B&S group

Annual Report 2018

WE SOURCE | **WE SERVE** | **WE SUPPLY**

value adding distribution partner

CONTENTS

LETTER OF THE CEO

Dear stakeholder,

I am proud to present to you our first annual report as a listed company. We are a unique distributor in consumer goods, for which demand continues to be strong in the channels and markets we serve.

Despite uncertain but challenging global economic market conditions in which currency movements were almost unpredictable, ongoing Brexit discussions and a trade war between the USA and China, all causing political and economic turmoil in geographies around the world, we delivered the performance we aimed for. We can look back on another year of growth, in which we kept expanding our leading positions internationally in the channels and markets we serve, further expanding our role in the value chain with a significant acquisition of which we are already seeing the benefits. Our focus on value-adding distribution services in a broad spectrum of unique channels and markets provides us with a strong competitive edge, makes us resilient to local developments and positions us optimally in the face of potential long-term downswings.

In many ways 2018 was an important year for B&S Group. The announcement by the Executive Board the beginning of last year to list shares of the company at the Amsterdam Stock Exchange early 2018, was welcomed with a wave of enthusiasm by our highly educated workforce who embraced the Boards' ambition to take the Group public. This listing has raised our company profile, which is particularly beneficial in executing our medium and long sustainable growth strategy. The entire organisation contributed to our successful listing, while they were, and continue to be committed to deliver the performance we aim for. As a listed company we are committed to further strengthen our connections with the financial community and establish long-term relationships with our shareholders as this is essential in executing our plans.

In 2018, we invested in our organisation to enable us to absorb the growth over the year and prepare for the growth we foresee in the coming years. We upgraded our warehouses and warehousing systems to realise future efficiencies and to create increased capacity for processing orders. We commissioned a new semi-automated warehouse for our food distribution business, aimed at future cost efficiency and growth. In our health & beauty category we realised the significant expansion of our robotised warehouse, anticipating growth of the e-commerce market. The peak in sales we expected last December was the ultimate test in handling a high volume in transactions, which we processed effectively and efficiently. Unless the growth in the Health & Beauty category and more particular the e-commerce market exceeds significantly our present planning, we do not foresee a further expansion of our robotised warehouse in the coming years.

The significant expansion of our logistical platform and the start of our operations in our new warehouse, led to temporary but significantly higher costs due to the delay in hand over of the technical infrastructure. We have taken the decisions we deemed necessary to ascertain that service levels to our customers are not impacted by this delay, be it at the expense of higher operational costs. We expect that the technical infrastructure will be fully operational by mid 2019. In the second half of the year we were also confronted with accelerated increases in logistical labour costs and major increases in international transport costs, mainly related to our food distribution services. With a delayed but visible effect into 2019, we were able to pass on most of these cost increases to our customers. We are now seeing the first effects of the decisions we took of passing on a part of our higher costs to our customers.

In the HTG segment, we saw an overall increase in demand especially in Asia, while in the health & beauty product category turnover increased as the result of the ongoing focus on our European client portfolio and intensified cooperation with key accounts in value retail. B&S saw an increase in demand for our products and services in the remote markets while the Retail segment realised a turnover growth following the increase in number of passengers on the airports where we operate our shops, further supported by shops in Vienna and Helsinki that we opened late 2017.

In October, we successfully concluded the acquisition of FragranceNet.com, a US-based, online discount fragrance retailer, primarily engaged in the sale of brand name perfumes to end-customers. Combined sourcing and sharing market intelligence resulted in a spike in gross margin in Q4 at FragranceNet.com. In 2019 FragranceNet.com will benefit from the opening of their new warehouse in the West Coast of the USA. At the same time, this acquisition further diversifies our geographical footprint, making our business even more resilient to local developments. The strong and entrepreneurial management team of FragranceNet.com, with many years of experience in the online fragrance market, remains on-board. I am also pleased to welcome their over 250 employees, who are bringing knowledge and experience in marketing, procurement and logistics for the online health & beauty market. This acquisition underlines our strategy of value chain integration, further growth in the product category health & beauty and expansion into new geographies.

We are firmly focused on continuing our organic growth path which may be complemented by selective acquisitions that should add a unique aspect to our Group. We have identified a number of potential acquisition candidates having such aspects, all being on our shortlist; however we remain disciplined and selective. When executing our acquisition strategy, we foster the entrepreneurship and co-ownership that characterise our Group. By leveraging our operational efficiency, scale and our extended role in the value chain, we can accommodate growth of current positions in the unique channels and markets we serve. Our ability to swiftly integrate companies we acquire with the centralised backbone of the Group – while retaining their identity and business dynamics – accelerates synergy potential for the Group as a whole.

The good cooperation between the Executive Board and the members of the Supervisory Board who were appointed in March 2018, has further strengthened the foundation for continued growth. During 2018 we received a lot of support from our Supervisory Board members, both on business and strategy as well as on matters associated with being a listed company. They are as committed as we are in executing our medium and long-term plans.

On behalf of myself and my fellow Executive Board members, I would like to express special thanks to all our directors and employees, as they are the ones that drive our entrepreneurial culture and ultimately our success. They are the ones demonstrating commitment, dedication and a great deal of enthusiasm in building long-term relationships with our suppliers and customers, providing them with high-quality distribution services each and every day.

We look forward to another successful year with clear focus on further growth in turnover and EBITDA and a strong balance sheet to support continued growth, overall guided by our medium-term objectives.

J.B. Meulman
CEO

KEY FIGURES

x € million (unless stated otherwise)	2018	2017	2016
PROFIT OR LOSS ACCOUNT			
Turnover	1,746.5	1,495.8	1,339.5
Gross profit	245.4	214.9	188.9
Gross profit margin	14.1%	14.4%	14.1%
Other gains and losses	(3.1)	3.3	(2.6)
EBITDA	109.0	104.8	88.9
EBITDA margin	6.2%	7.0%	6.6%
Adjusted EBITDA	111.5	104.8	88.9
Adjusted EBITDA margin	6.4%	7.0%	6.6%
EBITA	103.3	98.8	83.4
Adjusted Profit before tax [1]	98.7	88.7	79.8
Earnings per share (in euro)	0.72	0.81	
FINANCIAL POSITION			
Solvency ratio	34.3%	42.7%	41.9%
Net debt	312.7	195.1	204.5
Net debt / EBITDA	2.7 [2]	1.9	2.3
Inventory in days	92	91	89
Debtors in days	43	34	44

[1] FY 2018 on a constant currency basis, FY 2017 and FY 2016 number is adjusted for the other gains and losses line.

[2] Taking into account the full year EBITDA of FragranceNet.com over 2018.

€ 1,746
million
16.8%
2017: € 1,496 million

TURNOVER DEVELOPMENT [1]

(in millions of euros)

€ 245
million
14.2%
2017: € 215 million

GROSS PROFIT DEVELOPMENT

(in millions of euros)

€ 112
million
6.4%
2017: € 105 million

ADJUSTED EBITDA

(in millions of euros)

€ 99
million
11.3%
2017: € 89 million

ADJUSTED PROFIT BEFORE TAX [2]

(in millions of euros)

2.7

0.8
2017: 1.9

NET DEBT/EBITDA [3]

1 2016 figures have not been restated for the impact of IFRS 15 Revenue from Contracts with Customers.

2 FY 2016 and FY 2017 number is adjusted for the other gains and losses line, FY 2018 on a constant currency basis.

3 Taking into account the full year EBITDA of FragranceNet.com over 2018.

COMPANY PROFILE

Who we are and what we do

B&S Group is a value adding distribution partner for consumer goods in attractive channels and across specialised markets globally. With a well-trained and experienced workforce of over 2,000 (1,130 FTE) employees, the Group serves as a trusted and reliable partner in selected channels and markets, providing essential distribution services, solving supply chain complexities and offering compelling value along the value chain.

B&S Group ("the Group") operates a flexible, well-invested and highly efficient distribution platform that comes with strong barriers to entry. Powered by high capacity warehouses and delivered with expertise in customs and compliance, the Group offers a wide and relevant assortment to its customers in more than 100 countries. The Group is focused on continued growth in all product categories, on expanding to new geographies and on value chain integration.

We add value to both customers and suppliers by making their interests converge

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 who would otherwise find it difficult to connect.

Suppliers

We engage in mutually beneficial relationships with our suppliers, seeking to simplify the supply chain while enabling them to expand their business by giving them access to niche markets, market intelligence, customer expertise and marketing support. And with an automated procurement platform, we can connect a broad supplier base directly to our online end-customers. Our suppliers include brand owners, producers, wholesalers and distributors and international retail chains.

Customers

We offer our B2B customers a portfolio of over 40,000 products at competitive prices, while adhering to strict compliance standards and arranging customs handling and transportation to locations that are often hard to reach. Our B2B customers include specialty retailers, maritime operators and entities with remote operations.

For our B2C customers, both in specialty retail markets and in e-commerce, we add a powerful focus on marketing to our procurement and logistics skills, delivering value immediately to the end-customer. Combining this with our scale and sourcing expertise as specialty distributor, we distinguish ourselves from competition by providing end-customers with a relevant assortment that is available on demand and at attractive prices.

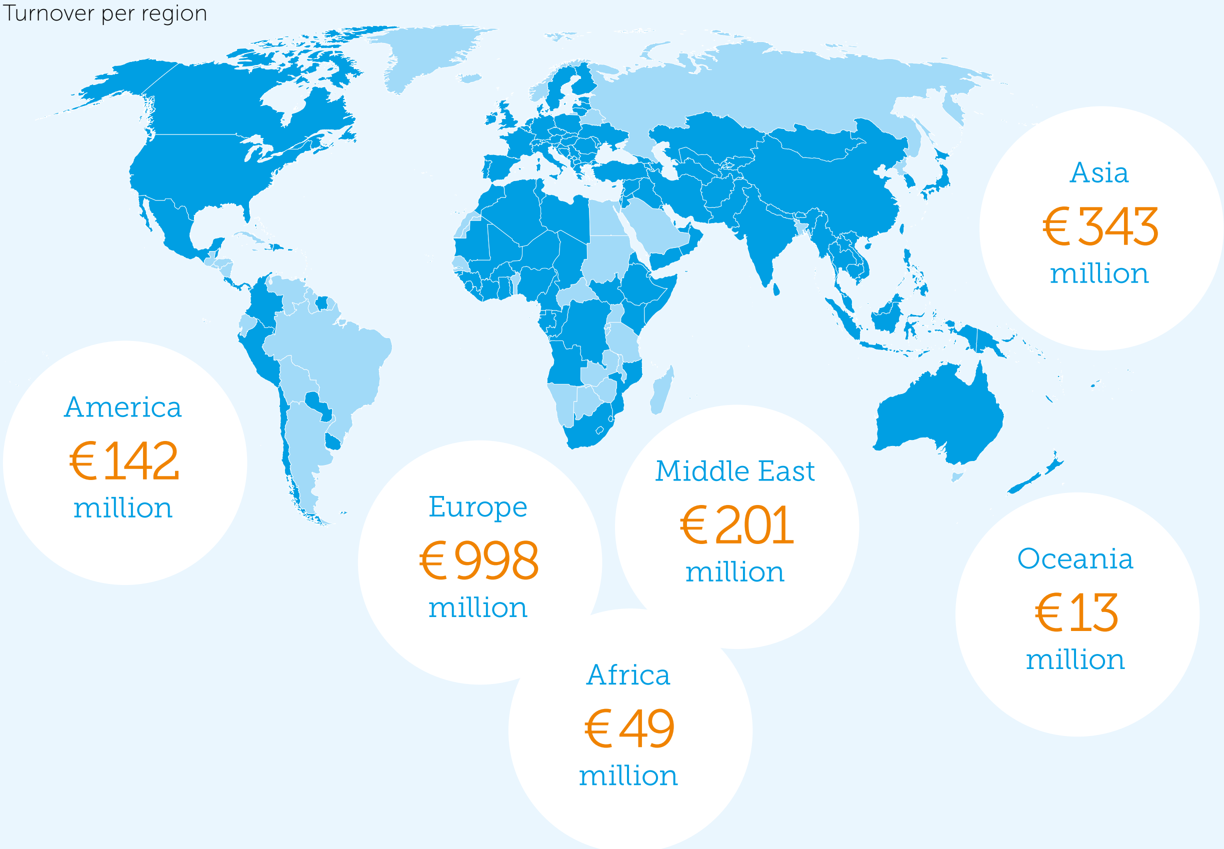
For suppliers we:
- Provide global access to selected channels and specialised markets
- Remove logistics and customs complexities
- Facilitate high compliance standards
- Absorb and store large volumes on short notice
- Are an experienced and reliable distribution partner

For B2B customers we:
- Offer attractive prices
- Offer single-source supply: A broad assortment and certifications
- Deliver large volumes on short notice and in various fulfilment options
- Remove logistics and customs complexities
- Pack and label products

For B2C customers we:
- Offer a relevant assortment on demand and at competitive prices

Serving 100+ countries and complex end-markets

Turnover per region



Our product offering

We offer a wide range of consumer goods across multiple categories, mostly from A-brand manufacturers, so they are valuable brands. The range includes health & beauty products, liquors, food and beverages and consumer lifestyle electronics.

HEALTH & BEAUTY

41%
of turnover FY 2018

LIQUORS

36%
of turnover FY 2018

FOOD & BEVERAGES

14%
of turnover FY 2018

CONSUMER ELECTRONICS & OTHER

9%
of turnover FY 2018

Our markets

With our diversified product categories, we serve four fragmented key markets:

RETAIL B2B
Value for money retailers, secondary channels and e-commerce platforms, underserved and duty-free markets

MARITIME
Ship suppliers and cruise lines

REMOTE
Caterers at remote industrial sites, peacekeeping missions, government and defence operations

RETAIL B2C
End-customers in (travel) retail outlets, specialty retail markets such as military shops and shops on board of cruise vessels, and on e-commerce platforms

Our segments

HTG

Distribution of bonded liquors and health & beauty products to specialty retailers and online end-customers

TURNOVER 2018
€ 1,197 million

67% of Group turnover

PRODUCT CATEGORIES

60% 40% of segment total

MAIN MARKET

Retail B2B

B&S

Specialty distribution of FMCG products to maritime and remote markets

TURNOVER 2018
€ 446 million

25% of Group turnover

PRODUCT CATEGORIES

51% 35% 14% of segment total

MAIN MARKETS

Maritime Remote Retail B2B

RETAIL

Specialty retail at high traffic airports and remote locations

TURNOVER 2018
€ 137 million

8% of Group turnover

PRODUCT CATEGORIES

71% 29% of segment total

MAIN MARKET

Retail B2C

Our business model

As a provider of specialty distribution services, our focus is on leading positions in attractive channels and captive markets. They all share the common characteristic of being difficult to serve, either due to geography, remoteness, extensive regulation or high compliance requirements or due to fast-changing conditions and consumer behaviour.

We Source, we Serve, we Supply

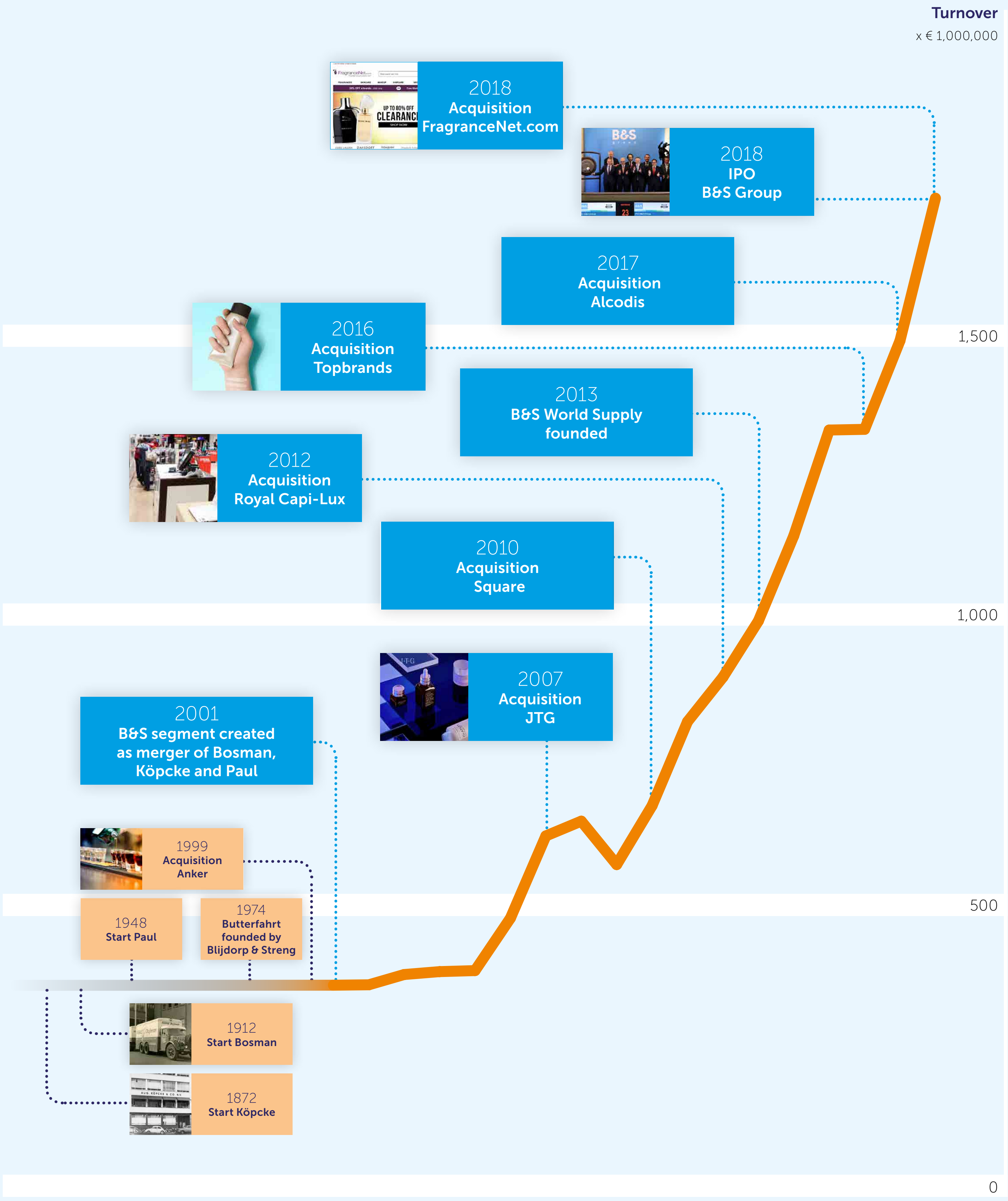
Our proposition distinguishes itself in its high level of complexity, and we are recognised for consistently delivering to the right place, at the right time. Our scale, network and the integrated best-in-class administrative capabilities we use for customs handling and regulatory expertise deliver a unique sourcing and distribution proposition.

Our strong balance sheet provides flexibility to quickly supply and take-in large quantities of products. Our fully bonded supply chain provides us with the ability to leverage our sourcing expertise across borders. We operate warehouses that have a registered status with the Dutch government to store goods under bond. This allows us to distribute our product assortment internationally without having to pay import duties, VAT or excise duties anywhere other than in the end-market.

Our state-of-the-art and integrated platform enables us to act quickly and benefit from sourcing opportunities whenever and wherever they arise. We have full internal price transparency and closely compare sourcing prices, trends, and opportunities across our segments. For the online market, we have an automated procurement platform in place and deliver value to the end-customer by matching their demand with efficiently procured supply.

Track record of successful consolidation and integration

Dating back to 1872, when the first of several trading companies were created, B&S Group was formed through the combination of key players in our industry. We have consistently grown and expanded in the current and adjacent categories, both geographically and along the value chain. With an incredible workforce comprised of entrepreneurial people striving to outperform customers' needs and to always search for new business opportunities, we continue to grow and find niches in which we can excel.


Turnover
x € 1,000,000
2018
Acquisition
FragranceNet.com
2018
IPO
B&S Group
2017
Acquisition
Alcodis
1,500
2016
Acquisition
Topbrands
2013
B&S World Supply
founded
2012
Acquisition
Royal Capi-Lux
2010
Acquisition
Square
1,000
2007
Acquisition
JTG
2001
B&S segment created
as merger of Bosman,
Köpcke and Paul
1999
Acquisition
Anker
500
1948
Start Paul
1974
Butterfahrt
founded by
Blijdorp & Streng
1912
Start Bosman
1872
Start Köpcke
0

B&S Group organisation

B&S Group has a decentralised organisation structure, operating three segments that each focus on separate channels and end markets. They all benefit from the centralised backbone that provides a highly efficient platform with centralised support and control functions.

IT	Distribution	Legal & Compliance	HR	Finance & Control

Tailored IT systems
We have a modern and well-invested IT platform, driving efficiency throughout the organisation. Our BiT ERP system is fully tailored to our operations, enabling us to track and manage inventory levels across our platforms and to plug newly acquired businesses into our centralised backbone in no-time.

The IT system drives automated and high-capacity warehouses, unlocking our full assortment to customers, especially benefitting B2B e-commerce clients. In our B2C e-commerce operations, the proprietary technology used in our online proposition strengthens our sourcing network, buying power and assortment and matches supply directly to demand of the end-customer.

Sharing information, creating synergies

Our highly efficient and centralised platform provides powerful sourcing, services and distribution capabilities, delivering interlocking synergies between our business segments. In the segments directly aimed at the end-customer, we add strong marketing capabilities to the mix. The centralised platform ensures controls that allow entrepreneurial operating segments. The business is unique in our field, built over decades and difficult to replicate. This provides strong barriers to entry to the channels and markets in which our business segments do business every day.

We benefit from using the knowledge of all business segments, sharing best practices and continuously learning from each other, while actively stimulating our people to take ownership of their business on a segmental 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.

The interaction between the 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 promote customer referrals between and within our business segments to provide our customers with the highest possible level of service. With the acquisition of FragranceNet.com in 2018, we added knowledge and experience in online B2C retail to our distribution model. This creates mutual beneficial service and product delivery channels to our suppliers and our customers, further expanding our role in the value chain and accelerating our business going forward.
More information on FragranceNet.com can be found in 'Long term value creation' under 'Our strategy'.

Efficient distribution

Our warehouses are equipped with highly efficient storage mechanisms, reducing warehouse space requirements. This, combined with the quick turn-around of our assortment, ensures optimal use of storage capacity. The continued automation of our e-commerce procurement boosts the speed of operations and supports our online proposition, enabling us to directly serve the end-customer. Finally, the outsourcing of logistics to key partners enables us to focus on our core competences and provide flexibility in capacity and costs.

Legal and compliance standards

Our compliance function, both at group level and at segment level, is vital to the organisation and top of mind throughout the whole company. It focuses on supplier and customer acceptance procedures, export controls, customs, tax, data protection and general legal matters. We have very strict customs, quality control and food safety standards and are certified as an Authorised Economic Operator by customs in the Netherlands (providing advantages in international trade with regards to customs control), making us a trusted partner to all parties.

Centrally-led HR function

Our people are truly our most important resource and we safeguard quality and retention through a centrally-led HR function. Our HR policies are typically developed centrally and executed locally. The nature of our business requires an integrated approach from staff in all departments and we believe their mindset is critical to identifying and capturing business opportunities. Our values are instilled through the B&S Academy, where we train our talent at every stage of their careers.

More information on HR can be found in the chapter 'Long term value creation', under 'Our people'.

Advanced finance and control

Our Enterprise Risk Management is an integral part of our day-to-day operations. Our strategy is defined by the Executive Board in close cooperation with broader senior management and includes the encouragement of entrepreneurship and accountability. Risk management procedures are performed in accordance with our ERM model and combine various internal and external sources of information.

More information on finance and control can be found in the chapter 'Governance', under 'Risk Management'.

What we stand for

Our mission is bringing together supply and demand in niche markets around the globe that need fast moving consumer goods to be delivered to the right place and at the right time. And by doing so becoming the preferred partner for (end-) customers and suppliers worldwide.

Vision

B&S Group's vision is to be the most inspiring company to its customers and suppliers by offering added value as a specialty distributor along the value chain, and by doing so, be leader in delivering fast moving consumer goods to selected niche markets around the globe.

Our values

B&S Group's values define how we do business throughout all our segments. Our entrepreneurial culture is key to our ambition to deliver sustainable and profitable growth. Our values form the essence of the Group's business culture:

Reliable
serving our customers with a consistently high level of quality and service that meets or exceeds their expectations

Successful
building on a strong and healthy financial foundation with a long and proven track record in innovative value adding distribution

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

Flexible
showcasing client-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

LONG TERM VALUE CREATION

Value Creation Model

INPUT

Solid financial basis

Equity and financing help us to invest in the growth of our business

Skilled workforce

Our talented and professional employees provide their expertise and competencies to make a difference for our suppliers and customers

Centralised backbone

Sizeable investments in our tailored IT backbone to support decentralised organisation structure

Unique proposition

Leading positions in attractive channels and specialised markets with complex characteristics and requirements

Broad and relevant assortment

We offer single-source supply of consumer goods at attractive prices

VALUE CREATION

CORPORATE GOVERNANCE *(p.37)*

Strategy

To create long term value for our stakeholders by pursuing sustainable and profitable growth, both organically and through selected acquisitions

Business segments

HTG B&S RETAIL

Markets

RETAIL B2B MARITIME REMOTE RETAIL B2C

Our source-serve-supply model

Consistently delivering consumer goods to the right place, at the right time

Product groups

HEALTH & BEAUTY LIQUORS FOOD & BEVERAGES CONSUMER ELECTRONICS & OTHER

Core values

RELIABLE AMBITIOUS SUCCESSFUL UNIQUE PROFESSIONAL EFFICIENT FLEXIBLE PERSONAL

RISK MANAGEMENT & INTERNAL CONTROL *(p.41)*

OUTPUT

Solid financial basis

Revenue growth, controlled impact of investments, liquidity, dividend payout

Skilled workforce

Career perspective, inspiring working environment, extensive training possibilities, high employee retention, focus on health & safety

Centralised backbone

Entrepreneurial and specialised business segments that are supported by highly efficient centralised support and control functions

Unique proposition

Suppliers and customers benefit from our scale, network, and integrated capabilities for customs handling and regulatory expertise

Broad and relevant assortment

Our centralised sourcing mechanism and global network provide continuous assortment and price improvements

Our markets

The markets B&S Group operates in are generally difficult to serve due to their specific demands and characteristics and the fact that they are all developing in different ways. The Group's diversification in specialised markets worldwide limits the impact of local exposure as well as dependency on a single market.

Global developments

Geopolitical factors such as the persistent division within the European Union, amply demonstrated by Brexit, but also the trade war between the US and China, do have a noticeable impact at a macroeconomic level. However, because B&S Group is a bonded supplier in all these countries, these developments have a limited impact on our operations and results. Furthermore, our robust and global product categories, with exposure to defensive products such as liquor and perfumes, tend to outperform in times of economic hardship.

With wealth increasing on a global scale, there is a growing demand for Fast Moving Consumer Goods (FMCG) and A-branded products worldwide. B&S Group is perfectly positioned to take advantage of this underlying market growth in the long-term.

Market trends

In the selected markets we serve, the requirement for specialty distribution models is driven by a number of long-term macroeconomic trends:

- Outsourcing and reducing the complexity of distribution by suppliers and manufacturers;
- Ongoing demand for compliance in food safety and customs regulations;
- Continuing growth of the online retail channel;
- Increasing demands of end-customers in online retail.

Selected distribution

In general, there is a clear demand from A-brand suppliers and manufacturers for distribution partners that can offer supply chain simplification and sustainable growth in both emerging and developed markets.

The markets and channels in which we operate are highly fragmented and require a distribution partner that can offer a one-stop-shop solution with a wide and relevant range of products. The specific distribution requirements to various end markets in terms of delivery times and reliability are expected to continue to drive the trend among suppliers and manufacturers of outsourcing part of their sales to a smaller number of specialty distributors.

Suppliers in developed markets are increasingly looking to centralise (parts of) their distribution with selected key partners. Entering into selected partnerships with a reliable and long-term focused distribution partner enables them to outsource their business operations in selected geographical areas and significantly simplify their route-to-market.

Scale requirements

Our markets and channels tend to be fragmented. While we are among the largest market participants in each, we still have only a small market share, which gives us ample room for growth. At the same time, scale is becoming increasingly important.

In food distribution to the remote and maritime sectors, increasing regulation and demand for product information transparency requires a minimum scale to continuously upgrade facilities and processes at an affordable cost.

In health & beauty distribution to both retail chains and end-customers, the increased delivery time and quality demands from end-customers require substantial investments in IT and automation to provide efficient and innovative distribution solutions. Additionally, end-customers for health & beauty products prefer online retail stores over store-based retail for convenience and a wider range of choices. This requires a wide and varied online product range that is always in stock and available on demand.

Local and smaller distributors are required to make comparatively large investments to comply with these increased demands from customers, whereas larger distributors like B&S Group can more easily make such investments due to their scale.

Our strategy

We aim to create long-term value for our stakeholders by pursuing sustainable and profitable growth. With roots going back to the year 1872, when one of our anchor companies was founded in the Netherlands, we have built a strong track record. We are well positioned to capture growth opportunities organically and through strategic mergers and acquisitions.

The successful execution of our growth strategy, both organic and through acquisitions, has formed B&S Group as it is today. Although B&S Group's strategy has traditionally been organically driven, over the years we have continuously complemented our growth with targeted and selected acquisitions. This has enabled us to expand successfully, both geographically and along the value chain.

Our strategy is based on adding value for both our customers and suppliers by making their interests converge. We strive for continuous improvement in efficiency and economies of scale. We invest in logistics concepts and IT solutions at Group level, realising a modern and innovative supply chain and efficient central information management. We realise economies of scale by combining segmental purchase activities to facilitate bulk purchasing, and our sourcing activities anticipate regional cost imbalances.

We focus on proving value-adding services to and forging long-term partnerships with both suppliers and customers, both based on expertise and engagement. We provide our customers with a total service that includes client support, customs handling and transportation.

We fulfil multiple roles in the supply chain for diverse markets and regions and serve a wide client portfolio with diverse product categories. Our diverse product assortment enables us to act as a one-stop-shop for our clients, while our diversity in market regions and client portfolios enables our suppliers to launch their products in markets that would otherwise be difficult to reach.

We actively manage our existing supplier and customer relationships and aim to further strengthen them. One of our goals is to constantly increase the number and range of products that we sell to our customers. Our global footprint enables us to leverage our price position, increase our service offering and maintain a clear focus on profitable businesses. With our entrepreneurial culture, excellence in execution and strong focus on profitability, we aim to increase gross profits, EBITDA, cash flows and ROCE, while maintaining our EBITDA margins. Please see page 27 in this report for explanation of these terms.

Our global 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 improvements for our customers. Our focus on digitisation enhances our offering even further and unlocks our assortment to customers in any location, while at the same time enables product showcasing for suppliers on an even larger scale. Our global customer base serves our suppliers in growing their business and developing their brands in non-core markets.

Four main growth drivers

Expansion by increasing presence in our current markets

We have a very strong focus on expansion and optimisation of our presence in our current markets. These worldwide markets are typically very sizable and highly fragmented by nature, and difficult to serve, due to geography, remoteness, extensive regulation, high compliance requirements or fast-changing conditions. In these markets, we focus on both existing and new products and services. We believe that Asia, the US and the Middle East will present ample growth opportunities, as the fast-moving consumer goods market is expected to grow and the demand for A-brands we typically deliver is expected to increase in these markets.

Tapping into new products and markets

By expanding existing supplier relationships and forming new ones across geographical areas and product categories, we aim to enter new product groups and markets and increase our penetration in markets along the value chain or markets in which we are currently underrepresented. Markets with the same characteristics as the ones we are currently active in could be interesting for us, regardless of their location. Furthermore, we are seeing an increased demand for tailor-made distribution solutions in the supply chain, which is becoming more complex and more demanding in terms of delivery times and reliability. Dealing with increased supply chain complexities and demands is what we do best, something that is amply demonstrated by our track record and reputation as a reliable distribution partner.

Cross-selling of products to existing customers

We see ample opportunities to offer our products across our segments to existing customers. Within our online product offering to B2B customers, we will use the Product Information Management (PIM) system we are currently implementing to support cross-selling, as this provides our customers with 24/7 access to our product assortment.

Utilising the growth of existing customers by matching their increased demand for our products

We see substantial growth in a number of the channels in which we are active, such as the online market and the air travel market. The e-commerce platforms we serve as distributor and those we serve as a retailer are still growing very quickly, as the shift from brick and mortar to online retail continues in a rapid pace. Our further investments in IT and automation in 2018 to provide efficient and innovative distribution solutions, position us well to accommodate this growth.

Growth through acquisitions

Selected acquisitions form an integral part of our growth strategy. Many markets in which we are active are very sizable and highly fragmented by nature. This was the case in the past and remains the case today and going forward, as we are most successful in markets with these characteristics. All of our acquisitions so far not only substantially added to our growth but were executed with the aim of further strengthening our position in the value chain. This was realised by adding complementary sourcing routes, by entering into new product categories or regions as an extension to our existing business and by expanding our role as distributor serving end-consumers in specialty retail outlets and in e-commerce. Going forward, we look to further execute our acquisition strategy and build our position in the value chain with carefully targeted companies that match both our business model and our entrepreneurial culture and that show potential for further organic growth.

We believe it is important to enter into acquisitions as partnerships or joint ventures, keeping management on board and fostering the entrepreneurship and co-ownership that characterises the Group's DNA. We maintain a regular dialogue with various market participants to ensure that we are ready to execute on the right opportunities when they occur. We apply strict selection criteria when evaluating and selecting potential acquisition candidates.

We often spend years building close relationships with possible acquisition candidates and we are perfectly fine to await momentum. We stick to our acquisition strategy during the acquisition process we remain disciplined on price, offered in combination with an attractive proposition to the selling management and shareholders. This includes their continued involvement and investment in the combined company, ensuring we maximise the benefits of growth and synergies. Keeping the founders/original entrepreneurs on board secures their business acumen at the front end, while we put our immediate focus on the integration of back offices and controls.

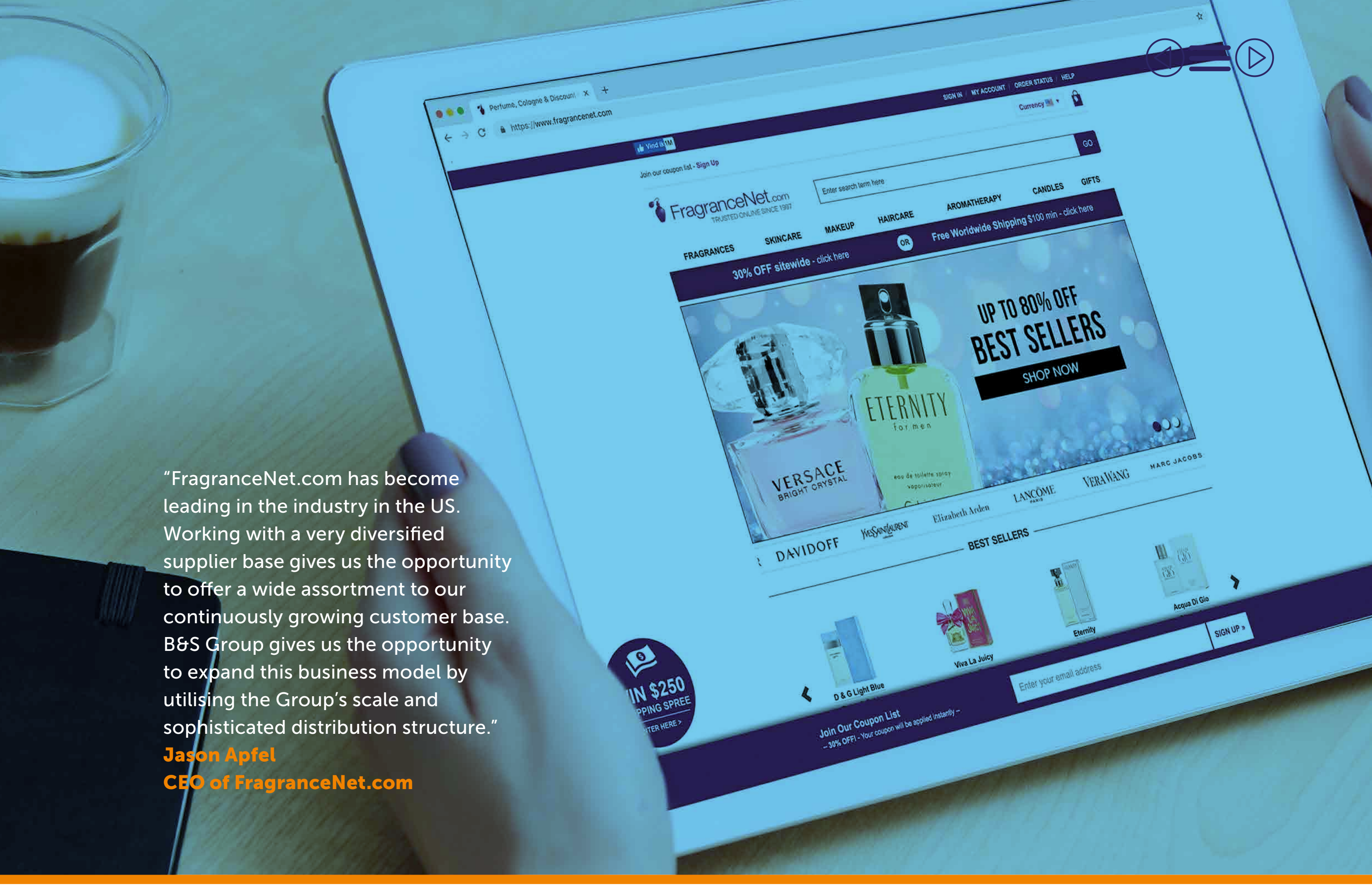
Medium term objectives

Our strategy is aimed at achieving sustainable and profitable growth. We will continue cost leadership and strengthen gross margin through efficient sourcing and through the effective and scalable central organisation . Our cash conversion ratio (defined as EBITDA minus Capital Expenditure as a percentage of EBITDA) is strong, as is our return on capital employed, led by focused and disciplined management and operations. We believe our high solvency ratio and limited long term financing provide a solid base for continued growth. We will continue to focus on working capital management, as this is deemed key to support attractive sourcing and long-lasting relationships with suppliers and customers.

Assuming the macro-economic conditions, market circumstances and regulatory framework do not change materially, we aim to continue to achieve the following aspirational objectives over the medium to long term:

- an average annual turnover growth including small scale acquisitions in the low teens
- an EBITDA/gross profit ratio exceeding 50% and continued improvement of our gross profit, EBITDA and EBIT margins through scale effects, efficiency improvements and integrating acquired businesses
- an average annual growth of profit attributable to the owners of the company in the low to mid teens.

We aim to maintain our highly profitable, cash generative and resilient financial profile. We strive for a continued efficient use of capital with ROCE of more than 30% annually, a resilient balance sheet with long-term Net Debt/EBITDA below 2.0x and a Solvency Ratio of more than 40%, while we improve net working capital and continue investment in line with current depreciation levels.



"FragranceNet.com has become leading in the industry in the US. Working with a very diversified supplier base gives us the opportunity to offer a wide assortment to our continuously growing customer base. B&S Group gives us the opportunity to expand this business model by utilising the Group's scale and sophisticated distribution structure."
Jason Apfel
CEO of FragranceNet.com

Spotlight on our latest acquisition

In October 2018 we completed the acquisition of a majority stake in FragranceNet.com, an online discount fragrance retailer, established in the United States in 1997 and primarily engaged in the sale of brand name perfumes to end-customers.

The company brings a powerful focus on marketing, procurement and logistics and taps into an impressively broad supplier base via its automated procurement platform. This enables FragranceNet.com to deliver value to consumers by matching demand for discount fragrance with efficiently procured supply. Its proprietary technology enables us to strengthen the Group's sourcing network, buying power and assortment in our Health & Beauty product category.

Immediate synergies in gross margin arose directly after the acquisition, from combined sourcing and sharing market intelligence in terms of sourcing and logistics efficiency. FragranceNet.com will benefit from our distribution expertise with the opening of a new warehouse in the USA, to serve customers on the West Coast faster and at lower costs.

This acquisition is fully in line with our strategy of selectively targeting companies that match our DNA. FragranceNet.com's strong and entrepreneurial management team, with many years of experience in the online fragrance market, remained on board after the acquisition to drive further growth. This is fully in line with our philosophy of initiating acquisitions as a partnership or joint venture to foster the entrepreneurship and co-ownership that characterises our company.

FragranceNet.com is managed by Jason and Eric Apfel, who – together with their father – built the company from the ground up from 1997 onwards. Their entrepreneurial mindset, leadership qualities and deep understanding of IT and the online consumer landscape, grew the business into the leading US online retailer it is today.

This acquisition underlines our strategy of value chain integration, further growth in the product category health & beauty and expansion into new geographies. The acquisition allows the Group to generate a substantial footprint in North America for our health & beauty category and to support FragranceNet in the roll-out of their business model to other geographical areas.

FragranceNet.Com was acquired through JTG, a subsidiary in the HTG segment, in which the Group holds a 75% interest. Details on the consolidation and contribution of FragranceNet over FY 2018 can be found in the Financial Statements, note 43.

Our people

Our people are our greatest asset. Our experienced and highly-qualified employees are making the difference when it comes to serving our highly appreciated customers, suppliers and other stakeholders. We therefore invest in and devote a great deal of effort to attracting and retaining ambitious and talented people, career development, facilitating an inspiring work environment and actively supporting personal development.

Entrepreneurial culture

The success of our business is closely linked to the expertise of our workforce. Our employees are well educated, energetic and the drivers of our entrepreneurial culture. Our workforce is young: the average age of our employees in 2018 was 37.

Owing to our roots as specialised distribution partner, the identification and pursuit of new commercial opportunities is essential to our business. Employees at all levels are therefore trained, encouraged and incentivised to identify new markets, new products, new sources of supply and new ways to expand our business profitably. Over the years this has resulted in a global presence with offices in Europe, Dubai, Hong Kong and – with the recent acquisition of FragranceNet – the US.

Regardless of the location in which our people operate, entrepreneurship can be found at every part of our organisation, as we encourage accountability and idea generation at all levels. It connects all our operations and, even more importantly, it drives our business as a Group.

Recruitment

Our recruitment policy is primarily aimed at young professionals and our trainees are typically recruited straight from university. We maintain close relations with universities, high schools and teachers in selected areas such as commerce, finance and logistics and focus on attracting talent at an early stage by providing guest lectures, career days, internships and dedicated learning projects.

With our (senior) managers hosting several guest lectures annually, we add value to the academic programme of the (applied) universities, providing students with real-life insights into specific business cases. Every semester, we offer in-house internship programmes and (graduation) assignments with the aim of spotting talent early on and pre-selecting prospective employees. In addition, we organise Career Days throughout the year to meet talented graduates and get them acquainted with the career opportunities at B&S. In 2018, almost 100 graduates joined B&S Group.

Candidates for roles other than traineeships are qualified specialists with relevant work experience that are recruited on Group level. For our operations outside the Netherlands we adhere the same standards and application procedures.

Professional development

Professional development of our people is key to our future growth. To facilitate continuous learning, we offer our employees training programs in our B&S Academy to perform their current tasks even more effectively or to prepare them for the next step within B&S Group.

New hires attend a broad introduction programme in the B&S Academy and are trained to become experts in their field. We train them to identify unique sourcing opportunities and support customers with tailor-made solutions in the complex environment in which we operate. In addition to in-class training, experienced employees are actively involved in providing new recruits with training on-the-job.

We also provide a career path to management positions for high potential employees. With clear focus on intellect and fit, we identify the next generation of leaders through our Academy. We train and develop these high potentials with future leadership roles in mind and provide additional support by offering external management programs and university masters in their field of expertise.

Through this program we have developed an entrepreneurial and highly motivating management culture throughout the Group, evidenced by a vast majority of current segmental management that started their careers with us. They set an example and act as inspiration for new recruits, illustrating the career opportunities open to them at B&S Group.

Creating an inspiring work environment

We want our people to be proud employees and enjoy working at our company and focus on creating a positive work environment that brings out the best in everyone. Our entrepreneurial spirit is critical to how we do business and the mindset of our employees is key in identifying and capturing business opportunities.

We stimulate our people to work on their own initiative and we encourage them to act as pioneers and entrepreneurs. To ensure a high-quality working environment, we provide direct access to senior management, encourage employees to speak their minds and inform and consult them on key developments regularly.

By offering flexible working conditions and creating a healthy workplace, we energise our people and give them the self-confidence they need to perform to the very best of their abilities and achieve their full potential now and in the future.

Employee retention

We consider employee retention a key driver of our success. To complement our educational programs we offer attractive remuneration and rotational opportunities for employees across different disciplines and in all our business segments in all our locations. By combining our HR efforts with the stimulating entrepreneurial environment of our organisation, the tenure of our workforce in 2018 was 7 years.

Our responsibility

We take our responsibility towards the people affected by our operations, including our own employees, very seriously. We are committed to being a responsible, well-respected and reliable organisation, maintaining high ethical standards in all aspects of our business.

B&S Group highly values the engagement with its various stakeholders. The partnerships we form with our suppliers and customers are essential to our successful long-term growth. In delivering our products, we adhere to strict standards regarding food safety and customs compliance and seek to minimise the impact we have on our environment. Our employees are key to maintaining these partnerships and we want them to operate in a safe and secure environment. We want people to feel proud of what we stand for, and we seek opportunities to be a good citizen in all the markets in which we operate.
Our efforts are focused on a number of key areas:

A sustainable value chain

Developing sustainable relationships with our stakeholders along the value chain is key to our success. We have relationships with a wide variety of customers and suppliers in many countries worldwide and adhere to both international and local rules and regulations. We focus on strengthening and maintaining long-term relationships with our stakeholders and are committed to understanding and respecting these relationships by maintaining an open dialogue.

Know Your Relations

We apply a strict Know Your Relations (KYR) procedure for the acceptance of new customers, suppliers and other business relations and continuously monitor established relationships on compliance standards by an automated check that is performed on all business relations every two weeks.

We have anti-bribery, anti-corruption and anti-money laundring (ALM) policies in place that apply to all our staff, and we expect our suppliers, customers and business partners to adhere to the same standards. Creditworthiness of new relations is checked upfront and their Ultimate Beneficial Owner(s) are checked against the OFAC and the EU Sanctions list. Extensive knowledge of the substance and impact of the Foreign Corrupt Practices Act (FCPA) and UK Bribery Act is embedded at every level of the Company.

Food safety & customs compliance

We adhere to strict guidelines from local and international governments to ensure food safety and customs compliance. As an Authorised Economic Operator , our partners can rest assured that we comply with all relevant customs requirements. We are subject to the Union Customs Code, the EU regulation that provides rules and procedures for products that are brought into or are taken out of the customs territory of the European Union.

To ensure the safety of the food supply chains we are active in, we adhere to the strictest food safety standards. We actively promote transparency on product information and comply with the most stringent international regulations. Our warehouses are ISO 22000 and HACCP certified, and apply a high-level processing risk management system. These certifications allow us to demonstrate to our stakeholders that we comply with international food safety standards.

In the Netherlands, 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. To comply with food safety and transparency requirements, we monitor our compliance and safety procedures constantly, devoting specific attention to high-risk products, such as poultry and meat. Food products received at our warehouses are subject to comprehensive quality controls and are stored in climate-controlled environments.

We are approved by the US Army Public Health Command, which enables us to supply US Army caterers. Finally, we are an officially registered supplier to the United Nations Global Marketplace, the common procurement portal of the United Nations system of organisations. This enables us to participate in tender processes for United Nations contracts.

ISO 22000 HACCP

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

USAPHC

UNITED NATIONS GLOBAL MARKETPLACE

Environmental responsibility

We strive to reduce and mitigate any adverse effects from our activities, seeking to limit our energy use and CO_2 emissions. We operate efficient warehouses and use modern technology to make the logistics process as efficient as possible. In this way, we minimise our footprint, reduce fuel and cut energy consumption. For example, we use the geothermal energy as a heating source wherever we can. We also seek to generate less waste, reducing, reusing, recycling and improving materials and we carry out energy audits in order to assess and reduce impact on our environment.

Empowered people

Our aim is to provide employees with the best possible working conditions. We invest in sophisticated equipment and warehouses to create a safe workplace for our employees, as well as for the partners we work with. We do not tolerate any violation of human rights, and our human rights principles are firmly embedded in our daily operations in every location where we undertake business.

Workplace safety

We are highly committed to ensuring the safety and security of our offices and warehouses and providing a working environment that is free from discrimination, harassment and victimisation and in which everyone is treated equally, regardless of their gender, nationality, age, disability, sexual orientation or religion.

Employees are trained in equipment use (such as forklifts and electric pallet trucks) for their own safety and insurance that all our processes related to food safety and customs compliance and are strictly adhered to. Workplace safety requires special attention in higher risk regions and countries in which we are active. Employees are extensively trained to perform in such an environment. Training courses include food safety, security, personal health and hygiene.

Being local citizens

We pursue meaningful social initiatives to improve people's lives by enabling local communities and societal participation. We provide appropriate job positions for employees with limited access to the labour market and support 'local first' policies in hiring personnel for local operations. We work with local food banks to ensure that food items that can no longer be sold but are still fit for consumption are distributed to those in need.

Human rights

Respecting human rights is a core part of our daily business, as we have many operations around the world and distribute products globally. Being a long year member 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.

Our human rights procedures are firmly embedded in our Code of Conduct. The Code is applicable to all employees; they should understand the principles, procedures and guidelines as laid down in the Code. Employees are expected to work in the spirit of these principles and to actively propagate them to protect and maintain the company's integrity and reputation, regardless of the location in which we operate. In some countries (e.g. Afghanistan where we operate a warehouse), where human rights conditions deviate from those in Europe, we ensure that the same principles are adhered to as to those applicable in the Netherlands.

Maintaining open relationships with our stakeholders

Integrity, compliance and transparency are key to our business. These principles ensure that we promote trust and respectful relations with our customers and suppliers, as well as with our other stakeholders, such as shareholders, governmental and non-governmental bodies and other authorities.

We seek to maintain open and constructive dialogues with national and local authorities, meeting relevant legislative requirements and complying with health, safety and environmental requirements. We pursue a principled and transparent tax strategy that aims to support our overall business strategy. We have regular meetings with tax authorities to discuss duties, customs, corporate income tax and VAT. Furthermore, we maintain good relations with the Dutch customs authority and we are certified as an Authorised Economic Operator (AEO), enabling us to clear goods in an expedited manner.

We provide quality information on company developments promptly, simultaneously and fully via our corporate website and through market regulators, to ensure that relevant information is shared with and accessible to all our stakeholders. We hold regular meetings with our investors, disclose material information in a regulated manner focused on providing them with the information they need to assess their investment. We aim to deliver sustainable shareholder returns to be a solid business partner to banks and other providers of credit facilities. For more information, please see the Share Information section in this annual report.

Share information

B&S Group S.A. shares have been listed on Euronext Amsterdam since March 23, 2018 and have been included in the Smallcap Index (AScX) since June 19, 2018.

The issued share capital as at December 31, 2018 amounts to € 5,050,639.26. This is divided into 84,177,321 issued Ordinary Shares each with a nominal value of € 0.06.

Key share information

ISIN	LU1789205884
Euronext ticker	BSGR
Number of shares outstanding	84,177,321
Free float	31.2%

Key figures per share

EPS	€ 0.72
Interim dividend per share	€ 0.13
Dividend yield	2.2%
Highest price	€ 18.00
Lowest price	€ 12.50
Year-end share price	€ 13.20

Dividend policy

Barring unexceptional circumstances, B&S Group aims to distribute a dividend of between 40-60% of annual Group results attributable to the owners of the company, starting at the lower end of the target range. We envisage increasing dividends per share over time within the set target range.

The dividend policy is to pay out in two semi-annual instalments, the first part in the fourth quarter of the year in question and the remainder in the second quarter of the following year, following shareholder approval of the full-year financial statement.

Dividend proposal

The proposal to distribute a dividend of € 0.29 per share with of a nominal value of € 0.06 shall be submitted to the General Meeting of Shareholders of May 20, 2019. This corresponds with a pay-out ratio of 40% of the Group results attributable to the owners of the Company. The proposal has been approved by the Supervisory Board.

Notification of capital interests

On December 31, 2018, the following shareholders with a substantial participating interest (>3%) are registered with the Dutch Financial Markets Authority AFM in accordance with the Dutch Financial Supervision Act.

Sarabel Invest S.à r.l	51.72%
Lebaras Belgium BVBA	16.67%
Mondrian Investment Partners Ltd	4.51%
JP Morgan Asset Management Holdings Inc.	3.22%
Investec Asset Management Ltd	3.05%

Financial calendar

Q1 2019 trading update	May 20, 2019
Annual General Meeting	May 20, 2019
HY 2019 results	August 27, 2019
Q3 2019 trading update	November 4, 2019

Investor relations policy

B&S Group provides shareholders and other parties in the financial markets with information on matters that may influence the Company's share price via an annual report and an interim report, Q1 and Q3 trading updates and press releases. These documents are published on the B&S corporate website and submitted to the AFM (the Netherlands) and CSSF (Luxembourg).

B&S Group has a compliance officer who monitors and enforces strict compliance with any and all relevant laws and regulations. Together with the Executive Board and the Disclosure Committee, the compliance officer assesses whether and when information is price-sensitive and whether a disclosure obligation applies to said information. These regulations apply to both the Supervisory Board and the Executive Board, but also to the management layer below the Executive Board and all head office staff who come into contact with price-sensitive information.

Investor contact

B&S Group communicates with its investors and analysts throughout the year via meetings such as AGMs, roadshows, organised site visits and broker conferences. The company holds regular investor calls and meetings to provide the investment community with a well-balanced and complete picture of the performance, opportunities and challenges the company faces, while taking into account insider trading and the equal treatment of shareholders.

General meeting

General Meetings of Shareholders are convened in accordance with the provisions of the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and the Articles of Association. The General Meeting of Shareholders will be held on May 20, 2019 in Luxembourg.

Contacts with the capital markets are dealt with by the members of the Executive Board and the Investor Relations Manager.

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Independent analyst reports

The following analysts initiated coverage on B&S Group in the course of 2018:

ABN AMRO	Robert Jan Vos
Deutsche Bank	Lucas Ferhani / Tom Sykes
ING	Tijs Hollestelle
Kepler Cheuvreux	Patrick Roquas
Morgan Stanley	Annelies Vermeulen

Operational and Financial Review 2018

In March 2018, B&S Group successfully completed its IPO with a listing on Euronext Amsterdam. This accelerated the further professionalisation and strengthening of the organisation. To accommodate and facilitate our short term and medium term growth in the channels and markets we successfully serve, we invested in the organisation to set the path for further growth.

Developments in 2018

On top of the organic growth realised through all our business segments, strong growth was realised with the acquisition of FragranceNet.com, a leading online discount retailer in the USA, consolidated from the fourth quarter onwards - the most profitable quarter in the health & beauty product category.
Global demand for FMCG products is robust and the underlying market drivers continue to be favourable. We typically experience a sales peak towards the end of each year. The diversification of the business lines reduces this effect somewhat, as airport retail and our maritime business peak in summer. In 2018, the turnover of the HTG and Retail segments reflects these channel and market specific seasonal patterns in the second half of the year. We saw HTG sales move even closer to the year-end, an effect that was amplified by the acquisition of FragranceNet.com. In 2018, FragranceNet.com realised 39% of its turnover and 56% of its EBITDA in the last quarter.
The acquisition allows us to further grow along the value chain and helped us gain a substantial operation in North America. Immediate synergies arose from the acquisition in terms of sourcing and logistics efficiency. Our scale and distribution expertise benefitted FragranceNet.com with the opening of a new warehouse in the West Coast of the USA, therewith serving its customers in that area faster and at lower costs. At the same time, this acquisition further diversifies our geographical footprint, making our business even more resilient to local developments.
Throughout the Group we upgraded our warehouses and warehousing systems to make our organisation more robust. We commissioned a new semi-automated warehouse for our food distribution business, aimed at future cost efficiency and growth. In our health & beauty product category we invested in the significant expansion of our robotised warehouse, anticipating growth of the e-commerce market and facilitating the roll-out of the FragranceNet.com business model to other geographies. By leveraging our efficiency, scale and our extended role in the value chain, we are fully equipped to accommodate further growth of current positions in the unique channels and markets we serve.

Financial performance

€ million (unless stated otherwise)	FY 2018		FY 2018 constant FX		FY 2017		Δ (%)	Δ (%) constant FX
Profit or loss account								
Turnover	1,746.5		1,768.6		1,495.8		16.8%	18.2%
Gross profit (margin)	245.4	14.1%	248.8	14.1%	214.9	14.4%	14.2%	15.8%
Other gains and losses	(3.1)		(1.2)		3.3			
EBITDA (margin)	109.0	6.2%	114.4	6.5%	104.8	7.0%	4.0%	9.1%
Adjusted EBITDA (margin)[1]	111.5	6.4%	116.9	6.6%	104.8	7.0%	6.4%	11.5%
EBITA	103.3		108.7		98.8		4.6%	10.0%
Adjusted Profit before tax[1]	93.3		98.7		88.7[2]		5.2%	11.3%

1 Adjusted EBITDA and Profit before tax are defined as EBITDA and Profit before tax adjusted for acquisition cost and share based payments.

2 FY 2017 number is adjusted for the other gains and losses line.

Non-IFRS Financial Measures

The table below presents an explanation on non-IFRS financial measures used. These measures are not recognised measures of financial performance, financial condition or liquidity under IFRS. We present these non-IFRS financial measures because we consider them an important supplemental measure of our performance and believe that they and similar measures are widely used in the industry in which we operate as a means of evaluating a company's operating performance, financial condition and liquidity. The measures are used by management to monitor the underlying performance of our business and operations.

EBITDA	EBITDA is defined as earnings before interest, taxes, depreciation and amortisation
EBITDA Margin	EBITDA Margin is defined as EBITDA as a percentage of turnover
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA adjusted for acquisition costs and share based payments
EBITA	EBITA is defined as earnings before interest, taxes and amortisation
Adjusted Profit Before Tax	Adjusted Profit before tax is defined as Profit before tax adjusted for acquisition costs and share based payments
ROCE	ROCE is defined as operating result as a percentage of the result of total assets minus current liabilities
Solvency	Solvency is defined as group equity as a percentage of total assets
Working capital	Working capital is defined as Inventory + Trade receivables minus Supplier finance arrangements minus Trade payables
Net Debt	Net debt is defined as interest bearing liabilities minus cash and cash equivalents

Constant currency

Most of our turnover is in Euros, which is our functional currency. Following the international nature of our business, significant portions of our turnover and expenses are however denominated in currencies other than the Euro. Other currencies used for trading are mainly the US Dollar (USD) and, to a significantly lesser extent, the British Pound (GBP) and the Japanese Yen (JPY). Consequently, our results of operations are affected by translational foreign exchange risk. This affects the comparability of our consolidated financial results. The figures at constant FX reflect the reported figures adjusted for the translational effect on the USD currency transactions – as this is the main part of our FX effect. The constant FX figures are also adjusted for the USD timing differences (as further explained at the Other gains and losses paragraph).

Turnover

In 2018, B&S Group realised double-digit turnover growth with all three business segments contributing to this growth. Growth was mainly driven by the Liquor category in Asia and the Health & Beauty category in Asia and Europe. FragranceNet.com further boosted performance in the fourth quarter – the strongest quarter in the Health & Beauty category. Turnover for the full year increased by 16.8% to € 1,746.5 million or 18.2% to € 1,768.6 million on a constant currency basis compared to € 1,495.8 million in 2017. The consolidation of FragranceNet.com (three months) accounted for 4.9% of this growth whereas the first-time inclusion of Alcodis (12 months) contributed 2.3%.

Gross profit

Gross profit came in at € 245.4 million, compared to € 214.9 million in 2017, an increase of 14.2% (€ 248.8 million or 15.8% at a constant currency basis). As a percentage of turnover, this was a slight decline to 14.1% in 2018, from 14.4% in 2017. In the second half of the year we were confronted with accelerated increases in logistical labour costs and major increases in international transport costs, mainly related to our food distribution services, which affected gross margin. With a delayed but visible effect into 2019, we were able to pass on most of these cost increases to our customers.

Other gains and losses

This line mainly reflects timing differences from fluctuations in USD/EUR rates. Historically we have seen 'swings' in both directions. This item changed from a gain of € 3.3 million over 2017 to a loss of € 3.1 million over 2018.

All of B&S Group's positions denominated in foreign currencies, such as debts, amounts due to creditors and inventory, are protected against transactional currency risks. However, timing differences arise because certain items are not revalued at the balance sheet date, either due to their off-balance nature (such as purchase orders and sales orders) or because they are valued at historical costs (such as inventory). These are economically protected primarily by credit facilities denominated in foreign currencies. These non-cash timing differences are reversed in the accounting period in which the inventory is sold, or the purchase and sales orders are executed.

Operating expenses

Operating expenses rose to € 144.2 million from € 122.1 million over 2017 or 18.1%. The increase is mainly the result of the increase of personnel cost and the increase of amortisation. The personnel cost increased by € 14.7 million, as a result of the investments made in our organisation and the focus on corporate control as well as the first-time inclusion of FragranceNet.com and Alcodis. The commissioning of the new warehouse also led to temporarily higher staff costs. Amortisation increased following the acquisition of FragranceNet.com and the resulting recognition of the intangibles. Included in the operating expenses are acquisition cost relating to the FragranceNet.com acquisition and share based payments for a combined total amount of € 2.5 million.

EBIT(D)A

EBITDA increased 4.0% to € 109.0 million for the full year 2018, or 9.1% to € 114.4 million on a constant currency basis (€ 104.8 million in 2017), despite increased operating expenses. Adjusted EBITDA increased 6.4% to € 111.5 million or 11.5% to € 116.9 million on a constant currency basis.

The EBITDA margin on an adjusted constant currency basis was 6.6% in 2018 (7.0% in 2017). In the 2017 EBITDA margin, a gain of € 3.3 million profit from FX timing effects - presented at the other gains and losses line - is included. Adjusted for the other gains and losses in 2017, EBITDA margin for that year stood at 6.8%.

The significant expansion of our logistical platform and the start of our operations in our new warehouse, led to temporary but significantly higher costs due to the delay in hand over of the technical infrastructure. We have taken the decisions we deemed necessary to ascertain that service levels to our customers are not impacted by this delay, be it at the expense of higher operational costs. We expect that the technical infrastructure will be fully operational by mid 2019.

EBITA increased by 4.6% to € 103.3 million, compared to € 98.8 million in 2017. Adjusted for acquisition cost and share-based payments, EBITA increased 7.1% to € 105.8 million or € 111.2 million on a constant currency basis.

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Amortisation

Amortisation of intangible fixed assets increased to € 5.0 million from € 2.4 million over 2017 following the recognition of intangibles, including the brand name, the (sourcing) platform and the private label portfolio, after the acquisition of FragranceNet.com.

Group Result for the year

ROCE stood at 26.9% at year-end 2018, compared to 36.0% in 2017. This decline was mainly the result of the acquisition of FragranceNet.com, which increased B&S Group's intangible assets by € 87.6 million (including goodwill). Adjusted for intangibles and amortisation - a more logical metric, given the acquisitive growth - ROCE was in line with the previous year and came in at 42.3%, compared to 42.4% in 2017.

Interest increased to € 7.6 million over 2018, from € 4.8 million over 2017, resulting from the higher net debt following the FragranceNet.com acquisition, an increase in working capital, as well as the higher USD interest rate.

Profit before tax from continuing operations amounted to € 90.8 million, compared to € 92.0 million in 2017. Adjusted for acquisition costs and share based payments, this came in at € 93.3 million. When comparing the adjusted profit before tax on a constant currency basis with 2017 corrected for the other gains and losses line, profit before tax increased from € 88.7 million over 2017 to € 98.7 million over 2018, a 11.3% increase.

In 2018, the effective tax rate increased to 21.4%, up from 10.9% over 2017. This historically low effective tax rate in 2017 was primarily the result of a ruling with the Dutch tax authorities which expired on December 31, 2017. On January 31, 2018 B&S Group entered into a new ruling with the Dutch tax authorities. Adjusted for the non-tax-deductible amortisation and acquisition costs related to the FragranceNet.com acquisition, the current effective tax level is 19.8%, slightly above the effective tax rate of 19% referred to in the prospectus dated March 2018. This is the result of a change in the geographical mix of realised taxable profits. With the lower Dutch tax rates from 2020 onwards, the effective tax rate will come down.

As a result, net profit for the year declined to € 71.4 million over 2018 from € 81.9 million over 2017, with net profit attributable to the owners of the Company declining to € 60.4 million over 2018 from € 67.9 million over 2017. In 2018, the composition of non-controlling interests changed: directly prior to the IPO the group increased its interest in JTG and Topbrands to 67% from 51% and in October the group further increased its interest in JTG to 75% as we bought out a passive minority shareholder.

Segment overview

HTG

€ million (unless stated otherwise)	FY 2018	FY 2018 constant FX	FY 2017	Change	Change at constant FX
Turnover	1,196.7	1,208.5	974.0	22.9%	24.1%
Gross profit	150.5	152.1	118.4	27.1%	28.5%
EBITDA	79.6	82.3	65.1	22.4%	26.5%
EBITDA margin	6.7%	6.8%	6.7%		

The HTG segment recorded year-on-year turnover growth of 22.9% (24.1% on a constant currency basis) in 2018, reporting turnover of € 1,197 million compared to € 974.0 million in 2017. As mentioned above, the year under review includes the final quarter turnover of FragranceNet.com (which amounted to € 75.3 million) and the full year Alcodis turnover (which amounted to € 38.7 million). The organic turnover increase for this segment was 11.8% for the full year (13.0% on a constant currency basis). EBITDA showed a similar increase, resulting in a stable EBITDA margin of 6.7%.

The liquor business saw an increase in demand last year, especially in Asia. In the health & beauty category, turnover and margin increased as a result of the ongoing focus on our European client portfolio and intensified cooperation with key accounts in value retail.

B&S

€ million (unless stated otherwise)	FY 2018	FY 2018 constant FX	FY 2017	Change	Change at constant FX
Turnover	445.6	455.7	426.0	4.6%	7.0%
Gross profit	60.6	62.4	63.4	–4.4%	–1.6%
EBITDA	21.5	24.0	29.2	–26.6%	–17.8%
EBITDA margin	4.8%	5.3%	6.9%		

Our B&S segment realised a 4.6% increase (7.0% on a constant currency basis) in turnover in 2018, reporting turnover of € 445.6 million (2017: € 426.0 million). While demand in the remote markets and the retail B2B market increased, we continued to see hardly any growth in the maritime sector.

In the second half of the year we were confronted with accelerated increases in logistical labour costs and major increases in international transport costs, mainly related to our food distribution services, which affected gross margin. With a delayed but visible effect into 2019, we were able to pass on most of these cost increases to our customers. We are now seeing the first effects of the decisions we took of passing on a part of our higher costs to our customers.

The significant expansion of our logistical platform and the start of our operations in our new warehouse, led to temporary but significantly higher costs due to the delay in hand over of the technical infrastructure. We have taken the decisions we deemed necessary to ascertain that service levels to our customers are not impacted by this delay, be it at the expense of higher operational costs. We expect that the technical infrastructure will be in fully operational by mid 2019. These costs, together with the currency effects, with a swing to a € 2.6 million negative impact on EBITDA over 2018, from a € 1.7 million positive impact on EBITDA over 2017, resulted in a lower EBITDA and EBITDA margin.

Retail segment

€ million (unless stated otherwise)	FY 2018	FY 2018 constant FX	FY 2017	Change	Change at constant FX
Turnover	136.6	136.8	130.2	4.9%	5.0%
Gross profit	34.8	34.8	33.2	4.6%	4.8%
EBITDA	10.6	10.7	10.4	2.3%	2.9%
EBITDA margin	7.8%	7.8%	8.0%		

The Retail segment realised a 4.9% increase in turnover in 2018 (5.0% on a constant currency basis) following the increase in the number of passengers at regional airports, and was further supported by new shop openings in Vienna and Helsinki late 2017.

Higher concession fees at contract renewals and new concessions as well as new tenders led to higher costs in this segment. Despite these higher costs, we were able to realise a 2.3% increase in EBITDA. The EBITDA margin declined slightly to 7.8% over 2018, compared to 8.0% over 2017 – noting it takes an average of up to 18 months for new shops to fully contribute.

Balance sheet

€ million (unless stated otherwise)	31.12.2018	31.12.2017	Change
Intangible fixed assets	121.6	35.1	86.5
Tangible fixed assets	31.0	25.9	5.1
Financial fixed assets	4.7	4.5	0.2
Non-current assets	157.3	65.5	91.8
Inventory	377.9	319.7	58.2
Trade receivables	205.7	141.0	64.7
Cash and cash equivalents	26.9	17.4	9.5
Other current assets	29.4	17.4	12.0
Current assets	639.9	495.5	144.4
Total assets	797.2	561.0	236.2
Equity	273.1	239.6	33.5
Non-current liabilities	92.7	28.4	64.3
Current liabilities	431.4	293.0	138.4
Total equity and liabilities	797.2	561.0	236.2

Non-current assets

Non-current assets increased to € 157.3 million at year-end 2018, compared to € 65.6 million at year-end 2017, mainly as a result of the acquisition of FragranceNet.com.

In 2018, B&S Group also invested an additional € 4.1 million in its warehousing and IT systems. These investments are key to realise operational efficiency, supporting the realisation of growth targets.

The increase in tangible assets mainly stems from the investment in our automated and robotised warehouses.

From 1 January 2019 onwards, the group applies IFRS 16 Leases resulting in the on-balance accounting of most of its lease contracts that were until that moment treated as off balance. As such the Group will recognise a right of use asset and a lease liability of € 62.8 million on its balance. EBITDA will be positively impacted by € 9.0 million and result before taxation is negatively impacted by € 0.6 million.

Current assets

Current assets stood at € 639.9 million at year-end 2018, compared to € 495.5 million at year-end 2017. Current assets accounted for 80.3% of the company's total assets, reflecting its asset-light business model in line with previous years.

Inventory increased to € 377.9 million at year-end 2018, from € 319.7 million at year-end 2017. The increase is the result of the first-time inclusion of FragranceNet and an increase following turnover growth. The number of inventory days remained stable at 92 compared to 91 days in 2017, which is a relative improvement taking into account the acquisition in the fourth quarter.

Trade receivables increased from €141.0 million at year-end 2017 to € 205.7 million at year-end 2018 following turnover growth and the shift in sales towards the very year-end in the HTG segment.

Net working capital increased to € 492.8 million at year-end 2018, compared to € 394.3 million at year-end 2017. The increase in working capital was the anticipated effect of the first-time consolidation of FragranceNet.com and the shift of sales towards the very year-end increasing the debtor level. The increase in trade payables and supplier finance was fully in line with the increase in turnover and inventory.

Group equity

B&S Group's equity stood at € 273.1 million at year-end 2018, compared to € 239.6 million at year-end 2017. During 2018 the Group paid € 39.3 million dividend, of which € 24.4 million relating to the year 2017 and € 3.9 million to non-controlling interests.

We believe a strong solvency level is crucial for our business model, as it enables us to respond to market developments instantly, while being a healthy and reliable business partner for both our suppliers and our customers. Solvency stood at over 34% at December 31, 2018

Non-current liabilities

Non-current liabilities increased to € 92.7 million at year-end 2018 from € 28.4 million at year-end 2017. This increase was mainly the result of the acquisition of FragranceNet.com via (1) the loan relating to the acquisition, (2) the deferred tax liabilities related to the recognition of intangibles associated with the acquisition and (3) the recognition of the option on the remaining 25% of the shares. Given the specifics on the FragranceNet acquisition, despite results attributable to the 25% non-controlling interests being recognised in the profit or loss account, under IFRS the non-controlling interest on the balance sheet is reclassified to other non-current liabilities. Please see note 30 of the financial statements.

Current liabilities

Current liabilities increased to € 431.4 million at December 31, 2018, from € 293.0 million at December 31, 2017, mainly as a result of financing the increased working capital needs with credit facilities, and the increase in trade payables and supplier finance, which is fully in line with the increase in turnover and inventory.

Financing

B&S Group is primarily financed through short-term working capital credit facilities at segment level. These facilities allow for growth as a result of our healthy working capital. Net debt increased to € 312.7 million (2017: €195.1 million), as a result of the acquisition of FragranceNet.com and the working capital increase. When adjusted for the full year EBITDA of FragrancNet.com, the net debt / EBITDA ratio stands at 2.7 per year-end, well within banking covenants. The Group aims at maintaining a capital structure that enables the company to cover its financial expenditures, while keeping flexibility to execute its growth and acquisition strategy and at the same time being in a position to distribute dividend.

Cash flow

€ million (unless stated otherwise)	31.12.2018	31.12.2017
Net cash from operations	3.5	90.7
Net cash from investing activities	(106.4)	(5.2)
Net cash from financing activities	106.6	(84.2)
	3.7	1.3

Cash flow from operating activities came in at € 3.5 million. The decrease compared to 2017 is the result of the shift of sales towards year end as such increasing the trade receivables combined with an increase of the inventory position following the increased turnover.

Net cash used in investing activities ended at € 106.4 million following the acquisition of FragranceNet, the increase of our interest in JTG and our investments in our warehouses and IT. The investments were mainly financed by new loans from banks combined with additional use of our available credit facilities as such resulting in a cash inflow from financing activities of € 106.6 million.

Dividend proposal

The Company proposes a final dividend payment of € 0.16 in cash for the full year 2018, subject to shareholder approval. On November 29, 2018, B&S Group paid an interim dividend of € 0.13 per share bringing the total dividend to € 0.29 per share. The dividend proposal for 2018 is in line with the dividend policy and represents a pay-out ratio of 40% of the annual Group results attributable to the owners of the Company.

Outlook

B&S Group serves a unique set of distinct niche markets worldwide, benefitting from a robust demand for FMCG with only very limited vulnerability to macroeconomic conditions and developments. The geographical diversification of the business limits the impact of local exposure and dependency on a single market.

We are firmly focused on continuing our organic and acquisitive growth. The integration of FragranceNet.com is well ahead of initial expectations and we expect to benefit from continued synergies in 2019 in sourcing, market experience and operational efficiency. Our focus on corporate control and the investments done during the year have made our organisation robust and fit for the next phase. By leveraging our operational efficiency, scale and our extended role in the value chain, we can accommodate growth of current positions in the unique channels and markets we serve. And with a pipeline of acquisition candidates that fit our profile, we are ready to act on arising opportunities.

The Groups' consistent focus on sustainable growth has led to successful expansion over the years, and our focus will remain on top line growth and underlying EBIT(D)A, combined with a healthy net debt/EBITDA. Based on the current market outlook and the opportunities we see ahead, we are confident to realise further organic and acquisitive growth in line with the medium-term objectives set.

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Our People in 2018

We employ over 2,000 professionals, working in 10 countries worldwide. Working in a (fast) growing and dynamic organisation like B&S Group requires entrepreneurship, flexibility and drive. The opportunities that arise in this environment are highly appreciated by our employees.

By training in our B&S Academy and by being part of an experienced team, our employees are equipped to play an important role in building long-term relationships with our suppliers and customers to provide them with value adding distribution services.

Initiative, entrepreneurship and professional development combined with a healthy work / life balance are highly valued at B&S Group. We pay close attention to employees' potential to offer the support and education that fits their ambition and capabilities, and we check in on a regular basis to ensure optimal development or possible adjustments in an employee's career path are in place.

In 2018, specific attention was devoted to online employer branding, centralised corporate control and to our HR platform.

Main developments in 2018

Trainee Recruitment

Our recruitment policy has always been focused on young professionals, evidenced by an average employee age of 37 in 2018. Traditionally we have liaised with (applied) universities, student associations and graduation committees of commercial, finance, logistics and IT disciplines. In 2018, we have intensified our cooperation with selected minors at (applied) universities, which resulted in strengthened campus recruitment for our traineeship vacancies.
Additionally, to find qualified applicants for our trainee positions, we have embedded social media recruitment and online employer marketing & branding firmly in our corporate recruitment policy. In 2018 we strengthened our digital content marketing with focus on video content, an updated recruitment website and enhanced social media presence including social media recruitment, approaching potential candidates more directly and personally through online targeted campaigns. As a result, in 2018 we welcomed almost 100 graduates to the Group across all disciplines.

Corporate functions

Besides our focus on young graduates, in 2018 we invested in strengthening our corporate Group functions by hiring qualified and experienced specialists in IT, Logistics and Safety & Security to further complement and reinforce segmental management. In addition, we further centralised our corporate financial controlling function to work more effectively and efficiently.

Future proof HR platform

In the year under review we initiated the roll out of a comprehensive personnel information system to provide employees access to 'on demand' HR information, including contract details, holiday applications and leave of absence.

In October 2018 B&S Group successfully acquired a majority stake in FragranceNet.com, a US-based online discount fragrance retailer primarily engaged in the sale of brand name perfumes to end-consumers. With this acquisition we welcomed approximately 250 employees to our organisation. Post-acquisition, all HR systems of the acquired company are cautiously evaluated at an early stage by our Group HR department with focus on a similar professional transparent level, and if current systems and reporting standards are sufficient to serve the needs of the Group. As FragranceNet.com is a well organised and mature company, the only necessary action to take was to integrate them with the centralised backbone of the Group.

Focus 2019

In 2019 we are looking to further elevate the onboarding process of new recruits in our fast growing international work field through our B&S Academy program. With tailor-made modules we aim to provide our employees an advanced level of personal development required to add value to our organisation now and in the future. In line with this, we have planned the review of performance management of trainees in the Academy to identify high potentials even faster and provide them with tailored training to prepare them in even earlier stages for leadership roles in our organisation.

Our Responsibility in 2018

Developing and maintaining sustainable relationships with our stakeholders along the value chain is key to our success. The partnerships we form with our suppliers and customers are essential to our successful long-term growth, which is why we are committed to be a responsible, well-respected and reliable organisation, maintaining high ethical standards in all aspects of our business.

Our employees are key to maintaining these partnerships, which is why significant attention is paid to providing a safe and secure environment. In 2018, specific focus areas included corporate Safety & Security and Food safety & compliance.

Main developments in 2018

Safety & Security

In the year under review, B&S Group installed a Safety & Security department on a centralised level to support and advise on Safety & Security matters at segmental level, while maintaining focus on the specific characteristics of each of our business segments and operations. Main focus of the department is the wellbeing of employees and protection of information and property. In the year under review, the Safety & Security department put priority on Safety & Health (ARBO), Risk Assessment & Evaluation (RI&E), in-house emergency and first-aid service (BHV) and a revised emergency plan, all in close cooperation with HR, Facility and Logistics.

Food safety & compliance

Following our strict food safety standards and anticipating the markets' ongoing demand for compliance in food safety and customs regulations, one of our Quality Managers was trained in 2018 to become professionally certified Lead Auditor in Quality Assurance. The Lead Auditor focusses on ensuring that the increasing regulatory requirements related to food safety and compliance are met in our organisation and acts as dedicated contact person to governmental bodies related to customs compliance and food safety, such as the NVWA (The Netherlands Food and Consumer Product Safety Authority).

Whistle blower policy

In light of the companies' listing on Euronext Amsterdam in March 2018, the content of its whistle blower policy was highlighted to all its employees. This policy can be found on the corporate website. No material matters were reported in 2018.

Focus 2019

We are highly committed to ensuring the safety and security of our offices and warehouses. This requires ongoing evaluation and expansion of our safety and security measures in line with our growth ambitions. To further underline the importance of employee integrity and a safe and secure environment in all aspects of the company, the launch of a 'Clean, Sound and Safe' campaign throughout the organisation has been planned in the course of 2019.

J.B. Meulman, CEO
G. van Laar, CFO

Composition of the Executive Board

B&S Group is a public limited liability company incorporated under the laws of Grand Duchy of Luxembourg. It operates a two-tier board structure, managed by an Executive Board comprising four members and supervised by a Supervisory Board comprising five members.

B&S attaches great importance to transparency and open communication to all its stakeholders. Taking a responsible approach to entrepreneurship, integrity and reliability are intrinsically linked to our governance structure.
The Group values good governance and is committed to compliance with the principles of Supervisory Board composition as laid down in the Dutch Corporate Governance Code.

Bert Meulman, M (1967)
Position: CEO and member of the Executive Board since 2004 (re-appointed in 2018). In his role as CEO he holds responsibility for corporate strategy, business development, marketing and sales and human resources.
End of current term: 2022

Nationality: Dutch
Previous positions held: He started his career in a sales role at Kamstra Shipstores in 1992 – which currently forms part of the HTG Segment.
He became partner there three years later and was appointed CEO of the Group in 2004.

Gert van Laar, M (1954)
Position: CFO, member of the Executive Board since 2009 (re-appointed in 2018). In his role as CFO he holds responsibility for finance, risk management and IT.

End of current term: 2021
Nationality: Dutch
Previous positions held: Various senior finance positions, i.e. as advisor to the Group until 2009. Member of the Dutch Institute of Chartered Accountants.

Bas Schreuders, M (1954)
Position: Member of the Executive Board since 2012 (re-appointed in 2018) and Senior Counsel. In his role as member of the Executive Board he holds responsibility for legal affairs.

End of current term: 2020
Nationality: Dutch
Previous positions held: CEO of Intertrust Group in Geneva, Switzerland until 2012, several senior legal positions at various banks.

Niels Groen, M (1987)
Position: Member of the Executive Board since 2017 (re-appointed in 2018) and Finance Director. In his role as member of the Executive Board he supports the CFO in the responsibility for finance and risk management.

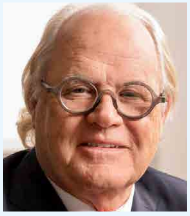
End of current term: 2020
Nationality: Dutch
Previous positions held: Started at B&S International in 2011 and held several finance positions before becoming Finance Director in 2017 for one of the business segments of the Group.

Composition of the Supervisory Board

In light of the Groups' listing on Euronext Amsterdam on March 23, 2018 the Group reviewed the composition of the Supervisory Board and it is now composed as follows:

Jan Arie van Barneveld, M (1950), Chairman
First appointed: 2018, end of current term: 2022
Nationality: Dutch
Committees: Audit and Risk Committee (member), Selection, Appointment and Remuneration Committee (member)

Last position held: CEO of Brunel International N.V. until 2017
Supervisory Board memberships and other positions: member of the Supervisory Board of Brunel International N.V., member of the Supervisory Board and co-chairman of the Audit Committee of Museum Boijmans van Beuningen, member of the Supervisory Board of Boels Topholding B.V.



Willem Blijdorp, M (1952), Vice-Chairman
First appointed: 2004, end of current term: 2022
Nationality: Dutch
Committees: Selection, Appointment and Remuneration Committee (member)

Last position held: Founder of Kamstra Shipstores – which currently forms part of the HTG segment – and CEO of B&S Group until 2004, member of the Supervisory Board since 2004.
Supervisory Board memberships and other positions: member of the Executive Board of Clinuvel Pharmaceuticals.

Coert Beerman, M (1955)
First appointed: 2018, end of current term: 2021
Nationality: Dutch
Committees: Audit and Risk Committee (chair)

Last position held: Head Wholesale Netherlands & Africa at the Rabobank (until September 2018)
Supervisory Board memberships and other positions: chairman of the Supervisory Board of the Hogeschool Rotterdam, member of the Supervisory Board of Farm to Market Alliance, chairman of the Supervisory Board of Zwanenberg Food Group B.V.

Rob Cornelisse, M (1958)
First appointed: 2018, end of current term: 2020
Nationality: Dutch

Last position held: Tax partner at Loyens & Loeff N.V. (up until December 2018)
Other positions: Professor of Tax Law at the University of Amsterdam, chairman of the Tax Department of the Faculty of Law at the University of Amsterdam until 2018.

Kitty Koelemeijer, F (1963)
First appointed: 2018, end of current term: 2021
Nationality: Dutch
Committees: Selection, Appointment and Remuneration Committee (chair)
Position: Full Professor of Marketing & Retailing and Director of the Marketing & Supply Chain Center at Nyenrode Business University.

Supervisory Board memberships and other positions: member of the Supervisory Board of CB Logistics, member of the Supervisory Board of Coram International, member of the supervisory board of Vereniging Eigen Huis, vice-chairman of the supervisory board and chairman of the remuneration committee of Intergamma.

With the exception of Mr. Willem Blijdorp (who at year-end 2018 held 51.72% of the shares in B&S Group), none of the Supervisory Board members hold any ordinary shares or rights to obtain ordinary shares.

Corporate governance statement

B&S Group was incorporated on December 13, 2007 as a private limited liability company (S.à. r.l.), under the laws of the Grand Duchy of Luxembourg. In March 2018, the Company was converted into a public limited liability company (S.A.).

The Executive Board and Supervisory Board are responsible for the company's corporate governance structure. The corporate governance of the Group is determined by Luxembourg Law, the Articles of Association and – as these are underwritten by the Group – by the regulations of the Dutch Corporate Governance Code (the 'Code').

The following relevant documents related to corporate governance can be downloaded from the corporate website:

- Articles of Association
- Executive Board Rules
- Supervisory Board Rules
- Charters of Committees
- Profile Supervisory Board
- Bilateral contacts policy
- Code of Conduct
- Whistleblower Policy

Compliance with the Dutch Corporate Governance Code

As a public limited liability company organised under the laws of the Grand Duchy of Luxembourg, the Group is not subject to the Code. However, we acknowledge the importance of good governance and are committed to comply with the principles as set out in the Code. The Executive Board and Supervisory Board believe deviations or qualifications of some individual provisions of the Code are justified. These deviations or qualifications are explained below.

The ten principles of Corporate Governance of the Luxembourg Stock Exchange are not applicable as no ordinary shares are listed there.

Deviations from the Code

Independence of Supervisory Board members

The Group deviates from best practice provision 2.1.7 and 2.1.8, as three out of five members of the Supervisory Board are considered not to be independent as they are appointed upon nomination of shareholders Sarabel or Lebaras, based on their unique experience. The shareholders believe this experience is beneficial to the Group.

Establishment of committees

The Group reserves the right to deviate from provision 2.3.2. The regulation of committees states that if the Supervisory Board consists of more than four members, it shall appoint an Audit and Risk committee, a Remuneration committee and a Selection and Appointment committee. In the period under review, this provision was deviated from for practical reasons as the Selection and Appointment committee and the Remuneration committee were combined to form one committee.

Composition of committees

The Group reserves the right to deviate from provision 2.3.4 for practical reasons. The regulation of committees states that more than half of the members of committees should be independent within the meaning of best practice provision 2.1.8. In the period under review, this provision was deviated from as regards the Audit and Risk Committee. One out of two members is not independent, as he was appointed upon nomination of shareholder Lebaras.

Severance payments

The Group deviates from provision 3.2.3 for CEO and CFO with regards to the exceeding of the fixed remuneration component in the event of dismissal. Severance payment for CEO and CFO are set at one year`s salary and 50% of the applicable annual cash bonus, both for the preceding financial year.

Cancelling the binding nature of a nomination or dismissal

Pursuant to the Articles of Association, shareholders Sarabel and Lebaras have a right to nominate candidates for appointment as members of the Supervisory Board. Pursuant to Luxembourg law, if Sarabel or Lebaras, when making use of their nomination rights, include at least two candidates for each position in the proposal for appointment to the Supervisory Board, the General Meeting has to appoint one of the proposed candidates. In that case, it is not possible under Luxembourg law to set aside the binding nature of the nomination right, which would result in a deviation from best practice provision 4.3.3.

Executive Board

The Executive Board is responsible for day-to-day management, strategy and advocacy of general stakeholders' interest. The Executive Board may perform all acts necessary or useful for achieving the company's corporate purposes, except for those expressly attributed to the General Meeting or Supervisory Board under Luxembourg Legislation or the Articles of Association.

Composition, appointment and dismissal

The Articles of Association provide that the Executive Board must consist of at least two members. In the period under review, the Executive Board consisted of four members.

Name	Year of latest appointment	Eligible for re-election in
Bert Meulman (CEO)	2018	2022
Gert van Laar (CFO)	2018	2021
Bas Schreuders (Legal Counsel)	2018	2020
Niels Groen (Finance Director)	2018	2020

Members of the Executive Board are appointed for a maximum period of four years and may then be reappointed for an unlimited amount of times, each time for a maximum of four years.

A member of the Executive Board may be removed or replaced with or without cause, at any time, by a resolution adopted by the Supervisory Board or by General Meeting of Shareholders.

No member can simultaneously be a member of the Executive Board and of the Supervisory Board. However, in the event of any vacancy at the Executive Board, the Supervisory Board may appoint one of its members to act on the Executive Board until the following General Meeting. During that period, the duties of this person within the Supervisory Board will be suspended.

Meetings and decision-making

In the financial year under review, the Executive Board had 8 formal meetings, some of them by teleconference. At one occasion, two members had to be excused for a meeting.
The functioning of and decision-making within the Executive Board are governed by the Executive Board Rules which can be found on the corporate website.

According to the Executive Board Rules, the company has installed an IT steering committee that assists the Executive Board in its oversight of the Group's IT function and prepares recommendations for the Group's IT policy.

Remuneration

The remuneration of the Executive Board members is determined by the Supervisory Board based on the remuneration policy approved by the General Meeting of Shareholders. The remuneration policy for the Executive Board can be found in the 'Report of the Supervisory Board', under 'Remuneration Report'.

Supervisory Board

The Supervisory Board is responsible for supervising and providing advice on the policy of the Executive Board. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the principal risks associated with it.

The Supervisory Board includes an account of its involvement in the establishment of the strategy, and how it monitors its implementation in its report, which can be found under 'Report of the Supervisory Board'.

Composition, appointment and dismissal

The Articles of Association provide that the Supervisory Board must consist of at least three members. In the period under review, the Supervisory Board consisted of five members.

Name	Year of latest appointment	Eligible for re-election in
Jan Arie van Barneveld (Chairman)	2018	2022
Willem Blijdorp (Vice-chairman)	2018	2022
Coert Beerman	2018	2021
Rob Cornelisse	2018	2020
Kitty Koelemeijer	2018	2021

Members of the Supervisory Board are appointed for a maximum period of four years and may then be reappointed for a maximum period of four years. A Supervisory Board member may then subsequently be reappointed for a period of two years. This reappointment may be extended by a maximum of two years. For reappointment after an eight-year period, reasons must be provided in the report of the Supervisory Board.

A member of the Supervisory Board may be removed or replaced with or without cause, at any time, by a resolution adopted by the General Meeting of Shareholders.

In the event of one or more vacancies in the Supervisory Board, because of death, resignation or otherwise, the remaining members of the Supervisory Board may appoint one or more members of the Supervisory Board, as the case may be, to temporarily fill any such vacancy until the next General Meeting of Shareholders where a new member of the Supervisory Board will be appointed upon proposal by the Supervisory Board, subject to compliance with any applicable nomination rights as set out in the Articles of Association.

Meetings and decision-making

The Supervisory Board shall meet at least 4 times a year and as often as the business and interests of the company require. Unless the Chairman decides otherwise, Supervisory Board meetings shall be attended by all members of the Executive Board.

In accordance with the Articles of Association, the functioning of and decision-making within the Supervisory Board are governed by the Supervisory Board Rules that can be found on the corporate website.

The Supervisory Board can only validly adopt resolutions if at least two of its members are present or represented at a meeting duly convened in accordance with the Articles of Association and Luxembourg Law.

Resolutions of the Supervisory Board may also be adopted outside of a meeting, provided that such resolutions are adopted in writing and signed by each member of the Supervisory Board. Pursuant to the Articles of Association, certain specified resolutions of the Supervisory Board require the affirmative vote of the vice-chairman of the Supervisory Board as long as he holds at least 30% of the Ordinary Shares.

Committees

The Board has two committees; the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee, whose task is to prepare the decision-making of the Supervisory Board. These committees are governed by charters that have been drawn up in line with the Dutch Corporate Governance Code and can be found on the corporate website.

Remuneration

The remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders. The General Meeting may grant a fixed remuneration to members of the Supervisory Board which is not dependent on the results of the Company and may grant an additional fixed remuneration to the Chairman and the vice-chairman. The remuneration of the Supervisory Board members should reflect the time spent and the responsibilities of their role.

Diversity

In the composition of the Boards, the Group strives for sufficient complementarity, pluralism and diversity with regard to age, gender and background. The main aim is to create a diverse mix of knowledge, skills, expertise and personal characters.

The Group views diversity as a relevant mix of required elements that evolves with time, based on business objectives and future needs of the Group. We treat diversity of the Boards as means for improvement and development rather than as an objective in itself. The implementation of the diversity policy is described in the Report of the Supervisory Board.

Board conflicts of interest

Conflicts of interest should be handled in accordance with Art. 28 of the Articles of Association. If a member of the Executive Board or the Supervisory Board has a direct or indirect financial interest opposite to the interest of the company in any transaction that requires approval from the Executive Board or the Supervisory Board, he or she should inform the Boards as per Art. 28.1 of the Articles of Association. The member may not take part in the deliberations relating to the transaction and may not vote on transaction related resolutions.

General Meeting of Shareholders

The main powers of the General Meeting relate to;

- the composition, appointment and dismissal of members of the Executive Board and the Supervisory Board;
- approval of the remuneration policy of the Executive Board and the Supervisory Board;
- the adoption of the annual financial statements and declaration of dividends on Ordinary shares;
- discharge from liability of the members of the Executive Board and the Supervisory Board;
- any transaction or measure entailing an important change of the identity or character of the Group;
- the issuance of ordinary instruments under the Ordinary Share Authorised Capital in the excess of 10% maximum set out in Art. 6.3(i) in the Articles of Association;
- amendments to the Articles of Association in accordance with Art. 12.3 in the Articles of Association.

The Executive Board and Supervisory Board ensure that the General Meeting of Shareholders is properly informed and advised. The Company has, in accordance with best practice provision 4.2.2 of the Code, drawn up a Policy on bilateral contacts with shareholders which can be found on the corporate website.

Shareholders who individually or jointly hold at least 5% of the issued share capital have the right to place items on the agenda and submit proposals for items included in the agenda. The Company will include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 22 days prior to the meeting date.

Share capital

The authorised share capital of the company consists of ordinary shares. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting.

Preference shares

For a period of five years, starting March 22, 2018 the Executive Board, as per Article 6 of the Articles of Association, is authorised to issue preference shares to a foundation (Stichting Continuïteit B&S Group) up to a total number of voting rights, after the issue, of 33.33%. The object of the foundation is limited to the protection of the interests of (i) the Company, (ii) the business connected therewith and (iii) all involved stakeholders. Contravening influence threatening the continuity, the independence or the identity shall be averted as much as possible. The Executive Board may only issue preference shares with the prior written consent of the current majority shareholder (Sarabel Invest S. à r. l.) as long as he holds at least 30% of the Ordinary shares. In 2018, no preference shares were issued.

The possibility of issuing preference shares is an anti-hostile takeover protection measure. No other anti-takeover measures or control mechanisms were in place in 2018.

Major shareholdings

The Dutch Financial Supervision Act and the Luxembourg Transparency law require investors who hold a share interest or voting interest exceeding (or falling below) certain thresholds to (inter alia) notify their interest with the Authority for the Financial Markets (AFM) in the Netherlands and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. This information is included in the section "Share Information".

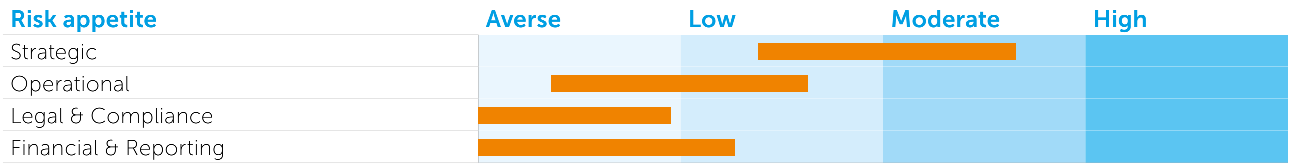
Risk management

B&S Group is a globally operating listed company with a focus on long term value creation. Being active in many different markets worldwide inherently entails risks, not only in the specific markets B&S Group is active in but also with regards to business strategy.

Strategic objectives are defined by the Executive Board and include the encouragement of entrepreneurship and accountability within a defined risk profile. The Executive Board, supported by senior management, has in place a well-embedded risk management and internal control system to continuously evaluate the degree to which the Group is in control.

Risk appetite

In general, B&S Group adapts a conservative approach to risk-taking within an entrepreneurial setting.



The risk appetite differs per risk category. When assessing risks, the Group considers both the likelihood and the magnitude of such a risk. To achieve strategic objectives, the Group accepts associated higher risks up to a moderate level. For some categories, such as IT or compliance in customs and food safety, the Group takes a risk averse stance.

There may be risks or risk categories that are currently identified as not having a significant impact on the business but that could develop into main risks in the future. The objective of the Group's ERM model is to timely identify changes in risk profiles so that appropriate measures can be taken.

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STRATEGIC

Risk area	Description	Risk appetite			
		Averse	Low	Moderate	High
International nature	The risk that trade protection measures, changes in taxation policies or regulations will negatively impact our revenues			●	
Managing growth	The risk that we are unable to manage sustainable organic and acquisitive growth		●		
Reputation	The risk of an incident occurring that will harm the B&S Group brand		●		

OPERATIONAL

Risk area	Description	Risk appetite			
IT & Cyber-security	The risk of critical IT systems being unavailable or not well maintained and of the company being exposed to cyber crime	●			
Staff	The risk of not finding qualified people to support our strategy and the business not achieving its full potential		●		
Inventory	The risk of being unable to manage inventory successfully, leading to tied up capital and eroding margins		●		

LEGAL & COMPLIANCE

Risk area	Description	Risk appetite			
Compliance standards	The risk of non-compliance with statutory laws and regulations in applicable jurisdictions or with internal policies and procedures	●			
Customs & Certifications	The risk of losing any of our authorisations or certifications for our bonded warehouses could have negative impact on our revenues negatively	●			

FINANCIAL & REPORTING

Risk area	Description	Risk appetite			
Currency	The risk of inadequately monitoring exchange rate risk that leads to exchange rate losses	●			
Credit	The risk of delayed or failed payment by customers	●			
Tax	The risk of changing tax policies that may result in the Group losing (part of) its competitive advantage	●			

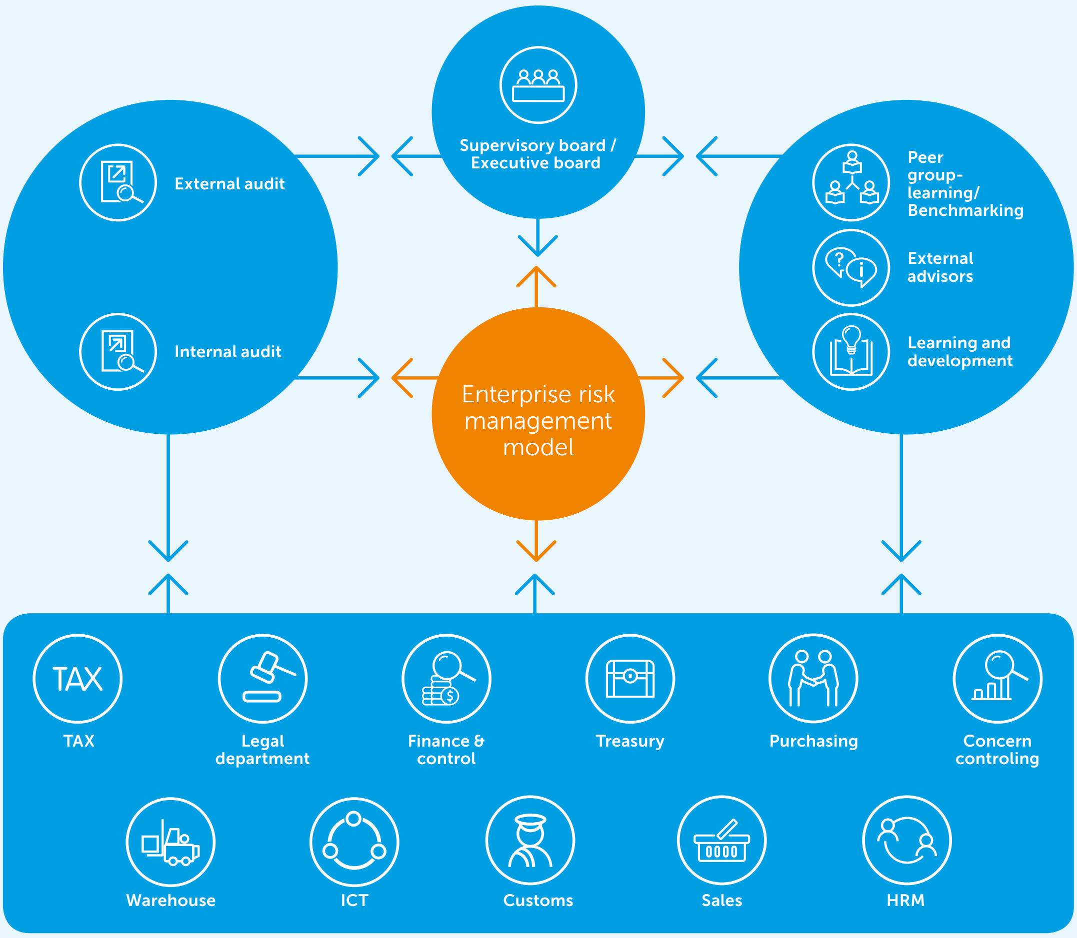
Enterprise Risk Management model

Risk assessment is the responsibility of the Executive Board. They identify and agree on the main risks and other significant risks and agree on control measures. Risk identification is performed both top-down and bottom up, based on the Group's strategy and the environment in which we operate.

The Group has developed an Enterprise Risk Model (ERM) that combines internal and external sources of information such as the Group's operations, Group functions, internal audit, benchmarks, external advisors and the external auditor. Having various stakeholders involved in the identification, assessment and monitoring of risks fits the Group's entrepreneurial and hands-on mentality.

Findings are shared and discussed periodically with and between the Executive Board, Supervisory Board and Audit and Risk Committee as well as with senior management. These findings also serve as a tool to enhance risk awareness in the organisation and to provide internal training.

ERM Model



Internal control activities

Throughout the year, certain selected aspects of the execution, follow up and quality of the design and effectiveness of controls are reviewed by our internal audit function on behalf of the Executive Board.

In addition to these reviews, sensitivity analyses are conducted on various scenarios to identify focus areas for uncertainty reduction. These scenarios include the effect of rapid changes in market conditions, changes in gross margin, increases of interest rate and currency fluctuations.

In addition, benchmark assignments are performed to compare various metrics to peer averages and to identify best practices for individual business segments within the Group.

The 2018 control activities have not indicated any material failings in the design and effectiveness of the internal risk management and control systems of the Group.

Main risks and control measures

The main risks and control measures as defined by the Group's Executive Board are presented hereafter.

STRATEGIC

Risk type	Description	Mitigation by
International nature of our business	The international scope of our operations, particularly in certain developing countries and emerging markets, exposes us to risks related to trade protection measures, changes to taxation policies, changes in regulation, import/export licencing requirements, quotas or wage and price controls.	These risks are mitigated by diversification in markets, product groups, regions and client portfolio. The Group has spread its risk over various niche markets all over the world, making it less vulnerable to decline in specific market segments and / or to geographical risks. Although geographical economic recessions can have some effect, the risk of a disproportionally adverse impact will be limited because of the indicated market diversification and regional spread.
Managing growth	Quality of our growth should always remain sustainable, manageable and well under control. We may fail to meet these standards by inefficient organisational aspects or challenging economic market conditions.	The Group has made substantial investments in optimisation and digitisation of business processes and compliance procedures, and in expansion of warehousing and storage facilities. The diversification in markets, product groups, regions and client portfolio, makes the business less cyclical and less vulnerable to changing market conditions.
	We may fail to acquire other businesses as contemplated by our growth strategy or may fail realise the expected benefits from such acquisitions.	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 added-value and cash flow contributions of intangible assets is tested regularly.
Reputation	Our reputation and 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 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.

OPERATIONAL

Risk type	Description	Mitigation by
IT and cybersecurity	We rely significantly on the integrity, reliability and efficiency of our IT systems and on the services of our third-party IT service providers. 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. With increased digitisation of company processes and cyber criminals becoming increasingly active and sophisticated, we consider cybercrime to be a significant IT threat.	The Group has established partnerships with carefully selected IT providers that are acquainted with our business activities and associated needs, and pro-actively implement and continuously optimise our IT systems. Additionally, the IT systems and procedures are checked regularly by external experts while potential cyber attacks on our systems are externally monitored.
Staff	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 attract and retain staff we offer a balanced remuneration package and a stimulating workplace with good opportunities for personal development.
Inventory risk	We hold sizeable inventory levels with a certain volatility throughout the year. We may be unable to manage our inventory successfully resulting in additional tied up capital and eroding margins.	The Group closely monitors inventory through dedicated inventory management departments which are divided into product categories. We regularly carry out critical stress tests on the theoretical financial boundaries of inventory positions versus equity, covenants and working capital financing.

COMPLIANCE

Risk type	Description	Mitigation by
Compliance standards	We are subject to various laws and regulations in the jurisdictions in which we operate and related to food safety and customs compliance. Changing laws and regulations might interfere with our competitive advantage resulting in a loss of business. Litigation or investigations involving us, including those related to the infringement of intellectual property rights of third parties, could result in material settlements, fines or penalties. Our business is subject to anti-money laundering, sanctions and anti-bribery laws and regulations and related compliance costs and third-party risks. Breaching these sanctionslaws and regulations might result in the loss of contracts in our government and defence distribution operations.	We comply with all relevant legislation, but are also aware this can change (abruptly) and affect our business. We strive to adjust to 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. Business partners are selected carefully and only accepted after extensive screening that ensures that our supply chain is transparent, not in breach with any regulations and that 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 regarding business agreements with new suppliers and customers are applied through our 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. Existing relations are checked on an ongoing basis via automated systems. Throughout the Company there is extensive knowledge of the content and impact of the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.
Customs and certifications	The Group has its own warehouses for storing both bonded and duty exempt goods, which requires extensive licensing and certification as an Authorised Economic Operator by the customs authorities. 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. This may result in a loss of turnover or the company not realising its growth ambition.	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. Staff follows on-going training courses to keep up to date with customs legislation and related 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 customs related calamities are, therefore, covered as far as possible. Each year, the processes related to our AEO status are audited internally and periodically audited externally. The Group follows strict policies and performs cross-checks on compliance.

FINANCIAL

Risk type	Description	Mitigation by
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, which uses hedging instruments when appropriate and on a case-by-case basis to mitigate currency transaction risks. Derivative transactions are subject to continuous risk management procedures. 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.
Credit risks	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.	The group applies strict internal policies and guidelines regarding credit risk management. All transactions must be secured, either by credit insurance, payment up front or by a secured payment instrument (guarantee or letter of credit).
Tax risks	Taxation of goods policies in the countries in which we operate may change, resulting in the company losing its competitive advantage. Changes in tax law could have a material adverse effect on our business A successful challenge of our transfer pricing policies could have a material adverse effect on our business, results of operation and financial condition. 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.	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. 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.
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 medium and short-term credit facilities. The sub segments within our business segments have their own working capital financing, which trigger segment management to maintain control over inventory and debtor positions, which helps towards reducing interest charges. Both short and long-term financing arrangements are discussed and negotiated exclusively at Group level by the Executive Board. 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.

Specific Control Measures in 2018

In the period under review specific control measures were taken on the following aspects:

Cyber security

A dedicated cyber security officer was appointed in 2017 to test the main risk areas for the Group and to increase awareness amongst employees. In 2018, this led to further system improvements (i.e. anti-phishing measures, firewall upgrades), sharpening of our Information Security Policy and the drawing up of a Cyber Security Roadmap. Additionally, an awareness campaign was launched and tailored cyber security training for all employees was provided. Continuous attention will be devoted to cyber security in 2019.

Centralised IT

The decentralised operations of the Group call for rigid centralised operational and financial control. To provide effective assurance for the continuity of information systems and continuously optimise them along with company growth, our IT department was further enhanced in 2018. Current segmental IT management positions were further centralised on Group level, and a designated Corporate IT Director on Group level was appointed to periodically and consistently report to the Executive Board on relevant findings.

In the year under review we further implemented our proprietary BiT ERP system within the B&S segment. The ERP system is designed to streamline internal operations at Group level and enables the integration of external systems. A sizable proportion of internal audit activities was dedicated to controls on data migration into the new system.

KYR procedure

In 2018, we performed several tests on our Know Your Relation procedure against corruption, bribery, fraud and other unethical behaviour. The outcome of these tests led to further improvements to the policy.

Tax policy

B&S Group operates in various countries with different tax systems and therefore has regular meetings with tax authorities and consults professional tax experts within different tax disciplines. In 2018, the Group entered into a new transfer pricing agreement with the Dutch tax authorities. This agreement reflects the changed proportions of our business.

Foreign Exchange

The international nature of our operations and our current euro administration, exposes us to foreign exchange (FX) risks. With the acquisition of FragranceNet.com, our FX exposure with regards to the US dollar increased over the course of 2018. The Executive Board initiated the review of the Group's current administration set up to identify possible risk-mitigating measures to be taken in 2019.

Further enhancement of the risk management model

Throughout the year much attention was given to reviewing the functioning of the current ERM model. The main focus for 2018 was the further simplification of communication on risk management towards the Supervisory Board, the Audit and Risk Committee and external stakeholders. Concise information sharing further enhances the dialogue the Group maintains with all its stakeholders to identify, assess and monitor (potential) risks. We will continue optimising this communication in 2019.

For 2019, internal audit will provide the Executive Board with relevant periodic updates related to the internal Audit plan, including the effectiveness of control measures as set by the Board.

Conclusion

In the period under review no significant shortcomings were identified in the design and operation of the risk management and internal control systems and no significant changes were made to these systems. Relevant improvements have been discussed above. The Executive Board discussed the current systems and findings with the Supervisory Board.

Declaration of the Executive Board / in control statement

The Executive Board has made a systematic assessment of the effectiveness of the design and operation of the internal control and risk management systems. On the basis of this assessment and in accordance with best practice 1.4.3 of the Dutch Corporate Governance Code of December 2016, and Article 5:25c of the Financial Supervision Act, the aforementioned assessment and the current state of affairs, to the best of its knowledge and belief, the Executive Board confirms that:

- the internal risk management and control systems of the company provide reasonable assurance that financial reporting does not contain any material inaccuracies;
- there have been no material failings in the effectiveness of the internal risk management and control systems of the company;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the Groups' operations in the coming twelve months after drawing up the report, and;
- drawing up the financial reporting on a going concern basis is justified based on the current state of affairs.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives.

In view of all of the above, the Executive Board declares that, to the best of its knowledge and belief, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the management report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year, together with a description of the principal risks and uncertainties that the company faces.

Mensdorf, G.D. Luxembourg, February 23, 2019

Executive Board
Bert Meulman, CEO
Gert van Laar, CFO
Bas Schreuders, Senior Counsel
Niels Groen, Finance Director

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

We are very pleased to present the B&S Group annual report for the 2018 financial year. Last year was a busy year for the Group, with many changes at corporate, organisational and business level.

Long term value creation

The Group's strategy is focused on creating long-term value for stakeholders, by pursuing sustainable and profitable growth, both organic and from acquisitions. The Supervisory Board firmly believes that the commitment, involvement and quality of the Executive Board and all B&S Group employees are decisive factors in the success of the Group, and its ability to maintain its solid position and to continue its strategy. The listing on Euronext Amsterdam will increase public awareness and recognition and give the Group the additional financial flexibility it needs through access to a wider range of capital raising options. B&S Group is optimally positioned for further growth as a unique distributor of consumer goods and further expansion of its leading position internationally.

In 2018, B&S Group realised further top line growth, resulting in double digit organic turnover growth, with all three business segments contributing to this growth. B&S Group further strengthened its international market positions in the year under review. Demand for FMCG remained robust, despite the growing uncertainty on global economic markets. The Group continued to grow faster than the market due to its focus on selecting and servicing the most attractive niches.

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Tasks and composition of the Supervisory Board

The Supervisory Board, which was installed in its current composition in March 2018, closely monitors B&S Group's strategy, as well as its financial and operational performance. In 2018, the Supervisory Board fulfilled its tasks in line with the provisions of the Articles of Association that govern the Supervisory Board. These can be found on the corporate website at least three members, who are in principle appointed for a maximum term of four years, barring unforeseen circumstances. Since March 2018, the composition of the Supervisory Board has been as follows:

- Jan Arie van Barneveld, Chairman
- Willem Blijdorp, Vice-Chairman
- Coert Beerman
- Rob Cornelisse
- Kitty Koelemeijer

The Supervisory Board endeavours to ensure that the composition of the Supervisory Board is such that its members are able to act independently of one another and provide the Executive Board with optimum support in any particular field of interest. Each member of the Supervisory Board has his or her own field of expertise, including expertise in retail markets, international trade, IT and online consumer behaviour, general management, finance and law. The Supervisory Board firmly believes that in addition to expertise and experience, the Group also benefits from diversity.

The Supervisory Board strives at all times for a diverse composition in the appointment and reappointment of board members. At the same time, the knowledge the Group requires in its key markets are still key appointment criteria. Relevant experience will remain a decisive factor in determining the most suitable candidates, to ensure the right composition of the boards.

Full meetings

In the year under review, the Supervisory Board was closely involved in numerous developments at the company. In 2018, the Chairman met with the Executive Board on multiple occasions, both pre-scheduled in preparation for meetings between the Supervisory Board and the Executive Board, as well as in impromptu meetings. The full Supervisory Board in its current form met four times and met an additional four times in the presence of the Executive Board.

Main topics in 2018

Main topics for the meetings in 2018 were the IPO and life as a public company, the acquisition of FragranceNet.com and general developments related to company strategy.

B&S Group was listed on Euronext Amsterdam on March 23, 2018 and was included in the Smallcap Index (AScX) in June. The shift from being a privately-owned company to a public company was a major change, and we are pleased to see that B&S Group has maintained its entrepreneurial culture in a very professional and driven organisation.

In October 2018, B&S Group successfully acquired a majority stake in FragranceNet.com, a US-based online discount fragrance retailer primarily engaged in the sale of brand name perfumes to end-consumers. The acquisition marked an important milestone, fully in line with the Group's M&A strategy. The Supervisory Board was kept informed and was closely involved in the entire acquisition process. We are very impressed by the professional, efficiently managed and clear project approach of both the Executive Board and the support team. FragranceNet.com is an excellent fit with B&S Group's activities and provides the Group with a substantial footprint in the North American Health & Beauty market.

Besides these topics and the periodic financial performance reviews, the Supervisory Board discussed risk and risk management, company strategy, the Groups financial position, investments and corporate tax developments and progress on the company's logistics infrastructure, IT platform and HR models.

Annual General Meeting

The Supervisory Board authorised the financial statements for issuance on February 23, 2019 and will propose that the Annual General Meeting to be held on May 20, 2019 adopt said financial statements. The Supervisory Board will also propose that the Annual General Meeting discharge the members of the Executive Board for their management of the company and the members of the Supervisory Board for their supervision of said management for the financial year 2018.

Profit and dividend

Following the publication of the results for the nine months on 19 November 2018, the Executive Board, with the approval of the Supervisory Board, proposed distributing an interim dividend of € 0.13 per share (subject to withholding tax if applicable). In accordance with the Executive Board's proposal, we propose distributing a total dividend of € 0.29 per share for 2018. In line with the dividend policy, this translates into a pay-out ratio of 40% of the 2018 results attributable to the owners of the Company.

Committees

The Supervisory Board has installed two committees, an Audit and Risk committee and a Selection, Appointment and Remuneration committee. These committees are also subject to the regulations that are available on the corporate website. The task of these committees is to support and assist the Supervisory Board in the performance of its designated tasks and to prepare the ground for the Supervisory Board's supervision of the Executive Board. The Supervisory Board as a whole remains responsible for how it exercises its tasks, including the preparatory activities carried out by the Audit and Risk committee and the Selection, Appointment and Remuneration committee.

Audit and Risk Committee

The Audit and Risk committee helps the Supervisory Board to monitor the systems of internal controls, the quality and integrity of financial reporting and the content of the financial statements and reports. Additionally, the Committee is responsible for interactions and meetings with the external auditor, for establishing the procedure for the selection of the external auditor, for recommendations to the Supervisory Board of an external auditor for nomination for appointment or dismissal by the General Meeting, and assisting the Supervisory Board in making recommendations to the General Meeting for the compensation, retention, oversight and termination of the external auditor. Furthermore, the committee assists in assessing and mitigating the business and financial risks of the Group.

The committee will meet as often as circumstances dictate but in any event at least four times a year. In the period after the listing, the committee convened three pre-scheduled meetings between April and December. The committee convened several additional meetings to address other specific developments, such as the acquisition of FragranceNet.com with the support team in more detail. The members of the Audit and Risk Committee are Mr Beerman (chairman) and Mr Van Barneveld.

Internal Audit and Risk management

The Audit and Risk committee discussed the current Enterprise Risk Model (ERM) and internal control framework with the Executive Board and the support team involved in internal audit and risk management. In light of the company becoming public, the support team proposed to evaluate the current ERM and internal Audit plan. The committee agreed on the proposed approach and will discuss relevant findings with the Executive Board and the support team in 2019.

Financial statements 2018

The financial statements were prepared by the Executive Board and the external auditor subsequently issued an auditor's report on said financial statements. This report is included in the independent auditor's report. The Audit and Risk Committee discussed the financial statements in detail with the Executive Board and the Supervisory Board and the audit of the financial statements with the external auditor.

Selection, Appointment and Remuneration Committee

The Selection, Appointment and Remuneration committee prepares proposals for the remuneration of the individual members of both the Executive Board and the Supervisory Board, oversees the compensation schemes and the remuneration of senior management and other personnel. The committee supports the Supervisory Board with the selection and appointment procedures for the members of both boards. Additionally, the committee is responsible for the preparation of the annual remuneration report of the Supervisory Board, that is drawn up in accordance with the remuneration policy. In 2018, the committee met once. The Selection, Appointment and Remuneration committee members are Ms Koelemeijer (Chairman), Mr Van Barneveld and Mr Blijdorp.

Remuneration report

Introduction

Decisions by the Supervisory Board should be in accordance with the remuneration policy for members of the Executive Board as approved by the General Meeting of Shareholders.

Decisions regarding the remuneration of the members of the Supervisory Board are taken by the General Meeting of Shareholders.

Executive Board remuneration policy

The remuneration of the members of the Executive Board is the responsibility of the Supervisory Board as a whole.
The objective of the remuneration policy for members of the Executive Board is to provide a remuneration structure that will allow the Company to attract, reward and retain highly qualified members of the Executive Board and provide and motivate them with a balanced and competitive remuneration that is focused on sustainable results and is aligned with the long-term strategy of the company. The remuneration policy was proposed by the Supervisory Board and adopted by the General Meeting of Shareholders on March 22, 2018.

The remuneration policy follows best practice provision 3.1.2 of the Dutch Corporate Governance Code, the pay ratios within the company and its affiliated enterprise are taken into consideration. The Supervisory Board believes that the remuneration policy expedites the short-term operational performance and the objectives for the strategy for long-term value creation within the meaning of best practice provision 1.1.1 of the Dutch Corporate Governance Code. No substantial changes to this policy are expected in the coming years. All substantial changes to the remuneration policy in future will be submitted to the General Meeting of Shareholders for approval.

Employment contracts

The members of the Executive Board and their effective dates of employment contract are:

Mr. Meulman, CEO	January 1, 2018
Mr. van Laar, CFO	January 1, 2018
Mr. Schreuders	January 1, 2018
Mr. Groen	January 1, 2018

Mr. Meulman has been appointed for a period of 4 years. Mr. Van Laar has been appointed for a period of 3 years. Mr. Schreuders has been appointed for a period of 2 years from 2018. Mr. Groen has been appointed for a period of 2 years. The agreements with the CEO and CFO include a termination agreement. The Group deviates from provision 3.2.3 for the CEO and CFO with regards to the exceeding of the fixed remuneration component in the event of dismissal. Severance payment for CEO and CFO are set at one year`s salary and 50% of the applicable annual cash bonus, both for the preceding financial year.

The terms of the agreement with the Executive Board members are in line with B&S Group's remuneration policy.

Remuneration structure and components

The remuneration structure for the Executive Board focuses on achievement of both short-term results, and long-term value creation by pursuing growth opportunities for B&S Group, through B&S Group's capabilities as distribution partner in complex supply chains. The remuneration structure has been designed with due regard for the risks to which variable remuneration may expose the company.

The total remuneration and the remuneration components are based on the going rates of what the Supervisory Board considers to be in line with international trade and distribution services market and globally benchmarked against companies which are similar to B&S Group in terms of scale and complexity. Before the remuneration policy as a whole is determined, and the level of remuneration of individual board members is fixed, scenario analyses are made of the variable remuneration components and the consequences that they could have on the level of remuneration of the board members. The level and structure of the remuneration of the board members is determined by reference to the scenario analyses carried out and with due regard for the pay differentials within the company. In determining the level and structure of the remuneration of board members, both financial and non-financial indicators relevant to the long-term objectives of the company are taken into account.

The members of the Executive Board express their views of their remuneration packages with the Selection, Appointment and Remuneration Committee at least once a year. The Selection, Appointment and Remuneration Committee includes all feedback when evaluating the Remuneration Policy.

The remuneration package for members of the Executive Board, following the adoption of the remuneration policy, consists of the following components:
- Fixed compensation – Annual base pay
- Short term incentive (STI) – Annual cash bonus plan
- Severance arrangement

Fixed compensation

The annual base pay salary of the members of the Executive Board was set by the Supervisory Board, taking into account a variety of factors such as scale and complexity of the company. The aggregate annual base pay in 2018 for the members of the Executive Board was € 1,212,000.

The Supervisory Board decided not to change the bases salaries of the members of the Executive Board in 2018.

Short-term incentive (STI)

The STI is an annual cash bonus that is applicable to the CEO and CFO of the company. The objective is to incentivise strong financial performance in line with the Group's strategy and defined targets. The bonus for both CEO and CFO is linked to the result of the Group before taxation, provided that the total amount of the bonus will not exceed 0.6% and 0.2% for CEO and CFO respectively, of the Group's consolidated profit for the year from continuing operations in any year.

Performance criteria and targets that underlie the STI are set yearly by the Supervisory Board based on the strategy aspirations and annual business plans. The performance targets are challenging, yet realistic and measure the success of the execution of the strategy of B&S Group. For commercial and competition-related considerations, B&S Group does not publish the performance targets that have been agreed, but they do contribute to long-term value creation and the STI is linked to measurable performance criteria determined in advance.

The STI performance criteria are set once a year and are reviewed annually. The final assessment, based on the audited financial results at the end of the fiscal year, is done by the Selection, Appointment and Remuneration Committee and proposed for decision making by the Supervisory Board. In preparation for that final assessment, the Supervisory Board members review the final outcomes as reported by the Selection, Appointment and Remuneration Committee and the Audit and Risk Committee, inclusive of any quality of earnings elements, to ensure complete alignment on performance by both committees.

For 2018 the Supervisory Board has determined three criteria for the STI. These are (1) a successful IPO, (2) maintaining focus on operational performance, as reflected by profitable organic growth and (3) implementation of growth strategy through successful acquisitions which form the basis for long-term value creation.

Following the IPO on March 23, the Executive Board has realised substantial organic growth of 11% on a constant currency basis. In addition, in 2018 B&S Group has successfully acquired FragranceNet.com.

Based on the results in 2018, the Supervisory Board has considered the extent to which the performance was delivered by the Executive Board and its individual members. The Executive Board members have met the performance targets. The STI achievement for 2018 for the Executive Board was subject to approval the Supervisory Board on its meeting of February 23, 2019. Considering the performance regarding the STI criteria for 2018, the resulting STI pay-out for 2018 will be 0.6% for the CEO and 0.2% for the CFO of the result before taxation. The STI amount is paid in 2019 after approval of the Annual Accounts 2018 by the Annual General Meeting.

The criteria are assigned prior to the relevant year and assessment of realisation is done after year-end by the Supervisory Board.

Severance arrangements

The service agreements with CEO and CFO contain a severance payment equal to twelve months fixed salary and 50% of the cash bonus as awarded in the preceding financial year. Payment is only provided in the event of termination on the day after which the Annual General Meeting is held in the year the current term expires (2022 for CEO and 2021 for CFO), or termination before that date other than as a result of seriously culpable or negligent behaviour.
Employment agreements for other members of the EB are subject to statutory notice period and require payment of statutory severance payment.

Pension contribution

The pension scheme for the CEO is a defined contribution plan. The contribution is fully born by the company.

Loans

The company has issued no loans or guarantees to members of the Executive Board.

Pay Ratio

The Pay Ratio used by the Group reflects the compensation of the total global employee workforce of B&S Group relative to the total remuneration package of the CEO of the company (excluding STI and pension costs). That leads to a pay ratio for 2018 of 13.3.

According to the Supervisory Board the pay ratio for B&S Group is acceptable. In addition to pay ratio, B&S Group monitors the living wage in the regions where it operates and makes adjustments to ensure compensation of its employees is above this level, following its aim to be a good employer.

Supervisory Board remuneration policy

The Annual General Meeting of Shareholders determines the remuneration of the Supervisory Board members, and it may be reviewed annually. The remuneration of the members of the Supervisory Board consists fixed of annual fees for their role as Supervisory Board member. In addition, the Chairman receives a fixed annual fee for this role. The Group does not grant variable remuneration to the members of the Supervisory Board. Members of the Supervisory Board do not receive any performance or equity-related compensation and do not accrue any pension rights with the company. The company does not grant stock options or shares to the members of the Supervisory Board.

As per December 31, 2018, the members of the Supervisory Board have no loans outstanding with the Group.

Supervisory Board remuneration in 2018

The annual base pay in 2018 for every Supervisory Board member was €50,000. The Chairman of the Supervisory Board received an additional annual fee of €5,000.

Supervisory Board	Amount (in €)
Jan Arie van Barneveld (Chairman)*	55,000
Willem Blijdorp***	50,000
Coert Beerman*	50,000
Rob Cornelisse**	50,000
Kitty Koelemeijer*	50,000
Bert Luttjehuizen****	37,600
Total	292,600

* Appointed February 22, 2018, re-appointed March 8, 2018
** Appointed March 22, 2018
*** Re-appointed March 22, 2018
**** Resigned February 9, 2018

Appreciation

The Supervisory Board is very pleased with the progress B&S Group realised last year with regard to its strategic initiatives, operational development and financial performance. The company is well positioned to maintain its focus on the integration of the acquisition it made and continue its successful strategy of organic growth combined with growth through acquisitions.

The members of the Supervisory Board would like to thank the Executive Board for their vision, ambition, drive and constructive cooperation during the year under review. The Supervisory Board would also like to express its gratitude to all employees who have shown commitment, knowledge and a great deal of entrepreneurship and adaptability to constantly changing market conditions. Making use of this enthusiasm and drive in combination with the extensive knowledge and experience gathered in a professional organisation will ensure the creation of long-term value for all the Group's stakeholders.

Luxemburg, February 23, 2019

Supervisory Board
Jan Arie van Barneveld, Chairman
Willem Blijdorp, Vice-Chairman
Coert Beerman
Rob Cornelisse
Kitty Koelemeijer

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2018

x € 1,000	Note	2018	2017
Continuing operations			
Turnover	6	1,746,477	1,495,837
Purchase value	7	1,501,073	1,280,903
Gross profit		245,404	214,934
Investment income	8	223	364
Other gains and losses	9	(3,147)	3,261
Personnel costs	10	86,250	71,596
Depreciation and amortisation	11	10,744	8,366
Other operating expenses	12	47,231	42,175
Total operating expenses		144,225	122,137
Operating result		98,255	96,422
Financial expenses	13	(7,646)	(4,835)
Share of profit of associates	14	203	363
Result before taxation		90,812	91,950
Taxation on the result	15	(19,432)	(10,003)
Profit for the year from continuing operations		71,380	81,947
Attributable to:			
Owners of the Company		60,394	67,883
Non-controlling interests		10,986	14,064
Total		71,380	81,947
Earnings per share (basic / diluted)			
From continuing operations in euros	16	0.72	0.81

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 DECEMBER 31, 2018

x € 1,000	Note	2018	2017
Profit for the year from continuing operations		71,380	81,947
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
■ Foreign currency translation differences net of tax		28	(517)
■ Acquisition of non-controlling interests in a subsidiary		–	126
Other comprehensive income for the year net of tax		28	(391)
Total comprehensive income for the year		71,408	81,556
Attributable to:			
Owners of the Company		60,460	67,530
Non-controlling interests		10,948	14,026
Total		71,408	81,556

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

x € 1,000	Note	31.12.2018	31.12.2017
Non-current assets			
Goodwill	17	59,915	18,104
Other intangible assets	18	61,678	16,990
Property, plant and equipment	19	31,033	25,935
Investments in associates	20	2,140	2,001
Receivables	21	2,331	2,481
Deferred tax assets	22	160	38
		157,257	65,549
Current assets			
Inventory	23	377,880	319,719
Trade receivables	24	205,722	141,047
Corporate income tax		1,752	860
Other tax receivables	25	5,985	3,533
Other receivables	26	21,690	12,936
Cash and cash equivalents	27	26,900	17,385
		639,029	495,480
Total assets		797,186	561,029

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

x € 1,000	Note	31.12.2018	31.12.2017
Equity attributable to			
Owners of the Company	28, 29	233,985	199,148
Non-controlling interest	30	39,110	40,442
		273,095	239,590
Non-current liabilities			
Borrowings	31	55,770	22,767
Deferred tax liabilities	32	11,737	3,232
Employee benefit obligations	33	603	1,600
Other liabilities	34	24,627	790
		92,737	28,389
Current liabilities			
Credit institutions	35	271,494	184,450
Borrowings due within one year		12,377	5,291
Supplier finance arrangements	36	21,177	10,650
Derivative financial instruments	37	288	666
Trade payables		69,630	55,802
Corporate income tax liability		11,811	2,549
Other taxes and social security charges	38	14,588	11,393
Other current liabilities	39	29,989	22,249
		431,354	293,050
Total equity and liabilities		797,186	561,029

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AT DECEMBER 31, 2018

x € 1,000						2018
	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 01.01.2018	5,238	(80)	196,370	201,528	40,442	241,970
IFRS 15 adjustments	–	–	(2,380)	(2,380)	–	(2,380)
Restated opening balance	5,238	(80)	193,990	199,148	40,442	239,590
Profit for the year	–	–	60,394	60,394	10,986	71,380
Other comprehensive income:						
■ Foreign currency translation	–	(460)	–	(460)	488	28
Subtotal	–	(460)	–	(460)	488	28
Other transactions:						
■ Dividend	–	–	(35,354)	(35,354)	(3,940)	(39,294)
■ Acquisition through business combinations	–	–	–	–	24,735	24,735
■ Acquisition non-controlling interest JTG	–	–	(5,802)	(5,802)	(2,698)	(8,500)
■ Capital contribution non-controlling interest			–	–	8,525	8,525
■ Profit share certificates	–	–	–	–	(100)	(100)
■ Share-based payments	–	–	675	675	–	675
■ Pre-IPO restructuring	(187)	–	12,867	12,680	(12,753)	(73)
■ Other movements	–	–	–	–	–	–
Subtotal	(187)	–	(27,614)	(27,801)	13,769	(14,032)
■ Reclassification to non-current liabilities	–	–	–	–	(26,575)	(26,575)
■ Fair value adjustment non-current liabilities	–	–	2,704	2,704	–	2,704
Subtotal	–	–	2,704	2,704	(26,575)	(23,871)
Closing balance at 31.12.2018	5,051	(540)	229,474	233,985	39,110	273,095

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

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
IFRS 15 adjustments	–	–	(1,467)	(1,467)	–	(1,467)
Restated opening balance	5,238	392	190,411	196,041	32,532	228,573
Profit for the year	–	–	67,883	67,883	14,064	81,947
Other comprehensive income:						
■ Acquisition of non-controlling interests in a subsidiary	–	–	119	119	7	126
■ Foreign currency translation	–	(472)	–	(472)	(45)	(517)
Subtotal	–	(472)	119	(353)	(38)	(391)
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	–	–	–	–	–	–
Subtotal	–	–	(64,423)	(64,423)	(6,116)	(70,539)
Closing balance at 31.12.2017	5,238	(80)	193,990	199,148	40,442	239,590

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

x € 1,000	Note	2018	2017
Profit for the year from continuing operations		71,380	81,947
Adjustments for:			
Taxation on the result		19,432	10,003
Share of profit of associates		(203)	(363)
Financial expenses		7,646	4,835
Depreciation		5,717	6,001
Amortisation		5,027	2,365
Investment income		(223)	(364)
Provisions		(1,031)	441
Non-cash IFRS 15 adjustment 2016		–	(1,467)
Non-cash share-based payment expense		675	–
Other non-cash movements		759	(499)
Operating cash flows before movements in working capital		107,661	102,899
Decrease / (increase) in inventory		(29,085)	(33,423)
Decrease / (increase) in trade receivables		(61,894)	25,149
Decrease / (increase) in other tax receivables		(2,419)	880
Decrease / (increase) in other receivables		(6,304)	8,165
Increase / (decrease) in trade payables		8,209	(1,117)
Increase / (decrease) in other taxes and social security charges		3,195	629
Increase / (decrease) in other current liabilities		3,765	3,975
Cash generated by operations		23,128	107,157
Income taxes paid		(11,563)	(11,216)
Interest paid		(8,024)	(5,279)
Net cash from operations		3,541	90,662
Interest received		223	364
Dividend received from associates		95	154
New loan to associates		–	(546)
Repayments on loans issued to associates		256	3,900
Net cash outflow on acquisition of subsidiaries		(88,449)	1,118
Payment for property, plant and equipment		(8,929)	(4,213)
Payment for intangible assets		(4,133)	(3,279)
Proceeds from disposals		348	234
Net cash from investing activities		(100,589)	(2,268)

x € 1,000	Note	2018	2017
Repayments on loans from banks		(4,547)	(5,475)
Repayments on loans from shareholders		–	(125)
Repayments on financial lease		(614)	(603)
New long-term bank loans		45,250	–
Paid to profit share certificates		(100)	(1,929)
Capital contribution non-controlling interest		8,525	–
Repurchase P-shares		(228)	–
Dividend paid to owners of the Company		(35,354)	(64,423)
Dividend paid to non-controlling interests		(3,940)	(4,900)
Change in supplier finance arrangements		10,527	150
Changes in credit facilities		87,044	(6,918)
Net cash from financing activities		106,563	(84,223)
Balance January 1,		17,385	13,214
Movement		9,515	4,171
Balance December 31,		26,900	17,385

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

B&S Group S.A. (the "Company") has its registered office at 14 Rue Strachen, Mensdorf, G.D. Luxembourg. The consolidated financial statements of the Group for 2018 include the holding company and all its group companies. In addition, B&S Group S.A. holds interests in third parties (investments in associates).

1.1 Group structure

B&S Group S.A. 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 122.

New participations

During the financial year the Group incorporated the following companies:

Company	%	Date
Capi-Lux Middle East DMCC, Dubai, United Arab Emirates	100%	21.06.2018
Capi-Lux L.L.C., Abu Dhabi, United Arab Emirates	100%	09.09.2018
Malden Brands, Dublin, Ireland	100%	05.02.2018

These companies are consolidated from the date of incorporation.

Liquidated participations

During the financial year the Group liquidated the following companies:

Company	%	Date
GWN Investment Ltd, Dubai, United Arab Emirates	100%	26.09.2018
Key Brands Distributors Ulc, Dublin, Ireland	100%	07.10.2018
First Brands Ulc, Dublin, Ireland	100%	12.12.2018

Acquisition

During the financial year the Company acquired the following companies:

Company	%	Date
FNet Acquisition Company LLC, Delaware, United States	75%	01.10.2018

At March 23, 2018 the Group acquired an additional 16.17% of the shares of JTG Holding B.V., JTG W.W.L. S.à r.L. and Topbrands Europe B.V. against an issue of shares of B&S Group S.A. The difference between the nominal value of the shares and the intrinsic value of the obtained minority shares is accounted for in the retained earnings.

In October 2018 the Group acquired 75% of the shares of FNet Acquisition Company LLC, the newly established 100% parent company of FragranceNet.com, Inc. The FNet Acquisition Company LLC subsidiary is fully consolidated from the date on which the Group obtained control, which is October 1, 2018. The acquisition is accounted for using the acquisition method. Refer to note 43 for detailed information about the calculation of the goodwill and detailed information about the valuation of the assets acquired and liabilities recognised.

At October 1, 2018 the Group acquired an additional 8.21% of the shares of JTG Holding B.V. and JTG W.W.L. S.à r.L. for an amount of € 8,500,000. The difference between the acquisition price and the minority share in the assets and liabilities is accounted for in the retained earnings.

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 December 31, 2018 as endorsed by the EU.

2.1 New IFRSs effective and EU-endorsed

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. 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. The Group has adopted IFRS 15 as per effective date January 1, 2018 and applied the full retrospective method. 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. The effect of the retrospective application of IFRS 15 on the 2017 consolidated financial statements is disclosed in note 44.

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

The Group determined the impact of IFRS 9 and concluded that the adoption of IFRS 9 has no impact on the classification and measurement of the Group's financial assets and financial liabilities. Regarding the impairment of financial assets, the Group changed from an incurred loss model (IAS 39) to an expected loss model (IFRS 9). Implementation of IFRS 9 learned that the change to the required expected credit loss model has a non-material impact on the Group's financial statements.

Other newly applied IFRSs

The following IFRSs that were applicable for the first time for this financial year had no impact on the consolidated financial statements:

IFRS 2 (amendments) Classification and Measurement of Sharebased Payment Transactions	Further clarifications on the treatment of share-based payments.
IFRS 4 (amendments) Insurance Contracts	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 40 (amendments) Transfers of Investment Property	The amendments mainly clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
Annual Improvements to IFRS Standards 2014 – 2016 Cycle	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a nonmonetary asset or nonmonetary liability (for example, a nonrefundable deposit or deferred revenue).

2.2 New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective [and [in some cases] had not yet been endorsed by the EU]:

Amendments to References to the Conceptual Framework in IFRS standards		Not yet endorsed
IFRS 3 (amendments)	Business Combinations	Not yet endorsed
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	Endorsed
IFRS 16	Leases	Endorsed
IFRS 17	Insurance Contracts	Not yet endorsed
IAS 1 and IAS 8 (amendments)	Definition of Material	Not yet endorsed
Amendments to IAS 19 Employee Benefits (amendments)	Plan Amendment, Curtailment or Settlement	Not yet endorsed
IAS 28 (amendments)	Investments in Associates and Joint Ventures	Endorsed
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	Not yet endorsed
IFRIC 23	Uncertainty over Income Tax Treatments	Endorsed

Other than for IFRS 16, as noted below, the directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

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 Group estimated that the application of IFRS 16 will have a material effect on its reported assets and liabilities, and operating and financing expenses which is further outlined below.

Consolidated statement of financial position

The requirements lead to an increase in recognised assets and liabilities. The Group, as lessee, had a portfolio of operating leases that were previously off-balance sheet, but were disclosed as part of the "Contingent liabilities and contingent assets". Most of these leases will be recognised on-balance under IFRS 16.

For finance leases where the group is a lessee, the Group has already recognised assets and a related finance lease liability for the lease arrangement.

The right-of-use asset is per January 1, 2019 determined at € 62.8 million. The right-of-use asset is initially measured at cost and will in 2019 subsequently be measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is per January 1, 2019 determined at € 62.8 million. The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). In 2019, the lease liability will be subsequently adjusted for interest and lease payments

Consolidated statement of profit or loss

The new Standard will result in a change in the amount and presentation of expenses related to leases formerly classified as operating leases. Currently, operating lease expenses are presented as part of operating expenses. In 2019 when applying IFRS 16, the expense will be split into financing cost and depreciation expense. Consequently, key performance indicators (KPIs) such as operating profit and EBITDA, which are reported by the Group, will be affected. For the financial year 2019 EBITDA is expected to be positively impacted by € 9.0 million and result before taxation is expected to be negatively impacted by € 0.6 million.

Consolidated statement of cash flows

Currently payments under operating leases are presented as part of cash flows from operating activities, under IFRS 16 lease payments will be split between cash payments for the interest portion of the lease liability and repayment of its principal portion. As required by IFRS 16, the Group will be presenting repayment of principal within the cash flows from financing activities. In accordance with IAS 7, interest paid will be classified as part of cash flows from operating activities.

3. Significant accounting policies

3.1 Statement of compliance

The 2018 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-IFRS).

The consolidated financial statements were approved by the Executive Board and authorised for issue on February 23, 2019.

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.

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 (none in 2018) 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 over 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.

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. Reference is made to note 1.1 Group structure for the increased interests in JTG Holding B.V., JTG W.W.L. S.à r.l. and Topbrands Europe B.V. during 2018.

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 IFRS 9, 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 to the Group, less 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 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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, 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.

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. 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 IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 (refer to 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 groups cash-generating units (HTG, B&S and Retail, reference is made to note 17) 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 IFRS 9 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 IFRS 9. 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

The Group mainly sells Fast Moving Consumer Goods both to the wholesale market and directly to consumers through our retail outlets and web shops.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods

Revenue from the sale of goods is recognised at a point in time when control of the goods is passed, at which time all the following conditions are satisfied:

- the performance obligation has been satisfied by the Group;
- the Group has transferred physical possession/control of the goods to the customer;
- the Group has transferred the significant risks and rewards related to the ownership of the goods to the customer;
- the Group has a present right to payment for the goods delivered;
- 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, comprising logistical services related to the sold goods, is recognised at the same moment when the underlying sale of goods is recognised.

Turnover value represents the entitled consideration for 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. Reference is made to note 3.15 for the accounting treatment of foreign currencies.

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 asset is recognised when it is probable that the economic benefits will flow to the Group 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

Financial expenses 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 (refer to 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.

Reference is made to note 2.2 regarding the impact of IFRS 16 on the accounting treatment of leases as from January 1, 2019 onwards.

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 most significant pension plans are in the Netherlands. The main pension funds of the Group 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.

Reference is made to note 33 for details on these pension schemes.

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 or 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 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 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.

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 lost 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

The Group only has financial assets 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 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 'investment income' 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 based on the expected lifetime losses following the simplified approach as per IFRS 9. 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.

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 the Group 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 the Group 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 IFRS 9 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 41.

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 is based on the expected lifetime losses following the simplified approach as per IFRS 9. 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 operating segments, that are also considered the reportable segments:

- 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 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 & Eliminations'.

A summary of the results of the reportable segments is provided below. 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'. Reference is also made to the Financial performance section of the Executive Board report for a detailed analysis of the segments performance.
Transactions between segments are at arm's length.

x € 1,000	HTG		B&S		Retail		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Turnover	1,196,742	973,964	445,596	425,973	136,562	130,221	1,778,900	1,530,158
Purchase value	1,046,198	855,559	385,009	362,574	101,777	96,981	1,532,984	1,315,114
Gross profit	150,544	118,405	60,587	63,399	34,785	33,240	245,916	215,044
	12.6%	12.2%	13.6%	14.9%	25.5%	25.5%	13.8%	14.1%
Investment income	(58)	(299)	–	–	–	–	(58)	(299)
EBITDA	79,670	65,059	21,450	29,240	10,613	10,376	111,733	104,675
	6.7%	6.7%	4.8%	6.9%	7.8%	8.0%	6.3%	6.8%
Financial expenses	5,252	3,203	1,397	666	127	9	6,776	3,878
Share of profit of associates	140	85	–	–	218	278	358	363
Depreciation and amortisation	6,385	4,140	1,295	1,062	2,657	3,164	10,337	8,366
Taxation	15,957	12,791	801	2,377	2,183	1,789	18,941	16,957
Consolidated result	52,216	45,010	17,957	25,135	5,864	5,692	76,037	75,837
Investments in associates and joint ventures	897	758	–	–	1,243	1,243	2,140	2,001
Current assets	464,319	357,447	173,430	138,699	52,479	41,817	690,228	537,963
Total assets	592,026	393,595	185,419	146,467	68,014	54,576	845,459	594,638
Net bank debt	247,981	159,083	71,095	37,121	(5,662)	(1,067)	313,414	195,137
Inventory in days	102	105	64	61	61	51		
Debtors in days	43	32	52	46	3	5		
Net bank debts / EBITDA	3.1	2.4	3.3	1.3	(0.5)	(0.1)		

x € 1,000		Total		Holding & Eliminations		Consolidated
	2018	2017	2018	2017	2018	2017
Turnover	1,778,900	1,530,158	(32,423)	(34,321)	1,746,477	1,495,837
Purchase value	1,532,984	1,315,114	(31,911)	(34,211)	1,501,073	1,280,903
Gross profit	245,916	215,044	(512)	(110)	245,404	214,934
	13.8%	14.1%			14.1%	14.4%
Investment income	(58)	(299)	(165)	(65)	(223)	(364)
EBITDA	111,733	104,675	(2,734)	113	108,999	104,788
	6.3%	6.8%			6.2%	7.0%
Financial expenses	6,776	3,878	870	957	7,646	4,835
Share of profit of associates	358	363	(155)	–	203	363
Depreciation and amortisation	10,337	8,366	407	–	10,744	8,366
Taxation	18,941	16,957	491	(6,954)	19,432	10,003
Consolidated result	76,037	75,837	(4,657)	6,110	71,380	81,947
Investments in associates and joint ventures	2,140	2,001	–	–	2,140	2,001
Current assets	690,228	537,963	50,299	(42,483)	639,929	495,480
Total assets	845,459	594,638	48,273	(33,609)	797,186	561,029
Net bank debt	313,414	195,137	(673)	(2,514)	312,741	192,623
Inventory in days					92	91
Debtors in days					43	34
Net bank debts / EBITDA					2.9	1.8

6. Turnover

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

x € 1,000	2018	2017
HTG	1,196,742	973,964
B&S	445,596	425,973
Retail	136,562	130,221
Elimination	(32,423)	(34,321)
	1,746,477	1,495,837

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

x € 1,000	2018	2017
Liquors	630,184	513,862
Health & Beauty	707,686	597,374
Food & Beverages	238,651	235,520
Consumer Electronics	96,569	90,820
Other	73,387	58,261
	1,746,477	1,495,837

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

x € 1,000	**2018**	**2017**
Europe	998,094	882,154
America	141,985	108,466
Asia	343,272	253,893
Africa	49,256	41,430
Middle East	200,620	192,019
Oceania	13,250	17,875
	1,746,477	1,495,837

7. Purchase value

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

x € 1,000	**2018**	**2017**
Purchase value of turnover	1,387,087	1,195,558
Other external costs and income related to turnover	113,986	85,345
	1,501,073	1,280,903

8. Investment income

The investment income can be specified as follows:

x € 1,000	**2018**	**2017**
Finance income from continuing operations:		
Interest related to loans issued	223	299
Interest on receivables from shareholders	–	65
	223	364

9. Other gains and losses

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

x € 1,000	**2018**	**2017**
Exchange rate (gains) / losses	3,147	(3,261)
	3,147	(3,261)

10. Personnel costs

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

x € 1,000	2018	2017
Salary costs	50,803	41,651
Social security charges	7,465	6,233
Pension costs	3,390	3,019
Other personnel costs	4,708	3,389
	66,366	54,292
Temporary staff	19,884	17,304
	86,250	71,596

The remuneration of the Executive Board and the Supervisory Board is disclosed in the note on related parties (refer to note 42).

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

x € 1,000	2018	2017
HTG	524	386
B&S	370	300
Retail	227	219
Other	9	5
	1,130	910

Please note that the fulltime equivalents as stated above for HTG only include the fulltime equivalent for FragranceNet.com on a pro rata basis as from October 1, 2018 onwards, in line with the staff costs in the statement of profit or loss.

11. Depreciation and amortisation

The depreciation and amortisation can be specified as follows:

x € 1,000	2018	2017
Property, plant and equipment	5,717	6,001
Intangible fixed assets	5,027	2,365
	10,744	8,366

12. Other operating expenses

The other operating expenses can be specified as follows:

x € 1,000	2018	2017
Personnel related costs	5,775	5,638
Office / warehouse costs	14,964	11,443
Marketing costs	3,201	2,088
ICT expenses	6,204	3,866
Insurance costs	2,443	1,901
External advice	7,853	7,855
Other operating expenses	6,791	9,384
	47,231	42,175

The fees of Deloitte that are directly attributable to the financial year of the Group are incorporated in the 'External advice' and specified as follows:

x € 1,000	Deloitte Audit S.à r.l.	Other Deloitte member firms	Total Deloitte
Audit fees for statutory audits	100	1,203	1,303
Other assurance related services	25	58	83
Other non-audit services	308	23	330
	433	1,283	1,715

13. Financial expenses

The financial expenses can be specified as follows:

x € 1,000	2018	2017
Interest related to bank facilities	7,990	5,223
Interest related to lease obligations	37	56
Changes in the fair value of derivatives	(381)	(444)
	7,646	4,835

14. Share of profit of associates

This concerns the result of associated companies where B&S Group S.A. 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:

	2018	2017
Comptoir & Clos SAS, France	50%	50%
Next Generation Parfums B.V., the Netherlands	50%	50%
STG Logistica Y Depositos S.L., Spain	50%	50%
Capi-Lux South Africa (PTY) Ltd., South Africa	49%	50%

Transactions with these associated companies are disclosed in the note on related parties (refer to note 42).

15. Taxation on the result

The taxation on the result can be specified as follows:

x € 1,000	2018	2017
Income tax in profit or loss account		
Income tax	19,662	9,953
Income tax previous periods	802	628
Deferred taxes	(1,032)	(578)
	19,432	10,003

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

x € 1,000	2018	2017
Result before taxation	90,812	91,950
Share of profit of associates	(203)	(363)
Non-deductible amortisation	5,027	2,365
Income not subject to income tax and income charged with 0% income tax	(13,403)	(48,533)
	82,233	45,419
Blended tax charge ranging from 12.5% to 29.0%	19,662	9,953

16. Earnings per share

x €	2018	2017
Basic earnings per share		
From continuing operations	0.72	0.81
	0.72	0.81

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	2018	2017
Profit for the year attributable to owners of the Company	60,394	67,883
	60,394	67,883

	2018	2017
Weighted average number of shares for the purpose of basic earnings per share	84,177,321	84,177,321
	84,177,321	84,177,321

There were no changes, except for the IFRS 15 changes as per note 44, in the Group's accounting policies in 2018 and 2017 which significantly affect the earnings per share. In accordance with IAS 33, the earnings per share are calculated based on the weighted average number of shares outstanding during the financial period. As a result of the share split at March 8, 2018, the total number of shares outstanding increased to 84,177,321. The weighted average number of shares and the earnings per share have been recasted for 2017. The actual earnings per share for 2017, based on the non-restated 209,515 shares outstanding prior to the split, amounted to € 328.36 (unadjusted for IFRS 15).

17. Goodwill

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

x € 1,000	31.12.2018	31.12.2017
HTG	52,814	11,003
Retail	6,601	6,601
B&S	500	500
	59,915	18,104

Goodwill is tested for impairment based on the identified cash generating units as reflected above.

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.A. 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.A. 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 2018 did not result in impairments (2017:0).

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

The other intangible assets can be specified as follows:

x € 1,000	31.12.2018	31.12.2017
Software	10,476	5,581
Brand names	2,829	375
Concessions	897	1,482
Other	47,476	9,552
	61,678	16,990

The category 'Other' mainly consists of (sourcing) platforms and a private label portfolio. Intangible assets are amortised over their 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:

x € 1,000					2018
	Software	Brand names	Concessions	Other	Total
At cost:					
Balance as at January 1,	5,909	1,200	4,560	12,500	24,169
Additions	4,123	–	–	10	4,133
Acquisitions through business combinations	3,093	2,669	–	41,168	46,930
Foreign currency translation	34	30	–	496	560
Disposals	(99)	–	–	–	(99)
	13,060	3,899	4,560	54,174	75,693
Accumulated amortisation:					
Balance as at January 1,	(328)	(825)	(3,078)	(2,948)	(7,179)
Acquisition through business combinations	(910)	–	–	(782)	(1,692)
Foreign currency translation	(17)	(4)	–	(96)	(117)
Amortisation	(1,329)	(241)	(585)	(2,872)	(5,027)
	(2,584)	(1,070)	(3,663)	(6,698)	(14,015)
Balance as at December 31,	10,476	2,829	897	47,476	61,678

x € 1,000					**2017**
	Software	**Brand names**	**Concessions**	**Other**	**Total**
At cost:					
Balance as at January 1,	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 January 1,	(71)	(675)	(2,791)	(2,106)	(5,643)
Acquisition 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 December 31,	5,581	375	1,482	9,552	16,990

19. Property, plant and equipment

Property, plant and equipment can be specified as follows:

x € 1,000	**31.12.2018**	**31.12.2017**
Land and property	14,205	14,819
Equipment	10,458	5,990
Other	6,370	5,126
	31,033	25,935

The movements can be specified as follows:

x € 1,000				2018
	Land and property	Equipment	Other	Total
At cost:				
Balance as at January 1,	40,468	23,227	16,215	79,910
Additions	748	5,709	2,472	8,929
Acquisition through business combinations	–	2,700	4,436	7,136
Foreign currency translation	5	(16)	86	75
Disposals	–	(129)	(384)	(513)
	41,221	31,491	22,825	95,537
Accumulated depreciation:				
Balance as at January 1,	(25,649)	(17,237)	(11,089)	(53,975)
Acquisition through business combinations	–	(1,432)	(3,582)	(5,014)
Disposals	–	10	254	264
Foreign currency translation	(5)	24	(81)	(62)
Depreciation	(1,362)	(2,398)	(1,957)	(5,717)
	(27,016)	(21,033)	(16,455)	(64,504)
Balance as at December 31,	14,205	10,458	6,370	31,033

x € 1,000				2017
	Land and property	Equipment	Other	Total
At cost:				
Balance as at January 1,	40,501	21,738	18,085	80,324
Additions	70	1,667	2,476	4,213
Acquisition 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)
Acquisition 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 December 31,	14,819	5,990	5,126	25,935

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 € 497,000 (2017: € 809,000). 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	2018	2017
Balance as at January 1,	2,001	1,172
Acquisitions	–	637
Share of profit of associated companies	203	363
Exchange rate result	(124)	(17)
Received dividend	(95)	(154)
Other changes	155	–
Balance as at December 31,	2,140	2,001

The principal associated companies of the Group are as follows:

	2018	2017
Comptoir & Clos SAS, France	50%	50%
Next Generation Parfums B.V., the Netherlands	50%	50%
STG Logistica Y Depositos S.L., Spain	50%	50%
Capi-Lux South Africa (PTY) Ltd., South Africa	49%	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.

Next Generation Parfums B.V.:

x € 1,000	31.12.2018	31.12.2017
Current assets	1,873	1,452
Non-current assets	1,194	1,668
Current liabilities	533	139
Non-current liabilities	1,251	1,617
Turnover	4,480	2,610
Profit (loss) for the year	365	172
Net assets of the associate	1,283	1,364
Carrying amount of the Group's interest	860	720

STG Logistica Y Depositos S.L.:

x € 1,000	31.12.2018	31.12.2017
Current assets	1,060	168
Non-current assets	143	143
Current liabilities	1,006	119
Non-current liabilities	215	215
Turnover	778	686
Profit (loss) for the year	3	3
Net assets of the associate	(18)	(23)
Carrying amount of the Group's interest	2	2

Capi-Lux South Africa (PTY) Ltd.:

x € 1,000	31.12.2018	31.12.2017
Current assets	2,701	2,642
Non-current assets	86	131
Current liabilities	276	278
Non-current liabilities	–	–
Turnover	10,281	10,226
Profit (loss) for the year	495	557
Net assets of the associate	2,511	2,495
Carrying amount of the Group's interest	1,230	1,248

21. Receivables

The receivables can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	2,731	5,700
Acquired through acquisitions	106	385
New loans issued	–	546
Repayments	(256)	(3,900)
	2,581	2,731
Reclassification to 'Current assets'	(250)	(250)
Balance as at December 31,	2,331	2,481

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 loans to related parties for the original amount of € 8,470,000 (outstanding as per December 31, 2018: € 2,285,000). These loans are provided to companies where minority shareholders have a significant influence. No securities have been provided. The applicable interest rate is 10%. The loans will be repaid in total within six years. One of these loans has a remaining maturity of less than one year for the amount of € 250,000 and is non-interest carrying (2017: € 250,000).
In 2017 the Group granted two loans to Next Generation Perfumes B.V. for the original amount of € 546,352. Securities in the form of a pledge on assets is provided. The applicable interest rate is Euribor + 4%. Annual repayments amount to a minimum of € 100,000.

22. Deferred tax assets

The deferred tax assets can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	189	54
Additions	123	–
Transfer from profit or loss account	(150)	135
Foreign currency translation	(2)	–
	160	189
Reclassification to 'Provisions'	–	(151)
Balance as at December 31,	160	38

23. Inventory

The inventory can be specified as follows:

x € 1,000	31.12.2018	31.12.2017
Value of trade goods	342,275	291,276
Prepayments on trade inventory	40,501	33,832
Provision for obsolescent inventory	(4,896)	(5,389)
	377,880	319,719

The carrying amount of inventory that are valued at lower net realisable value amounts to € 48,236,000 (2017: € 29,342,000). The amount of the write-down during 2018 amounts to € 3,405,000 (2017: € 9,134,000) and has been recognised in profit or 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 € 1,387 million (December 31, 2017: € 1,196 million). Reference is also made to note 36 'Supplier finance arrangements' for inventory legally owned by a company outside the Group.

24. Trade receivables

The trade receivables can be specified as follows:

x € 1,000	31.12.2018	31.12.2017
Trade receivables	206,852	142,245
Allowance for doubtful debts	(1,130)	(1,198)
	205,722	141,047

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 € 42,000 (2017: € 127,000) 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	2018	2017
Balance as at January 1,	1,198	1,626
Transfer from profit or loss	42	–
Amounts written off as uncollectable	(110)	(428)
Balance as at December 31,	1,130	1,198

The working capital tied up in trade receivables is expressed in Days of Sales Outstanding (DSO). The average DSO for 2018 was 43 days (2017: 34).
The provision for doubtful receivables, taking into account the expected lifetime losses following the simplified approach as per IFRS 9, 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.A., 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	31.12.2018	31.12.2017
Trade receivables less than 30 days due	52,952	40,776
Trade receivables between 30 and 60 days due	33,959	13,176
Trade receivables more than 60 days due	16,667	7,625
	103,578	61,577

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 Group 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	31.12.2018	31.12.2017
Value added tax	4,122	2,404
Social security	3	2
Duties	1,013	1,126
Other taxes	847	1
	5,985	3,533

26. Other receivables

The other receivables can be specified as follows:

x € 1,000	31.12.2018	31.12.2017
Current portion of non-current receivables	250	250
Receivables on associated companies	–	321
Other receivables and accrued income	21,440	12,365
	21,690	12,936

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

Refer to 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 issued share capital as at December 31, 2018 amounted to € 5,050,639.26 and consists of 84,177,321 Ordinary shares with a nominal value of € 0.06 each. Since March 23, 2018 the Company is listed on Euronext Amsterdam. The movement in the share capital can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	5,238	5,238
Purchase P-shares	(228)	–
Issued shares	251	–
Nominal value reduction	(210)	–
Balance as at December 31,	5,051	5,238

The movement in the number of shares outstanding can be specified as follows:

	2018	2017
Balance as at January 1,	209,515	209,515
Split of shares (ratio 1 to 400)	83,596,485	–
Purchase P-shares	(3,806,000)	–
Issuance of shares	4,177,321	–
Balance as at December 31,	84,177,321	209,515

Share-based payment

As per March 23, 2018, a group of managers has received a share incentive amounting to € 4.5 million from the pre-IPO shareholders of B&S Group S.A., Sarabel Invest Sarl and Lebaras Belgium BVBA. A number of existing Ordinary Shares (310,345) representing a total amount of € 4.5 million as per March 23, 2018, have been provided to Stichting Administratiekantoor B&S Participations (STAK). The Ordinary Shares referred to will be held by the STAK and depositary receipts for such Ordinary Shares have been issued to the managers pro rata to their respective entitlements.

Five years following March 23, 2018, the managers will be entitled to acquire the underlying Ordinary Shares from the STAK for no consideration. In the event any of the managers ceases to be employed by B&S Group S.A. prior to the period of five vesting years having been lapsed, the Ordinary Shares held by the STAK for his benefit will be transferred back to the pre-IPO shareholders without any compensation. During the vesting period the € 4.5 million will be charged to the consolidated statement of profit or loss. During 2018 an amount of € 0.7 million has been included in personnel cost.

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	2018	2017
Balance as at 1 January,	(80)	392
Foreign currency translation through Other Comprehensive Income	(460)	(472)
Balance as at 31 December,	(540)	(80)

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	2018	2017
Balance as at January 1,	196,370	191,878
IFRS 15 adjustments	(2,380)	(1,467)
Restated opening balance	193,990	190,411
Profit for the period	60,394	67,883
Dividend to the owners of the Company	(35,354)	(64,423)
Acquisition of non-controlling interests in a subsidiary	–	119
Acquisition non-controlling interest JTG	(5,802)	–
Pre-IPO restructuring	12,867	–
Share-based payments	675	–
Other changes	–	–
	226,770	193,990
Fair value adjustment other non-current liabilities	2,704	–
Balance as at December 31,	229,474	193,990

Proposed appropriation of the result for 2018
An amount of € 35,354,000 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 2017
The 2017 financial statements were approved during the General Meeting on March 6, 2018. 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:

	31.12.2018	31.12.2017
J.T.G. Holding B.V., the Netherlands	24.62%	49%
STG Holding Import-Export S.L., Spain	49%	49%
J.T.G. WWL S.à r.l., G.D. Luxembourg	24.62%	49%
Topbrands Europe B.V., the Netherlands	32.83%	49%
FNet Acquisition Company LLC, Delaware, United States	25%	–
B&S HTG B.V., the Netherlands	5%	–
Profit Rights:		
B&S Investments B.V., Delfzijl, the Netherlands	100%	100%

The movement in the non-controlling interest can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	40,442	32,532
Share of profit of associated companies	10,453	10,795
Exchange rate result	488	(45)
Acquisitions	24,735	713
Acquisition of non-controlling interests in a subsidiary	–	7
Acquisition non-controlling interest JTG	(2,698)	–
Capital contribution non-controlling interest	8,525	–
Dividend paid to non-controlling interest	(3,940)	(4,900)
Profit rights	533	3,269
Reserves transferred to profit right certificates	(100)	(1,929)
Pre-IPO restructuring	(12,753)	–
	65,685	40,442
Reclassification to 'Other non-current liabilities'	(26,575)	–
Balance as at December 31,	39,110	40,442

The reclassification to 'Other non-current liabilities' relates to the 25% non-controlling interest in FNet Acquisition Company LLC. Reference is made to note 34 for further details on this reclassification.

31. Borrowings

The borrowings can be specified as follows:

x € 1,000	31.12.2018	31.12.2017
Borrowings from banks	55,429	19,355
Borrowings from shareholders	–	2,500
Financial lease	341	912
	55,770	22,767

Borrowings from banks:
The moveme nts in borrowings from banks can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	23,997	25,945
Acquisitions	–	3,527
New borrowings received	45,250	–
Installments	(4,547)	(5,475)
	64,700	23,997
Reclassification to 'Current liabilities'	(9,271)	(4,642)
Balance as at December 31,	55,429	19,355

This item consists of the following loans:

						Outstanding (x € 1,000)	
From	Original amount	Securities	Base (Euribor)	Interest	Repayment	31.12.2018	31.12.2017
2007	8,250	(1)	3-month	+ 1.5%	Quarterly terms of € 137,500	1,800	2,350
2008	120	None	-	+ 10.0%	No repayment schedule agreed upon	120	120
2014	1,000	(2)	3-month	+ 2.0%	Quartery terms of € 50,000	150	350
2015	500	(3)	-	+ 2.95%	Quarterly terms of € 25,000	125	225
2015	500	(3)	-	+ 3.25%	Quarterly terms of € 25,000	125	225
2016	20,000	(2)	3-month	+ 2.0%	Quarterly terms of € 700,000 and € 6,000,000 at maturity date in 2021	14,400	17,200
2017	2,000	None	1-year	+ 2.35%	Equal monthly terms over 5 years	1,422	1,810
2017	2,000	None	6-month	+ 2.75%	Equal monthly terms over 5 years	1,363	1,717
2018	5,250	(3)	1-month	+ 2.5%	Monthly terms of € 55,125 and € 2,659,125 at maturity date in 2022	5,195	–
2018	40,000	(3)	3-month	+ 2.5%	Quarterly terms of € 1,000,000 and € 20,000,000 at maturity date in 2023	40,000	–
						64,700	23,997

(1) Mortgage loan with underlying real estate provided as security.
(2) Pledges on the shares of the specific acquired company.
(3) Securities have been provided.

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

x € 1,000	2018	2017
Balance as at January 1,	2,500	2,625
Installments	–	(125)
	2,500	2,500
Reclassification to 'Current liabilities'	(2,500)	–
Balance as at December 31,	–	2,500

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 January 31, 2019. The current outstanding amount equals the original amount. No securities have been provided.

Financial lease:
The movements in financial lease can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	1,526	2,129
Installments	(614)	(603)
	912	1,526
Reclassification to 'Current liabilities'	(571)	(614)
Balance as at December 31,	341	912

The interest rate on the financial lease is 3.2%. The book value of the leased material as at December 31, 2018 amounted to € 497,000 (December 31, 2017: € 809,000).

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

x € 1,000				31.12.2018
	< 1 year	1 <> 5 years	> 5 years	Total
Borrowings from shareholders	2,500	–	–	2,500
Borrowings from banks	9,271	55,429	–	64,700
Financial lease	571	341	–	912
	12,342	55,770	–	68,112

32. Deferred tax liabilities

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

x € 1,000	31.12.2018	31.12.2017
Net deferred tax liabilities	11,737	3,232
	11,737	3,232

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

x € 1,000				31.12.2018
	< 1 year	1 <> 5 years	> 5 years	Total
Net deferred tax liabilities	1,580	7,261	2,896	11,737
	1,580	7,261	2,896	11,737

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

x € 1,000	2018	2017
Balance as at January 1,	3,383	3,861
Acquisition through business combination	9,173	–
Transfer to profit or loss	(907)	(334)
Foreign currency translation	88	–
Reclassification from 'Current corporate income tax liability'	–	(144)
	11,737	3,383
Reclassification to 'Current assets'	–	(151)
Balance as at December 31,	11,737	3,232

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

x € 1,000	31.12.2018 Deferred tax assets	31.12.2018 Deferred tax liabilities
Property, plant and equipment	123	145
Intangible fixed assets	–	11,377
Tax losses	314	144
Other	(277)	71
	160	11,737
Netting of deferred tax items	–	–
	160	11,737

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

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	2018	2017
Balance as at January 1,	1,600	1,106
Paid during the financial year	–	–
Transfer to/from profit or loss account	(997)	494
Balance as at December 31,	603	1,600

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

The total expense recognised in the profit or loss of € 3,390,000 (2017: € 3,019,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2018, contributions of € 243,000. (2017: € 232,000) due in respect of the 2018 (2017) 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 operates defined contribution retirement benefit plans 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 contribution 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. 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 (former employees not yet retired 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 pensionable salary accommodated by the company pension fund is limited to € 105,075 (2017: € 103,317). 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 95% at December 31, 2018 (2017: 101.6%).

The company pension fund has issued a recovery plan on July 1, 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 January 1, 2018 the age of retirement is raised from 67 to 68 (according to new regulations in The Netherlands) and per January 1, 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 May 24, 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. As per the IAS 19 provisions the pension plan as such is accounted for as a defined contribution plan. The Group presents the employer contribution of obliged fixed premium of 22% in profit or loss in the profit or loss item "Personnel costs".

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.

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 B.V. and Square Dranken Nederland B.V.

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 (former employees not yet retired 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 € 20,319). The pensionable salary is capped (at € 54,614). The annual employer-paid contribution is 27.00% of which 9.80% 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 110.9% in 2018 (2017: 115.7%). 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 B.V.

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 (former employees not yet retired 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 1.62% of the pensionable salary that is based on the gross wage net of a deductible (of € 13,101). The pensionable salary is capped (at € 54,614). The annual employer-paid contribution is 21.6% of which 5.7% 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 106.5% in 2018 (2017: 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.

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 2018 was € 233,000 (2017: € 181,000).

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 as a defined contribution plans. In 2018 the premium related to these plans charged to the consolidated statement of Profit or Loss amounts to € 285,000 (2017: € 292,000).

34. Other liabilities

The other liabilities can be specified as follows:

x € 1,000	31.12.2018	31.12.2017
Subsidy (IPR)	756	790
Deferred payment FragranceNet	23,871	–
	24,627	790

Subsidy (IPR)

The movements in 'Subsidy (IPR)' can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	825	860
Installments	(34)	(35)
	791	825
Reclassification to 'Current liabilities'	(35)	(35)
Balance as at December 31,	756	790

This item comprises 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 or loss account.

Deferred payment FragranceNet

The movements in 'Deferred payment Fragrancenet' can be specified as follows:

x € 1,000	2018	2017
Balance as at January 1,	–	–
Reclassification from 'Non-controlling interest'	26,575	–
	26,575	–
Fair value adjustment	(2,704)	–
Balance as at December 31,	23,871	–

As part of the FragranceNet.com acquisition, two put and two call options have been written on the remaining 25% of the shares. The exercise date of the "first tranche", a put and call option on effectively 12,5% of the FNet Acquisition Company LLC shares, is 5 years after closing date. The exercise date of the options on the remaining shares is 10 years after closing date. The exercise prices are dependent on future development of profitability. The put and call options have a similar strike price and exercise date and as such following IFRS a liability exists. The non-controlling interest is reclassified to other liabilities (long-term) at the end of each reporting period and valued at fair value, being the present value of the expected future consideration. Fair value adjustments are presented in retained earnings.

35. 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	31.12.2018	31.12.2017
Total level of credit facilities granted to the Company and affiliated companies	378,867	342,494
Average margin on interest rate (1-month Euribor)		
including liquidity margin	1.38%	1.23%

36. 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 HTG B.V. guaranteed that any inventory older than 180 days will be purchased from this company by B&S HTG 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'.

37. Derivative financial instruments

The carrying amounts of the various derivatives as at December 31, 2018 were equal to their fair values. B&S Group S.A. 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 Group:

x € 1,000	31.12.2018	31.12.2017
Non-current assets	–	–
Current assets	–	–
Non-current liabilities	–	–
Current liabilities	288	666
Total assets / (liabilities)	(288)	(666)

38. Other taxes and social security charges

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

x € 1,000	31.12.2018	31.12.2017
Value added tax	7,486	7,077
Social security	1,380	1,097
Duties	2,732	2,951
Other taxes	2,990	268
	14,588	11,393

39. Other current liabilities

The item 'Other liabilities and accrued expenses' includes pension charges amounting to € 243,000 as at December 31, 2018 (December 31, 2017: € 232,000).

40. 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 9 years. The amounts involved are based on the turnover of the particular agreement.

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

x € 1,000	31.12.2018	31.12.2017
Total maximum level of guarantees facility granted to the Group	28,500	26,000
Issued guarantees in relation to import duties	8,861	10,961
Issued guarantees in relation to rental agreements	1,324	1,164
Other issued guarantees	772	2,885
	10,957	15,010

Operational leases

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

x € 1,000	31.12.2018	31.12.2017
Annual obligations	629	682

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

x € 1,000				31.12.2018
	< 1 year	1 <> 5 years	> 5 years	Total
Operational leases	629	637	–	1,266
	629	637	–	1,266

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

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				31.12.2018
	< 1 year	1 <> 5 years	> 5 years	Total
Rental agreements	9,215	31,681	29,706	70,602
	9,215	31,681	29,706	70,602

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

41. 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 Group's balance sheet structure and cash flow generation remains strong over years. This enables us to continue to growth organically and through acquisitions.

As a result of its activities, the Group is exposed to various financial risks. The Group 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 Group's core objectives and categorised as liquidity risks, currency risks, interest rate risks and credit risks. Also mentioned is how the Group manage these risks.

Liquidity risk

Liquidity risk is the risk that B&S Group S.A. 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 € 379 million as at December 31, 2018, with headroom of € 108 million under the facilities in 2018. The Group 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 Net Debt/EBITDA and interest coverage B&S Group S.A. is comfortably within the covenants agreed with the various financial institutions of a maximum net debt/EBITDA of 3.5 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 increase Net Debt/EBITDA by 0.3 points, at unchanged Net Debt. The Net Debt/EBITDA covenant agreed with financial institutions is set at a maximum of 3.5 points. This covenant would only be breached if the operating result decreases by more than 18%.

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 1.4 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 78%.

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.

x € 1,000					31.12.2018
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing	–	90,807	–	–	90,807
Financial lease liability	3.2%	571	341	–	912
Variable interest rate instruments	1.53%	280,765	55,429	–	336,194
Fixed interest rate instruments	5%	2,500	–	–	2,500
Closing balance at 31.12.2018		374,643	55,770	–	430,413

x € 1,000					31.12.2017
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing	–	66,452	–	–	66,452
Financial 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

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

x € 1,000					31.12.2018
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		205,722	–	–	205,722
Fixed interest rate instruments	10%	250	2,331	–	2,581
Cash and cash equivalents		26,900	–	–	26,900
Closing balance at 31.12.2018		232,872	2,331	–	235,203

x € 1,000					31.12.2017
	Interest	< 1 year	1 <> 5 years	> 5 years	Total
Non-interest bearing		141,047	–	–	141,047
Fixed interest rate instruments	10%	250	546	1,935	2,731
Cash and cash equivalents		17,385	–	–	17,385
Closing balance at 31.12.2017		158,682	546	1,935	161,163

Currency risk

Most of the Group'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 or 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 2018 rate with all other variables held constant the hypothetical result on income before taxes would have been a change of € 2,597,000. 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		31.12.2018		31.12.2017
	Assets	Liabilities	Assets	Liabilities
USD	478,698	379,581	183,892	248,636
GBP	25,890	18,698	19,105	22,213
JPY	360,604	391,897	1,089,185	1,169,230

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 2018, B&S Group S.A. estimates that an increase of 1 percentage point in the euro money market interest rates will have a negative effect of approximately of € 3.1 million on net finance costs and thus the result before taxes and a negative effect of € 2.3 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 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.A. 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 Group 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 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 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	Held to maturity	Loans and receiva-bles	Other financial liabilities	Total	31.12.2018		
					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	–	2,331	–	2,331			
Receivables, current assets	–	250	–	250			
Trade receivables	–	205,722	–	205,722			
Cash and cash equivalents	–	26,900	–	26,900			
	–	235,203		235,203			
Financial liabilities measured at fair value							
Derivative financial instruments	288	–	–	288	–	288	–
	288	–	–	288	–	288	–
Financial liabilities not measured at fair value							
Borrowings, non-current liabilities	–	55,770	–	55,770			
Credit institutions	–	271,494	–	271,494			
Borrowings due within one year	–	12,342	–	12,342			
Supplier finance arrangements	–	–	21,177	21,177			
Trade payables	–	–	69,630	69,630			
	–	339,606	90,807	430,413			

x € 1,000	Held to maturity	Loans and receiva-bles	Other financial liabilities	Total	31.12.2017		
					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	–	141,047	–	141,047			
Cash and cash equivalents	–	17,385	–	17,385			
	–	160,913	–	160,913			
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			

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. Refer to the accounting policies for further details.

42. Related party transactions

The members of the Executive Board and the members of the Supervisory Board together are the key management of the Company.

Remuneration of members of the Executive Board

The Executive Board consists of the following members:

- Mr. J.B. Meulman
- Mr. G. van Laar
- Mr. B. Schreuders
- Mr. N. Groen

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

x € 1,000	2018	2017
Gross salary	1,072	443
Social security charges	29	11
Pension charges	111	3
Management fee	1,312	343
Variable short-term remuneration	647	3,496
	3,171	4,296

Remuneration of members of the Supervisory Board

The Supervisory Board consists of the following members as of March 22, 2018:

- Mr. J.A. van Barneveld
- Mr. W.A. Blijdorp
- Mr. J.C. Beerman
- Mr. R.P.C. Cornelisse
- Ms. K. Koelemeijer

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

x € 1,000	2018	2017
Annual fee	293	209
	293	209

Transactions with shareholders

These transactions comprise of paid dividend of € 35,354,000 (2017: € 64,423,000) 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	31.12.2018		31.12.2017	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	26,600	972	6,138	7
Purchase of products and services	19,405	949	6,518	53
Premises rented	5,985	745	3,788	393
Interest received on loans issued	182	546	231	328
Loans issued	–	1,820	–	1,650
Operating expenses	217	–	321	–
Other income	7,214	819	340	326

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	31.12.2018		31.12.2017	
	Transaction value	Balance outstanding	Transaction value	Balance outstanding
Sales of products and services	402	–	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

The table below sets out the transactions with these companies:

x € 1,000	31.12.2018		31.12.2017	
	Transaction value	**Balance outstanding**	**Transaction value**	**Balance outstanding**
Sales of products and services	3,415	65	3,544	69
Purchase of products and services	721	116	724	12
Other income	33	492	16	1

43. Acquisitions

During the financial year the Group acquired the following company:

	%*	**Date**
FNet Acquisition Company LLC, Delaware, United States	75%	01.10.2018

* 75% proportion of voting equity interest acquired.

FNet Acquisition Company LLC via its 100% daughter company FragranceNet.com Inc. is an online discount fragrance retailer established in the US. The acquisition is fully consolidated from the date on which the Group gained control, which is October 1, 2018. The acquisition is accounted for using the acquisition method. The purchase price amounted to € 85,801,000 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	45,238
Property, plant and equipment	2,122
Other receivables	106
Current assets	
Inventory	29,076
Trade receivables	2,781
Tax receivables	322
Other receivables	2,450
Cash and cash equivalents	5,851
Current liabilities	
Trade payables	(5,619)
Other current liabilities	(3,975)
Non-current liabilities	
Deferred tax liabilities	(9,173)
Borrowings	–
	69,179

The goodwill arising on this acquisition can be specified as follows:

x € 1,000

Fnet Acquisition Company LLC	
Consideration transferred	85,800
Plus: non-controlling interest	24,735
Less: fair value of identifiable net assets acquired	(69,179)
	41,356

During 2017 the Group 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 Group gained control, which is December 29, 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 acquisitions for the Group

For the year 2018 these acquisitions contributed (12 months STG Holding Import-Export S.L. and 3 months Fnet Acquisition Company L.L.C) € 114 million in turnover and € 5.2 million to Group's profit for the year from continuing operations. Had these acquisitions both been effected at January 1, 2018, the turnover of the Group from continuing operations would have been € 118 million higher and the profit for the year from continuing operations would have been € 0.5 million higher. The Group 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.

44. IFRS 15 restatements

The transition to IFRS 15 is recognised through a fully retrospective approach.

The effect on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017 is as follows:

x € 1,000	2017 Restated	IFRS 15 Adjustments	2017 Originally presented
Continuing operations			
Turnover	1,495,837	(11,417)	1,507,254
Purchase value	1,280,903	(10,336)	1,291,239
Gross profit	214,934	(1,081)	216,015
Investment income	364	–	364
Other gains and losses	3,261	–	3,261
Personnel costs	71,596	–	71,596
Depreciation and amortisation	8,366	–	8,366
Other operating expenses	42,175	–	42,175
Total operating expenses	122,137	–	122,137
Operating result	96,422	(1,081)	97,503
Financial expenses	(4,835)	–	(4,835)
Share of profit of associates	363	–	363
Result before taxation	91,950	(1,081)	93,031
Taxation on the result	(10,003)	168	(10,171)
Profit for the year from continuing operations	81,947	(913)	82,860
Attributable to:			
Owners of the Company	67,883	(913)	68,796
Non-controlling interests	14,064	–	14,064
Total	81,947	(913)	82,860

x € 1,000	2017 Restated	IFRS 15 Adjustments	2017 Originally presented
Profit for the year from continuing operations	81,947	(913)	82,860
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences net of tax	(517)	–	(517)
Acquisition of non-controlling interests in a subsidiary	125	–	125
Other comprehensive income for the year net of tax	(392)	–	(392)
Total comprehensive income for the year	81,555	(913)	82,468
Attributable to:			
Owners of the Company	67,529	(913)	68,442
Non-controlling interests	14,026	–	14,026
Total	81,555	(913)	82,468

The effect on the consolidated statement of financial position as at December 31, 2017 is as follows:

x € 1,000	2017 Restated	IFRS 15 Adjustments	2017 Originally presented
Non-current assets			
Goodwill	18,104	–	18,104
Other intangible assets	16,990	–	16,990
Property, plant and equipment	25,935	–	25,935
Investments in associates	2,001	–	2,001
Receivables	2,481	–	2,481
Deferred tax assets	38	–	38
	65,549	–	65,549
Current assets			
Inventory	319,719	19,184	300,535
Trade receivables	141,047	(22,000)	163,047
Corporate income tax	860	–	860
Other tax receivables	3,533	–	3,533
Other receivables	12,936	–	12,936
Cash and cash equivalents	17,385	–	17,385
	495,480	(2,816)	498,296
Total assets	561,029	(2,816)	563,845

x € 1,000	2017 Restated	IFRS 15 Adjustments	2017 Originally presented
Equity attributable to			
Owners of the Company	199,148	(2,380)	201,528
Non-controlling interest	40,442	–	40,442
	239,590	(2,380)	241,970
Non-current liabilities			
Borrowings	22,767	–	22,767
Deferred tax liabilities	3,232	–	3,232
Employee benefit obligations	1,600	–	1,600
Other liabilities	790	–	790
	28,389	–	28,389
Current liabilities			
Credit institutions	184,450	–	184,450
Borrowings due within one year	5,291	–	5,291
Supplier finance arrangements	10,650	–	10,650
Derivative financial instruments	666	–	666
Trade payables	55,802	–	55,802
Corporate income tax liability	2,549	(436)	2,985
Other taxes and social security charges	11,393	–	11,393
Other current liabilities	22,249	–	22,249
	293,050	(436)	293,486
Total equity and liabilities	561,029	(2,816)	563,845

45. Subsequent events

There were no material events after December 31, 2018 that would have changed the judgement and analysis by management of the financial condition as at December 31, 2018 or the result for the year of the Group.

Independent auditor's report

To the Shareholders of
B&S Group S.A.
14, rue de Strachen
L-6933 Mensdorf
Grand Duchy of Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of B&S Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of 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 present fairly, in all material respects, give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and of 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 EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 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 the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the 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.

Key Audit Matters

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

Accounting for the acquisition of FNet Acquisition Company LLC — Refer to Notes 1.1, 3, 18 and 43 to the consolidated financial statements

Key Audit Matter Description

In October 2018 the Group acquired 75% of the shares of FNet Acquisition Company LLC, the newly established 100% parent company of FragranceNet.com, Inc for a consideration of € 85,801,000. The Group accounted for the transaction as a business combination in accordance with IFRS 3 Business Combinations. In applying the principles of IFRS 3, the Group needed to classify and designate assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions, operating and accounting policies and other pertinent conditions existing at the acquisition date.

The Group accounted for the acquisition under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values. The acquisition includes intangible assets and goodwill. Intangible assets recognized by the Group include (sourcing) platforms and a private label product portfolio. Valuing these intangible assets is a subjective process requiring a high level of estimation and judgement by management. The acquisition required the Group to allocate the excess of purchase price over the fair value of the net assets acquired, firstly to intangible assets and the residual to goodwill. The treatment of goodwill or intangible assets has a significant impact on the subsequent amortization or impairment policy applied. Therefore there is a risk that the allocation between intangible assets and goodwill is incorrect.

How the Key Audit Matter Was Addressed in the Audit

We evaluated the design and determined the implementation of key controls in place in relation to the valuation process. We, in conjunction with our internal valuation specialists, reviewed the purchase price allocation and challenged the key assumptions utilized in the acquisition model to value the split between goodwill and other intangible assets. We assessed whether all assets had been appropriately identified and evaluated if appropriate methodologies were used in the valuation of the assets. We also tested the accounting treatment of the acquisition of FNet Acquisition Company LLC for compliance with IFRS 3.

Revenue recognition and adoption of the new IFRS 15 accounting standard — Refer to Notes 2, 3, 6 and 44 to the financial statements

Key Audit Matter Description

The Group mainly sells Fast Moving Consumer Goods both to the wholesale market and directly to consumers through retail outlets and web shops. IFRS 15 Revenue from contracts with customers specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The preparation of the 2018 consolidated financial statements in accordance with IFRS included the adoption of IFRS 15. The application of IFRS 15 is complex and involves a number of key judgements and estimates. As such the adoption of IFRS 15, and the identification of period-end revenue adjustments that have not been recorded in the proper period is an area of focus.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures included, but were not limited to:

- We performed procedures aimed at the design, implementation and operating effectiveness of certain relevant internal controls, including relevant IT systems related to the revenue process.
- We involved our internal information technology (IT) specialists in preforming the test of specific application controls and information produced by the entity (IPE) reports surrounding relevant revenue IT systems, and IT general controls related to those systems.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the consolidated financial statements, supported by data analytics techniques.
- We performed procedures with a focused level of substantive testing to also ensure that the turnover is recorded in the appropriate period.
- We evaluated the impacts from and adequacy of disclosures regarding new accounting standard IFRS 15 effective on January 1, 2018.

Share Capital Initial Public Offering — Refer to Notes 28 and 29 to the consolidated financial statements

Key Audit Matter Description

In March 2018 B&S Group S.A. completed an Initial Public Offering (IPO). As part of the preparation for the IPO there were various transactions that impacted the equity of B&S Group S.A., such as changes in the classes of shares, split of shares, reduction of share capital, contribution in kind and issuance of shares. Furthermore the legal form of B&S Group S.A. changed from a Société à responsabilité limitée (S.à r.l.) to a Société Anonyme (S.A.). The proper recording of the transactions for the preparation of the IPO that are impacting the equity of B&S Group S.A. is an area of focus.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the transactions in preparation for the IPO included the following, among others:

- We evaluated the design and determined the implementation of certain key controls in place in relation to the IPO transactions impacting equity of the B&S Group S.A.
- We obtained related documentation from the Group's internal and external legal counsel regarding legal and regulatory requirements.
- We inspected the Group's filings as it relates to the IPO transactions that impact equity.
- We tested the appropriateness of journal entries in relation to the IPO transactions that are recorded in the general ledger.
- We evaluated the impacts from and adequacy of disclosures regarding the IPO related transactions.

Other information

The Executive Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "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 conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

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

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

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

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

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

The objectives of our audit are to obtain 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 the "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 EU Regulation N° 537/2014, the Law of July 23, 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 consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board of Directors.
- Conclude on the appropriateness of Executive Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 the "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 the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated

financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on March 8, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year. The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit
Société à responsabilité limitée
Cabinet de Révision Agréé

Eddy R. Termaten, Réviseur d'Entreprises Agréé
Partner

February 25, 2019
560, rue de Neudorf
L-2220 Luxembourg

List of subsidiaries

Set out below are B&S Group S.A.'s significant subsidiaries at December 31, 2018. 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 B.V., the Netherlands (75.38%)
Checkpoint Distribution B.V., the Netherlands
B&S HTG B.V., the Netherlands (95.00%)
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 (67.17%)
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.
FragranceNet.com Inc., U.S.A. (75.00%)
Kamstra Export B.V., the Netherlands
World Class Products International N.V., Netherlands Antilles
New World Distribution DMCC, U.A.E.

Contact

B&S Group S.A.
14, Rue Strachen
L-6933, Mensdorf
G.D. Luxembourg
Tel: +352 2687 0881
www.bs-group-sa.com

Concept & realisation
Domani B.V., The Hague