due to interruptions in the business. Additionally, the geographical spread and interchangeability of our warehouse facilities mitigates the magnitude of the risk. We have strict internal controls and procedures in place that are audited by external parties on a regular basis in order to ensure ourselves they are still effective. We are also careful when selecting new partners in our supply chain and monitor the performance of existing partners. These measures ensure interruptions in the supply chain and claims to our insurance company are kept at an absolute minimal level.
Insurance risks	We may not be able to maintain the required level of insurance coverage on acceptable terms or at an acceptable cost resulting in a significant increase of costs.	We have strict procedures in place and carefully selected partners in order to limit insurance claims.
Concession risks	Part of our turnover is dependent on concession and procurement agreements and our business would be adversely affected by the termination or increased cost of such concessions or procurements.	The Group has signed several concession contracts whereby turnover is dependent on the existence of these contracts. The risk of losing contracts is mitigated by extensive relation management. In addition, the Group has a long track record of compliance with all the terms of the contracts and has also spread the risk over various contracts to ensure the termination of any one of the contracts will have in a low financial impact.

LEGAL AND COMPLIANCE

Risk type	Possible risk	Mitigation by
Compliance risks	We are subject to various laws and regulations in the jurisdictions in which we operate. Changing laws might interfere with our competitive advantage resulting in a loss of business.	We comply with all relevant legislation, but we are also aware that this can change abruptly and affect our business. When such cases occur we strive to adjust to the new rules and regulations in the best way and as far as possible while at the same time considering our own long-term interests and objectives. We select our business partners carefully and they are only accepted after extensive screening in order to ensure ourselves that our supply chain is transparent and not in breach with any regulations and we are not infringing any intellectual property or trademarks. If deemed necessary we rely on the services of local professional experts for designated compliance areas. Strict internal policies and guidelines have been drawn-up regarding business agreements with new suppliers and customers by means of a Know Your Relation (KYR) procedure. In order to avoid corruption, bribery, fraud and other unethical behaviour, the new relations and their Ultimate Beneficiary Owner(s) are checked with the OFAC and the EU Sanctions list. Throughout the Company there is extensive knowledge of the content and impact of the Foreign Corrupt Practices Act (FCPA).
Compliance risks	Litigation or investigations involving us, including related to the infringement of intellectual property rights of third parties, could result in material settlements, fines or penalties.	
Compliance risks	Our business is subject to anti-money laundering, sanctions and anti-bribery regulation and related compliance costs and third-party risks. Breaching these sanctions and regulations might result in the loss of contracts within our government and defence segment.	
Customs risks	We may be subject to claims and fines related to customs declarations resulting in additional costs for the company and the loss of licenses.	In order to mitigate the risks from customs activities, the Group has its own expanding customs departments staffed by well-trained experts who are in close contact with customs authorities and follow on-going training courses to keep up to date with customs legislation and developments. The Group is insured against the risks related to its customs activities and adequate customs guarantees have been issued for its activities. The financial consequences of calamities related to customs are, therefore, covered as far as possible. The Group has its own warehouses for storing both bonded and free goods, which requires extensive licensing and certification as an Authorised Economic Operator by the customs authorities. Each year, the processes are audited internally and periodically audited externally.
Certification risks	Loss of any of our authorisations or certifications could impact our ability to operate our business, fulfil our obligations towards customers or attract new customers resulting in a loss of turnover or the company not realising its growth ambition.	The Company aims to mitigate this risk by following strict policies and performing crosschecks on compliance. As the Group has a long and proven track record with regard to dealing with customs affairs, claims and fines are limited and considered as extraordinary events.

FINANCIAL AND REPORTING

Risk type	Possible risk	Mitigation by
Reporting risks	We are organised on a decentralised basis and we therefore rely on the proper functioning of management information and internal control and risk management systems. Any failure in these systems may adversely affect our ability to monitor our business or adequately respond to unfavourable developments leading to a loss of business or additional costs for the group.	The information and communication guidelines in respect of internal control measures, control systems and risk management are implemented at all organisational levels within the Group. Monitoring the adequacy and effectiveness of internal risk management and control systems is an on-going improvement process of our Internal Audit Department on behalf of the Executive board. All standardised financial data is prepared by the financial departments of every business segment and sent on a regular and timely basis to the Executive board and to the centralised financial control department where the data is checked, analysed and consolidated into concise management information for the business segment managers. The content of the financial data enables the Executive board to control the Group effectively and accurately. Integrated data concerning the financial performance of the Group and its business segments is also distributed to shareholders, the Supervisory board and direct financial stakeholders.
Currency risks	We are subject to currency exchange rate risk in the conduct of our business. Inadequate monitoring of our positions might lead to exchange rate losses.	The Group deals with risks from transactions in non-Euro currencies by matching incoming and outgoing cash flows as closely as possible in the same currency. Extraordinary currency positions and risks are dealt with at Group level by a dedicated treasury department, that uses hedging instruments (spot and forward contracts and currency swaps) when appropriate and on a case-by-case basis to mitigate the risk from currency transactions. The strategy relating to hedge exchange rate risks is set by the Executive board. The Group refrains from any speculation. Derivative transactions are subject to continuous risk management procedures. Trading, settlement and control functions are strictly separated. Derivative financial contracts are only entered into with banks that have a good credit rating. In addition the Group is advised by external parties before entering into a derivative financial contract. Most of the Group entities are based in the Euro zone and the balance sheets profit and loss accounts are in Euros.

FINANCIAL AND REPORTING CONTINUED

Risk type	Possible risk	Mitigation by
Tax risks	Taxation of goods policies in the countries in which we operate may change resulting in the company losing its competitive advantage.	<p>The Group has developed a strong tax track record that is firmly based on a timely and adequate tax reporting, tax procedures and systems, and has an effective global tax framework in place combined with transfer pricing policies and underlying documentation.</p> <p>In addition to having a strong internal competence, the Group has regular meetings with tax authorities to discuss duties, customs, corporate income tax and VAT and is advised on various tax and compliance matters by professional tax experts active in different tax disciplines.</p>
Tax risks	Changes in tax law could have a material adverse effect on our business, results of operation and financial condition.	
Tax risks	A successful challenge of our transfer pricing policies could have a material adverse effect on our business, results of operation and financial condition.	
Tax risks	Our interpretation of tax laws and regulations and the tax advice that we rely on, may be questioned or challenged by the authorities, which could result in additional tax charges and/or fines.	
Credit risk	Delayed payment or failure to pay by our customers could have an adverse effect on our business resulting in the company not being able to grow at the desired rate.	<p>Strict internal policies and guidelines have been drawn-up regarding business agreements with new customers as well as the setting of payment terms and credit risk management. Before doing business with new customers their creditworthiness is checked by the internal credit risk department, which also monitors outstanding payments on a daily basis using an automated and sophisticated credit risk monitoring system. The Corporate rule is that transactions must be secured, either by credit insurance, payment up front or by a secured payment instrument (guarantee or letter of credit). This process meets the requirements specified by the financial institutions. The rigid handling of new client acceptance and payment control means the Group's debtor risk is fairly limited and well under control. The average outstanding debt period is less than 60 days, which is within the limits set by management and acceptable for our type of business. As a result of our stringent debtor policies, debtor write-offs are limited.</p>

FINANCIAL AND REPORTING CONTINUED

Risk type	Possible risk	Mitigation by
Financing risk	Any inability to raise capital or to continue our existing finance arrangements could have a material effect on our business, financial condition and results of operations.	The Group's activities are mainly financed on the basis of short-term credit facilities. The sub-segments within our business segments have their own working capital financing, which fits within the Group's policy of autonomy. Consequently, the business segment management is triggered to maintain control over inventory and debtor positions, which also helps towards reducing interest charges. Both short and long-term financing arrangements are discussed and negotiated exclusively at Group level by the Executive board. By making optimum use of the knowledge and expertise from different banks, the Group is financed by a number of different financial institutions and hence is not dependent in that respect. Maintaining these excellent relationships and continuing to fulfil financing criteria aids our growth. Our internal reporting allows for closely monitoring of the operating segments on profitability and compliance with the credit agreements. This also ensures that the companies within the Group are in a position to generate sufficient cash flows for upward dividend streams.
Dividend risk	We rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations and our ability to pay dividends may be constrained. When capital is tied up in our subsidiaries and they are not able to provide us with the funds we might not be able to distribute dividend to our shareholders.	Credit facilities arranged and maintained by a dedicated centralised treasury department combined with strict working capital management at entity level.
Interest risks	We are exposed to interest rate risks resulting in higher interest costs when interest rises.	The Group's financing is centralised at business segment and sub-segment level. Tangible assets (land & property, equipment and other tangible fixed assets) are financed with long-term financing and leasing. Apart from limited financial lease facilities with a fixed interest rate, loans and credit facilities carry a floating interest rate based on EURIBOR plus a margin.

REPORT OF THE SUPERVISORY BOARD

The Supervisory board is pleased to announce the 2017 Annual Report and incorporated financial statements as prepared by the Board of Directors of B&S Group S.à r.l.

The Annual Report is prepared in accordance with IFRS. Deloitte's audit opinion is included in the additional information appended to the financial statements.

The Supervisory board discussed the financial statements at the annual meeting with the auditors, after which the financial statements have been signed. We recommend that the General Meeting of Shareholders approves and adopts the Annual Report and the appropriation of the net result for 2017. The Supervisory board further proposes that the shareholders discharge the Board of Directors for its management and the Supervisory board for its supervision in 2017.

Board composition and meetings 2017

As at 31 December 2017, The Supervisory board comprised Mr. P.N.S. Luttjehuizen (Chairman, appointed in 2001) and Mr. W.A. Blijdorp (appointed in 2004). The Supervisory board notes that its composition is in line with the profile of the Supervisory board in which each member has a specific field of complementary expertise.

Throughout the year, the members of the Supervisory board had full and free access to the Company's Board of Directors and, if necessary and appropriate, to independent advisors. During the past year the Supervisory board met five times with the Company's Board of Directors through regularly planned meetings. In addition, the members of the Supervisory board held several informal consultations throughout the year with the Board of Directors in order to remain fully informed regarding the business and performed its duties on an ongoing basis in accordance with applicable laws and regulations.

Agenda and supervision topics

In line with its reporting obligations, the Board of Directors regularly provided the Supervisory board in a timely manner with comprehensive written reports and presentations about all developments of material importance for the Group. The Supervisory board thoroughly discussed and reviewed all reports and documents that were submitted and was involved in all fundamental Company decisions by the Board of Directors. The reports and presentations covered, in particular, the Group's profitability, current business developments and operations of material importance, which sufficiently supported the Supervisory board to carry out a critical analysis, discuss resolution proposals with the Board of Directors and put forward questions and suggestions. During the meetings the Board discussed the Group's tax position, business plan, future structure, Enterprise Risk Model and several general items. The last meeting of the year was held in December 2017, during which, amongst others, the budget for 2018 was presented, discussed and approved, as is customary for the last meeting of the year.

Remuneration

The remuneration of the Supervisory board in 2017 is stated in the financial statements and comprised a fixed annual fee amounting to a total of € 209,000 (2016: € 196,000).

Advice for 2018

The Supervisory board feels comfortable with the long-term growth plan for the Group as set out by the Board of Directors and has confidence in the way the Directors will continue to shape the growth of the Group and believes that the Company is well invested for the future.

The Supervisory board would like to express its sincere appreciation to the Board of Directors and all the Group's employees for their efforts in 2017 and for the corresponding results.

Larochette, G.D. Luxembourg, 20 February 2018

Supervisory board

W.A. Blijdorp

P.N.S. Luttjehuizen



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

x € 1,000	Note	2017	2016
Continuing operations			
Turnover	6	1,507,254	1,339,489
Purchase value	7	1,291,239	1,150,631
Gross profit		216,015	188,858
Investment income	8	364	733
Other gains and losses	9	3,261	(2,625)
Personnel costs	10	71,596	61,592
Depreciation and amortisation	11	8,366	7,490
Other operating expenses	12	42,175	36,475
Total operating expenses		122,137	105,557
Operating result		97,503	81,409
Financial expenses	13	(4,835)	(4,438)
Share of profit of associates	14	363	198
Result before taxation		93,031	77,169
Taxation on the result	15	(10,171)	(7,777)
Profit for the year from continuing operations		82,860	69,392
Attributable to:			
Owners of the Company		68,796	60,907
Non-controlling interests		14,064	8,485
Total		82,860	69,392
Earnings per share			
From continuing operations in euros	16	328.36	290.70

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

x € 1,000	Note	2017	2016
Profit for the year from continuing operations		82,860	69,392
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
■ Foreign currency translation differences net of tax		(517)	600
■ Acquisitions of non-controlling interests in a subsidiary		125	(975)
Other comprehensive income for the year net of tax		(392)	(375)
Total comprehensive income for the year		82,468	69,017
Attributable to:			
Owners of the Company		68,442	60,696
Non-controlling interests		14,026	8,321
Total		82,468	69,017

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

x € 1,000	Note	31.12.2017	31.12.2016
Non-current assets			
Goodwill	17	18,104	18,104
Other intangible fixed assets	18	16,990	15,534
Property, Plant & Equipment	19	25,935	27,881
Investments in associates	20	2,001	1,172
Receivables	21	2,481	5,450
Deferred tax assets	22	38	23
		65,549	68,164
Current assets			
Inventory	23	300,535	279,951
Trade receivables	24	163,047	162,260
Corporate income tax		860	1,409
Other tax receivables	25	3,533	4,345
Other receivables	26	12,936	20,015
Derivative financial instruments	38	–	–
Cash and cash equivalents	27	17,385	13,214
		498,296	481,194
Total assets		563,845	549,358

The accompanying notes are an integral part of these consolidated financial statements.

x € 1,000	Note	31.12.2017	31.12.2016
Equity attributable to			
Owners of the Company	28, 29	201,528	197,508
Non-controlling interest	30	40,442	32,532
		241,970	230,040
Non-current liabilities			
Borrowings	31	22,767	24,709
Deferred tax liabilities	32	3,232	3,830
Employee benefit obligations	33	1,600	1,106
Provisions	34	–	18
Other liabilities	35	790	825
		28,389	30,488
Current liabilities			
Credit institutions	36	184,450	186,935
Borrowings due within one year		5,291	6,025
Supplier finance arrangements	37	10,650	10,500
Derivative financial instruments	38	666	1,110
Trade payables		55,802	52,270
Corporate income tax liability		2,985	3,698
Other taxes and social security charges	39	11,393	10,018
Other current liabilities	40	22,249	18,274
		293,486	288,830
Total equity and liabilities		563,845	549,358

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AT 31 DECEMBER 2017

x € 1,000

2017

	Paid-up share capital	Reserve for translation differences	Retained earnings	Total attributable to owners of the company	Non- controlling interest	Total equity
Opening balance at 01.01.2017	5,238	392	191,878	197,508	32,532	230,040
Profit for the year	–	–	68,796	68,796	14,064	82,860
Other comprehensive income:						
■ Acquisitions of non-controlling interests in a subsidiary	–	–	118	118	7	125
■ Foreign currency translation	–	(472)	–	(472)	(45)	(517)
Subtotal	–	(472)	118	(354)	(38)	(392)
Other transactions:						
■ Dividend	–	–	(64,423)	(64,423)	(4,900)	(69,323)
■ Acquisition through business combinations	–	–	–	–	713	713
■ Profit share certificates	–	–	–	–	(1,929)	(1,929)
■ Other movements	–	–	1	1	–	1
Subtotal	–	–	(64,422)	(64,422)	(6,116)	(70,538)
Closing balance at 31.12.2017	5,238	(80)	196,370	201,528	40,442	241,970

The accompanying notes are an integral part of these consolidated financial statements.

x € 1,000

2016

	Paid-up share capital	Reserve for translation differences	Retained earnings	Total attributable to owners of the company	Non- controlling interest	Total equity
Opening balance at 01.01.2016	5,238	(208)	175,305	180,335	15,578	195,913
Profit for the year	–	–	60,907	60,907	8,485	69,392
Other comprehensive income:						
■ Acquisitions of non-controlling interests in a subsidiary	–	–	(811)	(811)	(164)	(975)
■ Foreign currency translation	–	600	–	600	–	600
Subtotal	–	600	(811)	(211)	(164)	(375)
Other transactions:						
■ Dividend	–	–	(43,525)	(43,525)	(2,545)	(46,070)
■ Acquisition through business combinations	–	–	–	–	12,676	12,676
■ Profit share certificates	–	–	–	–	(1,500)	(1,500)
■ Other movements	–	–	2	2	2	4
Subtotal	–	–	(43,523)	(43,523)	8,633	(34,890)
Closing balance at 31.12.2016	5,238	392	191,878	197,508	32,532	230,040

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

x € 1,000	2017	2016
Received from debtors	1,519,433	1,338,157
Paid to creditors and employees	(1,414,936)	(1,246,996)
Cash flow from business activities	104,497	91,161
Interest paid	(4,040)	(4,388)
Corporate income taxes paid	(10,791)	(8,096)
	(14,831)	(12,484)
Net cash (used in) / generated by operating activities	89,666	78,677
Dividend received from associates	154	140
New loan to associates	(546)	–
Repayments on loans issued to associates	3,900	900
Net cash outflow on acquisition of subsidiaries	(642)	(30,390)
Payments for property, plant and equipment	(4,213)	(3,034)
Payments for intangible fixed assets	(3,279)	(2,275)
Proceeds from disposals	–	–
Net cash (used in) / generated by investing activities	(4,626)	(34,659)
Repayments on loans from banks	(5,475)	(4,939)
Repayments on loans from shareholders	–	(4,000)
Repayments on financial lease	(603)	(521)
Interest received	364	524
New financial lease	–	1,165
New loans received from banks	–	20,000
Paid to profit share certificates	(1,929)	(1,500)
Received share premium	–	–
New loans received from shareholders	–	2,500
Dividend paid to owners of the company	(64,423)	(43,525)
Dividend paid to non-controlling interests	(4,900)	(2,545)
Change in supplier finance arrangements	150	(23,946)
Changes in banks	(6,918)	17,517
Net cash (used in) / generated by financing activities	(83,734)	(39,270)
Net cash flow	1,306	4,748
Cash and cash equivalents:		
Balance as at 1 January	13,214	8,166
Balance from acquired companies	2,865	300
Movement	1,306	4,748
Net cash and cash equivalents at end of year	17,385	13,214

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General

B&S Group S.à r.l. (the 'Company') has its registered office at 18 Place Bleech, Larochette, G.D. Luxembourg.

The consolidated financial statements of the Group for 2017 include the holding company and all its Group companies. In addition B&S Group S.à r.l. holds interests in third parties (investments in associates).

The direct parents of the Company are Lebaras Belgium BVBA (Belgium), Sarabel Invest S.à r.l. (G.D. Luxembourg) and Stichting Administratiekantoor Sarabel (the Netherlands). The ultimate controlling party is Stichting Administratiekantoor Sarabel (the Netherlands).

1.1 Group structure

The income statement of B&S Group S.à r.l. is incorporated in the consolidated financial statements.

1.2 Group structure

B&S Group S.à r.l. is a holding Company of an international conglomerate of companies. A detailed list of the group's main subsidiaries is enclosed in appendix on page 114.

New participations

During the financial year the Company incorporated the following companies:

Company	%	Date
P.H.S. II B.V., the Netherlands	100%	03-05-2017
Capi-Lux VA GmbH, Austria	100%	13-09-2017

These companies are consolidated from the date of incorporation.

Liquidated participations

During the financial year the company liquidated the following companies:

Company	%	Date
Perfume Import B.V., the Netherlands	100%	01-09-2017
European Traders B.V., the Netherlands	100%	17-10-2017
Superscent B.V., the Netherlands	100%	01-09-2017
Robijn OG B.V., the Netherlands	100%	01-09-2017

Acquisition

During the financial year the company acquired the following companies:

Company	%	Date
Next Generation Perfumes B.V., the Netherlands	50%	01-01-2017
STG Holding Import-Export S.L., Spain	51%	29-12-2017

At 1 January 2017 the company acquired the remaining 50% of the shares of Parfumtrend Einkaufs & Vertriebs GmbH, Germany for the amount of € 125,000. As from that date 100% of the shares are held by the company. The difference between acquisition price and the minority share in the assets and liabilities amount to € 118,365 is recorded in the other comprehensive income and attributable to the owners of the Company.

At 29 December 2017, the Company acquired 51% of the share of STG Holding Import-Export S.L., Spain. As from that date the Company obtained control. The acquisition is accounted for using the acquisition method. The acquisition price amounted to € 5,000. Refer to note 44 for detailed information about the assets acquired and liabilities recognised.

2 Application of new and revised International Financial Reporting Standards ('IFRS')

The Group applied all new and amended IFRS standards and interpretations applicable to the year ended 31 December 2017 as endorsed by the EU.

2.1 New IFRSs effective and EU-endorsed Annual improvements to IFRSs 2014-2016 Cycle

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interest.

The application of these amendments will have no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

The adjustment in IFRS 1 was relevant for reporting periods that have now passed and the group is not an investment entity nor held interest in such entities. The amendment of IAS 28 is not applicable since the group is not an venture

capital organisation and is not measuring investees at fair value through profit or loss on an investment-by-investment basis.

Amendments to IAS 7 Disclosure initiative

Disclosure initiative (effective 1 January 2017).

The amendments require disclosure regarding changes in liabilities arising from financing activities. The amendments do not have a financial effect on the consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017). This amendment clarifies the requirements on recognition of deferred tax assets related to debt instruments measured at fair value. Since debt instruments are not applicable, this amendment does not have any impact on the financial statements.

2.2 New IFRSs not effective and EU-endorsed

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent

accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date the effect in the profit or loss account is to a large extent dependent on the future exchange rate development and therefore the Group considered the impact limited.

The Group assessed the impact of IFRS 9 and concluded that the adoption of IFRS 9 will have no significant impact on the classification and measurement of the Group's financial

assets and financial liabilities. With regard to the impairment of financial assets, the IFRS 9 required expected credit loss model is projected to have very limited impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with customers

IFRS 15, 'Revenue from Contracts with Customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 'Revenue and the related Interpretations' when it becomes effective for annual periods beginning on or after January 1, 2018. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Group has analysed the effect of the transition to the standard and concluded, based on current facts and circumstances, that the adoption of IFRS 15 will have no significant impact on the Group's financial statements. The most important change for the Group is that revenue recognition will be based on 'transfer of control' rather than the transfer of significant risks and rewards. The Group assessed the revenue recognition based on the transfer of control methodology and concludes that for the Group the IFRS 15 transition impact will be marginal.

IFRS 16 Leases

IFRS 16, 'Leases' eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company anticipates that the application of IFRS 16 will have a significant effect on its reported assets and liabilities, and operating and financing expenses. The total current rental agreements amounting to € 33 million and the operating leases amounting to € 1 million are subject to IFRS 16 Leases and may be classified as lease assets and lease obligations. Of these contracts € 2 million has a maturity of more than 5 years. In 2018 the renewed contracts will be subject to a detailed IFRS 16 assessment.

2.3 New IFRSs not effective and not EU-endorsed

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a

business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The group will assess the impact when the effective date is set by the IASB.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) effective from 1 January 2019

In February 2018, the International Accounting Standards Board issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments are effective on or after 1 January 2019. The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Group will adopt these amendments when endorsed and expects that these amendments impact the Group when amendment, curtailment or settlement occurs.

3 Significant accounting policies

3.1 Statement of compliance

The 2017 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-IFRS).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the following material balance sheet item:

- derivative instruments are measured at fair value, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The main policies used in preparing the consolidated financial statements are explained in paragraph 3.4. The Group companies have consistently applied these policies for the periods included in these consolidated financial statements, unless stated otherwise.

3.3 Functional currency and presentation currency

The financial statements are prepared in Euros, being the Company's functional and reporting currency. All financial information in Euros is rounded to the nearest thousand.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group changing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-

controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.5 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note 3.7 below.

3.7 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture) the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment

in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements

only to the extent of interests in the associate or joint venture that are not related to the Group.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are not applicable.

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract for providing services is recognised at the same moment when the underlying sale of goods is recognised.

Net sales represents the income from goods and services supplied to third parties during the financial year including excises invoiced less V.A.T.

3.9 Purchase value

Purchase value represents the purchase price of trade inventory, including additional costs such as incoming freight, handling and other charges directly attributable to the purchase and/or sales of the goods and write-downs of inventories. The purchase price is net of discounts and supplier bonuses.

3.10 Other gains and losses

Other gains and losses represents the exchange rate differences attributable to the purchase value and exchange rate differences between the moment of invoicing and payment of the turnover.

3.11 Personnel costs

Personnel costs comprise the costs of personnel employed with the Group including social charges, pension costs and

other direct costs direct attributable to these employees. This also includes the cost of temporary personnel.

3.12 Finance income

Interest income from a financial assets is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate the exactly discounts estimated future cash receipt through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3.13 Financial expenses

Finance costs represent the interest owed on debts calculated using the effective interest method and the interest portion of the finance lease payments.

3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.16 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset

are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.15 Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans for which the Group has no legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits relating to employee services. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling

them to the contributions. Under such plans, fixed contributions are paid to a pension fund or insurance Company.

The Group operates various pension schemes. These schemes are financed through payments to insurance companies, industry branch pension funds or the Company pension fund.

The main pension funds of the Company are:

- Company pension fund 'Stichting Pensioenfonds B&S';
- Industry pension fund 'Bedrijfstakpensioenfonds Dranken';
- Industry pension fund 'Bedrijfstakpensioenfonds voor de detailhandel'.

The industry pension funds are treated as multi-employer pension funds.

Company pension fund

Pursuant to the Dutch pension system the Pension Plan is financed by contributions to the Company pension fund called 'Stichting Pensioenfonds B&S' (also referred to as 'Company pension fund'). Participation in this Company pension fund has been made obligatory for the employees of the qualifying B&S companies.

The accrual of the intended pension entitlement is always fully funded in the related calendar year through contribution payments. The pension plan is a conditional career average plan including – for both active and inactive participants (sleepers and retired persons) – conditional granting of supplements. The granting of supplements depends on the investment return. The capital available for the purchase of a pension equals the investment value as at pension date. The return on the contribution payments has not been guaranteed.

The group is obliged to pay two-third (employer contribution) of the fixed premium of 22%. The pension plan has the characteristics of a collective defined contribution plan and certain characteristics of a defined benefit plan. Under IAS 19 provisions the pension plan should be accounted for as a defined benefit plan. The actual actuarial risks and the actual defined benefit obligation of the Pension Plan are limited (not material).

In order to determine the impact of the Pension Plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The results of this method are disclosed in note 33. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable)

and the return of plan assets (excluding interest) are reflected in retained earnings when material. Past service costs are only recognised in profit or loss in the period of a plan amendment when there applicable and material. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gain and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The group presents the employer contribution of obliged fixed premium of 22% in profit or loss in the profit or loss item "Personnel costs". All other components including the net liability or asset are only recognised when applicable and material.

Industry pension schemes 'Bedrijfstakpensioenfonds Dranken'

Pursuant to the Dutch pension system this plan is financed by contributions to an industry pension fund. Participation in the industry pension fund has been made obligatory in the collective labour agreement applicable to Anker Amsterdam Spirits BV and Square Dranken Nederland BV.

The related accrued entitlements are always fully financed in the related calendar year through – at least – cost effective contribution payments. The pension plan is a career average plan including – for both active and inactive participants (sleepers and retired persons) – conditional granting of supplements. The granting of supplements depends on it the investment return.

The annual accrual of the pension entitlements amounts to 1.75% of the pensionable salary that is based on the gross wage net of a deductible (of € 19,978). The pensionable salary is capped (at € 52,763). The annual employer-paid contribution is 26.90% of which 9.76% is contributed by the employee. Based on the funding ratio and expected returns the board of the industry pension fund sets the contribution every year.

The related industry pension fund or company pension fund, respectively, has stated that the funding ratio is 115.7% in 2017 (2016: 111.0%). Based on the administrative regulations the group has no obligation to make additional contributions in the event of a deficit other than through higher future contributions.

Industry pension schemes 'Bedrijfstakpensioenfonds voor de detailhandel'

Pursuant to the Dutch pension system this plan is financed by contributions to an industry pension fund. Participation in the industry pension fund has been made obligatory in the collective labour agreement applicable to Koninklijke Capi-Lux Holding BV.

The related accrued entitlements are always fully financed in the related calendar year through – at least – cost effective contribution payments. The pension plan is a career average plan including – for both active and inactive participants (sleepers and retired persons) – conditional granting of supplements. The granting of supplements depends on it the investment return.

The annual accrual of the pension entitlements amounts to 1.75% of the pensionable salary that is based on the gross wage net of a deductible (of € 12,866). The pensionable salary is capped (at € 52,763). The annual employer-paid contribution is 19.4% of which 5.119% is contributed by the employee. Based on the funding ratio and expected returns the board of the industry pension fund sets the contribution every year.

The related industry pension fund or company pension fund, respectively, has stated that the funding ratio is 111.0% in 2017 (2016: 107.0%). Based on the administrative regulations the group has no obligation to make additional contributions in the event of a deficit other than through higher future contributions.

Other employee benefit plans

These pension obligations are valued as a defined contribution plan. This approach recognises the contribution payable to the pension provider as an expense in the profit and loss account.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates

(and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.19 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised based on the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.20 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is

recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.21 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

3.22 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories.

3.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually

certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.24 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.25 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when it is designated as at FVTPL.

A financial asset that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expires or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3.26 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.27 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 42.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting

period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

4 Critical accounting judgements and key sources of uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash-flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment may arise.

Useful lives of tangible fixed assets

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors have not determined any shortening of the useful lives of the property, plant and equipment.

Useful lives of other intangible fixed assets

The useful lives are assessed at the end of every reporting period. The other intangible assets mainly consist of concessions and brand names. The value of these assets is based on estimated future cash flows at a suitable discount rate. Where the actual future cash flows are less than expected, a material impairment may arise.

Allowance for doubtful debts

The allowance for doubtful debts relates entirely to trade receivables past the contractually agreed due date for payment. Estimations and assumptions are applied to determine the size of the allowance. Where the actual future cash flows based on these estimations and assumptions are less than expected, a material effect on this allowance may arise.

Provision for obsolescence of inventory

The provision for obsolescence of inventory is based on the Group's best estimates taking the market conditions and expectations on these market conditions into account. If market conditions significantly change during the coming years this may have a material effect on the provision.

5 Segment reporting

Segment information is based on the operating segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. In line with the management approach, the operating segments are based on the structure of the internal management reporting as provided to the Executive board and Supervisory board (which are the Chief Office Decision Makers) to facilitate strategic decision-making, resource allocation and to assess performance.

The Group has the following reportable segments that jointly form the Group's strategic divisions:

- HTG;
- B&S;
- Retail.

These operating segments generate revenues from the sale of various product groups.

HTG is active as a global distributor of Liquors and Health and Beauty products. It mainly distributes and sells its products to value, online and secondary retailers (B2B) and to local distributors and wholesalers. HTG sources its product assortment from manufacturers, wholesalers, distributors and international retail chains. HTG has its headquarters in Delfzijl, the Netherlands.

B&S is active as a specialty distributor for a wide range of Food and Beverage products, Liquors and Health and Beauty products to maritime, remote and retail B2B markets. B&S sources its product assortment from A-brand owners and manufacturers. B&S has its headquarters in Dordrecht, the Netherlands.

Within our **Retail** operations, we primarily operate an electronic consumer lifestyle format at international airports under the Royal Capi-Lux brand and a consumer goods format at regional airports and other 'away from home' locations under the B&S brand. Retail has its headquarters in Hoofddorp, the Netherlands.

For an extensive elaboration on our segments and served markets we refer to our company profile.

The activities of the holding Company are group-wide activities not operated by one of the other segments including finance, ICT, human resource management and marketing. Costs incurred at a Group level for business units where possible have been allocated to the business units they relate to. The results of these activities are reported separately to the Executive board and are presented in the segment summary in the column 'Holding Company and eliminations'.

A summary of the results of the reportable segments is provided on the next page. The Executive board assesses the performance of the operating segments on the basis of the EBITDA from ordinary activities. The accounting policies applied by the operating segments are identical to those of the Group. The EBITDA from ordinary activities per segment include the costs allocated at the Group level. EBITDA is defined as 'Operating result' corrected for 'Depreciation and amortisation'.

Transactions between segments are at arm's length.

	HTG		B&S		Retail		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Turnover	985,196	821,457	426,158	424,530	130,221	122,537	1,541,575	1,368,524
Purchase value	866,133	731,832	362,336	358,552	96,981	89,356	1,325,450	1,179,740
Gross profit	119,063	89,625	63,822	65,978	33,240	33,181	216,125	188,784
	12.1%	10.9%	15.0%	15.5%	25.5%	27.1%	14.0%	13.8%
Investment income	(299)	(668)	–	–	–	–	(299)	(668)
EBITDA	65,717	45,475	29,663	30,221	10,376	12,682	105,756	88,378
	6.7%	5.5%	7.0%	7.1%	8.0%	10.3%	6.9%	6.5%
Financial expenses	3,203	2,552	666	1,424	9	30	3,878	4,006
Share of profit of associates	85	–	–	–	278	198	363	198
Depreciation and amortisation	4,140	3,197	1,062	1,271	3,164	3,022	8,366	7,490
Taxation	12,893	9,352	2,443	2,239	1,789	2,271	17,125	13,862
Consolidated result	45,566	30,374	25,492	25,287	5,692	7,557	76,750	63,218
Investments in associates and joint ventures	758	36	–	–	1,243	1,136	2,001	1,172
Current assets	359,289	321,966	139,673	150,538	41,817	40,595	540,779	513,099
Total assets	395,437	355,941	147,441	164,899	54,576	56,284	597,454	577,124
Net bank debt	159,083	158,385	37,121	46,052	(1,067)	(4,299)	195,137	200,138
Inventory in days	97	100	58	66	51	56		
Debtors in days	38	45	49	51	5	6		
Net bank debts / EBITDA	2.4	3.5	1.3	1.5	(0.1)	(0.3)		

x € 1,000

	Total		Holding & Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016
Turnover	1,541,575	1,368,524	(34,321)	(29,035)	1,507,254	1,339,489
Purchase value	1,325,450	1,179,740	(34,211)	(29,109)	1,291,239	1,150,631
Gross profit	216,125	188,784	(110)	74	216,015	188,858
	14.0%	13.8%			14.3%	14.1%
Investment income	(299)	(668)	(65)	(65)	(364)	(733)
EBITDA	105,756	88,378	113	521	105,869	88,899
	6.9%	6.5%			7.0%	6.6%
Financial expenses	3,878	4,006	957	432	4,835	4,438
Share of profit of associates	363	198	–	–	363	198
Depreciation and amortisation	8,366	7,490	–	–	8,366	7,490
Taxation	17,125	13,862	(6,954)	(6,085)	10,171	7,777
Consolidated result	76,750	63,218	6,110	6,174	82,860	69,392
Investments in associates and joint ventures	2,001	1,172	–	–	2,001	1,172
Current assets	540,779	513,099	(42,483)	(31,905)	498,296	481,194
Group equity	597,454	577,124	(33,609)	(27,766)	563,845	549,358
Net bank debt	195,137	200,138	(2,514)	1,692	192,623	201,830
Inventory in days					85	89
Debtors in days					39	44
Net bank debts / EBITDA					1.8	2.3

6 Turnover

The distribution of the turnover over the segments can be specified as follows:

	2017	2016
HTG	985,196	821,457
B&S	426,158	424,530
Retail	130,221	122,537
Elimination	(34,321)	(29,035)
	1,507,254	1,339,489

The distribution of turnover over the product groups can be specified as follows:

	2017	2016
Liquors	525,365	485,310
Health & Beauty	596,881	475,131
Food & Beverages	236,021	220,850
Electronics	90,820	92,022
Other	58,167	66,176
	1,507,254	1,339,489

The distribution of turnover over the geographical regions can be specified as follows:

x € 1,000	2017	2016
Europe	882,079	764,337
America	108,034	113,626
Asia	264,453	228,673
Africa	41,391	40,056
Middle East	193,484	161,276
Oceania	17,813	31,521
	1,507,254	1,339,489

7 Purchase value

The distribution of the purchase value can be specified as follows:

x € 1,000	2017	2016
Purchase value of turnover	1,205,894	1,068,908
Other external costs and income related to turnover	85,345	81,723
	1,291,239	1,150,631

8 Investment income

The investment income can be specified as follows:

x € 1,000	2017	2016
Finance income from continuing operations		
Interest related to loans issued	299	524
Interest on receivables from shareholders	65	209
	364	733

9 Other gains and losses

The other gains and losses from continuing operations can be specified as follows:

x € 1,000	2017	2016
Exchange rate (gains) / losses	(3,261)	2,625
	(3,261)	2,625

10 Personnel costs

The distribution of the personnel costs can be specified as follows:

x € 1,000	2017	2016
Salary costs	41,651	35,899
Social security charges	6,233	5,128
Pension costs	3,019	2,668
Other personnel costs	3,389	3,309
	54,292	47,004
Temporary staff	17,304	14,588
	71,596	61,592

The remuneration of the Executive board and the Supervisory board is disclosed in the note on related parties (see note 43).

The number of employees in fulltime equivalents can be specified as follows:

	2017	2016
HTG	386	357
B&S	300	295
Retail	219	233
Other	5	1
	910	886

11 Depreciation and amortisation

The depreciation and amortisation can be specified as follows:

x € 1,000	2017	2016
Property, plant and equipment	6,001	6,011
Intangible fixed assets	2,365	1,479
	8,366	7,490

12 Other operating expenses

The other operating expenses can be specified as follows:

x € 1,000	2017	2016
Personnel related costs	5,638	4,949
Office / warehouse costs	11,443	10,931
Marketing costs	2,088	2,450
ICT expenses	3,866	3,859
Insurance costs	1,901	1,541
External advice	7,855	5,800
Other operating expenses	9,384	6,945
	42,175	36,475

13 Finance expenses

The finance expenses can be specified as follows:

x € 1,000	2017	2016
Interest related to bank facilities	5,223	4,150
Interest related to lease obligations	56	64
Changes in the fair value of derivatives	(444)	224
	4,835	4,438

14 Share of profit of associates

This concerns the result of associated companies where B&S Group S.à r.l. has significant influence, but no control in the companies. These companies have the same principal activities as the Group. It concerns the following associated companies with its share in the equity:

	2017	2016
Comptoir & Clos SAS, France	50%	50%
Next Generation Parfums B.V., the Netherlands	50%	–
STG Logistica Y Depositos S.L., Spain	50%	–
Capi-Lux South Africa (PTY) Ltd., South Africa	50%	50%

Transactions with these associated companies are disclosed in the note on related parties (see note 43).

15 Taxation on the result

The taxation on the result can be specified as follows:

x € 1,000	2017	2016
Income tax in Profit or loss account		
Income tax	10,121	7,325
Income tax previous periods	628	201
Deferred taxes	(578)	251
	10,171	7,777

The following table shows the reconsolidation between the nominal and effective corporate income tax rates for the Group.

x € 1,000	2017	2016
Result before taxation	93,031	77,169
Share of profit of associates	(363)	(198)
Non-deductible amortisation	(2,365)	(1,428)
Income not subject to income tax and income charged with 0% income tax	(48,533)	(43,912)
	41,770	31,631
Blended European tax charge ranging from 12.5% to 29.0%	10,121	7,325

16 Earnings per share

x €	2017	2016
Basic earnings per share		
From continuing operations	328.36	290.70
	328.36	290.70

The diluted earnings per share are equal to the basic earnings per share.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

x € 1,000	2017	2016
Profit for the year attributable to owners of the Company	68,796	60,907
	68,796	60,907

x € 1,000	2017	2016
Weighted average number of shares for the purpose of basic earnings per share	209,515	209,515
	209,515	209,515

In 2017 and 2016 there were no changes in the Group's accounting policies which affect the earnings per share.

As the group is considering its longer term capital structuring options, the share capital will be split by a factor of approximately 400, increasing the number of shares issued to 84 million.

17 Goodwill

The following table show the amount of goodwill recognised by individual cash generating units:

x € 1,000	31.12.2017	31.12.2016
HTG	11,003	11,003
Retail	6,601	6,601
B&S	500	500
	18,104	18,104

For impairment test, the determining factor is the level where, from a strategic and operational perspective, the management activities are carried out. In line with this approach, a chain of shops is treated as a single unit for the purpose of impairment testing.

Assumptions

The framework for tests of impairment comprises the existing activities excluding results on future acquisitions and/or disposals. In defining impairments, the Executive board of B&S Group S.à r.l. takes increases in market volume (due to increase of population and rising consumption) in to consideration and takes into account the growing market pressure on prices, government-induced or otherwise. This basis is valid in the long-term for our activities in all countries where the Group operates.

In all the impairment tests performed, value in use is determined by calculating the present value of expected future cash flows. The expected cash flows for each of the five years are calculated separately. In general the budget is the starting point

for the coming year. The cash flows for subsequent years are based on the latest strategic and financial long-term plans, taking into account the assessments of the responsible management. The cash flows for the remaining years are based on those of the five year and are assumed to grow with inflation. In the opinion of B&S Group S.à r.l. this leads to the best possible estimates of future developments.

The tests are carried out in local currency. The discount rate is based on the weighted average cost of capital before tax that is relevant to the assets of the unit. The applicable interest rate per country is taken into account for that purpose. In determining the discount rate, country market risks are not taken in to consideration, as specific market risks are included in the determination of expected future cash flows.

The main assumptions in the calculations are as follows:

Discount rate	8.1%
Inflation	0.3%
Terminal growth rate	0.5%
Sales growth rate	1–3%

The impairment testing for 2017 did not result in impairments.

Sensitivity to changes in assumptions

An impairment test of goodwill is carried out at least once a year or when required due to changing circumstances. Any test of impairment inevitably involves factors that have to be estimated. The realisable value is influenced by factors such as projections of future economic conditions and expectations regarding market developments and operations. The estimates made for these factors may change over time, which could lead to impairment recognised as a profit or loss in the income statement. The recoverable amount also depends on the discount rate used, which is based on an estimate of the weighted average cost of capital for the unit concerned.

It is inherent in the method of computation used that a change in assumptions may lead to a different conclusion on the impairment required. The following aspects provide an indication of the sensitivity of the impairment tests to changes in key assumptions used:

- If the discount rate is assumed to be 1% higher than used in the separate impairment tests, no impairments would have been required.
- If future annual sales growth rate is set 1% lower than used in the separate impairment tests, whilst maintaining cost levels on the original assumptions, no impairments would have been required.
- If gross margins were to show a cumulative decrease of 1.5% over the coming years, while maintaining the other assumptions used in the separate impairment tests, no impairments would have been required.

18 Other intangible assets

Other intangible assets consist of brand names, concessions and other contracts. The movements can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Brand names	375	525
Concessions	1,482	2,117
Software	5,581	2,372
Other	9,552	10,520
	16,990	15,534

Intangible fixed assets are amortised over its useful economic life, defined at the moment of acquisition. These intangible assets are amortised between 10% and 33%. Similar as in the previous year, no intangible assets have been pledged as security for liabilities.

The movements can be specified as follows:

					2017
	Software	Brand name	Concessions	Other	Total
At cost:					
Balance as at 1 January	2,443	1,200	4,908	12,626	21,177
Additions	3,279	–	–	–	3,279
Acquisitions through business combinations	187	–	–	492	679
Disposals	–	–	(348)	(618)	(966)
	5,909	1,200	4,560	12,500	24,169
Accumulated amortisation:					
Balance as at 1 January	(71)	(675)	(2,791)	(2,106)	(5,643)
Acquisitions through business combinations	(138)	–	–	–	(138)
Disposals	1	–	349	617	967
Amortisation	(120)	(150)	(636)	(1,459)	(2,365)
	(328)	(825)	(3,078)	(2,948)	(7,179)
Balance as at 31 December	5,581	375	1,482	9,552	16,990

					2016
	Software	Brand name	Concessions	Other	Total
At cost:					
Balance as at 1 January	168	1,200	4,908	1,495	7,771
Additions	2,275	–	–	–	2,275
Acquisitions through business combinations	–	–	–	11,097	11,097
Disposals	–	–	–	34	34
	2,443	1,200	4,908	12,626	21,177
Accumulated amortisation:					
Balance as at 1 January	(20)	(525)	(2,090)	(1,495)	(4,130)
Disposals	–	–	–	(34)	(34)
Amortisation	(51)	(150)	(701)	(577)	(1,479)
	(71)	(675)	(2,791)	(2,106)	(5,643)
Balance as at 31 December	2,372	525	2,117	10,520	15,534

19 Property, plant and equipment

Property, plant and equipment can be specified as follows:

	31.12.2017	31.12.2016
Land and property	14,819	16,203
Equipment	5,990	6,811
Other	5,126	4,867
	25,935	27,881

The movements can be specified as follows:

				2017
	Land & property	Equipment	Other	Total
At cost:				
Balance as at 1 January	40,501	21,738	18,085	80,324
Additions	70	1,667	2,476	4,213
Acquisitions through business combinations	–	108	60	168
Disposals	(103)	(286)	(4,406)	(4,795)
	40,468	23,227	16,215	79,910
Accumulated depreciation:				
Balance as at 1 January	(24,298)	(14,927)	(13,218)	(52,443)
Acquisitions through business combinations	–	(68)	(23)	(91)
Disposals	79	273	4,208	4,560
Depreciation	(1,430)	(2,515)	(2,056)	(6,001)
	(25,649)	(17,237)	(11,089)	(53,975)
Balance as at 31 December	14,819	5,990	5,126	25,935

				2016
	Land & property	Equipment	Other	Total
At cost:				
Balance as at 1 January	40,444	19,011	13,427	72,882
Additions	53	702	2,409	3,164
Acquisitions through business combinations	–	2,038	2,356	4,394
Disposals	4	(13)	(107)	(116)
	40,501	21,738	18,085	80,324
Accumulated depreciation:				
Balance as at 1 January	(22,765)	(11,874)	(10,288)	(44,927)
Acquisitions through business combinations	–	(332)	(1,243)	(1,575)
Disposals	(2)	–	72	70
Depreciation	(1,531)	(2,721)	(1,759)	(6,011)
	(24,298)	(14,927)	(13,218)	(52,443)
Balance as at 31 December	16,203	6,811	4,867	27,881

The depreciation rates applied are as follows:

Land	0%
Property	5%
Equipment	10%–20%
Other	12.5%–20%

The carrying amount of assets under finance leases is € 809,000 (2016: € 1,380,000). These assets are all classified as plant and equipment. The Group does not hold legal title of these assets. Similar as in the previous year, the property, plant and equipment has been pledged as security for non-current borrowings and current liabilities provided by financial institutions.

20 Investments in associates

Investments in associated companies can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	1,172	981
Acquisitions	637	–
Share of profit of associated companies	363	198
Exchange rate result	(17)	134
Received dividend	(154)	(140)
Other changes	–	(1)
Balance as at 31 December	2,001	1,172

The principal associated companies of the Group are as follows:

	2017	2016
Comptoir & Clos SAS, France	50%	50%
Next Generation Parfums B.V., the Netherlands	50%	–
STG Logistica Y Depositos S.L., Spain	50%	–
Capi-Lux South Africa (PTY) Ltd., South Africa	50%	50%

These companies have the same principal activities as the Group. The aggregate financial data of the principal associated companies are shown below, broken down into total assets and liabilities and the most important items in the income statement.

Comptoir & Clos SAS

x € 1,000	31.12.2017	31.12.2016
Current assets	–	15
Non-current assets	–	115
Current liabilities	–	445
Non-current liabilities	–	–
Turnover	–	–
Profit (loss) for the year	–	–
Net assets of the associate	–	(315)
Carrying amount of the Group's interest	–	–

Next Generation Parfums B.V.

x € 1,000	31.12.2017	31.12.2016
Current assets	1,452	–
Non-current assets	1,668	–
Current liabilities	139	–
Non-current liabilities	1,617	–
Turnover	2,610	–
Profit (loss) for the year	172	–
Net assets of the associate	1,364	–
Carrying amount of the Group's interest	720	–

STG Logistica Y Depositos S.L.

x € 1,000	31.12.2017	31.12.2016
Current assets	168	–
Non-current assets	143	–
Current liabilities	119	–
Non-current liabilities	215	–
Turnover	686	–
Profit (loss) for the year	3	–
Net assets of the associate	(23)	–
Carrying amount of the Group's interest	2	–

Capi-Lux South Africa (PTY) Ltd.

x € 1,000	31.12.2017	31.12.2016
Current assets	2,642	2,699
Non-current assets	131	175
Current liabilities	278	549
Non-current liabilities	–	3
Turnover	10,226	9,233
Profit (loss) for the year	557	396
Net assets of the associate	2,495	2,322
Carrying amount of the Group's interest	1,248	1,161

21 Receivables

The receivables can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	5,700	6,600
Acquired through acquisitions	385	–
New loans issued	546	–
Repayments	(3,900)	(900)
	2,731	5,700
Reclassification to 'Current assets'	(250)	(250)
Balance as at 31 December	2,481	5,450

The receivables are non-current financial assets carried at amortised costs. The fair value of the borrowing is its carrying amount. In 2015 the Group granted two loans to a related party for the original amount of € 8,470,000. These loans are provided to a Company where the ultimate shareholders have a significant influence. No securities have been provided. The applicable interest rate is 10%. The loan will be repaid in total within six years. One loan has a remaining maturity of less than one year for the amount of € 250,000 (2016: € 250,000).

22 Deferred tax assets

The deferred tax assets can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	54	282
Transfer to/from profit or loss account	135	(228)
	189	54
Reclassification to 'Provisions'	(151)	(31)
Balance as at 31 December	38	23

This relates to past tax losses carried forward of Group companies.

23 Inventory

The inventory can be specified as follows:

x € 1,000	2017	2016
Value of trade goods	272,092	265,280
Prepayments on trade inventory	33,832	20,499
Provision for obsolescent inventory	(5,389)	(5,828)
	300,535	279,951

The carrying amount of inventory that are valued at lower net realisable value amounts to € 29,342,000 (2016: € 25,824,000). The amount of the write-down during 2017 amounts to € 9,134,000 (2016: € 4,274,000) and has been recognised in profit and loss account as a loss.

Similar as in previous year, inventories have been pledged as a security for credit facilities provided by financial institutions.

The cost of inventories recognised as an expense during the year in respect of continuing operations was € 1,206 million (31 December 2016: € 1,069 million).

24 Trade receivables

The trade receivables can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Trade receivables	164,245	163,886
Allowance for doubtful debts	(1,198)	(1,626)
	163,047	162,260

The allowance for doubtful receivables provides a fair reflection of the risk of none or late payments at the balance sheet date. Accordingly the carrying amount of the trade receivables is approximately equal to its fair value. The provision has been recognised at nominal value, given its current nature. A allowance for doubtful debts was formed during the financial year amounting to € 127,000 (2016: € 692,000) that was charged to the profit or loss account. No interest is charged on past due trade receivables.

The movement in the allowance for doubtful debts can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	1,626	930
Transfer from profit or loss	–	692
Amounts written off as uncollectable	(428)	–
Other changes	–	4
Balance as at 31 December	1,198	1,626

The working capital tied up in trade receivables is expressed in Days of Sales Outstanding (DSO). The average DSO for 2017 was 39 days (2016: 44).

The provision for doubtful receivables relates entirely to trade receivables past the contractually agreed due date for payment. Items that are considered doubtful have been fully provided for. Estimations and assumptions are applied to determine the size of the provision. Those estimates and assumptions are based on age analysis and specific developments in terms of market conditions and credit risks. In the judgement of B&S Group S.à r.l., the credit quality for receivables past due at the balance sheet date but not provided for is sufficient.

The age of the receivables that are past due but not impaired are as follows:

x € 1,000	31.12.2017	31.12.2016
Trade receivables less than 30 days due	40,776	26,635
Trade receivables between 30 and 60 days due	13,176	20,365
Trade receivables more than 60 days due	7,625	23,618
	61,577	70,618

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Based on an individual assessment of all the due receivables the Company concluded that impairment was not required for these receivables due to the credit quality not being significantly changed.

25 Other tax receivables

The other tax receivables can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Value added tax	2,404	3,459
Social security	2	1
Duties	1,126	872
Other taxes	1	13
	3,533	4,345

26 Other receivables

The other receivables can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Current portion of non-current receivables	250	250
Receivables on associated companies	321	338
Receivables on related parties	–	8,156
Other receivables and accrued income	12,365	11,271
	12,936	20,015

The fair value of the other receivables is equal to their carrying amount, giving its short-term nature. The line item 'Other receivables and accrued income' includes among others prepayments and receivables on suppliers relating to provided discounts.

27 Cash and cash equivalents

Cash and cash equivalents consist almost entirely of cash held at banks. All the bank balances are at the free disposal of the Group.

28 Share capital

See the consolidated statement of changes in equity for information on the composition, amount and changes of equity. Details of the share capital are set out below. Information on other elements of equity (reserves) is set out in the next note.

Issued share capital

The Company's corporate capital is fixed at € 5,237,875 divided into 209,515 shares, each in a registered form with a par value of € 25, all subscribed and fully paid up.

29 Reserves

Direct changes in equity are recognised net of tax effects. The following elements of reserves can be specified as follows:

Reserve for translation differences

The reserve for translation differences comprises all cumulative translation differences arising from the translation of the financial statements of activities in currencies other than the euro. The reserve is not freely distributable. The movement can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	392	(208)
Foreign currency translation through Other Comprehensive Income	(472)	600
Balance as at 31 December	(80)	392

Retained earnings

The retained earnings comprise all cumulative profit or loss movements less cumulative changes. The movement can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	191,878	175,305
Paid by shareholders	–	–
Profit for the period	68,796	60,907
Dividend to the owners of the company	(64,423)	(43,525)
Acquisitions of non-controlling interests in a subsidiary	118	(811)
Other changes	1	2
Balance as at 31 December	196,370	191,878

Proposed appropriation of the result for 2017

An amount of € 64,423,000 has been distributed during the year as interim dividend and the remaining amount of the net result will be added to the reserves. This proposed appropriation has not been accounted for in the annual accounts. The financial statements do not yet reflect this proposal.

Profit appropriation 2016

The 2016 financial statements were approved during the General Meeting on 17 February 2017. The General Meeting approved the proposed profit appropriation.

30 Non-controlling interest

The non-controlling interest consist of the third-party share in the following companies:

	31.12.2017	31.12.2016
J.T.G. Holding B.V., the Netherlands	49%	49%
Parfumtrend GmbH, Germany	–	50%
STG Holding Import-Export S.L., Spain	49%	–
J.T.G. WWL S.à r.l., G.D. Luxembourg	49%	49%
Topbrands Europe B.V., the Netherlands	49%	49%

Profit rights

B&S Investments B.V., Delfzijl, the Netherlands	100%	100%
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The movement in the non-controlling interest can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	32,532	15,578
Acquisitions	713	12,676
Share of profit of associated companies	10,795	5,862
Acquisitions of non-controlling interests in a subsidiary	7	(164)
Exchange rate result	(45)	–
Reserves transferred to profit right certificates	(1,929)	(1,500)
Profit rights	3,269	2,623
Dividend paid to non-controlling interest	(4,900)	(2,545)
Other changes	–	2
Balance as at 31 December	40,442	32,532

31 Borrowings

The borrowings can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Borrowings from shareholders	2,500	2,625
Borrowings from banks	19,355	20,550
Financial lease	912	1,534
	22,767	24,709

Borrowings from shareholders

The movements in borrowings from shareholders can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	2,625	4,125
Acquisition through business combination	–	–
New borrowings received	–	2,500
Installments	(125)	(4,000)
Balance as at 31 December	2,500	2,625

This item consists of the following loans:

- A loan for the original amount of € 125,000. The applicable interest rate is 4%. No repayments are agreed upon. During 2017 the loan is repaid in full.
- A loan for the original amount of € 2,500,000. The applicable interest rate is 5%. Repayment is in full as at 31 December 2018. The current outstanding amount equals the original amount. No securities have been provided.

Borrowings from banks

The movements in borrowings from banks can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	25,945	9,866
Acquisitions	3,527	–
Acquisition through business combination	–	1,018
New borrowings received	–	20,000
Installments	(5,475)	(4,939)
	23,997	25,945
Reclassification to 'Current liabilities'	(4,642)	(5,395)
Balance as at 31 December	19,355	20,550

This item consists of the following loans:

- A mortgage loan for the original amount of € 8,250,000. The applicable interest rate is 3 months Euribor increased by 1.25%. The underlying real estate has been provided as security. Repayment in quarterly terms of € 137,500.
- A loan from 2012 for the original amount of € 17,250,000. The applicable interest rate is 3 months Euribor increased by 1.25%. Pledge on the shares of the specific acquired company has been provided. During 2017 the loan is repaid in full.
- A loan from 2014 for the original amount of € 1,000,000. The applicable interest rate is 3 months Euribor increased by 1.25%. Pledge on the shares of the specific acquired company has been provided. Repayment in quarterly terms over 5 years.
- A loan from 2015 for the original amount of € 500,000. The applicable interest rate is 2.95%. Securities have been provided. Repayment is in quarterly terms of € 25,000.
- A loan from 2015 for the original amount of € 500,000. The applicable interest rate is 3.25%. Securities have been provided. Repayment is in quarterly terms of € 25,000.
- A loan from 2016 for the original amount of € 20,000,000. The applicable interest rate is 3 months Euribor increased by 2.0%. Pledge on the shares of the specific acquired company has been provided. Repayment of € 14,000,000 in quarterly terms over 5 years and € 6,000,000 in once over 5 years.
- A loan from 2017 for the original amount of € 2,000,000. The applicable interest rate is 2.75%. No securities have been provided. Repayment is in equal monthly terms over the next 5 years.
- A loan from 2017 for the original amount of € 2,000,000. The applicable interest rate is 2.45%. No securities have been provided. Repayment is in equal monthly terms over the next 5 years.

Financial lease

The movements in financial lease can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	2,129	1,343
Acquisition through business combination	–	12
New borrowings received	–	1,295
Installments	(603)	(521)
	1,526	2,129
Reclassification to 'Current liabilities'	(614)	(595)
Balance as at 31 December	912	1,534

The interest rate on the financial lease is 3.2%. The book value of the leased material as at 31 December 2017 amounted to € 809,000 (31 December 2016: € 1,380,000).

Maturity

The maturity and related value of the borrowings can be specified as follows:

x € 1,000				31.12.2017
	< 1 year	1 <> 5 years	> 5 years	Total
Borrowings from shareholders	–	–	2,500	2,500
Borrowings from banks	4,642	19,205	150	23,997
Financial lease	614	912	–	1,526
	5,256	20,117	2,650	28,023

32 Deferred tax liabilities

B&S Group S.à r.l. only balances deferred tax assets within the same fiscal unit if the Group has an enforceable right to do so and intends to settle them on a net basis. The positions are:

x € 1,000	31.12.2017	31.12.2016
Net deferred tax liabilities	3,232	3,830
	3,232	3,830

The maturity and related value of the deferred tax liabilities can be specified as follows:

x € 1,000				31.12.2017
	< 1 year	1 <> 5 years	> 5 years	Total
Net deferred tax liabilities	619	2,301	312	3,232
	619	2,301	312	3,232

The change in net deferred tax liabilities can be broken down as follows:

x € 1,000	2017	2016
Balance as at 1 January	3,861	1,128
Acquisition through business combination	–	106
Purchase price allocation	–	2,578
Transfer to profit or loss	(334)	389
Reclassification from 'Current corporate income tax liability'	(144)	(340)
	3,383	3,861
Reclassification to 'Current assets'	(151)	(31)
Balance as at 31 December	3,232	3,830

The deferred tax assets and liabilities relate to the following items:

x € 1,000	31.12.2017	
	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment		211
Intangible fixed assets	–	3,051
Interest rate swaps	–	–
Tax losses	189	121
	189	3,383
Netting of deferred tax items	(151)	(151)
	38	3,232

x € 1,000	31.12.2016	
	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	–	356
Intangible fixed assets	–	3,674
Interest rate swaps	–	(278)
Tax losses	54	109
	54	3,861
Netting of deferred tax items	(31)	(31)
	23	3,830

No expiry date is applicable for the tax losses, so they can be settled with future tax profits.

33 Retirement and other employee benefit obligations

The obligation consists of a provision for pension obligation and employee benefit obligations. The provision for pension obligations consists of a provision for pensions of former personnel that have taken effect and are valued at fair value. The maturity of these obligations is less than five years. The movements can be summarised as follows:

x € 1,000	2017	2016
Balance as at 1 January	1,106	666
Paid during the financial year	–	(14)
Transfer to/from profit and loss account	494	454
Balance as at 31 December	1,600	1,106

This provision consists also an end-of-service indemnity payable to employees at the reporting date in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

Defined contribution plans

The Company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Company in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total expense recognised in the profit or loss of € 3,019,000 (2016: € 2,668,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of € 232,000. (2016: € 192,000) due in respect of the 2017 (2016) reporting period had not been paid over to the plans. The amounts were paid after the end of the reporting period.

Pension plan pension fund "Stichting Pensioenfonds B&S"

The group sponsors an IAS 19 categorised defined benefit plan for employees for whom the benefit plan is accommodated by the company pension fund "Stichting Pensioenfonds B&S" (also referred to as 'Company pension fund'). The defined benefit plan (Pension Plan) is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both the employer and employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

The pensionable salary accommodated by the Company pension fund is limited to € 103,317 (2016: € 101,519). The pensionable salary is the difference between the current salary of the employee and the state retirement benefit.

The Company pension fund has stated that the funding ratio is 101.6% at 31 December 2017 (2016: 98.9%).

The Company pension fund has issued a recovery plan on 1 July 2015 as the funding ratio was below the required level set by the authorities. The annual evaluation of the recovery plan in the beginning of 2017 resulted in the following 2 changes: per 1 January 2018 the age of retirement is raised from 67 to 68 (according to new regulations in The Netherlands) and per 1 January 2018 the pension for the partner of the employee will only be risk based insured as long as the employee is employed by the Group.

These additional measurements were approved by the authorities on 24 May 2017. Each year the recovery plan will be evaluated.

Under the Pension Plan, the employees are entitled to post-retirement yearly instalments based on fixed premium. One third of the premium contributions are paid by the employees and the remaining two-third is paid by the group. The yearly instalment depend on amongst others: investment return arising from the contributions, interest rate, salary of plan participants and longevity. According to the pension plan the employer has the obligation to pay a fixed annual premium to the pension fund of two-third of 22% of the pension base. The only liability for the employer is to pay the annual premium and the employer has no liability to make additional payments for pension benefits relating to past service or increase premium payments if the pension fund is reducing future accrual. The group is to a limited extent exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk and in order to properly reflect this, the group discloses information about the development of costs, assets and liabilities of the Pension Plan and related principal assumptions in the following tables. There is a formal obligation to pay a fixed premium and the net liability and 'OCI' gains are not material in the consolidated financial statements. In order to provide transparent information about the Pension Plan, the group performed an actuary IAS 19 project unit method calculation. Actuarial valuation of the plan assets and the present value of the defined obligation were determined by an actuary (AAG), Fellow of the institute of actuaries of The Netherlands. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

x € 1,000	2017	2016
Development of net liability		
Opening net liability	292	1,347
Expense	2,059	1,844
Employer contributions	(1,765)	(1,765)
Gain - Other Comprehensive Income	(79)	(1,134)
Closing net liability	507	292

x € 1,000

31.12.2017
31.12.2016
Assets and Liabilities

Defined Benefit Obligation	34,369	31,084
Market Value of Assets	(33,862)	(30,792)
Closing net liability	507	292

The principal assumptions used for the purposes of the actuarial valuations were as follows:

31.12.2017
31.12.2016

Discount rate	2.10%	2.10%
Expected rate of salary increase	2.25%	2.25%
Price inflation (AOW-Offset)	2.00%	2.00%
Average longevity at retirement age for current pensioners (year) *	ES – P2	ES–P2

* The Centre for Insurance statistics (Dutch: Centrum voor Verzekeringsstatistiek, CVS) has determined gender and age dependent mortality correction factors that have been included in the ES-P2 mortality experience table. These factors are based on the observed mortality within the collective insurance portfolios of Dutch insurance companies. Correction factors from Willes Towers Watson are applied to these rates.

The group subsidiaries fund the cost of the entitlements expected to be earned, on a yearly basis. Premiums are based on a current salary base. Apart from paying the costs of entitlements, the group subsidiaries are not liable to pay additional contributions in case the fund does not hold sufficient assets. In that case, the fund would need to take other measures to restore its solvency, such as reductions of the entitlements of the plan members.

Other defined benefit plans

The end-of-service indemnity payable in accordance with the U.A.E. labour laws as noted before is considered as a defined benefit plan for which a provision is accounted for. Total amount of end-of-service indemnity provision as per 2017 was € 181,000 (2016: € 109,000).

In several countries, defined benefit plans are in place. However due to the limited number of employees and limited financial risk these plans are accounted for as defined contribution plans. For pension plans for which the pension fund cannot provide data on an individual company basis, these plans are in line with IAS19 accounted for as defined contribution plans. In 2017 the premium related to these plans charged to the consolidated statement of Profit or Loss amounts to € 292,000 (2016: € 168,000).

34 Provisions

The movements in the provisions can be specified as follows:

x € 1,000

2017
2016

Balance as at 1 January	18	–
Transferred to profit and loss account	(18)	18
Balance as at 31 December	–	18

The provision represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of product quality.

35 Other liabilities

The movements in other liabilities can be specified as follows:

x € 1,000	2017	2016
Balance as at 1 January	860	895
Installments	(35)	(35)
	825	860
Reclassification to 'Current liabilities'	(35)	(35)
Balance as at 31 December	790	825

This item comprise of an 'InvesteringsPremieRegeling (IPR)' subsidy with an original amount of € 1,264,000, which is being reduced with € 35,000 per year and released to the profit and loss account.

36 Credit institutions

Both non-current and current financing facilities are discussed and negotiated exclusively at corporate level within the Group by the Executive board. The financing facilities from financial institutions comprise non-current borrowings and credit facilities arranged by various financial institutions.

The non-current borrowings are used for the financing of non-current assets. The credit facilities are used for financing the Group's working capital.

The Group has provided pledges on property, plant and equipment, inventory, transport, credit and fire/damage insurance and trade receivables, as a security for the financing facilities from financial institutions.

The modalities on current credit facilities provided by banks can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Total level of credit facilities granted to the Company and affiliated companies	342,494	332,374
Average margin on interest rate (1 month Euribor) including liquidity margin	1.23%	1.36%

37 Supplier finance arrangements

Supplier finance arrangement is a liability towards a company owned by a financial institution who facilitates the purchasing of a part of the inventory. This company is receiving a predetermined remuneration for facilitating the purchases under the agreement with this company. This company is the legal owner of the purchased inventory. In order to minimise the remuneration, B&S Holland Trading Group B.V. guaranteed that any inventory older than 180 days will be purchased from this company by B&S Holland Trading Group B.V. or (one) of its subsidiaries. In order to properly reflect that undertaking, the Group recognise the economical ownership of the inventory and the related liability as 'Inventory' and 'supplier finance arrangements'.

38 Derivative financial instruments

The carrying amounts of the various derivatives as at 31 December 2017 were equal to their fair values. B&S Group S.à r.l. use interest rate swaps and forward currency contracts to manage interest rate and currency risks. Receivables under derivatives are presented in non-current and current assets. Derivatives designated and effective as hedging instruments are carried at fair value. The following derivative financial instruments were held by the Company:

x € 1,000	31.12.2017	31.12.2016
Non-current assets	–	–
Current assets	–	–
Non-current liabilities	–	–
Current liabilities	666	1,110
Total assets / (liabilities)	(666)	(1,110)

39 Other taxes and social security charges

The other taxes and social security charges can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Value added tax	7,077	6,323
Social security	1,097	1,270
Duties	2,951	2,339
Other taxes	268	86
	11,393	10,018

40 Other current liabilities

The item 'Other liabilities and accrued expenses' includes pension charges amounting to € 232,000 as at 31 December 2017 (31 December 2016: € 192,000).

41 Contingent liabilities and contingent assets**Concession fee**

The Group has entered into long-term concession agreements. The maturity of these agreements is between 1 and 10 years. The amounts involved are based on the turnover of the particular agreement.

Capital expenditure commitments

As at 31 December 2017, the Group entered into capital expenditure commitments for an amount of € 4.7 million.

Guarantees

The Group has issued guarantees. These guarantees can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Total maximum level of guarantees facility granted to the Group	26,000	26,000
Issued guarantees in relation to import duties	10,961	9,095
Issued guarantees in relation to rental agreements	1,164	1,119
Other issued guarantees	2,885	2,325
	15,010	12,539

Operational leases

This concerns operational leases on vehicles with leasing companies. These lease obligations can be specified as follows:

x € 1,000	31.12.2017	31.12.2016
Annual obligations	682	587

The maturity and related value of outstanding operational leases is as follows:

x € 1,000				31.12.2017
	< 1 year	1 <> 5 years	> 5 years	Total
Operational leases	682	669	–	1,351
	682	669	–	1,351

x € 1,000				31.12.2016
	< 1 year	1 <> 5 years	> 5 years	Total
Operational leases	587	562	–	1,149
	587	562	–	1,149

Rental agreements

The Group has entered into the long-term rental agreements.

Apart from the rental agreement for the office in G.D. Luxembourg, the annual rental charges are adjusted for indexation each year.

The maturity and related value of outstanding rental agreements is as follows:

x € 1,000				31.12.2017
	< 1 year	1 <> 5 years	> 5 years	Total
Rental agreements	7,554	24,291	20,240	52,085
	7,554	24,291	20,240	52,085

x € 1,000				31.12.2016
	< 1 year	1 <> 5 years	> 5 years	Total
Rental agreements	6,970	24,206	1,786	32,962
	6,970	24,206	1,786	32,962

42 Risk management and financial instruments

No significant changes in terms of capital management were effected in the year under review. An enabling condition in our policy is a healthy financing structure that maintains a balance between adequate solvency, the availability of adequate working capital and sufficient available funding. The Company's balance sheet structure and cash flow generation remains strong over years. This enables us to continue to grow organically and through acquisitions.

As a result of its activities, the Company is exposed to various financial risks. The Company applies a Group-wide treasury policy for the adequate management of cash flows and financing flows combined with management of the related financial risks, such as currency risks and interest rate risks.

A summary of the main financial risks is provided below. The risks are linked to the Company's core objectives and categorised as liquidity risks, currency risks, interest rate risks and credit risks. Also mentioned is how the Company manage these risks.

Liquidity risk

Liquidity risk is the risk that B&S Group S.à r.l. is unable at the required time to meet its financial obligations. Liquidity management is based on the principle that sufficient liquidity is maintained in the form of credit facilities or cash and cash equivalents to meet the obligations in both normal and exceptional circumstances. Cash flows are forecasted within the Group on a regular basis and the extent is determined to which the Group has sufficient liquidity for the operating activities while maintaining sufficient credit facilities (headroom).

The total credit facilities, excluding non-current borrowings amounted to € 342 million as at 31 December 2017, with headroom of € 158 million under the facilities in 2017. The Company therefore has credit facilities that are sufficient for the existing and expected credit requirements of the Group.

The extent of the risk that covenants agreed with financial institutions are breached is regularly determined. With the present solvency (> 30%) and interest coverage (> 3.0), B&S Group S.à r.l. is comfortably within the covenants agreed with the various financial institutions of a minimum solvency of 25% and a minimum interest cover of 3.0. These agreed covenants are similar for the main financial institutions.

A 10% decrease in our operating result (defined for this purpose as operating result before depreciation of property, plant and equipment and amortisation of intangible assets and impairments) would reduce interest coverage by 2.2 points, at unchanged interest rates on interest-bearing debt. The interest coverage rate covenant agreed with financial institutions is set at a minimum of 3.0 points. This covenant would only be breached if the operating result decreases by more than 80%.

A 10% decrease in our net result would reduce solvency by 1%, while leaving the balance sheet total unchanged. The solvency covenant with financial institutions is set at a minimum of 25%. This covenant would only be breached if the net result decreases by more than € 100 million.

The following table represents the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables contain the non-discounted cash-flows as per the first date the Group can be required to pay.

					31.12.2017
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		66,452	–	–	66,452
Finance lease liability	3.2%	614	912	–	1,526
Variable interest rate instruments	1.36%	189,092	19,205	150	208,447
Fixed interest rate instruments	5%	–	–	2,500	2,500
Closing balance at 31.12.2017		256,158	20,117	2,650	278,925

x € 1,000

x € 1,000	31.12.2016				
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		62,770	–	–	62,770
Finance lease liability	3.2%	595	1,534	–	2,129
Variable interest rate instruments	1.36%	192,330	20,400	150	212,880
Fixed interest rate instruments	4%	–	–	2,625	2,625
Closing balance at 31.12.2016		255,695	21,934	2,775	280,404

The following table detail the Group's expected maturity for its non-derivative financial assets.

x € 1,000	31.12.2017				
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		163,047	–	–	163,047
Fixed interest rate instruments	10%	250	546	1,935	2,731
Closing balance at 31.12.2017		163,297	546	1,935	165,778

x € 1,000	31.12.2016				
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		162,260	–	–	162,260
Fixed interest rate instruments	10%	250	–	5,450	5,700
Closing balance at 31.12.2016		162,510	–	5,450	167,960

Currency risk

Most of the company's turnover is in Euros, which is the Group's functional currency. Other currencies used for trading are mainly the US Dollar, Japanese Yen and the British Pound. The main currency risks arise when selling and purchasing in the US Dollar and, to some extent, when selling in the British Pound and Japanese Yen or vice versa. Basically, the Group deals with risks from trading in non-Euro currencies by matching incoming and outgoing cash flows as closely as possible in the same currency.

Extraordinary currency positions and risks are dealt with at corporate level by a dedicated treasury department that monitor the cash flows of each division on a daily basis. To mitigate the risk from currency transactions the treasury department uses hedging instruments (spot and forward contracts and currency swaps) when appropriate and on a case-by-case basis.

As most of the Group entities are based in the Euro zone the balance sheets and profit and loss accounts are in Euros.

The Group is mainly exposed to the US Dollar as indicated in the next table. Assuming the Euro had strengthened (weakened) 3% against the US Dollar compared to the actual 2017 rate with all other variables held constant the hypothetical result on income before taxes would have been a change of € 1,620,000. A 3% increase or decrease of the other currencies the Group is trading in would not have a significant impact on both the income before taxes and the equity of the Group.

x 1,000 Foreign currency	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
USD	183,892	248,636	91,311	191,135
GBP	19,105	22,213	7,999	6,032
JPY	1,089,185	1,169,230	72,516	74,521

Interest rate risk

The Group is exposed to interest rate risks because the entities are financed by both fixed and variable rate interest borrowings. In order to reduce the volatility of the interest expenses the variable interest on € 50,000,000 short term bank loans have been hedged for the period up until August 2019.

On the basis of the financing position as at year-end 2017, B&S Group S.à r.l. estimates that an increase of 1 percentage point in the euro money market interest rates will have a negative effect of approximately of € 1.8 million on net finance costs and thus the result before taxes and a negative effect of € 1.5 million on equity. Fluctuations in long-term interest rates had a limited direct effect on the result, as the interest rate terms are fixed.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty in a financial instrument fails to meet its contractual obligations. The risk for B&S Group S.à r.l. arises mainly from trade receivables, for which credit concentration is limited.

The activities of the retail segment consist mainly of retail activities in exchange for direct cash. The segments B&S and HTG have a large number of customers and accordingly there is no material concentration of credit risk.

As the Company trades with a large number of clients around the world, strict internal policies and guidelines have been drawn-up regarding business agreements with new clients as well as the setting of payment terms and credit risk management. The Corporate rule is that trade transactions must be secured, either by payment up front, insurance or by a secured payment instrument (guarantee or letter of credit). Before doing business with new clients their creditworthiness is checked by the internal credit risk department.

The internal credit risk department also monitors outstanding payments on a daily basis using an automated and sophisticated credit risk monitoring system. This process meets the requirements specified by the insurance institutions. The rigid handling of new client acceptance and payment control means the Company's debtor risk is fairly limited and well under control. The average outstanding debt period is less than 60 days, which is within the limits set by management and acceptable for global trading. As a result of our stringent debtor policies, debtor write-offs are limited.

Management acknowledges that general client payment behaviour has been adversely affected by the deteriorating creditworthiness of clients and the decline of overall liquidity of the Group during the economic crisis. This is especially relevant in respect of the insurance companies that have downgraded limits on clients. It is certainly putting extra pressure on accurately dealing with credit risks.

Financial instruments by category

The table below sets out the carrying amount of the various financial instruments by category as at the balance sheet date.

(x € 1,000)

	31.12.2017						
	Held to maturity	Loans and receiva- bles	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial instruments	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Financial assets not measured at fair value							
Receivables, non-current assets	–	2,481	–	2,481			
Trade receivables	–	163,047	–	163,047			
Cash and cash equivalents	–	17,385	–	17,385			
	–	182,913	–	182,913			
Financial liabilities measured at fair value							
Derivative financial instruments	666	–	–	666	–	666	–
	666	–	–	666	–	666	–
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	–	22,767	–	22,767			
Credit institutions	–	184,450	–	184,450			
Borrowings due within one year	–	5,291	–	5,291			
Supplier finance arrangements	–	–	10,650	10,650			
Trade payables	–	–	55,802	55,802			
	–	212,508	66,452	278,960			

(x € 1,000)

	31.12.2016						
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial instruments	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Financial assets not measured at fair value							
Receivables, non-current assets	–	5,450	–	5,450			
Trade receivables	–	162,260	–	162,260			
Cash and cash equivalents	–	13,214	–	13,214			
	–	180,924	–	180,924			
Financial liabilities measured at fair value							
Derivative financial instruments	1,110	–	–	1,110	–	1,110	–
	1,110	–	–	1,110	–	1,110	–
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	–	24,709	–	24,709			
Credit institutions	–	186,935	–	186,935			
Borrowings due within one year	–	6,025	–	6,025			
Supplier finance arrangements	–	–	10,500	10,500			
Trade payables	–	–	52,270	52,270			
	–	217,669	62,770	280,439			

From the financial instruments listed above, cash and cash equivalents are likewise carried at fair value. The other items are measured at fair value on initial recognition only and subsequently at amortised cost. See the accounting policies for further details.

43 Related party transactions

The members of the Executive board and the members of the Supervisory board together is the key management of the Company.

Remuneration of members of the Executive board

The Executive board consists of the following personnel:

- Mr. J.B. Meulman
- Mr. G. van Laar
- Mr. B. Schreuders
- Mr. J. Rotteveel up and to 27 December 2017
- Mr. N. Groen as from 27 December 2017

The table below sets out the remuneration of the Executive board:

	2017	2016
x € 1,000		
Gross salary	443	329
Social security charges	11	13
Pension charges	3	39
Management fee	343	341
Variable short-term remuneration	3,496	2,669
	4,296	3,391

Remuneration of members of the Supervisory board

The Supervisory board consists of the following personnel:

- Mr. W.A. Blijdorp
- Mr. P.N.S. Luttjehuizen

The table below sets out the remuneration of the Supervisory board:

x € 1,000	2017	2016
Management fee	209	196
	209	196

Transactions with shareholders

These transactions comprise of paid dividend of € 64,423,000 (2016: € 43,525,000) to the shareholders of the Company.

Entities with joint control or significant influence over the entity

The table below sets out the transactions with entities where the ultimate shareholders have joint control or significant influence over the entity:

x € 1,000	31.12.2017		31.12.2016	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	6,138	7	14,705	3,755
Purchase of products and services	6,518	53	14,680	344
Premises rented	3,788	393	4,775	25
Interest received on loans issued	231	328	788	–
Loans issued	–	1,650	–	13,869
Operating expenses	321	–	117	27
Other income	340	326	27	2

Entities where the Group acquired the shares during the financial year

The table below sets out the transactions with entities where the Group has obtained control during the financial year.

x € 1,000	31.12.2017		31.12.2016	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	8,762	2,598	–	–
Purchase of products and services	5,735	328	–	–
Interest received on loans issued	118	–	–	–

Associated companies

The associated companies consist of the following entities:

- Capi-Lux South Africa (PTY) Ltd., South Africa
- STG Logistica Y Depositos S.L., Spain
- Next Generation Parfums B.V., the Netherlands
- Comptoir & Clos SAS, France

The table below sets out the transactions with these companies:

x € 1,000	31.12.2017		31.12.2016	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	3,544	69	3,571	338
Purchase of products and services	724	12	–	–
Other income	16	1	–	–

44 Acquisitions

During the financial year the company acquired the following company:

	%*	Date
STG Holding Import-Export S.L., Spain	51%	29-12-2017

* 51% proportion of voting equity interest acquired.

The principal activity of the acquisition is the same as the Group. This acquisition is fully consolidated from the date on which the Company gained control, which is 29 December 2017. The acquisition is accounted for using the acquisition method. The purchase price amounted to € 5,000 and was paid in cash.

The assets acquired and liabilities recognised at the date of acquisition can be specified as follows:

x € 1,000

Non-current assets	
Intangible fixed assets	541
Property, plant and equipment	77
Other receivables	385
Current assets	
Inventory	6,345
Trade receivables	3,936
Tax receivables	68
Other receivables	1,086
Cash and cash equivalents	2,865
Current liabilities	
Credit institutions	(4,433)
Borrowings due within one year	(772)
Trade payables	(4,649)
Taxation	(746)
Non-current liabilities	
Borrowings	(2,755)
	1,948

The bargain purchase arising on this acquisition can be specified as follows:

x € 1,000

STG Holding Import-Export S.L.

Consideration transferred	5
Plus: non-controlling interest	713
Less: fair value of identifiable net assets acquired	(1,948)
	(1,230)

The bargain purchase has been recognised in the profit and loss account in the other operating expenses.

Impact of acquisition on the result of the Group

Had this acquisition been effected at 1 January 2017, the turnover of the Group from continuing operations would have been € 31,186,000 higher and the profit for the year from continuing operations would have been € 250,000 higher. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

INDEPENDENT AUDITOR'S REPORT

To the Partners of
B&S Group S.à r.l.
18, place Bleech
L-1670 Larochette
Grand Duchy of Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of B&S Group S.à r.l (page 42-113 Annual Report 2017), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the B&S Group S.à r.l (the "Company") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have

obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the Report from the Executive Board, Supervisory Board Report and Other information but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises Agréé" thereon.

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

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

Responsibilities of the Board of Managers and Those Charged with Governance for the Consolidated Financial Statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the « Réviseur d'Entreprises Agréé » for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain a reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated 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 report of "Réviseur d'Entreprises Agréé". However, future events or

conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

The Report from the Executive Board and Supervisory Board Report are consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit,
Société à responsabilité limitée
Cabinet de Révision Agréé

Eddy R. Termaten, Réviseur d'Entreprises Agréé
Partner

20 February 2018
560, rue de Neudorf
L-2220 Luxembourg
Grand Duchy of Luxembourg

LIST OF SUBSIDIARIES

Set out below are B&S Group's significant subsidiaries at 31 December 2017. The disclosed significant subsidiaries represent the largest subsidiaries and represent approximate 90% of the total result before taxation of the Group. All subsidiaries are 100% owned unless stated otherwise.

F.C.T. B.V., the Netherlands

JTG Trading B.V., the Netherlands (51%)

Checkpoint Distribution B.V., the Netherlands

B&S Holland Trading Group B.V., the Netherlands

B&S Investments B.V., the Netherlands

B&S International B.V., the Netherlands

B&S Köpcke Global Supply B.V., the Netherlands

Koninklijke Capi-Lux Holding B.V., the Netherlands

Capi-Lux Distribution B.V., the Netherlands

Capi-Lux Netherlands B.V., the Netherlands

Topbrands Europe B.V., the Netherlands (51%)

B&S B.V., the Netherlands

B&S Bosman Global B.V., the Netherlands

Paul Retail B.V., the Netherlands

Anker Amsterdam Spirits B.V., the Netherlands

B&S LMCS DMCC, U.A.E.

B&S World Supply DMCC, U.A.E.

GWN Investments Ltd., U.A.E.

CONTACT

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