

Mezqual Limited

Registered number: 08841874

Report and Group Financial Statements

31 December 2017

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Report and Group Financial Statements
YEAR ENDED 31 DECEMBER 2017

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STRATEGIC REPORT

The Directors present their strategic report for the year ended December 31, 2017

Mezqual Limited is the holding company of the El Enebro, S.A. Group, and is principally engaged in the management of investment property in El Enebro and subsidiaries.

The objects of the Group are as follows:

- The ownership of all types of rural estates for agriculture, livestock raising and tourism use, and commercial hunting.
- The acquisition, urban development, sub-division, cultivation and marketing of rural and urban estates for property development, farming, livestock raising, tourism and real estate use.
- The acquisition, holding, enjoyment, administration, lease and disposal of securities, property and real estate, excluding, in any event, activities subject to special legislation.
- The rendering of advisory services, assistance and execution of administrative, technical, legal, organizational and computer projects.
- Grape growing and processing, and the preparation, production, marketing and sale of wine.
- The purchase and sale, rearing, selection and reproduction of animals and, particularly, livestock in general.
- The purchase and sale of food products.

Review of the business

Mezqual Group proceeded with its consolidation strategy in 2017, maintaining its status as the long-standing quality leader in Spanish wines and bolstering its privileged position in the industry. The business improved during the year, as heralded by the growth registered in the two previous years (2015 and 2016), driven by a gradual recovery in the domestic market and especially by higher exports.

For the winemaking subgroup, efforts were stepped up to raise the international profile of the corporate

TEMPOS *Vega Sicilia* brand, which represents both the wineries and the various products we make. Efforts were also made to increase our digital presence, with a complete overhaul of our websites and new commercial packaging in a bid to enhance the quality of the wood and provide a new image. Meanwhile, staff changes in the wineries have proven to be well aimed.

As in previous years, the Group continued to review the risks of our assets, customers and suppliers in 2017, taking action to minimize the impact of the economic crisis. At the same time, we paid careful attention to cash flows at times of economic uncertainty, as is the case currently.

Total revenue from operations in 2017 was higher than the year before, at €57,969 thousand, driven by higher sales.

The Group had € 51,044 thousand of property, plant and equipment at December 31, 2017, compared to €52,647 thousand a year earlier, a decrease of 3% mainly explained by depreciation for the year.

Current assets increased by 5%, from €64,581 thousand in 2016 to €67,738 thousand in 2017.

Non-current liabilities are lower in 2017 than in 2016, due mainly to the partial repayment of bank borrowings.

STRATEGIC REPORT (continued)

Thanks to the gradual recovery of the Spanish economy, consolidated profit has increased significantly during 2017, making good on the expected return on investment.

Principal risks and uncertainties

The group has established a risk committee that meets quarterly and which evaluates the group's risk appetite. The principal risks and uncertainties facing the group is financial instrument risk.

Financial Instrument Risks

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Use of derivatives

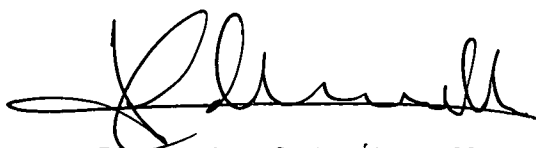
The Group arranges cash flow hedges for funding received at variable interest rates.

The Group's accounting hedges expired in 2015, and no new hedging derivative contracts were entered into during 2016 or 2017.

Exposure to price, credit, liquidity and cash flow risk

These risks are described in note 20 to the financial statements.

On behalf of the board



Director: Juan Carlos Álvarez Mezquiriz

Date: September 17, 2018

DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2017

Directors of the company

The directors who served throughout the year and to the date of this report are as follows:

D. Emilio Alvarez Mezquiriz
D. Juan Carlos Alvarez Mezquiriz
D. Pablo Alvarez Mezquiriz
Da. Elvira Alvarez Mezquiriz
Da. Marta Alvarez Mezquiriz
Mrs. Susan Elizabeth Lawrence

Dividends

The directors recommend no ordinary dividends, proposing to retain the profit for the year in reserves.

Future developments

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years. They consider that the next year will show a further significant growth in sales from continuing operations, particularly of wine from new subsidiaries.

Going Concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report and in note 20 to the financial statements.

The group has considerable financial resources together with long-term loans with financial institutions. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

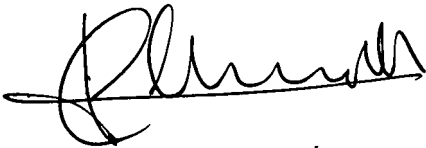
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS' REPORT (continued)

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Juan Carlos Álvarez Mezquiriz', written over a horizontal line.

Director: Juan Carlos Álvarez Mezquiriz
Date: September 17, 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) adopted by the United Kingdom. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of Mezqual Limited

Opinion

We have audited the financial statements of Mezqual Limited for the year ended 31 December 2017 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flow, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- ▶ the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT

to the members of Mezqual Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements of the parent company are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT

to the members of Mezqual Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ken Griffin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

September 20, 2018

Consolidated statement of profit or loss
for the year ended 31 December 2017
(thousand of euros)

	Note	2017	2016
Continuing operations			
Revenue		59,439	49,186
Revenue from operations	17.1	57,969	48,080
Other income		1,470	1,106
Changes in inventories of finished goods and work in progress		506	2,272
Operating costs		(37,236)	(36,344)
Consumables used and other external expenses	17.2	(8,120)	(7,990)
Employee benefits expense	17.3	(10,466)	(9,656)
Depreciation and amortization expense	5, 6, 7	(7,862)	(7,950)
Other operating expenses	17.4	(10,788)	(10,748)
Gains on disposal of fixed assets	6, 7	675	1,300
OPERATING PROFIT		23,384	16,414
Finance revenue		2,794	63
Interest earned on loans and dividends received		2,794	58
Exchange gains		-	5
Finance costs		(3,070)	(3,970)
Interest paid on non-current interest-bearing loans and borrowings	17.5	(3,046)	(3,970)
Exchange losses		(24)	-
NET FINANCIAL RESULT		(276)	(3,907)
Share of profit of companies accounted by equity method		(968)	(91)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		22,140	12,416
Income tax expense	16	(4,599)	(3,446)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		17,541	8,970
CONSOLIDATED PROFIT FOR THE YEAR		17,541	8,970
Attributable to:			
Equity holders of the parent		13,971	7,134
Non-controlling interests		3,570	1,836
		17,541	8,970

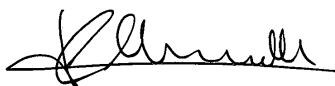
Consolidated statement of comprehensive income
for the year ended 31 December 2017
(thousand of euros)

	2017	2016
PROFIT FOR THE YEAR	17,541	8,970
Exchange differences on retranslation of foreign operations	(153)	(541)
Movement on cash flow hedges	-	-
Tax on items relating to components of other comprehensive income	34	87
TOTAL COMPREHENSIVE INCOME	17,422	8,516
Attributable to:		
Equity holders of the parent	13,877	6,775
Non-controlling interests	3,545	1,741
	17,422	8,516

Consolidated statement of financial position
at 31 December 2017
(thousand of euros)

Assets	Note	2017	2016	Equity and liabilities	Note	2017	2016
Property, plant and equipment	6	51,044	52,647	Issued capital	12.1	5	5
Investment Properties	7	39,537	40,909	Share Premium	12.2	90,022	90,022
Intangible assets	5	595	481	Retained earnings		54,457	40,486
Investment in companies accounted by equity method	8	6,855	7,823	Treasury shares	12.3	(39,434)	(39,434)
Non-current financial assets	9	88,892	88,789	Valuation reserve		(4,110)	(4,016)
Deferred tax assets	16	1,789	1,785	Equity attributable to equity holders of the parent		100,940	87,063
Non-current assets		188,712	192,434	Non-controlling interests		26,126	22,581
Inventories	10	58,677	57,900	Total equity		127,066	109,644
Trade and other receivables	9	7,152	5,033	Interest-bearing loans and borrowings	15.1	44,237	50,671
Other current financial assets	9	165	108	Deferred tax liabilities	16	5,520	6,099
Other current assets	9	209	202	Non-current associate liabilities	15.1	27,756	41,635
Cash and cash equivalents	11	1,535	1,338	Grants and donations	13	3,473	3,774
Current assets		67,738	64,581	Provisions	14	174	83
				Non-current liabilities		81,160	102,262
				Interest-bearing loans and borrowings	15.1	28,749	25,386
				Trade and other payables	15.1	5,361	5,759
				Current associate liabilities	15.1	14,114	13,964
				Current liabilities		48,224	45,109
TOTAL ASSETS		256,450	257,015	TOTAL EQUITY AND LIABILITIES		256,450	257,015

The financial statements were approved by the Board and authorised for signature on their behalf by:



Juan Carlos Álvarez Mezquiriz
Director

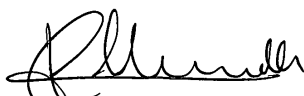
Date: September 17, 2018

Mezqual Limited

Parent company statement of financial position
at 31 December 2017
(thousand of euros)

Assets	Note	2017	2016	Equity and liabilities	Note	2017	2016
Investment in group companies	3	90,106	90,027	Issued capital	12.1	5	5
Non-current assets		90,106	90,027	Share Premium	12.2	90,022	90,022
Other current assets	9.2	298	119	Retained earnings		(224)	(263)
Cash and cash equivalents		244	66	Profit attributable to equity holders of the parent		525	39
Current assets		542	185	Equity attributable to equity holders of the parent		90,328	89,803
				Total equity		90,328	89,803
				Non-current related party liabilities	15.2	186	161
				Non-current liabilities		186	161
				Trade and other payables	15.2	107	230
				Tax payable		27	18
				Current liabilities		134	248
TOTAL ASSETS		90,648	90,212	TOTAL EQUITY AND LIABILITIES		90,648	90,212

The financial statements were approved by the Board and authorised for signature on their behalf by:



Juan Carlos Álvarez Mezquiriz
Director

Date: September 17, 2018

Consolidated statement of changes in equity
for the year ended 31 December 2017
(thousand of euros)

	Share capital	Share premium	Retained earnings	Treasury shares	Valuation reserves	Shareholders' equity	Non-controlling interest	Total equity
As at 1 January 2017	5	90,022	40,486	(39,434)	(4,016)	87,063	22,581	109,644
Total income and expense for the year	-	-	13,971	-	-	13,971	3,570	17,541
Other comprehensive income: valuation adjustments	-	-	-	-	(94)	(94)	(25)	(119)
As at 31 December 2017	5	90,022	54,457	(39,434)	(4,110)	100,940	26,126	127,066

	Share capital	Share premium	Retained earnings	Treasury shares	Valuation reserves	Shareholders' equity	Non-controlling interest	Total equity
As at 1 January 2016	5	90,022	33,352	(39,434)	(3,657)	80,288	20,840	101,128
Total income and expense for the year	-	-	7,134	-	-	7,134	1,836	8,970
Other comprehensive income: valuation adjustments	-	-	-	-	(359)	(359)	(95)	(454)
As at 31 December 2016	5	90,022	40,486	(39,434)	(4,016)	87,063	22,581	109,644

Consolidated statement of cash flows
for the year ended 31 December 2017
(thousand of euros)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before tax		22,140	12,416
Adjustments for:		7,225	10,337
Amortization and depreciation	5, 6, 7	7,862	7,950
Impairment losses		(22)	34
Change in provisions		91	58
Grants recognized in the income statement		(307)	(312)
Proceeds from disposals of fixed assets	6	(675)	(1,300)
Finance income		(2,794)	(58)
Finance expenses	17.5	3,046	3,970
Exchange gains/(losses)		24	(5)
Changes in operating assets and liabilities		(3,208)	(2,228)
(Increase) / decrease in inventories		(777)	(2,515)
(Increase) / decrease in trade and other receivables		(2,119)	1,350
(Increase) / decrease in other current assets		(64)	11
Increase / (decrease) in trade and other payables		(398)	492
Increase / (decrease) in other current liabilities		150	(1,566)
Other cash flows from operating activities		(5,640)	(6,445)
Interest paid		(3,046)	(3,970)
Interest received		2,794	58
Income tax received (paid)		(6,093)	(2,533)
Other proceeds and payments		705	-
Cash flows from operating activities		20,517	14,080
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(7,932)	(7,138)
Associates		(27)	-
Property, plant and equipment	6	(7,390)	(6,580)
Intangible assets	7	(422)	-
Investment property		(15)	(555)
Other financial assets		(78)	(3)
Proceeds from sale of investments		3,496	3,467
Associates		-	17
Property, plant and equipment		3,486	1,106
Investment property		-	2,308
Other financial assets		10	36
Cash flows used in investing activities		(4,436)	(3,671)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for financial liability instruments		(15,884)	(13,269)
Issue		-	22,032
Debt with financial institutions		-	-
Redemption and repayment of		-	-
Debt with financial institutions		(3,071)	(21,305)
Associates		(12,813)	(13,996)
Cash flows used in financing activities		(15,884)	(13,269)
EFFECT OF EXCHANGE RATE FLUCTUATIONS			
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		197	(2,860)
Cash and cash equivalents at the beginning of the year	11	1,338	4,198
Cash and cash equivalents at the end of the year	11	1,535	1,338

Parent company statement of changes in equity
for the year ended 31 December 2017
(thousand of euros)

	Issued capital (Note 12)	Reserves		Profit for the year	Total
		Share Premium (Note 12)	Retained Earnings		
As at 1 January 2017	5	90,022	(263)	39	89,803
Total income and expense from Previous Year	-	-	39	(39)	-
Total income and expense for the Year	-	-	-	525	525
At 31 December 2017	5	90,022	(224)	525	90,328

As at 1 January 2016	5	90,022	-	(263)	89,764
Total income and expense from Previous Year	-	-	(263)	263	-
Total income and expense for the Year	-	-	-	39	39
At 31 December 2016	5	90,022	(263)	39	89,803

Parent company statement of cash flows
for the year ended 31 December 2017
(thousand of euros)

	Notes	2017	2016
Profit/(loss) before tax		525	39
Changes in operating assets and liabilities		(293)	1
(Increase) / decrease in other current assets		(179)	(118)
Increase / (decrease) in trade and other payables		(114)	119
Cash flows from operating activities		232	40
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing activities			
Acquisition of small investments	3	(78)	-
Cash flows used in investing activities		(78)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for financial liability instruments		24	25
Issue		24	25
Related parties		24	25
Cash flows used in financing activities		24	25
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		178	65
Cash and cash equivalents at the beginning of the year		66	1
Cash and cash equivalents at the end of the year		244	66

Notes to the consolidated financial statements
for the year ended 31 December 2017

1. CORPORATE INFORMATION

MEZQUAL LIMITED was incorporated as a private limited company on 13 January 2014. Its registered address is 9-10 Staple Inn, 2nd floor, London, WC1V 7QH, United Kingdom.

Mezqual Limited is the holding company of the El Enebro Group. It is principally engaged in the management of investment property in El Enebro and subsidiaries.

At 31 December 2017 shareholders were Emilio Alvarez Mezquiriz (20%), Juan Carlos Alvarez Mezquiriz (20%), Marta Maria Alvarez Mezquiriz (20%), Pablo Manuel Alvarez Mezquiriz (20%) and Maria Elvira Alvarez Mezquiriz (20%).

2. BASIS OF PREPARATION

The consolidated financial statements of the Group and the individual financial statements of the parent company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) adopted by the European Union.

As permitted by Section 408 of the Companies Act 2006, no Income Statement or Statement of Comprehensive Income is presented for the parent company.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties that are carried at amortised cost and certain land and buildings classified as property, plant and equipment, derivative financial instruments and available-for-sale financial assets that have been measured at fair value. Non-current assets held for sale have been measured at the lower of carrying amount and fair value less cost to sell.

The figures contained in the consolidated financial statements are presented in thousand of euros (€000), unless stated otherwise.

2.1 Fair presentation

The consolidated financial statements were prepared from the accounting records of the Parent and its subsidiaries. Prevailing accounting legislation was applied to present fairly the Group's consolidated equity, financial position and results. The consolidated statement of cash flows was prepared to present fairly the source and use of the Group's monetary assets, representing cash and cash equivalents.

The accompanying consolidated financial statements were prepared and approved by the directors of the Parent.

2.2 Critical issues concerning the measurement and estimation of uncertainties

In the preparation of the Group's consolidated financial statements, the Parent's directors made estimates to determine the carrying amount of certain of the assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. These estimates were made on the basis of the best information available at the reporting date. However, given the uncertainty inherent in estimates, future events could require these estimates to be modified in subsequent reporting periods. Any changes in accounting estimates would be made prospectively.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Taxation

In accordance with prevailing legislation, tax returns cannot be considered final until they have been

inspected by the tax authorities or until the relevant inspection period has elapsed in each tax jurisdiction in which the group operates. The Parent's directors consider that no significant contingencies would arise in the event of inspection that would result in material additional liabilities for the Group.

Impairment of non-current assets

Estimates must be made when measuring non-current assets other than financial assets, especially intangible assets with an indefinite useful life, to determine their fair value in order to assess whether the assets may be impaired. To determine fair value, the directors estimate the expected future cash flows from the assets or the cash-generating units to which they belong.

Impairment of inventories

Estimates must be made when measuring animals ready for sale or being raised, to determine their fair value in order to assess whether the assets may be impaired. To determine fair value, the Parent's directors estimate the price per kilogram of carcass weight in accordance with prices established by the Spanish meat board ("*mesa de contratación*") for beef of similar characteristics, and the average weight of each animal at the time of sale (Note 10).

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses for which it is probable that each company or the tax group will have sufficient future taxable profit available enabling their application. To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained, and the period of reversal of taxable temporary differences. The Group recognized deferred tax assets of €1,789 thousand (2016: €1,785 thousand), related mainly to deductible temporary differences (Note 16.2).

2.3 Consolidation of subsidiaries on a going concern basis

As in previous reporting periods, subsidiary Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. incurred a considerable loss in 2017.

However, the Parent's directors, five of whom are also the company's shareholders, included this company in the consolidated financial statements for 2017 on a going concern basis, as the Parent's shareholders state expressly that:

- There are no plans that could have a material impact on the carrying amounts or the classification of the subsidiary's assets or liabilities at December 31, 2017.
- They have an irrevocable willingness and the ability to provide ongoing financial support to this company so that it can continue in operation for at least one year after the date of authorization for issue of the consolidated financial statements, restore its equity and make the payments arising from its liabilities.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017.

On May 7, 2015 the Parent Company, Mezqual Limited, acquired 66.6% of the issued share capital of El Enebro, S.A., a Company located in Spain. This transaction was satisfied by the issuance of new 4,995 shares of Mezqual Limited 1 euro each with a share premium amounting to 90,022 thousand

euro. Both entities were managed under common control, and the transaction was accounted for using the pooling of interest method.

The Group fully consolidates the subsidiaries over which the Parent has direct and indirect control, and uses the equity method of accounting for those operated jointly with other companies outside the Group.

Subsidiaries included in the scope of consolidation are as follows:

Name and address	Activity	% ownership	
		Direct	Indirect
Full consolidation			
El Enebro, S.A. Madrid, Spain	The acquisition, holding, administration, lease and disposal of securities, property and real estate.	79.4%	-
Bodegas Vega Sicilia, S.A. Valbuena de Duero, Valladolid, Spain	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	79.4%
Bodegas y Viñedos Alión, S.A.U. Peñafiel, Valladolid, Spain	Preparation, production and bottling of wine and the harvest and operation of vineyards.	-	79.4%
El Quexigal, S.A.U. Finca El Quexigal Cebreros, Ávila, Spain	Preparation and packaging of agricultural products, and the operation of rural estates for farming, livestock raising and tourism.	-	79.4%
Tokaj Oremus, KFT Tolcsva, Hungary	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	79.4%
Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. Sahelices de Sabero, León, Spain	Production and sale of prime beef and byproducts.	-	79.4%
Bodegas y Viñedos Pintia, S.A.U. San Román de Hornija, Valladolid, Spain	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	79.4%
Equity method			
Benjamin Rothschild & Vega Sicilia, S.A. Samaniego, Álava, Spain	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	39.7%
Europvin, S.A.S 65, cours Saint Louis, Bordeaux, France	Sale of wine	-	15.86%

All balances and transactions between fully-consolidated companies are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main recognition and measurement standards applied by the Group in the preparation of the accompanying consolidated financial statements are as follows:

4.1 Translation of financial statements denominated in foreign currency

Financial statements in currencies other than the euro were translated at the rates of exchange at the reporting date, whereby all assets, rights and obligations were translated to euros at the exchange rate ruling at that date. Income statement items were translated at the exchange rate prevailing at the date of the related transactions or at the average exchange rate where the difference was immaterial. Equity was translated at the historical exchange rate. Exchange gains and losses arising on translation are recognized through Other Comprehensive Income and held in the Valuation Reserve as a separate

component of equity.

The financial statements of subsidiaries used to prepare the Group's consolidated financial statements are for the year ended December 31, 2017, and all are presented in euros except those of Tokaj Oremus, KFT, which are presented in Hungarian forint.

4.2 Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated balance sheet, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

4.3 Intangible assets

Intangible assets are initially measured at cost, determined as the purchase price or production cost.

After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment.

The Company assesses whether the useful life of an intangible asset is finite or indefinite.

Intangible assets with a finite useful life are amortized on a systematic basis in accordance with their estimated useful life and residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at each financial period end and any impairment is recognized.

An intangible asset with an indefinite useful life is not amortized and is tested for impairment at least annually. The assessment of indefinite useful life of these assets is reviewed annually.

Administrative concessions

Administrative concessions are amortized on a straight-line basis over the term of the concession, discounting the years elapsed when the assets belong to the previous owners.

Computer software

This item includes the cost for acquiring computer software from third parties. Computer software is amortized on a straight-line basis over an estimated useful life of four years.

Maintenance costs are recognized in the income statement for the year in which they are incurred.

Development expenses

The Group recognizes research costs as an expense in the reporting period in which they are incurred and capitalizes them from the time they meet the following conditions:

- The costs are itemized by project and clearly defined to enable them to be allocated over time.
- There is evidence of the project's technical success and economic and commercial feasibility.

Since it began operations in May 1997, subsidiary Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. has incurred certain expenses related to its Proyecto Cárnico Integral (integrated meat

project) entailing investment in human and economic capital to achieve long-term profitability from its brand. This expenditure is capitalized in the consolidated balance sheet and amortized on a straight-line basis from the reporting period beginning after its recognition within a 5-year period, provided that a feasibility study is prepared showing that the period of recoverability of the asset and its capacity to generate future economic benefits is five years.

Where there is reasonable doubt as to the technical success and economic and commercial feasibility of the project, any amounts capitalized are recognized directly in consolidated losses for the reporting period.

Expenditure capitalized is recognized according to its nature in the income statement with a balancing entry in income under "Work carried out by the group for assets."

Other intangible assets

This item includes the cost for acquiring replanting rights from third parties. These assets are not amortized and are tested for impairment at least annually.

4.4 Property, plant and equipment

Elements of property, plant and equipment are measured at cost, determined as the purchase price or production cost.

After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Borrowing costs accrued that meet the requirement for capitalization for assets acquired or produced after January 1, 2008 that need more than one year to be brought into working condition are included in the purchase price or production cost.

Expenses for repairs that do not extend the useful life of the assets, as well as maintenance costs, are taken to the income statement in the year incurred. Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalized as an increase in the value of the asset. The carrying amount of items that are replaced are derecognized.

When available for use, property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

The estimated useful life of property, plant and equipment are as follows:

	Years of useful life
Buildings and constructions	5 – 50
Technical installations and machinery	3 – 12
Information technology equipment	4
Furniture	10
Motor vehicles	8 – 10
Other property, plant and equipment	
Livestock in the breeding age	6
Wine casks and plantations	1 – 16
Works of art and antiques	Indefinite

The Group reviews the assets' residual value, useful lives and depreciation methods at the end of each reporting period and adjusts them prospectively where applicable.

4.5 Investment properties

Buildings, residential real estate and commercial premises leased to third parties are classified as investment properties. The criteria set out for property, plant, and equipment are applied to investment property. Depreciation of investment property is calculated on a straight-line basis over the estimated useful life of the asset, which ranges from 25 to 50 years.

4.6 Impairment of non-financial assets

The Group assesses, at least at the end of each reporting period, whether there is an indication that a non-current asset or, where applicable, a cash-generating unit, may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. The asset is considered impaired when its carrying amount exceeds its recoverable amount. The value in use is the present value of the future cash flows expected to be obtained, discounted at a market risk-free rate and adjusted for any risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For works of arts, antiques and planting rights, which are considered to have indefinite useful lives, the Group estimates their fair value at the end of the reporting period and recognizes an impairment loss where this is lower than carrying amount.

Impairment and any reversals thereof are recognized in the consolidated income statement. Impairment losses are reversed only if the circumstances that gave rise to the impairment cease to exist. Impairment is only reversed up to the limit of the carrying amount of the asset that would have been determined had the impairment loss not been recognized.

4.7 Leases

Agreements are classified as finance leases when the economic conditions of the lease arrangement indicate that substantially all the risks and rewards incidental to ownership of the asset are considered to be transferred. All other lease arrangements are classified as operating leases.

Group as lessee

The Group recognizes assets acquired under finance leases according to the nature of the asset, and a financial liability for the same amount, at the lower of the fair value of the leased asset and the present value of the minimum lease payments, including the purchase option. Minimum lease payments exclude contingent rents, costs for services and taxes that may be passed on by the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge is allocated over the lease term and recognized in consolidated profit and loss for the reporting period in which it is accrued, using the effective interest rate method. The lessee applies the same depreciation, amortization, impairment and derecognition criteria as applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the consolidated income statement when accrued.

Group as lessor

Income from operating leases is recognized in the consolidated income statement when accrued. The carrying amount is increased by the amount of directly attributable contract costs, which are recognized as an expense over the lease term using the same criteria as for the recognition of lease income.

4.8 Financial assets

Classification and measurement

Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not traded in an active market for which the Company expects to recover all of its initial investment, for reasons other than credit deterioration.

Loans and receivables are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs. The financial assets included in this category are subsequently measured at amortized cost.

Nonetheless, trade receivables falling due within one year for which there is no contractual interest rate, and loans and advances to personnel, dividends receivable and receivables on called-up equity instruments expected to be collected in the short term are measured initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is not material.

In guarantees extended for operating leases, the difference between the fair value (calculated taking the minimum contractual terms as the remaining period) and the amount disbursed is not considered as a prepayment for the lease or taken to the consolidated income statement over the lease term as the Parent's directors consider that the effect is not material.

Available-for-sale financial assets

This item includes equity instruments not classified in any of the above categories.

Available-for-sale financial assets are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Available-for-sale assets are subsequently measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are accounted for directly in equity until the financial asset is derecognized or impaired, and subsequently in the consolidated income statement. However, exchange gains and losses on monetary financial assets in foreign currency are recognized in the consolidated income statement.

Investments in equity instruments for which the fair value cannot be estimated reliably are measured at cost less any accumulated impairment.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred.

If the Group has neither transferred nor retained substantially all the risks and rewards, it derecognizes the financial asset when it has not retained control over that asset. If the Group retains control over the asset, it continues to recognize the asset at the amount of the exposure to variability in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset. The associated liability is also recognized.

Interest and dividends from financial assets

Interest and dividends accrued on financial assets after acquisition are recognized as income in the consolidated income statement. Interest is accounted for using the effective interest rate method, while dividends are recognized when the right to receive payment is established.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date is recognized separately, based on maturity. Dividends declared by the pertinent body at the acquisition date are also accounted for separately. Explicit interest is the interest obtained by applying the financial instrument's contractual interest rate.

4.9 Impairment of financial assets

The Group adjusts the carrying amount of financial assets with a charge to the consolidated income statement when there is objective evidence that the asset is impaired. To determine impairment losses on financial assets, the Group assesses the potential loss of individual as well as groups of assets with similar risk exposure.

Debt instruments and available-for-sale financial assets

The Group classifies as impaired assets (non-performing assets) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidence the possible irrecoverability of total agreed-upon future cash flows or a delay in their collection.

The reversal of an impairment loss is recognized as income in the consolidated income statement. The loss can only be reversed up to the limit of the carrying amount of the financial asset that would have been disclosed at the reversal date had the impairment loss not been recognized.

Equity instruments

For equity investments measured at cost and included in available-for-sale financial assets, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealized gains existing at the measurement date. The losses are recognized directly in the consolidated income statement through a reduction in equity.

The reversal of an impairment loss on equity investments in group companies, jointly controlled entities, and associates is recognized in the consolidated income statement. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been disclosed at the reversal date had the impairment loss not been recognized.

4.10 Financial liabilities

Classification and measurement

Debts and payables

This category includes financial liabilities arising on the purchase of goods and services in the course of the Group's trade operations, and non-trade payables that are not derivatives.

Financial liabilities included in this category are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs.

The financial liabilities included in this category are subsequently measured at amortized cost. Accrued interest is recognized in the consolidated income statement using the effective interest rate method.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

Guarantees received for operating leases, which are deposited directly at the related public bodies for the legal amount established, are measured at the amount of reimbursement, which does not differ significantly from fair value, taking the minimum contractual term as the remaining period.

Hedging derivatives

These include derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.11.

Derecognition

The Group derecognizes a financial liability when the obligation is extinguished.

4.11 Accounting hedges

The Group arranges cash flow hedges for funding received at variable interest rates. These are hedges of the exposure to variability in cash flows that is attributable to changes in interest rates on loans received. Interest rate swaps are used to exchange variable for fixed rates. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity and allocated to the income statement in the reporting period or periods in which the hedged transaction affects profit or loss.

Transactions are only designated as hedges when they eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position (retrospective effectiveness). The Group adequately documents the hedge, including how it intends to achieve and measure its effectiveness under its risk management policy.

The Group measures hedge effectiveness by testing to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the term to maturity, thereby complying with forecasts documented at the related contract dates.

If at any time financial derivatives do not qualify for treatment as hedges, they are reclassified as held-for-trading derivatives.

The Group currently has no accounting hedges.

4.12 Treasury shares

Treasury shares are presented as a reduction in equity when they are acquired. No gain or loss is recognized in the consolidated income statement when treasury shares are sold or cancelled. Income and expenses arising from transactions with treasury shares are taken directly to equity as a reduction in reserves.

4.13 Inventories

Goods included in inventories are measured at purchase price or production cost, including indirect taxes on inventories when these are not directly recoverable from the taxation authorities in accordance with the following criteria:

- Inventories of wine included in work in progress and finished goods are measured at production cost. Production cost includes the costs of raw materials, consumables, labour and direct construction costs, and is calculated using the average cost method for each harvest. Work in progress and finished goods whose average maturity or sale at the end of the reporting period exceeds one year are considered goods undergoing production and aging with a long production cycle.
- Production cost of livestock is determined by adding to the purchase price from third parties (where the animals are acquired from third parties) the costs directly attributable to the product, such as feed and pharmaceuticals. Also included is the proportional amount of indirectly attributable costs, insofar as these relate to the raising period, incurred to bring the livestock into a saleable condition and are based on the level of usage of normal production capacity of the raising facilities.

The purchase price or production cost of inventories that require a period of more than one year to bring them into a saleable condition includes borrowing costs accrued during the construction, aging, raising or preparation period.

Valuation allowances are made and recognized as an expense in the consolidated income statement when the purchase price or production cost of inventories exceeds the net realizable value. No valuation allowances are made for raw materials and other consumables used in the production process if the finished products into which they will be incorporated are expected to be sold above cost.

4.14 Cash and cash equivalents

Cash and cash equivalents include cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are convertible to cash.
- They have a maturity of three months or less from the date of acquisition.
- There is no significant risk of changes in value.
- They form part of the Group's usual cash management strategy.

4.15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

4.16 Provisions and contingencies

Liabilities for which the amount and settlement date are uncertain are recognized as provisions when the Group has a present obligation (legal, contractual, constructive or tacit) arising from past events, the settlement of which is expected to result in an outflow of resources and the amount of which can be measured reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision are recognized as a finance expense when accrued. Provisions expiring within one year are not discounted where the financial effect is not material. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In addition, contingent liabilities are considered to be possible obligations that arise from past events whose materialization depends on the occurrence of future events not wholly within the Group's control, as well as present obligations arising from past events regarding which it is not probable that an outflow of resources will be required to settle them or which cannot be reliably measured. Contingent liabilities are not recognized in the financial statements, but are disclosed in the accompanying notes, unless the likelihood of an outflow of resources is considered remote.

4.17 Obligations arising from long-term employee benefits

The Group classifies its long-term employee benefits depending on their nature as defined benefit and defined contribution plans. Defined contribution plans are those in which the Group has an obligation to make predetermined contributions into a separate entity (for instance, an insurance company or a pension plan), provided that there is no legal, contractual or constructive obligation to make further contributions if the separate entity were unable to meet its obligations. Obligations that do not entail a defined contribution are considered defined benefit plans.

Retirement benefits under defined contribution schemes

The Group has commitments with certain employees to make contributions to an insurance policy, which are recognized in the income statement on an accrual basis, receivable by these employees if they remain at the company up to their retirement.

4.18 Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

The Group's principal operating subsidiary in Spain, El Enebro, S.A., together with the fully-consolidated Spanish subsidiaries, files tax returns under the special regime for groups of companies in Spain.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less deductions and other tax relief, taking into account changes during the year in recognized deferred tax assets and liabilities. The tax expense is recognized in the consolidated income statement, except when it relates to transactions recognized directly in equity, in which case the related tax is likewise recognized in equity, and in the initial accounting of business combinations, in which case it is recognized as with the remaining assets and

liabilities of the business acquired.

Deferred taxes are recognized for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes. The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the consolidated balance sheet, as applicable. The Group recognizes deferred tax liabilities for all temporary differences, except where disallowed under prevailing tax legislation.

The Group recognizes deferred tax assets for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that the related individual company or, where appropriate, the consolidated tax group, will have future taxable profit against which these assets may be utilised, except where disallowed by prevailing tax legislation.

At the end of each reporting period, the Group reassesses recognized and previously unrecognized deferred tax assets. Based on this analysis, a previously recorded deferred tax asset is derecognized when recovery is no longer probable, or a previously unrecorded deferred tax asset is recorded to the extent that it is probable the related individual company or, where appropriate, the consolidated tax group, will have sufficient future taxable profit enabling its application.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on tax legislation approved, and in accordance with the manner in which the assets are reasonably expected to be recovered and liabilities settled.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities, regardless of the date they are expected to be realized or settled.

4.19 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the consolidated balance sheet as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; when they differ from the aforementioned assets and are expected to mature, to be sold or settled within one year; and when they are held for trading or are cash and cash equivalents whose use is not restricted to one year.

The normal operating cycle is less than one year for all the activities, except:

- Wine aging, whose cycle ranges between two and 10 years
- The raising of certain cattle, whose cycle is approximately four years.

Note 10 provides a breakdown of inventories whose aging or raising period before they become available for sale is more than one year.

4.20 Revenue and expenses

In accordance with the accruals principle, revenue and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue from sales and the rendering of services is recognized when it is probable that the profit or economic benefits associated with the transaction will flow to the Group and the amount of revenue and costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the

consideration received or receivable, less any trade discounts, rebates or similar items granted by the Group and interest on the nominal amount of credit extended. Applicable indirect taxes on transactions that the Company must pass on to third parties are not included in revenue.

Rental income is accounted for on a straight-line basis over the lease term.

4.21 Foreign currency translation

The Group's functional and presentation currency is the euro. Foreign currency transactions are translated into euros at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the consolidated balance sheet date. Exchange gains or losses arising on this process and on settlement of these assets and liabilities are recognized in the income statement for the reporting period in which they occur.

The functional currency of Tokaj Oremus is the Hungarian forint. Translation to the presentation currency is carried out as explained in Note 4.1.

4.22 Environmental assets and liabilities

Expenses incurred to comply with environmental protection legislation are recognized in the year in which they are incurred, unless they correspond to purchases of assets incorporated in the Group's equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

4.23 Related party transactions

Related party transactions are measured using the same criteria described above.

The prices of related party transactions are adequately documented; therefore, the Parent's directors consider there are no risks of significant tax liabilities arising.

4.24 Termination benefits

In accordance with prevailing legislation in Spain, the Group is required to pay indemnities to employees whose contracts are terminated under certain circumstances. Reasonably quantifiable termination benefits are recognized as an expense in the year in which the Group has created a valid expectation with respect to third parties that it will assume an obligation.

5. INTANGIBLE ASSETS

The movements in items comprising "Intangible assets" are as follows:

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
2017						
Cost						
Research	5,735	-	(2,040)	-	(63)	3,632
Concessions	99	-	-	-	-	99
Patents, licenses, trademarks, and similar rights	64	-	-	-	-	64
Computer software	843	402	(352)	-	10	903
Other intangible assets	109	48	-	-	-	157
	6,850	450	(2,392)	-	(53)	4,855
Accumulated amortization						
Research	(5,258)	(305)	2,040	-	(50)	(3,573)
Concessions	(61)	(2)	-	-	-	(63)
Patents, licenses, trademarks, and similar rights	(47)	-	-	-	-	(47)
Computer software	(970)	(81)	352	-	187	(512)
Other assets	(33)	(32)	-	-	-	(65)
	(6,369)	(420)	2,392	-	137	(4,260)
Carrying amount	481					595

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
2016						
Cost						
Research	5,688	-	-	-	47	5,735
Concessions	99	-	-	-	-	99
Patents, licenses, trademarks, and similar rights	64	-	-	-	-	64
Computer software	842	-	-	-	1	843
Other intangible assets	109	-	-	-	-	109
	6,802	-	-	-	27	6,850
Accumulated amortization						
Research	(5,131)	(125)	-	-	(2)	(5,258)
Concessions	(136)	(4)	-	79	-	(61)
Patents, licenses, trademarks, and similar rights	(46)	(1)	-	-	-	(47)
Computer software	(815)	(53)	-	(79)	(23)	(970)
Other assets	-	(33)	-	-	-	(33)
	(6,128)	(216)	-	-	(25)	(6,369)
Carrying amount	674					481

5.1 Significant movements

The main significant movement in 2017 is the disposal of a research and investigation project that was fully amortized by an amount of €2,040 thousand.

5.2 Other information

Fully amortized items of intangible assets in use at December 31 are as follows:

(€000)	2017	2016
Research	3,061	4,862
Patents	37	36
Computer software	427	777
	3,525	5,675

6. PROPERTY, PLANT AND EQUIPMENT

The movements in items composing "Property, plant and equipment" are as follows:

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
2017						
Cost						
Land and buildings	55,854	263	-	1,401	10	57,528
Technical installations and other items	60,907	3,080	(3,179)	579	7	61,394
Under construction and advances	1,445	2,000	(264)	(1,980)	-	1,201
	118,206	5,343	(3,443)	-	17	120,123
Accumulated depreciation						
Buildings	(26,209)	(2,163)	-	-	(8)	(28,380)
Technical installations and other items	(39,350)	(4,161)	2,837	-	(25)	(40,699)
	(65,559)	(6,324)	2,837	-	(33)	(69,079)
Carrying amount	52,647					51,044

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
2016						
Cost						
Land and buildings	55,713	167	(537)	394	117	55,854
Technical installations and other items	58,277	3,361	(2,072)	1,280	61	60,907
Under construction and advances	696	3,052	(633)	(1,674)	4	1,445
	114,686	6,580	(3,242)	-	182	118,206
Accumulated depreciation						
Buildings	(24,436)	(2,164)	438	-	(47)	(26,209)
Technical installations and other items	(37,080)	(4,157)	1,928	-	(41)	(39,350)
	(61,516)	(6,321)	2,366	-	(88)	(65,559)
Carrying amount	53,170					52,647

6.1 Significant movements

Additions to "Technical installations and other items" in 2017 and 2016 related mainly to the construction and refurbishment of the main building of the winery facilities and the acquisition of new casks.

Disposals of "Technical installations and other items" in 2017 and 2016 related mainly to the sale by the wineries of casks and agricultural vehicles.

Net gains in 2017 for the Group on the disposal of property, plant and equipment amounted to €711 thousand (2016: €609 thousand).

6.2 Note on balance sheet revaluation

On June 17, 2013, the sole shareholder of the subsidiary Bodegas y Viñedos Pintia, S.A.U. approved the balance sheet update and "ad hoc" revaluation proposed by the Company's directors in accordance with Law 16/2012, of December 27, published on December 28, 2012, adopting certain tax measures to consolidate public finances and promote economic activity.

The balance sheet revaluation was carried out pursuant to the instructions set out in Law 16/2012, resulting in an increase in property, plant and equipment of €1,400 thousand and in reserves in consolidated companies of €1,330 thousand (no movements in 2016 and 2017), including the related tax expense of €70 thousand.

6.3 Operating leases

The future minimum payments under non-cancellable operating leases at December 31 are as follows:

(€000)	2017	2016
Within one year	609	492
After one year but not more than five years	963	924
	1,572	1,416

6.4 Other information

Fully depreciated items of property, plant and equipment in use at December 31 are as follows:

(€000)	2017	2016
Buildings	4,131	4,012
Technical installations and other items	22,710	22,175
	26,841	26,187

The Group's policy is to arrange insurance policies to cover potential risks that could affect its items of property, plant and equipment. The carrying amount of these items at December 31, 2017 was reasonably assured by the related insurance policies.

7. INVESTMENT PROPERTY

The movements in items composing "Investment property" are as follows:

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Balance at December 31
2017					
Cost					
Land and buildings	59,123	15	(208)	-	58,930
	59,123	15	(208)		58,930
Accumulated depreciation					
Buildings	(18,214)	(1,228)	49	-	(19,393)
	(18,214)	(1,228)	49		(19,393)
Carrying amount	40,909				39,537

(€000)	Balance at January 1.	Additions and allowances	Disposals	Transfers	Balance at December 31
2016					
Cost					
Land and buildings	60,290	555	(1,722)	-	59,123
	60,290	555	(1,722)	-	59,123
Accumulated depreciation					
Buildings	(17,169)	(1,433)	388	-	(18,214)
	(17,169)	(1,433)	388	-	(18,214)
Carrying amount	43,121				40,909

The value at December 31, 2017 of the land on which the buildings stand amounted to €18,059 thousand (2016: €17,909 thousand).

7.1 Significant movements

There were no significant movements during 2017. In 2016, El Enebro, S.A. invested €500 thousand to acquire 19.81% of surface rights for a residential development project in Spain.

Disposals in 2016 related mainly to the sale of buildings in Mexico and Puente Romano. The net gain by the Group on these disposals amounted to €691 thousand.

7.2 Finance leases

The net carrying amounts of items of investment property acquired under finance leases at December 31 are as follows:

(€000)	2017	2016
Buildings		
Cost	33,086	33,031
Accumulated depreciation	(8,095)	(7,292)
	24,991	25,739

The cost at which assets held under finance lease were initially recognized was the present value of the minimum lease payments at the inception of the finance lease.

The reconciliation between the total amount of future minimum payments and their present value at December 31 is as follows:

(€000)	2017		2016	
	Future minimum payments	Present value (Note 15,1)	Future minimum payments	Present value (Note 15,1)
Within one year	1,424	1,356	1,433	1,353
After one year but not more than five years	7,338	7,116	7,393	7,116
More than five years	5,444	4,086	5,445	5,481
	12,206	12,558	14,271	13,950

The finance lease arrangements have the following characteristics:

- The remaining terms of the leases range from one to six years (2016: one to seven years).
- Interest is at variable rates and indexed to the 1-year Euribor rate plus a spread of 0,6% (constant spread throughout the lease term).
- Finance costs accrued in 2017 amounted to €104 thousand (2016: €100 thousand) (Note 19.5).

- Upkeep and maintenance costs are borne by the lessee.
- The amount of purchase options is equivalent to the final payments of the finance leases.
- There are no contingent lease payments.

7.3 Operating leases

The Group's investment properties are leased out to Group companies, associates or third parties under operating leases or are in the process of being leased. The lease terms range from one to eight years and there are no contingent payments.

Income obtained in 2017, mainly from the lease of investment properties, amounted to €4,429 thousand (2016: €4,521 thousand) (Note 17.1).

Expenses related to investment properties and other minor revenue-generating assets in 2017 correspond to the related annual depreciation charge, of €1,210 thousand (2016: €1,359 thousand), and to administration and maintenance, of €1,010 thousand (2016: €1,503 thousand). Meanwhile, costs from unleased properties in 2017 included €6 thousand of depreciation (2015: €21 thousand) and €137 thousand of administration and maintenance (2016: €285 thousand).

The future minimum rentals receivable under non-cancellable operating leases at December 31 are as follows:

(€000)	2017	2016
Within one year	4,188	5,034
After one year but not more than five years	12,563	13,122
More than five years	4,880	4,880
	21,631	23,036

7.4 Other information

At December 31, 2017, the Group had fully depreciated buildings amounting to €2,207 thousand (2016: €1,391 thousand).

The following investment properties were mortgaged in guarantee of bank borrowings at the end of the year (Note 15.1):

2017

(€000)	Cost	Accumulated depreciation	Net value
Building at calle I, 5 in the Mutilva Baja industrial park (Valle de Aranguren)	554	(71)	483
Building at c/ Gobelas, 25-27, Urbanización La Florida de Madrid	7,933	(2,404)	5,411
Office, warehouse and garage at calle Quevedo, s/n de Santa Cruz de Tenerife	925	(239)	686
Three commercial premises at c/ Venezuela, 2 de Vigo	1,077	(277)	800
	10,489	(3,109)	7,380

2016

(€000)	Cost	Accumulated depreciation	Net value
Building at calle I, 5 in the Mutilva Baja industrial park (Valle de Aranguren)	554	(65)	489
Building at c/ Gobelas, 25-27, Urbanización La Florida de Madrid	7,933	(2,404)	5,529
Office, warehouse and garage at calle Quevedo, s/n de Santa Cruz de Tenerife	925	(272)	653
Three commercial premises at c/ Venezuela, 2 de Vigo	1,077	(250)	827
	10,489	(2,991)	7,498

It is the Group's policy to arrange insure policies to cover the potential risks to which its investment properties are exposed. The carrying amount of these items at December 31, 2017 was reasonably covered by the related insurance policies.

8. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The breakdown of and movement in companies accounted for using the equity method is as follows:

(€000)	Balance at January 1	Additions	Impairment	Amounts recognized in profit or loss	Balance at December 31
2017					
Benjamin Rothschild & Vega Sicilia, S.A,	6,805	-	-	(1,082)	5,723
Europvin, S.A,S	1,018	-	-	114	1,132
	7,823	-	-	(968)	6,855

(€000)	Balance at January 1	Additions	Impairment	Amounts recognized in profit or loss	Balance at December 31
2016					
Benjamin Rothschild & Vega Sicilia, S.A,	7,561	-	(723)	(39)	6,805
Europvin, S.A,S	1,070	-	-	(52)	1,018
	8,631	-	(723)	(91)	7,823

In 2015, the Group acquired a package of additional shares of Europvin, S.A,S,, raising its ownership interest to 19,98%. In addition, through its Chief Executive Officer, the Company holds the position of Chairman of the Board of Directors of this investee. Therefore, this investment was accounted for at year-end 2017 and 2016 in the Group's consolidated financial statements using the equity method.

9. FINANCIAL ASSETS

The detail of financial assets, excluding investments in companies accounted for using the equity method (Note 8) is as follows:

(€000)	December 31, 2017			December 31, 2016		
	Equity instruments	Loans, derivatives and other financial assets	Total	Equity instruments	Loans, derivatives and other financial assets	Total
Non-current financial assets						
Available-for-sale financial assets						
Measured at cost	88,088	78	88,166	88,084	-	88,084
Loans and receivables	-	726	726	-	705	705
	88,088	804	88,892	88,084	705	88,789
Current financial assets						
Loans and receivables	-	7,526	7,526	-	5,105	5,105
	-	7,526	7,526	-	5,105	5,105
	88,088	8,330	96,418	88,084	5,810	93,894

These amounts are included in the following balance sheet line items:

(€000)	Equity instruments	Loans, derivatives and other financial assets	Total
31 December 2017			
Non-current financial assets			
Non-current investments	88,088	804	88,892
	88,088	804	88,892
Current financial assets			
Trade and other receivables	-	7,361	7,361
Current investments	-	165	165
	-	7,526	7,526
	88,088	8,330	96,418
31 December 2016			
Non-current financial assets			
Non-current investments	88,084	705	88,789
	88,084	705	88,789
Current financial assets			
Trade and other receivables	-	4,997	4,997
Current investments	-	108	108
	-	5,105	5,105
	88,084	5,810	93,894

9.1 Available-for-sale financial assets

The breakdown of available-for-sale financial assets is as follows:

(€000)	Cost	Valuation allowance	Net value	Ownership (%)
31 December 2017				
Eulen, S.A.	87,732	-	87,732	39,24%
Sociedad para el Desarrollo Industrial de Castilla y León, SODICAL	332	-	332	2,60%
Other equity instruments	24	-	24	-
	88,088	-	88,088	
31 December 2016				
Eulen, S.A.	87,732	-	87,732	39,24%
Sociedad para el Desarrollo Industrial de Castilla y León, SODICAL	332	-	332	2,60%
Other equity instruments	20	-	20	-
	88,084	-	88,084	

The Group holds these investments for strategic reasons and measures them at cost, as it does not have sufficient available information to determine fair value reliably. They are classified as non-current assets as the Group does not have the intention of selling them in the short term. None of these assets are listed on a stock exchange.

In 2013, the Group increased its investment in Eulen, S.A. through the acquisition of 152,620 shares, with a total cost amounting to 81.3 million €. A significant portion of the price will be paid over the long term, at market rates of interest (Note 15.1.2). To guarantee payment of the price, the Group issued a pledge on shares of subsidiary Bodegas Vega Sicilia, S.A.

During 2017 Eulen S.A. has distributed dividends amounting to €2,787 thousand.

9.2 Loans and receivables

The breakdown of financial assets classified in this category is as follows:

(€000)	31 December 2017	31 December 2016
Non-current financial assets		
Deposits extended	726	705
Other financial assets	78	-
	804	705
Current financial assets		
Trade and other receivables	7,361	4,997
Other credits	165	108
	7,526	5,105
	8,330	5,810

Trade and other receivables

The breakdown of "Trade and other receivables" is as follows:

(€000)	31 December 2017	31 December 2016
Trade receivables	7,152	4,958
Other receivables	209	39
	7,361	4,997

Valuation allowances

The balance of "Trade receivables" is presented net of impairment. The changes in impairment losses during the year are as follows:

(€000)	2017	2016
Balance at January 1 (2016) and January 1 (2015)	1,433	1,464
Allowances, net	-	9
Allowances, applied	(6)	(19)
Amounts used, net	-	(21)
Balance at December 31:	1,427	1,433

10. INVENTORIES

The breakdown of "Inventories" by business is as follows:

(€000)	Winemaking	Food	Livestock	Real Estate	Total
31 December 2017					
Merchandise and finished goods	12,421	-	71	-	12,492
Work in progress and semi-finished goods	39,959	5,530	2	-	45,491
Raw materials and other supplies	973	-	3	-	976
Advances	-	3	-	-	3
Valuation allowances	(285)	-	-	-	(285)
	53,068	5,533	76	-	58,677
31 December 2016					
Merchandise and finished goods	12,836	-	71	-	12,907
Work in progress and semi-finished goods	39,146	5,183	2	-	44,331
Raw materials and other supplies	929	-	3	-	932
Advances	-	3	-	-	3
Valuation allowances	(273)	-	-	-	(273)
	52,638	5,186	76	-	57,900

"Work in progress and semi-finished goods" includes wines in the aging process and live animals being raised, the marketing of which is estimated to begin from 2017 as follows:

(€000)	2017	2016
Inventories in the aging or raising process with a long production cycle:		
Wine	39,959	39,146
Live animals	5,532	5,185
	45,491	44,331

Valuation allowances for inventories are primarily the result of the higher production cost than the market price. The movements in "Valuation allowances" are as follows:

(€000)	2017	2016
Balance at January 1 (2016) and 1 (2015)	(273)	(236)
Allowances	(12)	(37)
Balance at December 31	(285)	(273)

11. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" is as follows:

(€000)	2017	2016
Cash	26	33
Cash in foreign currency	23	9
Demand current accounts	938	965
Demand current accounts in foreign currency	548	331
	1,535	1,338

Current accounts earn interest at market rates for this type of account, There are no restrictions on use of the balance,

12. EQUITY – CAPITAL AND RESERVES

12.1 Registered capital

The Parent's share capital at December 31, 2017 and 2016 consisted of 5,000 fully subscribed and paid ordinary registered shares of €1 par value each, all of the same class and carrying the same dividend and voting rights.

On May 7, 2015 the Parent Company made a capital increase of 4,995 shares of €1 par value each with a share premium amounting to 90,022 thousand euro in order to acquire the 66,6% of El Enebro, S.A. shares.

There are no guarantees, pledges or encumbrances on the shares comprising share capital.

Capital management policy

The primary objective of the Group's capital management policy is to safeguard its capacity to continue managing its on-going activities and continue expanding through new projects, while maintaining an optimal debt to equity ratio to create value for its shareholders.

The Company finances growth through:

- Internally generated cash flows from ongoing business activities.
- Shareholder contributions which could be by equity or new liabilities.

12.2 Restricted reserves

As described above, during 2015 the Company made a capital increase in order to acquire El Enebro, S.A. shares. This capital increase was performed with a share premium amounting to €90,022 thousand.

The Group has further restricted reserves amounting to €2,148 thousand (2016: €2,390 thousand) as follows:

Legal reserve

In accordance with the Capital Enterprises Act of Spain, until the balance of the legal reserve is equivalent to at least 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

The legal reserve held in the Group's Spanish subsidiaries at December 31, 2017 amounted to €372 thousand (2016: €372 thousand), in line with the legal threshold.

Revaluation reserves Royal Decree-Law 7/1996

In accordance with Spanish R.D. Law 7/1996, of June 7, on urgent tax measures and measures to promote and deregulate economic activity, the Group's Spanish companies revalued certain of their property, plant and equipment, assets held under finance leases and land.

The balance of the revaluation reserve, after verification and acceptance by the the taxation authorities, may be used to offset losses or increase the capital of the related company. After 10 years, the balance may be allocated to unrestricted reserves for fully depreciated assets, for the amount depreciated, and/or assets transferred or derecognized.

At December 31, 2017 and 2016, €446 thousand of this reserve were restricted until the capital gain is realized.

As indicated in Note 6.2, balance sheet revaluations were carried out in 2013 for €1,330 thousand at subsidiary Bodegas y Viñedos Pintia, S.A.U. in accordance with Law 16/2012, of December 27, published on December 28, 2012, adopting certain tax measures to consolidate public finances and promote economic activity. The related reserve is restricted.

12.3 Treasury shares

Changes in "Treasury shares" in the year are as follows:

(€000)	2017	2016
Balance at January 1 (2016) or 1 (2015)	39,434	39,434
Acquisitions in the year	-	-
Balance at December 31:	39,434	39,434

In 2015, a total of 41,433 El Enebro, S.A. shares, representing 13,38% of share capital, were acquired by the company free of charges and encumbrances, at a price of €796,50 per share. The acquisition was made in two tranches, 1,33% in July 2015, and 12,05% in October 2015.

As a result, at December 31, 2017 and 2016 El Enebro, S.A. held 50,064 of its own shares as treasury shares, representing 16,17% of its share capital.

A total of 29,831 treasury shares were pledged in guarantee of the syndicated loan arranged on October 15, 2015 (see Note 15.1.1)

13. GRANTS AND DONATIONS

The movements in non-refundable capital grants received from official bodies are as follows:

(€000)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to the income statement	Tax effect of transfers	Translation adjustments	Balance at December 31
2017							
Consolidated entities	3,774	-	(307)	77	(71)	-	3,473
	3,774						3,473
2016							
Consolidated entities	4,221	-	-	(312)	78	(213)	3,774
	4,221						3,774

In 2010, the construction of a new production warehouse in a winery was completed and used to produce wines for the 2010 harvest. A grant of €3,502 thousand was extended for this investment (40% of an eligible investment of €8,755 thousand) under record number VA/090033/S16 as part of agrarian and food industry aid for diversification in Castilla and León districts affected by the restructuring of the sugar industry (Line S16). The investment was accredited and subsequently verified by the grantor, which considered that the attaching conditions for the grant were fulfilled and accredited.

The Parent's directors consider that the Group has also complied with the attaching conditions for award of the remaining grants not verified by the grantors.

14. PROVISIONS

The changes in "Provisions" in the year are as follows:

(€000)	Balance at January 1	Allowances	Amounts used and paid	Balance at December 31
2017				
Other provisions	83	91	-	174
	83	91		174
2016				
Other provisions	49	34	-	83
	49	34		83

15. FINANCIAL LIABILITIES

15.1 Group

The breakdown of "Financial liabilities" is as follows:

(€000)	31 December 2017			31 December 2016		
	Debt with financial institutions	Derivatives and other	Total	Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Debt and payables	43,660	28,333	71,993	50,061	42,243	92,304
	43,660	28,333	71,993	50,061	42,243	92,304
Current financial liabilities						
Debt and payables	28,707	19,517	48,224	25,343	17,929	43,272
	28,707	19,517	48,224	25,343	17,929	43,272
	72,367	47,850	120,217	75,404	60,172	135,576

These amounts are included in the following balance sheet line items:

(€000)	31 December 2017			31 December 2016		
	Debt with financial institutions	Derivatives and other	Total	Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Non-current payables	43,660	577	44,237	50,061	610	50,671
Non-current payables to related parties	-	27,756	27,756	-	41,633	41,633
	43,660	28,333	71,993	50,061	42,243	92,304
Current financial liabilities						
Current payables	28,707	42	28,749	25,343	43	25,386
Trade and other payables	-	19,475	19,475	-	17,886	17,886
	28,707	19,517	48,224	25,343	17,929	43,272
	72,367	47,850	120,217	75,404	60,172	135,576

15.1.1 Debt with financial institutions

The breakdown of "Debt with financial institutions" is as follows:

(€000)	31 December 2017	31 December 2016
Non-current		
Loans with financial institutions	23,408	31,335
Credit lines and facilities with financial institutions	9,050	6,129
Finance lease payables (Note 7,2)	11,202	12,597
	43,660	50,061
Current		
Loans with financial institutions	8,012	8,062
Credit lines and facilities with financial institutions	19,238	15,812
Finance lease payables (Note 7,2)	1,356	1,353
Accrued interest payable	101	116
	28,707	25,343
	72,367	75,404

Loans with financial institutions

The breakdown of "Loans with financial institutions" is as follows:

(C000)	Balance outstanding			Final maturity	Interest rate
	Current	Non-current	Total		
31 December 2017					
Mortgage loans on investment properties					
Banco Santander	604	1,453	2,057	30.04.2021	Euribor + 0,50%
Banesto	38	386	424	01.08.2021	Euribor + 0,60%
Abanca	74	383	457	01.06.2023	Euribor + 0,60%
Banco Santander	497	1,602	2,099	18.02.2022	Euribor + 1,10%
Other loans					
Banco Santander syndicated loan	6,000	17,968	23,968	15.10.2020	Euribor + 1,65%
BBVA	799	1,616	2,415	21.07.2020	Fixed 0,90%
	8.012	23.408	31.420		

(€000)	Balance outstanding			Final maturity	Interest rate
	Current	Non-current	Total		
31 December 2016					
Mortgage loans on investment properties	643	2,047	2,690	30.04.2021	Euribor + 0,50%
Banco Santander	29	-	29	03.07.2017	Euribor + 0,60%
Banco Santander	37	421	458	01.08.2021	Euribor + 0,60%
Banesto	70	455	525	01.06.2023	Euribor + 0,60%
Caixa Galicia	491	2,093	2,584	18.02.2022	Euribor + 1,10%
Banco Santander					
Other loans					
Banco Santander syndicated loan	6,000	23,898	29,898	15.10.2020	Euribor + 1,65%
BBVA	792	2,421	3,213	21.07.2020	Fixed 0,90%
	8,062	31,335	39,397		

Finance costs accrued in 2017 on these loans amounted to €557 thousand (2016: €696 thousand) (Note 17.5).

On October 15, 2015, El Enebro, S.A, arranged a new syndicated loan for €30,000,000, with Banco Santander as the agent bank and Abanca Corporación, BBVA and Bankinter as the remaining banks in the syndicate. The loan matures on October 15, 2020, with an 18-month grace period, and bears interest at the 6-month Euribor rate plus a spread of between 1.25 and 1.65 points. The loan is guaranteed with 29,831 treasury shares acquired in 2015 (Note 12.3).

The breakdown of maturities by nominal amount of loans from financial institutions at December 31 is as follows:

(€000)	2017	2016
2017	-	8,062
2018	8,012	8,140
2019	8,012	8,140
2020 and beyond	15,396	15,055
	31,420	39,397

Credit facilities and lines

The breakdown of credit policies and facilities with financial institutions is as follows:

(€000)	Amount drawn		Total	Limit	Maturity	Interest rate
	Current	Non current				
31 December 2017						
Bankinter	3,122	-	3,122	4,000	17.03.2018	Euribor + 1,25%
BBVA	5,711	-	5,711	6,000	23.09.2018	Euribor + 1,50%
Sabadell	1,902	-	1,902	2,000	20.07.2018	1,00% Fixed
Banca March	4,705	-	4,705	5,000	17.03.2018	Euribor + 1,30%
Banco Santander	3,798	-	3,798	5,000	16.03.2018	Euribor + 1,25%
Banco Santander (Crédito I)	-	1,585	1,592	10,000	25.10.2019	Euribor + 1,15%
Bankinter (Crédito II)	-	2,329	2,329	4,000	04.03.2020	Euribor + 1,10%
BBVA (Crédito III)	-	4,322	4,322	6,000	21.12.2019	Euribor + 1,15%
Banco Santander (Crédito I)	-	78	78	3,000	18.12.2019	Euribor + 1,15%
Bankinter (Crédito II)	-	490	490	2,000	04.03.2020	Euribor + 1,10%
Bankinter	-	185	185	3,000	04.03.2020	Euribor + 1,10%
Other	-	61	61			
	19,238	9,050	28,288	50,000		

(€000)	Amount drawn		Total	Limit	Maturity	Interest rate
	Current	Non-current				
31 December 2016						
Bankinter	2,742	-	2,742	4,000	31.05.2017	Euribor + 1,50%
BBVA	5,752	-	5,752	6,000	23.09.2017	Euribor + 1,50%
Banca March	4,904	-	4,904	5,000	17.03.2018	Euribor + 1,50%
Banco Santander	2,414	-	2,414	5,000	17.03.2017	Euribor + 1,25%
Banco Santander	-	258	258	10,000	25.10.2019	Euribor + 1,15%
Bankinter	-	733	733	3,000	04.03.2020	Euribor + 1,10%
BBVA	-	4,277	4,277	6,000	21.12.2019	Euribor + 1,15%
Banco Santander	-	50	50	3,000	18.12.2019	Euribor + 1,15%
Bankinter	-	811	811	2,000	04.03.2020	Euribor + 1,10%
Bankinter	-	-	-	3,000	04.03.2020	Euribor + 1,10%
	15.812	6.129	21.941	47.000		

Finance costs accrued in 2017 on these credit facilities and lines amounted to €402 thousand (2016: €490 thousand) (Note 17.5).

15.1.2 Derivatives and other

The breakdown of financial liabilities classified in this category is as follows:

(€000)	31 December 2017	31 December 2016
Non-current		
Deposits received and advances from lessees	577	610
Payable to related parties	27,756	41,633
	28,333	42,243
Current		
Trade and other payables	5,361	3,921
Payable to associates and related parties	14,114	13,965
Other financial liabilities	42	43
	19,517	17,929
	47,850	60,172

Deposits received and advances from lessees

The annual maturities and nominal amounts of deposits received are as follows:

(€000)	2017	2016
2017	-	278
2018	257	-
2019 and beyond	300	332
	577	610

Payable to related parties

Loans received from related parties at December 31, 2017 and 2016 relate to the amount payable by the Group to certain former directors of El Enebro S.A. for the acquisition of shares of Eulen, S.A. (Note 15.1). The total amount of the debt in this connection was €80,889 thousand, and at the time of the arrangement of the loans, the Group paid €11,500 thousand. The outstanding amount was instrumented in a number of loans from the former directors maturing in 2020, with a 3-year grace period and bearing annual interest of 5% in the first three years and interest at the Euribor rate plus a spread of 4.5% in the remaining years.

The breakdown by maturity of the nominal amounts of these loans at December 31 is as follows:

(€000)	31 December 2017	31 December 2016
2017	-	13,875
2018	13,878	13,875
2019	13,878	13,875
2020 and beyond	13,878	13,883
	41,634	55,508

Interest accrued in 2017 on these loans amounted to €1,869 thousand (2016: €2,601) (Note 17.5).

Trade and other payables

The breakdown of "Trade and other payables" is as follows:

(€000)	31 December 2017	31 December 2016
Suppliers	1,336	1,489
Suppliers, companies accounted for using the equity method	202	320
Other payables	1,336	831
Personnel (salaries payable)	1,000	405
Advances from customers	538	876
Derivative and other financial liabilities	4,412	3,921
Current corporation tax payable – foreign	409	904
Other taxation payable	540	934
Other	-	-
Total trade and other payables	5,361	5,759

15.2 Parent Company

The breakdown of "Financial liabilities" at December 31, is as follows:

(€000)	2017			2016		
	Debt with financial institutions	Derivatives and other	Total	Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Debts and payables	-	186	186	-	161	161
	-	186	186	-	161	161
Current financial liabilities						
Debts and payables	-	134	134	-	248	248
	-	134	134	-	248	248
	-	320	320	-	409	409

These amounts are included in the following lines of the statement of financial position:

(€000)	2017			2016		
	Debt with financial institutions	Derivatives and other	Total	Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Non-current payables to related parties	-	186	186	-	161	161
	-	186	186	-	161	161
Current financial liabilities						
Income tax payable	-	27	27	-	18	18
Trade payables	-	107	107	-	230	230
	-	134	134	-	248	248
	-	320	320	-	409	409

Payable to related parties

The non-current related parties' liabilities represent amounts payable to El Enebro, S.A. (Mezqual's subsidiary) for a principal of €179 thousand and interest amounting to €7 thousand. In 2016 this heading included debts held with El Enebro, S.A. for €74 thousand and with Directors for €87 thousand.

The amounts payable at December 31, 2017 are related to a credit facility agreement signed by Mezqual on 25th January 2016 with El Enebro which establishes a 3% interest rate for the €200 thousand facility.

16. TAXATION

The breakdown of tax assets and tax liabilities at December 31 is as follows:

(€000)	2017	2016
Deferred tax assets (Note 16,2)	1,789	1,785
Public entities, other		
VAT	12	-
Other	9	36
	21	36
	1,810	1,821
Deferred tax liabilities (Note 16,2)	(5,520)	(6,099)
Current tax liabilities	(409)	(904)
Public entities, other		
Personal income tax withholdings	(428)	(407)
Social security payable	(105)	(104)
VAT	-	(364)
Foreign taxes	(34)	(60)
	(567)	(935)
	(6,496)	(7,938)

In accordance with prevailing legislation in Spain, tax returns for Group's Spanish subsidiaries cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. Due, *inter alia*, to the varying interpretation of prevailing tax legislation, future tax inspection of the years open to inspection could give rise to additional liabilities. In any event, the directors consider that such liabilities would not have a significant effect on the annual financial statements.

16.1 Calculation of income tax expense

El Enebro, S.A., as the principal operating subsidiary in Spain, files income tax returns for a Group of companies comprising El Enebro, S.A., Bodegas Vega Sicilia, S.A.U., Bodegas y Viñedos Alión, S.A.U., Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. (merged in 2013 with Valles del Esla, S.A.), El Quexigal, S.A.U. and Bodegas y Viñedos Pintia, S.A.U.

The reconciliation between income tax expense.(income) and the result of multiplying total recognized income and expenses by the applicable tax rates is as follows:

(€000)	Profit (loss) for the year
2017	
Income and expense for the year before tax	22,140
Tax charge (25% tax rate)	5,535
Permanent differences	(2,376)
Deferred tax asset not recognised	1,439
Effective tax expense/(income)	4,599

(€000)	Profit.(loss) for the year	Income and expense recognized directly in equity
2016		
Income and expense for the year before tax	12,416	(446)
Tax charge (25% tax rate)	3,104	(112)
Permanent differences	473	25
Deferred tax asset not recognised	(131)	-
Effective tax expense.(income)	3,446	(87)

The breakdown of income tax expense.(income) is as follows:

(€000)	2017		2016	
	Profit.(loss) for the year	Recognized directly in equity	Profit.(loss) for the year	Recognized directly in equity
Current tax	5,598	-	4,025	-
Deductions				
Applied in the year	(503)	-	(524)	-
Generated and pending application	-		408	-
Changes in deferred taxes	(496)	(34)	(463)	(87)
	4,599	(34)	3,446	(87)

Income tax payable was calculated as follows:

(€000)	2017	2016
Current tax	5,598	4,025
Payments on account	(5,189)	(3,121)
Income tax payable (refundable)	409	904

16.2 Deferred tax assets and liabilities

The movements in items composing "Deferred tax assets" and "Deferred tax liabilities" are as follows:

(€000)	Balance at January 1	Other changes	Changes reflected in		Balance at December 31
			Profit.(loss) for the year	Total equity	
2017					
Deferred tax assets					
Accelerated depreciation	1,430	-	21	-	1,451
Temporary adjustment to depreciation					
2013,2014 (Law 16.2012)	573	-	(22)	-	551
Nondeductible allowances (portfolio, loan losses)	(65)	-	-	-	(65)
Unused deductions	(200)	-	-	-	(200)
Hedging transactions	(116)	-	13	-	(103)
Tax inspection adjustment	(106)	-	-	-	(106)
Other	269	-	(4)	(4)	261
	1,785	-	8	(4)	1,789
Deferred tax liabilities					
Tax unrealized gains	329	-	-	-	329
Non-refundable grants	(882)	-	8	91	(783)
Swaps	(78)	-	2	-	(76)
Tax goodwill	(14)	-	(2)	-	(16)
Accelerated tax depreciation	(4,902)	-	410	-	(4,492)
Tax impairment of investments in group companies	(558)	-	80	-	(478)
Other	6	-	(10)	-	(4)
	(6,099)	-	488	91	(5,520)

(€000)	Balance at January 1	Other changes	Changes reflected in		Balance at December 31
			Profit.(loss) for the year	Total equity	
2016					
Deferred tax assets					
Accelerated depreciation	1,368	-	62	-	1,430
Temporary adjustment to depreciation 2013,2014 (Law 16.2012)	595	-	(22)	-	573
Nondeductible allowances (portfolio, loan losses)	(65)	-	-	-	(65)
Unused deductions	(6)	-	(194)	-	(200)
Hedging transactions	-	-	(116)	-	(116)
Tax inspection adjustment	-	(106)	-	-	(106)
Other	300	1	(10)	(22)	269
	2,192	(105)	(280)	(22)	1,785
Deferred tax liabilities					
Tax unrealized gains	135	-	194	-	329
Non-refundable grants	(992)	-	41	69	(882)
Swaps	(90)	-	12	-	(78)
Tax goodwill	(13)	-	(1)	-	(14)
Accelerated tax depreciation	(5,539)	-	637	-	(4,902)
Tax impairment of investments in group companies	(762)	-	204	-	(558)
Other	-	-	6	-	329
	(7,261)	-	1,093	69	(6,099)

The Group estimated the tax assets it expects to obtain in the coming years. Based on this estimate, it recognized deferred tax assets related to deductions and deductible temporary differences for which it considered probable that the tax group will generate sufficient future taxable profit.

17 REVENUE AND EXPENSES

17.1 Revenue from operations

The breakdown of revenue from continuing operations by business category and geographic market is as follows:

(€000)	2017	2016
Segmentation by category		
Winemaking products	47,699	38,819
Meat, agrarian, livestock and forestry products	4,721	4,729
Lease of properties (Note 7.2)	4,429	4,521
Other	1,120	11
	57,969	48,080
By geographical market		
Spain	33,702	31,989
European Union	8,810	6,029
Rest of the world	15,457	10,062
	57,969	48,080

17.2 Consumables used and other external expenses

The breakdown of this heading is as follows:

(€000)	2017	2016
Merchandise used		
Purchases	1,461	1,133
Raw materials and other supplies used		
Purchases	4,618	4,813
Subcontracted work	2,003	2,010
Impairment of merchandise, raw materials and other supplies	38	34
	8,120	7,990

17.3 Employee benefits expense

The breakdown of "Employee benefits expense" is as follows:

(€000)	2017	2016
Salaries, wages and similar		
Salaries and wages	8,944	8,172
Termination benefits	111	80
	9,055	8,252
Employee benefits expense		
Social Security payable	1,132	1,136
Other employee benefits expense	221	210
	1,353	1,346
Provisions		
Contributions to retirement benefit insurance (Note 18)	58	58
	10,466	9,656

17.4 Other operating expenses

The breakdown of "Other operating expenses" is as follows:

(€000)	2017	2016
Research expenses	-	1
Leases and royalties	740	731
Repairs and maintenance	1,278	1,301
Auditor's remuneration:		
- Audit of the parent company	96	96
- Audit of the group subsidiaries	130	155
Other independent professional services	4,241	3,844
Transport	402	391
Insurance premiums	454	486
Banking and similar services	27	43
Advertising, publicity and public relations	675	538
Utilities	795	848
Other	1,950	2,314
	10,788	10,748

17.5 Finance costs

The breakdown of "Finance costs" is as follows:

(€000)	2017	2016
Loans and debts with financial institutions		
Loans (Note 15,1)	557	696
Credit facilities and lines (Note 15,1)	402	490
Finance lease (Note 7,2)	104	100
Loan with former directors (Note 15,2)	1,869	2,601
Other finance expenses	114	83
	3,046	3,970

18 LONG-TERM EMPLOYEE BENEFITS

Defined contribution plans

The contribution to retirement benefit insurance in 2017 amounted to €58 thousand (2016: €58 thousand) (Note 17.3).

19 RELATED PARTY TRANSACTIONS

Related parties with which the Group carried out transactions in 2017 and 2016 and the nature of the relationship are as follows:

Nature of the relationship	
Eulen, S.A. and subsidiaries	Related party - Common shareholders with those of the Parent
Bodegas Benjamin de Rothschild & Vega Sicilia, S.A.	Subsidiary integrated by Equity method
Administrators	Directors
Senior management	Managers

Related party transactions relate to the Group's normal trade operations and are carried out on an arm's length basis, similar to transactions with unrelated parties.

19.1 Related parties

Balances with related parties are as follows:

(€000)	Related parties	
	2017	2016
Current and Non-current payables to related parties	(41,870)	(55,508)
Trade receivables	398	72
Suppliers	(202)	(320)

Related party transactions in the year were as follows:

(€000)	Related parties	
	2017	2016
Sales	900	286
Services rendered	452	574
Sale of assets	-	3
Finance expenses	(1,869)	(2,601)
External services	(205)	(2,092)

19.2 Directors and senior management

Salaries and wages paid in the year to directors and senior management amounted to €891 thousand and €182 thousand, respectively (2016: €886 thousand and €180 thousand, respectively). Remuneration paid to directors for discharging their duties amounted to €1,150 thousand (2016: €1,150 thousand). The emoluments of the highest paid director amounted to €357 thousand (2016: €357 thousand).

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Based on its risk management policies, the Group has established a series of procedures and controls that make it possible to identify, measure, and manage the risks arising from financial instrument activity.

Financial instrument activity exposes the Group to credit, market, and liquidity risk.

20.1 Credit risk

Credit risk arises when there is a possible loss caused by the counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established time frame.

The maximum exposure to credit risk at December 31 is as follows:

(€000)	2017.	2016
Non-current investments	727	705
Trade and other receivables	7,152	5,033
Current investments	165	108
	8,044	5,846

Of these balances in 2017, €727 thousand (2016: €705 thousand) related to deposits at public agencies of guarantees received in respect of leases (Note 7.2) and €581 thousand (2016: €36 thousand) to a receivable from the general government. Accordingly, credit risk from operating activities is concentrated in trade and other receivables, amounting to €6,571 thousand in the year (2016: €4,997 thousand).

As of December 31, 2017 and 2016, the Group evaluates the concentration of risk with regard to trade and other receivables as low due to the widespread customer base.

20.2 Market risk

Market risk is the risk of loss caused by fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk of loss caused by fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates. The Group's exposure to interest rate

risk arises primarily from its creditor positions in mortgage loans and long-term finance leases, and from credit facilities and lines with financial institutions, the interest rates of which are indexed to the Euribor rate.

Foreign currency risk

Foreign currency risk is the risk of loss caused by fluctuations in the fair value or cash flows of a financial instrument because of changes in foreign exchange rates. The Group's exposure to foreign currency risk is due mainly to rental income from the lease of investment properties obtained in Mexican pesos and US dollars, and to the net investment in the Hungarian subsidiary.

At December 31, 2017 and 2016 the Group did not have currency hedges on its foreign currency balances.

20.3 Liquidity risk

Liquidity risk is the risk that the Group will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds.

The Group obtains funding through mortgage loans, finance lease arrangements and credit facilities with financial institutions, the undrawn balance of which at December 31, 2017 stood at €21,966 thousand (2016: €25,059 thousand).

21 EMPLOYEE INFORMATION

The average number of employees in the year is as follows:

	2017	2016
Directors and senior management	2	2
Other managers	11	10
Administrative staff	20	14
Direct personnel	6	4
Technicians and supervisors	13	10
Specialists and unskilled laborers	83	88
Laborers and grape pickers	32	30
	167	158

22 SEGMENT INFORMATION

The operating segments identified by the Group are real estate, winemaking and other activities, which include, *inter alia*, the meat business. No material inter-segment transactions take place requiring criteria to be established for setting inter-segment transfer prices. The sales breakdown by geographic area shown in Note 17.1 illustrates that virtually all sales made outside of Spain involve the winemaking segment.

The following table presents the components representing 10% or more of total segment revenue, including inter-group and external sales:

€000	Segments			Adjustments and eliminations	Total
	Real Estate	Winemaking	Other		
Revenue	6,009	49,601	4,792	(2,433)	57,969
Supplies	-	(5,198)	(3,775)	853	(8,120)
Personnel expenses	(1,977)	(6,861)	(1,628)	-	(10,466)
Amortization and depreciation	(1,333)	(6,242)	(308)	21	(7,862)
Other expenses	(4,147)	(7,024)	(1,196)	1,579	(10,788)
Losses, impairment and changes in provision	51	928	1,672	-	2,651
Operating profit (loss)	(1,397)	25,204	(443)	20	23,384
Finance income	4,420	3,187	2	(4,815)	2,794
Finance expenses	(133)	(219)	(3,027)	309	(3,070)
Other expenses	(3,207)	(4)	2,853	(610)	(968)
Profit before tax	(317)	28,168	(615)	(5,091)	22,140
Segment assets	144,764	169,986	11,965	(69,170)	257,545
Segment liabilities	(121,609)	(23,789)	(12,064)	26,960	(130,502)
Net cash flows	(52)	(220)	469	-	197
Acquisitions of non-current assets in the year	210	7,175	83	-	7,468

23 EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent by the number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders of the parent by the average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive share options into ordinary shares.

Earnings per share	Euros	
	2017	2016

Earnings per share from continuing operations

- basic and diluted, for profit for the year attributable to ordinary shareholders of the parent 2,794 1,427

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Thousand euros	
	2017	2016

Net profit attributable to ordinary shareholders of the parent from continuing operations 13,971 7,134

Result attributable to ordinary shareholders of the parent from discontinued operations -

	Shares	
	2017	2016

Weighted average number of ordinary shares for basic and diluted earnings per share 5,000 5,000

24 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

25 EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the balance sheet date up to the date of approval of these financial statements.