JUMBO EC. B EOOD

ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2017

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JUMBO EC. B EOOD

ANNUAL ACTIVITY REPORT

31 DECEMBER 2017

GENERAL INFORMATION

The management of JUMBO EC. B EOOD ("the Company") presents the annual activity report, prepare under the requirements of the Accountancy Act, and the annual financial statements prepared under the International Financial Reporting Standards, adopted for use in the European Union ("IFRS"), for the year ending on 31 December 2017.

The Company is registered with company case № 9856/2005 on 1 September 2005 and is filed in the Trade Companies Register under № 96904, volume 1291, page 59 with domicile: Republic of Bulgaria, 1404 Sofia, 51 Bulgaria Blvd., and ID 131476411.

The Company has the following activity subject: manufacture and wholesale and retail trade of all kinds of goods, including kid's products, toys, baby's products, office consumables, clothes, shoes, accessories for clothes and shoes, furnitures, tourist equipment and appliances, presents, all kinds of electrical appliances, technics and electronics, foods and agricultural produce, industrial and craftsmanship goods and export of all abovementioned goods and products, and representations of local and foreign companies, manufacturing the same goods and products; execution of all kind of construction activities; sales and purchases, renting and utilizing of real estate; creation and exploitation of all kinds of tourist and hotel objects (hotels, restaurants, coffee shops, entertainment centres); advertising. The Company is entitled to all other kinds of activities that are not forbidden under the legislation of Republic of Bulgaria.

At 31 December 2017, the Company has stores at the terrioty of the cities of Sofia, Plovdiv, Varna, Burgas, Ruse and Stara Zagora.

The Company has predominantly retail sales to a large number of customers. The major single customer of the Company in 2017 was JUMBO S.A., Greece ("the Parent Company").

The major suppliers of the Company in 2017 were the Parent Company, electricity distributing companies, lessors of land, stores and warehouses, transportation firms and others.

Existence of Branches

The Company has no branches.

Research and Development Activities

In 2017 the Company had no research and development activities.

REVIEW OF DEVELOPMENT AND ACTIVITY'S RESULTS

Sales Revenue and Other Operating Income

In 2017 the Company generated revenue from sales of merchandise for the amount of BGN 145 885 thousand (2016: BGN 118 615 thousand) as disclosed in Note 13 to the annual financial statements. The increase in the revenue from sales of merchandise in 2017 amounts to BGN 27 270 thousand (22.99 %) in comparison to 2016. Since in the previous year the Company opened a new store – in November 2016 in the city of Stara Zagora – the increase in sales is due both to the general increase of the sales in the existing stores and to the realized sales in the newly opened store for the entire 2017. Impact on the overall revenue from sales of merchandise has also the slight decrease in the sales on foreign markets.

There was no significant change in the structure of the other operating income of the Company in comparison to the previous year. In 2017 the other income and gains of the Company amount to BGN 1 224 thousand (2016: BGN 1 195 thousand). The increase in the other income is insignificant.

Operating Expenses

In 2017 there was no significant change in the structure of the operating expenses of the Company in comparison to the previous year. In 2017 and 2016 the operating expenses of the Company, analysed on the basis of their nature and not on the basis of the function they pertain to, and without considering the cost of sold merchandise, were as follows:

	All amounts, apart from the shown percentages, are in BGN thousand			
Type of expense	**2017**	**%**	**2016**	**%**
Expenses for materials	5 301	15 %	4 662	15 %
Expenses for external services	7 446	21 %	6 635	22 %
Depreciation and amortization charges	6 730	19 %	6 530	21 %
Employee benefit costs	12 212	34 %	8 816	29 %
Expenses for other taxes and other provisions	1 581	4 %	1 406	5 %
Other expenses	2 840	8 %	2 488	8 %
	36 110	**100 %**	**30 537**	**100 %**

The changes in the operating expenses, shown above, are due to mainly to the increased volume of operations of the Company and of the hired personnel.

Financial Income and Expenses

There was no significant change in the structure of the financial income and expenses of the Company in comparison to the previous year. In 2017 the financial income and expenses of the Company represent net financial income amounting to BGN 1 004 thousand (2016: BGN 997 thousnad). The slight increase in the net financial income is due mainly to the increase in the interest income.

Financial Result

The financial result of the Company in 2017 was a net profit of BGN 29 482 thousand (2016: BGN 23 419 thousand), which represents 20.21 % of the realised revenue from the sales of merchandise for 2017 (2016: 19.74 %). The increase in the Company's profit is due mainly to the increased sales revenue which lead to an increase in the operating profit, whereas the expenses are also arising but with a lower trend.

At the moment, no meeting of the Board of Directors of the single shareholder is scheduled to be held in 2018 at which to be taken a decision for distribution of the realised financial result in the form of dividends and/or transfer of the realised financial result into the retained earnings.

Non-current Assets

At 31 December 2017, there was no significant change in the structure of the non-current assets of the Company in comparison to the end of the previous year. The non-current assets of the Company at the end of the reporting period were BGN 180 641 thousand, consisting mainly of property, plant and equipemnt amounting to BGN 177 786 thousand (98.42 %). The remaining non-current assets represent trade and other receivables amounting to BGN 2 779 thousand, as well as intangible assets amounting to BGN 30 thousand and deferred tax assets amounting to BGN 46 thousand. Additional information about the non-current assets is disclosed in Notes 3, 4, 5 and 6 to the annual financial statements.

Current Assets

At 31 December 2017, there was no significant change in the structure of the current assets of the Company in comparison to the end of the previous year. The current assets of the Company at the end of the reporting period were BGN 217 994 thousand, consisting mainly of cash amounting to BGN 197 410 thousand (90.56 %). The remaining current assets represent inventories amounting to BGN 19 635 thousand, as well as trade and other receivables amounting to BGN 949 thousand. Additional information about the current assets is disclosed in Notes 6, 7 and 8 to the annual financial statements.

Non-current Liabilities

At 31 December 2017, there was no significant change in the structure of the non-current liabilities of the Company in comparison to the end of the previous year. The non-current liabilities of the Company at the end of the reporting period were BGN 86 thousand, consisting only of retirement benefit obligations. Additional information about the non-current liabilities is disclosed in Note 10 to the annual financial statements.

Current Liabilities

At 31 December 2017, there was no significant change in the structure of the current liabilities of the Company in comparison to the end of the previous year. The current liabilities of the Company at the end of the reporting period were BGN 11 415 thousand, consisting mainly of trade and other payables for the amount of BGN 11 128 thousand (97.49 %). The remaining current liabilities represent current income tax payables for the amount of BGN 251 thousand and other provisions for the amount of BGN 36 thousand. Additional information about the current liabilities is disclosed in Notes 11, 12 and 21 to the annual financial statements.

Equity

There was no significant change in the structure of the equity of the Company in comparison to the end of the previous year.

In 2017 there were no increases or decreases in the share capital of the Company, as disclosed in Note 9 to the annual financial statements. The share capital of the Company at the end of the reporting period was BGN 248 594 400. The share capital consists of 2 485 944 shares with par value of BGN 100 each.

The other elements of the equity represent retained earnings and other reserves, which at the end of the reporting period were respectively for the amounts of BGN 138 536 thousand and BGN 4 thousand (2016: respectively BGN 109 054 thousand and BGN 7 thousand). The changes in the other elements of the equity are due to as follows: the increase in the retained earnings resulted from the realised financial results in the reporting period, and the decrease in the other reserves resulted from the performed measurement of the retirement benefit obligations (additional information for which is presented in Note 10 to the annual financial statements).

The single shareholder in the Company as at 31 December 2017 and 2016 is JUMBO S.A., Greece, as disclosed in Note 9 to the annual financial statements.

FINANCIAL RATIOS

Liquidity

Current ratio = Current assets / Current liabilities = BGN 217 992 thousand / BGN 11 415 thousand = **19.10** (2016: **15.87**)

Quick ratio = (Current assets – Inventory) / Current liabilities = (BGN 217 992 thousand – BGN 19 635 thousand) / BGN 11 415 thousand = **17.38** (2016: **14.18**)

Absolute ratio = Cash and cash equivalents / Current liabilities = BGN 197 410 thousand / BGN 11 415 thousand = **17.29** (2016: **14.11**)

Net working capital = Current assets – Current liabilities = BGN 217 992 thousand – BGN 11 415 thousand = **BGN 206 577 thousand** (2016: **BGN 172 661 thousand**)

The changes in the liquidity ratios were due both to the increased amount of current assets and to the decreased amount of the current liabilities.

Profitability

Gross profit margin = Gross profit / Sales revenue = BGN 66 814 thousand / BGN 145 885 thousand = **45.80 %** (2016: **45.95 %**)

Pre-tax return on assets = Profit before income tax / Total assets = BGN 32 931 thousand / BGN 398 633 thousand = **8.26 %** (2016: **7.08 %**)

Return on equity = Comprehensive income / Equity = BGN 29 479 thousand / BGN 387 134 thousand = **7.61 %** (2016: **6.55 %**)

The changes in the profitability ratios were due mainly to the increased sales revenue, while the gross profit margin remained relatively stable and the operating expenses had a smaller relative increase, which has lead to a general increase in profitability.

Activity

Days in inventory = Average inventory * 365 / Cost of sales = BGN 19 646 thousand * 365 / BGN 79 071 thousand = **91 days** (2016: **100 days**)

Total asset turnover = Sales revenue / Average total assets = BGN 145 885 thousand / BGN 383 984 thousand = **37.99 %** (2016: **32.95 %**)

The changes in the activity ratios were due mainly to thhe increased sales revenue, which were realised with relatively stable levels of inventories and total assets.

USED FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENTS

In its activity, the Company does not use financial instruments apart from those, udner which trade receivables and payables are recognised. Performing its activity, the Company is not exposed to signicificant financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance and financial position. Financial risk management is carried out by the management in accordance with the selected and approved policy. Information about the Company's exposition to the different risks, as well as additional information about the objectives and the policies of the Company regarding financial risk management is disclosed in Note 32 to the annual financial statements.

The Company has no hedged items, for which to apply hedging accounting.

EVENTS AFTER THE DATE AT WHICH THE FINANCIAL STATEMENTS HAVE BEEN PREPARED

There were no events which to have occurred after the end of the reporting period and which to have impact on the financial statements, apart from those disclosed in Note 26 to the annual financial statements.

MANAGEMENT

The management of the Company is carried out by Marios Petridis, General Manager and Alexandra Mihova, Procurator.

The remunerations received in the year by the key management personnel are those disclosed in Note 27 to the annual financial statements.

OBJECTIVES FOR THE FUTURE DEVELOPMENT

One of the main objectives, which have been set by the management of the Company for 2018, is achieving an additional optimisation of the operating expenses and increasing the revenue from sales of merchandise with around 10 – 12 % in comparison to those realised in 2017.

Another objective is improvement of the customer service quality.

At the moment, the Company is planning to open a new store in 2018.

With regards to the development of personnel, the Company has an objective to keep the hired staff. In 2018 the Company will continue to invest in trainings and qualification of the employees.

There are no forthcoming deals that are of significance to the activity of the Company.

MAIN RISKS TO THE COMPANY

The main risks which the Company faces are general unfavourable changes in the European economy and occurrence of force majeure circustmances which might lead to decrease in the activity.

MANAGEMENT'S RESPONSIBILITIES

Under the Bulgarian legislation, management of the Company has to prepare financial statements annually, which financial statements should give a true and fair view of the financial position of the Company at the end of the year and of its financial performance and its cash flows for the year in accordance with IFRS.

Management confirms that it has applied, in a consistent manner, adequate accounting policies and that in the preparation of the financial statements as at 31 December 2017 it has applied the principle for prudence in the valuation of assets, liabilities income and expenses.

Management also confirms that it has adhered to the applicable financial reporting standards and the financial statements were prepared on a going concern basis.

Management is responsible for the correct recording in the accounting registers, for the adequate management of the assets and for the execution of the proper measures for the prevention and detection of potential fraud and other irregularities.

ДЖАМБО ЕС.Б ЕООД София

Alexandra Mihova, Procurator
Sofia
9 February 2018

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

(All amounts in BGN thousands)

	NOTE	AT 31 DECEMBER 2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	3	177 786	182 104
Intangible assets	4	30	15
Deferred tax assets	5	46	44
Trade and other receivables	6	2 779	2 901
		180 641	**185 064**
Current assets			
Trade and other receivables	6	949	868
Inventory	7	19 635	19 656
Cash and cash equivalents	8	197 410	163 745
		217 994	**184 269**
TOTAL ASSETS		**398 635**	**369 333**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	248 594	248 594
Other reserves		4	7
Retained earnings		138 536	109 054
		387 134	**357 655**
Non-current liabilities			
Retirement benefit obligations	10	86	70
		86	**70**
Current liabilities			
Trade and other payables	11	11 128	11 531
Provisions	12	36	36
Current income tax payables	21	251	41
		11 415	**11 608**
Total liabilities		**11 501**	**11 678**
TOTAL EQUITY AND LIABILITIES		**398 635**	**369 333**

These financial statements were approved by the management on 9 February 2018

Джамбо ЕС.Б ЕООД София

Desislava Grigorova, Chief Accountant

Alexandra Mihova, Procurator

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 9 February 2018

Одиторско дружество София Рег. № 142 НС Консултинг ООД

Nino Kaloyanov, Registered Auditor

Snezhanka Kaloyanova, Manager

JUMBO EC. B EOOD

STATEMENT OF COMPREHENSIVE INCOME

31 DECEMBER 2017

(All amounts in BGN thousands)

	NOTE	YEAR ENDED 31 DECEMBER 2017	2016
Sales revenue	13	145 885	118 615
Cost of sales	14	(79 071)	(64 115)
Gross profit		**66 814**	**54 500**
Distribution costs	15	(33 288)	(28 098)
Administrative expenses	16	(1 242)	(1 033)
Other income and gains	17	1 224	1 195
Other expenses and losses	18	(1 581)	(1 406)
Operating profit		**31 927**	**25 158**
Finance income	20	1 341	1 315
Finance costs	20	(337)	(318)
Finance income – Net		1 004	997
Profit before income tax		**32 931**	**26 155**
Income tax expense	21	(3 449)	(2 736)
Profit for the year		**29 482**	**23 419**
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of retirement benefit obligations	10 & 21	(3)	(5)
Total other comprehensive income for the year, net of tax		**(3)**	**(5)**
Total comprehensive income for the year		**29 479**	**23 414**

These financial statements were approved by the management on 9 February 2018

ДЖАМБО ЕС.Б ЕООД София

Desislava Grigorova, Chief Accountant

Alexandra Mihova, Procurator

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 9 February 2018

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 142 НС КОНСУЛТИНГ ООД

Nino Kaloyanov, Registered Auditor

Snezhanka Kaloyanova, Manager

(All amounts in BGN thousands)

	NOTE	Share capital	Other reserves	Retained earnings	Total
AT 1 JANUARY 2016		**248 594**	**12**	**85 635**	**334 241**
Comprehensive income					
Profit for the year		-	-	23 419	23 419
Other comprehensive income for the year		-	(5)	-	(5)
Total comprehensive income		**-**	**(5)**	**23 419**	**23 414**
AT 31 DECEMBER 2016		**248 594**	**7**	**109 054**	**357 655**
Comprehensive income					
Profit for the year		-	-	29 482	29 482
Other comprehensive income for the year		-	(3)	-	(3)
Total comprehensive income		**-**	**(3)**	**29 482**	**29 479**
AT 31 DECEMBER 2017		**248 594**	**4**	**138 536**	**387 134**

These financial statements were approved by the management on 9 February 2018

Джамбо ЕС.Б ЕООД София

Desislava Grigorova, Chief Accountant

Alexandra Mihova, Procurator

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 9 February 2018

Одиторско дружество София Рег. № 142 НС Консултинг ООД

Nino Kaloyanov, Registered Auditor

Snezhanka Kaloyanova, Manager

JUMBO EC. B EOOD

STATEMENT OF CASH FLOWS

31 DECEMBER 2017

(All amounts in BGN thousands)

	NOTE	YEAR ENDED 31 DECEMBER 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	39 304	22 194
Income tax paid		(3 241)	(3 039)
Net cash flows from operating activities		**36 063**	**19 155**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(3 277)	(784)
Purchases of intangible assets		(30)	(11)
Net cash flows from investing activities		**(3 307)**	**(795)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		1 244	1 313
Bank charges		(290)	(274)
Net cash flows from financing activities		**954**	**1 039**
Net increase in cash and cash equivalents in the year		**33 710**	**19 399**
Cash and cash equivalents at beginning of the year		163 745	144 388
Foreign exchange losses on cash and cash equivalents		(45)	(42)
Cash and cash equivalents at end of the year	8	**197 410**	**163 745**

These financial statements were approved by the management on 9 February 2018

Desislava Grigorova, Chief Accountant

ДЖАМБО ЕС.Б София ЕООД

Alexandra Mihova, Procurator

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 9 February 2018

Nino Kaloyanov, Registered Auditor

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 142 НС КОНСУЛТИНГ ООД

Snezhanka Kaloyanova, Manager

1. GENERAL INFORMATION

JUMBO EC. B („The Company") is a solely owned limited liability company registered in Bulgaria with domicile 1404 Sofia, 51 Bulgaria Blvd. The correspondence address of the Company is 1404 Sofia, 51 Bulgaria Blvd.

The main activities carried out by the Company are manufacture and wholesale and retail trade of all kinds of goods, including kid's products, toys, baby's products, office consumables, clothes, shoes, accessories for clothes and shoes, furnitures, tourist equipment and appliances, presents, all kinds of electrical appliances, technics and electronics, foods and agricultural produce, industrial and craftsmanship goods and export of all abovementioned goods and products, and representations of local and foreign companies, manufacturing the same goods and products. The Company is entitled to all other kinds of activities that are not forbidden under the legislation of Republic of Bulgaria.

The parent company of the Company which is also the ultimate parent of the Group which the Company is a part of is JUMBO S.A., Greece.

These financial statements were approved for publishing by the management of the Company on 9 February 2018.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards („IFRS"), published by the Interantional Accounitng Standards Board ("IASB") and adopted for use in the European Union by the Commission of the European Union („The European Commission").

The financial statements have been prepared under the historical cost convention.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The future viability of the Company depends upon the business environment as well as on the securing and finance provided by the current and future owners and investors. If this risk is not mitigated and if the business of the Company was to be wound down and its assets sold, adjustments would have to be made to reduce the carrying value of assets to their liquidation value, to provide for further liabilities that might arise, and to reclassify property, plant and equipment and long-term liabilities as current assets and liabilities. In the light of the expected future cash flows, the Management of the Company considers that it is appropriate the financial statements to be prepared on a going concern basis. With regards to the Management assessment that the Company will be able to continue as a going concern, the Company receives full support, including financial assistance, by JUMBO S.A., Greece as its parent company.

2.1.1. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2017 AND RELEVANT TO THE COMPANY

The following standards/amendments to standards/interpretations are mandatory for the preparation of financial statements for reporting periods beginning on or after 1 January 2017 and are relevant to the Company:

<u>IAS 7 (Amendments) "Disclosure initiative"</u>
- Published by IASB in January 2016
- Adopted by the European Commission in November 2017
- Effective for reporting periods beginning on or after <u>1 January 2017</u>
The amendments to the standard present additional disclosure requirements. The entities are required to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes in the reporting period. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The Company has applied the amendments to the standard in the preparation of the current financial statements and has provided the required additional disclosures.

2.1.2. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2018 AND AFTERWARDS AND EARLY ADOPTED BY THE COMPANY

There are no new standards/amendments to standards/interpretations that are early adopted by the Company in 2017.

2.1.3. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2017 AND NOT RELEVANT TO THE COMPANY

The following new standards/amendments to standards/interpretations are mandatory for the preparation of financial statements for reporting periods beginning on or after 1 January 2017, but are not relevant to the Company.

- IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses"

2.1.4. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2018 AND AFTERWARDS, RELEVANT TO BUT NOT EARLY ADOPTED BY THE COMPANY

The following standards/amendments to standards/interpretations are published and are mandatory for reporting periods beginning on different dates, the earlier of which is 1 January 2018 and are relevant to the Company:

IFRS 9 "Financial Instruments"
- Published by IASB in July 2014
- Adopted by the European Commission in November 2016
- Effective for reporting periods beginning on or after 1 January 2018
The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting, as follows:

- Classification and measurement: IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.
- Impairment: IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.
- Hedge Accounting: IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.
- Own credit: IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The Company will apply the new standard after becoming effective. It is not expected that the new standard will affect significantly the financial statements of the Company.

IFRS 15 "Revenue from Contracts with Customers" and consequential amendment related to the deferral of the effective date
- Published by IASB in May 2014 and September 2015
- Adopted by the European Commission in September 2016
- Effective for reporting periods beginning on or after 1 January 2018
The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company will apply the new standard after becoming effective. It is not expected that the new standard will affect significantly the financial statements of the Company.

IFRS 15 (Amendments) "Revenue from Contracts with Customers"
- Published by IASB in April 2016
- Adopted by the European Commission in October 2017
- Effective for reporting periods beginning on or after 1 January 2018
The amendments to the standard do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the standard. The Company will apply the amendments to the new standard after they become effective. It is not expected the amendments to the new standard will affect significantly the financial statements of the Company.

IFRS 16 "Leases"
- Published by IASB in January 2016
- Adopted by the European Commission in October 2017
- Effective for reporting periods beginning on or after 1 January 2019
The new standard replaces accounting requirements introduced more than 30 years ago that are no longer consider fit for purpose and is major revision of the way in which the companies account for leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The new standard substantially carries forward lessor accouting from IAS 17. The Company will apply the new standard after it becomes effective. At the moment the potential impact of the standard on the financial statements cannot be assessed.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
- Published by IASB in December 2016
- Expecting adoption by the European Commission
- Effective for reporting periods beginning on or after 1 January 2018
The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The Company will apply the new interpretation after its adoption by the European Commission, but at the moment it is not expected that this will affect significantly its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments"
- Published by IASB in June 2017
- Expecting adoption by the European Commission
- Effective for reporting periods beginning on or after 1 January 2019
It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Company will apply the new interpretation after its adoption by the European Commission, but at the moment it is not expected that this will affect significantly its financial statements.

(All amounts in BGN thousands unless otherwise stated)

2.1.5. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2017 AND AFTERWARDS AND NOT RELEVANT TO THE COMPANY

The following standards/amendments to standards/interpretations are published and are mandatory for reporting periods beginning on different dates, the earlier of which is 1 January 2017 but are expected not to be relevant to the Company:

- IFRS 2 (Amendments) "Classification and Measurement of Share-based Payment Transactions"
- IFRS 4 (Amendments) "Applying IFRS 9 with IFRS 4"
- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"
- IFRS 10 and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 14 "Regulatory Deferral Accounts"
- IFRS 17 "Insurance contracts"
- IAS 28 (Amendments) "Long-term Interests in Associates and Joint Ventures"
- IAS 40 (Amendments) "Transfers of Investmenty Property"
- Annual Improvements to IFRS 2014 – 2016 Cycle
- Annual Improvements to IFRS 2015 – 2017 Cycle

2.2. FOREIGN CURRENCY

2.2.1. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Bulgarian Leva (BGN), which is the Company's functional and presentation currency. The Bulgarian Lev is fixed to the Euro (EUR) by the means of the enforced currency board in the Republic of Bulgaria since 1 January 1999.

2.2.2. TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. The closing exchange rates of the BGN against the major foreign currencies relevant to the Company's operations for the reporting periods of the financial statements are as follows:

	AT 31 DECEMBER	
	2017	**2016**
1 EUR	1.95583	1.95583

2.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except for lands are shown at cost less subsequent depreciation and impairment. Land is shown at cost less impairment. Cost includes the purchase price, including customs duties and non-refundable taxes, if any, as well as expenditure that is directly attributable to the acquisition of the items. Cost does not include borrowing costs for there are no qualifying assets and no borrowings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	YEARS
Buildings	30
Machines and equipment	5 – 10
Computers	3 – 4
Furniture and fittings	5 – 9

The assets' residual values and useful lives are reviewed by the management, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts of the disposed assets. These are included in the Statement of comprehensive income in other income or other expenses line items.

2.4. INTANGIBLE ASSETS

2.4.1. COMPUTER SOFTWARE

Separately acquired computer software programmes are carried at cost less subsequent amortisation and impairment. Cost includes the purchase price and other expenditure that is directly attributable to the acquisition of the items and the preparation of the assets for their expected use. Cost does not include borrowing costs for there are no qualifying assets. These intangible assets have finite useful lives. Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	YEARS
Computer software	3 – 4

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.5. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the following two: (1) an asset's fair value less costs to sell and (2) value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6. FINANCIAL ASSETS

2.6.1. CLASSIFICATION OF FINANCIAL ASSETS

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not designated at their initial recognition as held for trading, at fair value through profit or loss or available for sale. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current. Loans and receivables include trade and other receivables (except for the advances paid to suppliers) as well as cash and cash equivalents on the Statement of financial position (Notes 2.7 and 2.8).

2.6.2. RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

At their recognition, the financial assets are measured at fair value, plus, for those financial assets that are not carried at fair value through profit or loss, the transaction costs which are directly attributable to the acquisition of the financial assets.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial assets.

2.6.3. IMPAIRMENT OF FINANCIAL ASSETS CARRIED AT AMORTISED COST

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- ✓ Significant financial difficulty of the issuer or obligor;
- ✓ A breach of contract, such as a default or delinquency in interest or principal
- ✓ payments;
- ✓ The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- ✓ It becomes probable that the borrower will enter bankruptcy or another financial reorganisation;
- ✓ The disappearance of an active market for that financial asset because of financial difficulties; or
- ✓ Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists separately for financial assets that are individually significant and separately or in aggregate for financial assets that are not individually significant.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.6.4. OFFSETING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7. TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less from the period end, they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost (using the effective interest method), less provision for impairment.

If some of the criteria described in p. 2.6.3 exist including delinquency in payments (more than 30 days) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the Statement of comprehensive income.

2.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

2.9. INVENTORY

Inventories are stated at the lower cost or net realizable value. The delivery cost of inventories includes the sum of all purchase costs, or other costs incurred in bringing the inventories to their present location and condition. Cost excludes borrowing costs for there are no qualifying assets and there are no borrowing costs. Net realizable value is the estimate of the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The method used to determine cost of inventories when they are expensed is weighted average cost.

2.10. SHARE CAPITAL

The Company reports its share capital on the nominal value of the shares as registered in the Trade register.

2.11. TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less after the period end. If not, they are presented as non-current liabilities.

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

2.12. CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge, as well as the current tax assets/liabilities for the current and previous periods is calculated on the basis of the amount that is expected to be paid/received to the taxation authorities when applying the tax rates (and tax laws) enacted or substantively enacted at the end of the reporting period. The current income tax for the current and previous periods is recognised as a liability (current income tax liabilities) to the extent that it is not paid. If the already paid amount for current income tax is greater than the amount payable for the current and previous periods, the excess is recognised as an asset (current income tax receivables).

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on one taxable entity. The deferred assets/liabilities are presented netted in the statement of financial position.

2.13. EMPLOYEE BENEFITS

2.13.1. SHORT-TERM BENEFITS

The short-term employee benefits are emplpoyee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees rendered the related services. The short-term employee benefits include the following items: salaries and social security contributions, paid annual leaves and bonuses.

When an employee has rendered service during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid, and as an expense.

The Company recognize the expected cost of short-term employee benefits relating to accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The Company measures the expected cost of accumulating paid absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

2.13.2. POST-EMPLOYMENT BENEFITS

The post-employment benefits are employee benefits (other than short-term benefits) that are payable after the completion of employment. The post-employment benefits include retirement benefits, which represent lump sum payments on retirement.

The Company has a defined benefit plan. The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity and to other comprehensive income in the period in which they arise.

Current service costs, past-service costs, gains or losses at settlement, as well as the net interest on the net defined benefit plan liability are recognised in the profit or loss in the Statement of comprehensive income.

2.14. PROVISIONS

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.15. CONTINGENT LIABILITIES

Contingent liabilities are:

- ✓ Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- ✓ Present obligations that arise from past events but are not recognised because it is not possible that an outflow od resources embodying eceonomic benefits will be required to settle the obligations or because the amount of the obligations cannot be measured with sufficient reliability.

The Company does not recognize contingent liabilities in the statement of financial position.

2.16. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

2.16.1. SALES OF GOODS

Sales of goods are recognised when the Company has transferred to the client the significant risks and rewards inherent to the ownership of the goods, no managerial involvement and effective control over the goods has been retained, the amount of revenue and the costs incurred or to be incurred in relation to the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

2.16.2. SALES OF SERVICES

Revenue from rendering of services is recognised when the outcome of a transaction can be measured reliably and by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of the transaction can be estimated reliably when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the stage of completion can be measured reliably and cost incurred or to be incurred in relation to the transaction can be measured reliability. The stage of completion of transactions for rendering of services is measured on the basis of review of the performed work.

2.16.3. INTEREST INCOME

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

2.17. LEASES

The Company classifies the lease contracts as finance or operating lease based on the extent to which the risks and rewards of ownership are to the lessor or the lessee. A lease contract is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. In all other cases the lease contract is classified as an operating lease. The classification of the contracts is made at the inception of the lease.

2.17.1. OPERATING LEASE WHERE THE COMPANY IS A LESSEE

The company holds hired assets of property, plant and equipment under operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

2.17.2. OPERATING LEASE WHERE THE COMPANY IS A LESSOR

The Company rents assets of property, plant and equipment under operating lease contracts. The assets that are leased out under operating leases are included in the Statement of financial position of the Company based on their nature. Lease income is recognised in the Statement of comprehensive income over the term of the lease on a straight-line basis.

2.18. RELATED PARTIES

For the purposes of these financial statements, the Company presents as related parties its parent company and its related parties thereof, the Company's key management personnel and their close family members and their related parties thereof.

2.19. DIVIDEND DISTRIBUTION

Dividend distribution to the Company's single shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors of the parent company.

(All amounts in BGN thousands unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Land	**Buildings**	**Furnitures, computers and machines**	**Assets under construction**	**Total**
AT 1 JANUARY 2016					
Cost	53 835	152 422	14 959	652	**221 868**
Accumulated depreciation	-	(25 831)	(8 945)	-	**(34 776)**
Net book amount	**53 835**	**126 591**	**6 014**	**652**	**187 092**
YEAR ENDED 31 DECEMBER 2016					
Additions	-	-	321	1 517	**1 838**
Disposals and transfers	-	-	1 299	(1 602)	**(303)**
Depreciation charge	-	(5 076)	(1 447)	-	**(6 523)**
Closing net book amount	**53 835**	**121 515**	**6 187**	**567**	**182 104**
AT 31 DECEMBER 2016					
Cost	53 835	152 422	16 453	567	**223 277**
Accumulated depreciation	-	(30 907)	(10 266)	-	**(41 173)**
Net book amount	**53 835**	**121 515**	**6 187**	**567**	**182 104**
YEAR ENDED 31 DECEMBER 2017					
Additions	-	-	2 414	-	**2 414**
Disposals and transfers	-	-	(16)	-	**(16)**
Depreciation charge	-	(5 076)	(1 640)	-	**(6 716)**
Closing net book amount	**53 835**	**116 439**	**6 945**	**567**	**177 786**
AT 31 DECEMBER 2017					
Cost	53 835	152 422	18 782	567	**225 606**
Accumulated depreciation	-	(35 983)	(11 837)	-	**(47 820)**
Net book amount	**53 835**	**116 439**	**6 945**	**567**	**177 786**

(All amounts in BGN thousands unless otherwise stated)

Depreciation expenses of PPE are reported as follows: BGN 6 704 thousand (2016: BGN 6 508 thousand) in distribution costs (Note 15) and BGN 12 thousand (2016: BGN 15 thousand) in administrative expenses (Note 16).

Lease rental payments amounting to BGN 3 006 thousand (2016: BGN 2 470 thousand) relating to the lease of land and buildings under operating leases are included in distribution costs in the statement of comprehensive income (Note 15).

4. INTANGIBLE ASSETS

	Компютърен софтуер
AT 1 JANUARY 2016	
Cost	271
Accumulated amortisation	(260)
Net book amount	**11**
YEAR ENDED 31 DECEMBER 2016	
Additions	11
Amortisation charge	(7)
Closing net book amount	**15**
AT 31 DECEMBER 2016	
Cost	282
Accumulated amortisation	(267)
Net book amount	**15**
YEAR ENDED 31 DECEMBER 2017	
Additions	29
Amortisation charge	(14)
Closing net book amount	**30**
AT 31 DECEMBER 2017	
Cost	311
Accumulated amortisation	(281)
Net book amount	**30**

Amortisation expenses of intangible assets are reported as follows: BGN 14 thousand (2016: BGN 7 thousand) in distribution costs (Note 15).

(All amounts in BGN thousands unless otherwise stated)

5. DEFERRED TAX ASSETS

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities, at the tax rate of 10% (2016: 10%), which is to be effective at the time they are realised.

The deferred tax assets and liabilities are analysed as follows:

	AT 31 DECEMBER	
Deferred income tax assets	**2017**	**2016**
– Deferred income tax assets to be recovered after 12 months	9	7
– Deferred income tax assets to be recovered within 12 months	51	56
Total deferred income tax assets	**60**	**63**
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered after 12 months	(14)	(19)
Total deferred income tax liabilities	**(14)**	**(19)**
Deferred income tax assets – net	**46**	**44**

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

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
AT 1 JANUARY	**44**	**38**
(Charged)/credited to profit or loss (Note 21)	2	5
Tax (charge)/credit relating to components of other comprehensive income (Note 21)	-	1
AT 31 DECEMBER	**46**	**44**

(All amounts in BGN thousands unless otherwise stated)

The movement in deferred tax assets and liabilities by elements during the period was as follows:

Deferred tax assets	**Unused paid leaves**	**Provisions for pensions**	**Impairment losses on inventory**	**Total**
AT 1 JANUARY 2016	**17**	**5**	**29**	**51**
(Charged)/credited to profit or loss	4	1	6	**11**
(Charged)/credited to other comprehensive income	-	1	-	**1**
AT 31 DECEMBER 2016	**21**	**7**	**35**	**63**
(Charged)/credited to profit or loss	4	2	(9)	**(3)**
(Charged)/credited to other comprehensive income	-	-	-	**-**
AT 31 DECEMBER 2017	**25**	**9**	**26**	**60**

Deferred tax liabilities	**Property, plant and equipment**	**Total**
AT 1 JANUARY 2016	**(13)**	**(13)**
(Charged)/credited to profit or loss	(6)	**(6)**
AT 31 DECEMBER 2016	**(19)**	**(19)**
(Charged)/credited to profit or loss	5	**5**
AT 31 DECEMBER 2017	**(14)**	**(14)**
DEFERRED TAX ASSETS, NET AT 31 DECEMBER 2016		**44**
DEFERRED TAX ASSETS, NET AT 31 DECEMBER 2017		**46**

At 31 December 2017 and 2016 the Company has no tax losses to carry forward.

(All amounts in BGN thousands unless otherwise stated)

6. TRADE AND OTHER RECEIVABLES

	AT 31 DECEMBER	
	2017	**2016**
Advances to suppliers of fixed assets	159	155
Advances to other suppliers	404	528
Deferred charges	2 881	2 857
Receivables for accrued interest on short-term bank deposits	190	92
Other tax receivables	83	83
Other receivables	11	54
Total trade and other receivables	**3 728**	**3 769**
Less non-current portion:		
- Deferred charges	(2 623)	(2 729)
- Advances to suppliers of fixed assets	(155)	(155)
- Other receivables	(1)	(17)
	(2 779)	**(2 901)**
Current trade and other receivables	**949**	**868**

The fair values of current trade and other receivables approximate their carrying amounts.

Other tax receivables represent amount paid by the Company to the National Revenue Agency, which represent the principle amount of additional tax payables, enforced with a Tax revision act, issued in June 2014, which is currently being appealed (Note 12). The payment has been made in order to be stopped the accrual of interests while the appeal process is running.

The deferred charges represent prepaid expenses for operating lease rental payments for the amount of BGN 2 729 thousand (2016: BGN 2 836 thousand), insurance for the amount of BGN 109 thousand (2016: BGN 21 thousand) and food vouchers for the amount of BGN 43 thousand (2016: none).

The non-current part of the prepaid expenses, which are related to long-term rent of land and buildings, will be recovered as follows:

	AT 31 DECEMBER	
	2017	**2016**
More than 1 year but less than 5 years	427	427
More than 5 years	2 196	2 302
Total non-current prepaid expenses	**2 623**	**2 729**

At 31 December 2017 and 2016 no trade and other receivables were overdue.

At 31 December 2017 and 2016 no trade and other receivables were impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above except for the advances paid to suppliers and the deferred charges. The Company does not hold any collateral as security on trade and other receivables.

(All amounts in BGN thousands unless otherwise stated)

The credit quality of trade receivables and receivables from related parties that are neither past due nor impaired is based to historical information about counterparty default rates:

	AT 31 DECEMBER	
	2017	**2016**
Trade receivables		
Group 1	-	-
Total unimpaired trade receivables	-	-
Receivables from related parties		
Group 1	-	-
Total unimpaired receivables from related parties	-	-

Group 1 – old customers/related parties, more than 6 months, with no defaults in the past.

There were no trade receivables and receivables from related parties that otherwise would be overdue or impaired and whose payment terms were renegotiated.

The carrying amount of trade and other receivables was denominated in the following currencies:

	AT 31 DECEMBER	
	2017	**2016**
Bulgarian Lev (BGN)	3 635	3 617
Euro (EUR)	93	152
Total trade and other receivables	**3 728**	**3 769**

7. INVENTORY

	AT 31 DECEMBER	
	2017	**2016**
Merchandise	19 635	19 656
Total inventory	**19 635**	**19 656**

The cost of merchandise recognised as expense and included in the cost of sales amounted to BGN 79 071 thousand (2016: BGN 64 115 thousand) (Note 14).

The Company incurred impairment of inventories in 2016 for the amount of BGN 258 thousand (2016: BGN 346 thousand) (Note 15) and reversed previous impairment of inventories for the amount of BGN 228 thousand (2016: BGN 274 thousand) (Note 17).

(All amounts in BGN thousands unless otherwise stated)

8. CASH AND CASH EQUIVALENTS

	AT 31 DECEMBER	
	2017	**2016**
Cash in hand	191	226
Cash at bank	26 343	53 487
Short-term bank deposits	169 190	109 190
Cash in transit	1 686	842
Total cash and cash equivalents	**197 410**	**163 745**

Cash and cash equivalents are financial assets that are neither overdue nor impaired and do not expose the Company to credit risk.

The short-term bank deposits above include a deposit of BGN 89 thousand under contract for financial collateralisation with presentment of collateral for an issued bank guarantee, which secures the currently due interest, enforced with a tax revision act, issued in June 2014. The tax revision act is currently being appealed (Note 12).

For the statement of cash flows, cash and cash equivalents include the amounts shown above.

9. SHARE CAPITAL

	Брой дялове	**Стойност**
AT 1 JANUARY 2016	**2 485 944**	**248 594**
AT 31 DECEMBER 2016	**2 485 944**	**248 594**
AT 31 DECEMBER 2017	**2 485 944**	**248 594**

The share capital is BGN 248 594 400 and is consisted of 2 485 944 shares with par value of BGN 100 per share.

All issued shares are fully paid.

The Company's single shareholder at 31 December 2017 and 2016 was JUMBO S.A., Greece.

(All amounts in BGN thousands unless otherwise stated)

10. RETIREMENT BENEFIT OBLIGATIONS

The liability in the statement of financial position for pension provision reflects defined post-retirement benefit plan. The Company applies the regulatory requirements for payments at retirement due to age and experience and due to illness in accordance with the applicable Labour Code ("LC").

In accordance with article 222, para 2 of LC in the event of termination of a labour contract due to illness, the employee is entitled to a compensation amounting to 2 gross monthly salaries, if the employee has at least 5 years of experience in the Company and in the last 5 years no other similar compensation was paid.

In accordance with article 222, para 3 of LC in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Company for at least 10 years.

The amounts recognised in the statement of financial position are determined as follows:

	AT 31 DECEMBER	
	2017	**2016**
Present value of the obligations	86	70
Liability at the end of the reporting period	**86**	**70**

The movement in the liability recognised in the statement of financial position was as follows:

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
AT 1 JANUARY	**70**	**55**
Current service cost (Note 19)	14	10
Interest expense (Note 20)	2	2
Total expense	**16**	**12**
Remeasurements:		
- Experience (gains)/losses	5	5
- (Gains)/losses from change in demographic assumptions	-	-
- (Gains)/losses from change in financial assumptions	(2)	1
Total other comprehensive income	**3**	**6**
Benefits paid	**(3)**	**(3)**
AT 31 DECEMBER	**86**	**70**

The expenses, relating to employees. were included in distribution costs (Note 15).

The principal actuarial assumptions used were as follows:

	AT 31 DECEMBER	
	2017	**2016**
Discount rate	1.40 %	2.50 %
Future salary increases	0.60 %	1 % и 2 %

(All amounts in BGN thousands unless otherwise stated)

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions is as follows:

AT 31 DECEMBER 2017	**Change in actuarial assumption**	**Effect on the liability**	**Change in actuarial assumption**	**Effect on the liability**
Discount rate	+ 1 %	(12)	– 1 %	15
Future salary increases	+ 1 %	15	– 1 %	(12)

The above sensitivity analysis is based on a model that estimates the potentianl change in the liability under change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, since changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions has been used the same method as that applied when calculating the pension liability recognised within the statement of financial position, namely measurement of the present value of the defined benefit obligation calculated with the projected unit credit method.

At 31 December 2017, the weighted average duration of the defined benefit obligation is 15.1 years (2016: 16.1 years).

11. TRADE AND OTHER PAYABLES

	AT 31 DECEMBER	
	2017	**2016**
Trade payables	2 727	2 510
Payables to related parties (Note 27)	691	1 493
Payables to suppliers of fixed assets	-	870
Payables to the employees	1 044	911
Payables for social securities and health insurance contributions	460	362
Other tax payables	6 196	5 377
Advances from customers	4	4
Other payables	6	4
Total trade and other payables	**11 128**	**11 531**

The fair values of trade and other payables approximate their carrying amounts.

Other tax payables represent payable VAT which is due for payment to the tax administration for the amount of BGN 6 184 thousand (2016: BGN 5 360 thousand) and tax on expenses for the amount of BGN 12 thousand (2016: BGN 7 thousand). The amount for the previous year includes and a payble for withholding tax for the amount of BGN 10 thousand.

The carrying amount of trade and other payables was denominated in the following currencies:

	AT 31 DECEMBER	
	2017	**2016**
Bulgarian Lev (BGN)	10 185	9 850
Euro (EUR)	943	1 681
Total trade and other payables	**11 128**	**11 531**

(All amounts in BGN thousands unless otherwise stated)

12. PROVISIONS

	Pending tax cases	Total
AT 1 JANUARY 2016	**36**	**36**
Additional provisions made in the period	-	-
AT 31 DECEMBER 2016	**36**	**36**
Additional provisions made in the period	-	-
AT 31 DECEMBER 2017	**36**	**36**

Provisions for pending tax cases
There are two tax revision acts, issued by the National Revenue Agency against the Company in June 2014, with which on the Company are enforced additional tax liabilities for the amount of BGN 217 thousand. One of these tax claims was repealed by the Supreme Administrative Court in January 2018 and the other is currently still appealed by the Company. The actual amount of the additional tax liabilities that will be payable and the actual timing in which the payment will be made will be determined in the appeal process. However, the balance at 31 December 2017 is expected to be utilized by 31 December 2018. In the Company's management opinion, after taking appropriate legal advice, the final outcome of these tax claim, which is currently being appealed, will not give rise to any significant loss beyond the amounts that have been already provided. The provision charge is recognized in profit and loss within other expenses and losses and the reversed provisions are reported as other income and gains. For the amounts that has not being provided for, the Company reports a contingent liability (Note 23).

13. SALES REVENUE

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Sales of merchandise on the domestic market	144 295	116 923
Sales of merchandise on foreign markets	1 590	1 692
Total sales revenue	**145 885**	**118 615**

14. COST OF SALES

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Inventory at the beginning of period (Note 7)	19 656	15 343
Purchases	82 170	71 332
Discounts on purchases	(774)	(858)
Surpluses of merchandise (Note 17)	840	803
Shortages and wastage of merchandise (Note 15)	(1 922)	(1 552)
Impairment of inventory (Note 15)	(258)	(346)
Reintegrated previous impairment of inventory (Note 17)	228	274
Consumable items (Note 15)	(1 234)	(1 225)
Inventory in the end of the period (Note 7)	(19 635)	(19 656)
Total cost of sales	**79 071**	**64 115**

(All amounts in BGN thousands unless otherwise stated)

15. DISTRIBUTION COSTS

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Depreciation and amortisation charges (Notes 3 and 4)	6 718	6 515
Employee benefit expense (Note 19)	11 198	7 983
Electricity	3 000	2 610
Rent – minimum lease payments (Note 3)	1 996	1 983
Rent – contingent rent (Note 3)	1 010	487
Advertisement	1 661	1 778
Shortages and wastage of merchandise	1 922	1 552
Consumable items	1 233	1 225
External services	1 572	1 393
Assets repair and maintenance cost	1 233	997
Other materials	466	338
Fuel	404	307
Impairments of inventory (Note 7)	258	346
Losses on disposals of PPE	7	6
Cost of sales of other goods sold	-	-
Other expenses	610	578
Общо разходи за продажби	**33 288**	**28 098**

Contingent rent is payable under lease contract for renting a land, upon which the Company constructed a store, and under a lease contract for renting a store. Under both contracts, the contingent rent payable is determined on the basis of the sales revenue generated in the respective store.

16. ADMINISTRATIVE EXPENSES

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Employee benefit expense (Note 19)	1 014	833
External services	155	141
Depreciation charges (Note 3)	12	15
Assets repair and maintenance cost	8	29
Other materials	6	6
Electricity	3	3
Other expenses	44	6
Total administrative expenses	**1 242**	**1 033**

In the expenses for external services line above are included expenses for independent financial audit and reviews for the amount of BGN 38 thousand (2016: BGN 38 thousand).

(All amounts in BGN thousands unless otherwise stated)

17. OTHER INCOME AND GAINS

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Surpluses of merchandise	840	803
Reintegrated previous impairment of inventory (Note 7)	228	274
Sales of other goods	-	-
Sales of materials	83	62
Sales of services	51	37
Surpluses of cash	22	18
Other income	-	1
Total other income and gains	**1 224**	**1 195**

18. OTHER EXPENSES AND LOSSES

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Local taxes and fees on real estate	1 581	1 406
Expenses for other provisions (Note 12)	-	-
Total other expenses and losses	**1 581**	**1 406**

19. EMPLOYEE BENEFIT EXPENSE

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Wages and salaries	10 280	7 395
Social security and national health contributions	1 662	1 206
Accrual for unused paid leaves	256	205
Pension costs – defined benefit plans (Note 10)	14	10
Total employee benefit expense	**12 212**	**8 816**

The number of employees at the end of the presented periods and the average number of employees was as follows:

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Employees at the end of the year	695	653
Average number of employees in the year	666	556

(All amounts in BGN thousands unless otherwise stated)

20. FINANCE INCOME AND COSTS

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Finance costs		
Foreign currency exchange losses on cash	(45)	(42)
Bank charges	(290)	(274)
Interest expense on retirement benefit obligations (Note 10)	(2)	(2)
Total finance costs	**(337)**	**(318)**
Finance income		
Interest income on cash at banks	1 341	1 315
Total finance income	**1 341**	**1 315**
Finance income – net	**1 004**	**997**

21. INCOME TAX EXPENSE

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Current income tax expense	3 451	2 741
Effect from changes in deferred taxes (Note 5)	(2)	(5)
Income tax expense	**3 449**	**2 736**

The current income tax expense adjusts to the theoretical amount of current income tax expense that would arise using the tax rate applicable to profits as follows:

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Profit before tax	**32 931**	**26 155**
Theoretical income tax expense at 10 % (2016: 10 %)	3 293	2 616
Effect on the tax charge of:		
Expenses not deductible for tax purposes	158	125
Current income tax expense	**3 451**	**2 741**

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

	YEAR ENDED 31 DECEMBER 2017		
	Before tax	**Tax (charge) / credit**	**After tax**
Remeasurements of retirement benefit obligations (Note 10)	(3)	-	(3)
Other comprehensive income	**(3)**	**-**	**(3)**
Deferred tax (Note 5)		-	

(All amounts in BGN thousands unless otherwise stated)

The current income tax payable at 31 December 2017 for the amount of BGN 251 thousand is calculated as from the current tax charge for the year, amounting to BGN 3 451 thousand, and the the tax payable at the beginning of the year, amounting to BGN 41 thousand, is deducted the tax paid in the eyar, amounting to BGN 3 241 thousand.

The current income tax payable at 31 December 2016 for the amount of BGN 41 thousand is calculated as from the current tax charge for the year, amounting to BGN 2 741 thousand, and the the tax payable at the beginning of the year, amounting to BGN 339 thousand, is deducted the tax paid in the eyar, amounting to BGN 3 039 thousand.

22. CASH FLOWS

22.1. CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Profit after tax	**29 482**	**23 419**
Adjustments for:		
Income tax expense (Note 21)	3 449	2 736
Depreciation and amortisation charges (Notes 3 and 4)	6 730	6 530
Operating pension provisions costs (Note 10)	11	8
Other provisions (Note 12)	-	-
Losses on impairment of inventory – net (Notes 15 and 17)	30	71
(Gains)/Losses on disposal of PPE (Note 15)	7	6
Finance income – net (Note 20)	(1 004)	(997)
Changes in working capital:		
Inventory	(9)	(4 384)
Trade and other receivables	167	(155)
Other assets	(24)	86
Trade and other payables	466	(5 125)
Other	(1)	(1)
Cash generated from operations	**39 304**	**22 194**

22.2. LIABILITIES ARISING FROM FINANCING ACTIVIVITIES

In 2017 and 2016 the Company had no liabilities arising from financing activities (liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities).

23. CONTINGENT LIABILITIES

The Company is not a part in any commercial litigation which has significant interest. The Company's management does not expect that any potentially material liability could arise in the case of advertent outcome of court cases or legal claims against it, apart from what is disclosed below.

In 2016 the Company was not subjected to examinations by the tax authorities including about the corporate income tax. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to potentiallly material additional tax liabilities, apart from what is disclosed below.

23.1. PENDING TAX CASES

At 31 December 2017, there is a contingent liability for the amount of BGN 135 thousand under a tax revision act, issued against the Company in June 2014. This tax claim is currently appealed by the Company. The actual amount of the additional tax liabilities that might be payable and the actual timing in which the payment might be needed to be made will be determined in the appeal process. A provision in relation to this tax claim has been recognized for the amount of BGN 36 thousand, as legal advice indicates that it is probable that a liability will arise (Note 12). Another tax act, issued against the Company also in June 2014, and in relation to which the Company has been disclosing a contingent liability for the amount of BGN 46 thousand in previous periods, was irrevocably repealed by the Supreme Administrative Court in January 2018.

23.2. ACQUISITION OF A STORE

With an Annex to a non-cancellable lease contract for rent of real estate, the current leasing agreement, which originally ends on 28 May 2023, is extended until 28 May 2035. The Company will be obliged to purchase the rented store and the property over which the store is constructed for a total price of EUR 13 500 thousand (BGN 26 404 thousand) without VAT, in case that during the rental term certain changes in the Board of Directors of JUMBO SA, Greece occur. JUMBO TRADING LIMITED, Cyprus is a co-debtor and is jointly liable with the Company for all the obligations, arising from the rental contract and all annexes to it.

23.3. REIMBURSEMENT OF INITIAL EXPENSES

With a non-cancellable lease contract for rent of real estate, the Company is obliged to pay to the lessor a penalty in the amount of the non-amortised part of the investment made by the lessor for the design, remodeling and construction of the leased real estate, as of the moment of termination, in case that the Company vacates the leased real estate prior to the lapse of the first twelve years of the contract, i.e. prior to 15 November 2028. At 31 December 2017, this amount equals BGN 5 200 thousand. JUMBO SA, Greece has provided to the lessor a corporate guarantee, which covers any financial claim to the Company under the lease contract.

(All amounts in BGN thousands unless otherwise stated)

24. COMMITMENTS

24.1. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred was as follows:

	AT 31 DECEMBER	
	2017	**2016**
Property, plant and equipment	147	147
Total capital commitments	**147**	**147**

24.2. OPERATING LEASE COMMITMENTS WHERE THE COMPANY IS A LESSEE

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

	AT 31 DECEMBER	
	2017	**2016**
Not later than 1 year	1 604	1 604
Later than 1 year and not later than 5 years	6 485	6 437
Later than 5 years	19 123	20 775
Total minimum lease payments	**27 212**	**28 816**

The Company leases lands and buildings under non-cancellable operating lease agreements with different terms that expire between 2031 and 2035. The agreements include different renewable options. Operating lease payments recognised as expense in the statement of comprehensive income are disclosed in Note 15.

25. DIVIDENDS PER SHARE

In 2017 and 2016, there was no distribution of dividends to the single shareholder of the Company. At the date of the approval of these financial statements it is not expected that a decision for distribution of dividends relating to the year ended 31 December 2017 will be made.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

In Janaury 2018 the Company won one of the legal suits against the National Revenue Agency, as disclosed in Note 23.1.

There are no other significant events after the end of the reporting period, having effects on the financial statements for the year ended on 31 December 2017.

27. RELATED-PARTY TRANSACTIONS

The Company is controlled by JUMBO S.A., Greece ("the Parent Company") which holds 100 % of the Company's shares (Note 9), and which is also the ulltimate parent company of the Group which the Company is a part of. The Parent Company has control over the entities disclosed below as Other related parties.

(All amounts in BGN thousands unless otherwise stated)

The following transactions were carried out with related parties:

27.1. SALES OF MERCHANDISE AND OTHER GOODS

	YEAR ENDED 31 DECEMBER	
Parent Company	**2017**	**2016**
JUMBO SA, Greece	1 599	1 905
Total	**1 599**	**1 905**

27.2. PURCHASES OF MERCHANDISE, OTHER GOODS, SERVICES AND PPE

	YEAR ENDED 31 DECEMBER	
Parent Company	**2017**	**2016**
JUMBO SA, Greece – merchandise	78 245	67 524
JUMBO SA, Greece – PPE	182	648
JUMBO SA, Greece – services	31	19
Total	**78 458**	**68 191**

27.3. RECEIVABELS FROM SALES OF MERCHANDISE

At the end of the reporting period, as well as at the end of the previous year, the Company has no receivables from related parties. In 2013 and 2014 the Company has entered into agreements for offsetting of account receivables from related parties, under which the accounts receivables at the end of the year have been set off (Note 31). In 2017 and 2016 there were no impairment losses against doubtful or overdue receivables from related parties.

27.4. PAYABLES FOR PURCHASES OF MERCHANDISE, OTHER GOODS, SERVICES AND PPE

	AT 31 DECEMBER	
Parent Company	**2017**	**2016**
JUMBO SA, Greece – merchandise	691	1 493
Общо	**691**	**1 493**

The payables to related parties are due within 90 days after the date of purchases (before that period they were due within 270 days). The payables are unsecured in nature and bear no interest.

27.5. GUARANTEES RECEIVED

The Company has received guarantees from the Parent Company and from JUMBO TRADING LTD, Cyprus (other related party) with regards to contingent liabilities. Additional information about the provided guarantees and the contingent liabilities is disclosed in Note 23.

(All amounts in BGN thousands unless otherwise stated)

27.6. KEY MANAGEMENT COMPENSATION

Key management personnel include the managers of the Company.

	YEAR ENDED 31 DECEMBER	
	2017	**2016**
Short-term employee benefits	239	220
Total	**239**	**220**

28. FAIR VALUE ESTIMATION

The Company has no assets and liabilities, including such related to financial instruments, that are carried at fair value at the statement of financial position.

The fair values for disclosure purposes of the following financial instruments are assumed to approximate their carrying values:

- Trade and other receivables;
- Cash and cash equivalents; and
- Trade and other payables.

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. The preparation of financial statements under IFRS also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas of the financial statements involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

29.1. CRITICAL ACCOUNTING ESTMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future. Notwithstanding the fact that those estimates are made by the management on the basis of its best knowledge of the events and activities in the period, the resulting accounting estimates will, by definition, seldom equal the related actual results. There were no key assumptions regarding the future and other sources of uncertainty concerning the estimates at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

29.2. CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

There were no critical judgements made by the management, apart from those related to the estimates, which significantly impact the amounts recognised in the financial statements.

(All amounts in BGN thousands unless otherwise stated)

30. FINANCIAL INSTRUMENTS BY CATEGORY

AT 31 DECEMBER 2017

Financial assets	**Loans and receivables**
Trade and other receivables (Note 6)	190
Cash and cash equivalents (Note 8)	197 410
Total financial assets in the statement of financial position	**197 600**

Financial liabilities	**Financial liabilities at amortised cost**
Trade and other payables (Note 11)	4 462
Total financial liabilities in the statement of financial position	**4 462**

AT 31 DECEMBER 2016

Financial assets	**Loans and receivables**
Trade and other receivables (Note 6)	92
Cash and cash equivalents (Note 8)	163 745
Total financial assets in the statement of financial position	**163 837**

Financial liabilities	**Financial liabilities at amortised cost**
Trade and other payables (Note 11)	5 784
Total financial liabilities in the statement of financial position	**5 784**

Trade and other receivables shown above do not include those arising from regulatory requirements (other tax receivables), as well as advances paid to suppliers and deferred charges.

Trade and other payables shown above do not include those from regulatory requirements (other tax payables and social security payables), as well as advances received from clients and deferred revenue.

(All amounts in BGN thousands unless otherwise stated)

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company offsets financial assets and financial liabilities under a contract for offsetting accounts receivables cloncluded in 2013 with JUMBO SA, Greece, which is the Parent Company.

31.1. FINANCIAL ASSETS

The following financial assets are subject to offsetting in the statement of financial position ("SFP") due to the fact that they are encompassed by enforceable master netting arrangements or similar agreements:

AT DECEMBER 2017	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the SFP	Net amount of financial assets presented in the SFP
Receivables from JUMBO SA, Greece	982	(982)	-
Total	**982**	**(982)**	**-**

AT DECEMBER 2016	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the SFP	Net amount of financial assets presented in the SFP
Receivables from JUMBO SA, Greece	556	(556)	-
Total	**556**	**(556)**	**-**

31.2. FINANCIAL LIABILITIES

The following financial liabilities are subject to offsetting in the statement of financial position ("SFP") due to the fact that they are encompassed by enforceable master netting arrangements or similar agreements:

AT DECEMBER 2017	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the SFP	Net amount of financial liabilities presented in the SFP
Payables to JUMBO SA, Greece	1 673	(982)	691
Total	**1 673**	**(982)**	**691**

AT DECEMBER 2016	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the SFP	Net amount of financial liabilities presented in the SFP
Payables to JUMBO SA, Greece	2 049	(556)	1 493
Total	**2 049**	**(556)**	**1 493**

32. FINANCIAL RISK MANAGEMENT

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Financial risk management is carried out by the management in accordance with the selected and approved policy.

32.1. MARKET RISK

32.1.1. CURRENCY RISK

The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been officialy pegged to the Euro (EUR) at a fixed rate (Note 2.2.1), it is exposed to foreign exchange risk only from purchases, related to the construction of property, plant and equipment, denominated in foreign currencies other than the EUR, mainly: US Dollar (USD). The currency risk is monitored and minimised only by the minimisation of the portion of those purchases. The Company has no significant transactions and assets or liabilities denominated in USD as at 31 December 2017.

32.1.2. INTEREST RATE RISK

The Company has significant interest-bearing assets in the form of short-term bank deposits but the Company's income and cash in-flows from operating and financing activity are to a high degree independent of changes in the market interest rates since the interest-bearing assets are contracted at fixed interest rates. The Company has no assets with floating rates as at 31 December 2017. The Company has no significant interest-bearing liabilities.

32.1.3. OTHER PRICE RISK

The Company is not exposed to other price risk regarding investments held by it since it has no available-for-sale assets or assets accounted for at fair value through profit and loss. The Company is not exposed to other price risk and with regards to financial assets related to price levels of commodities.

32.2. CREDIT RISK

Credit risk is managed centralised by the management of the Company. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding current receivables. For banks and financial institutions, the Company uses the services only of Bulgarian banks with good reputation. With regards to customers, apart from the sales to the Parent Company, the Company sells merchandise to end customers, predominantly in cash and no credit limits are allowed.

For further disclosures regarding the credit risk refer to Notes 6 and 8.

(All amounts in BGN thousands unless otherwise stated)

32.3. LIQUIDITY RISK

Liquidity risk management implies maintaining sufficient cash, cash equivalents and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities, such as bank overdrafts and revolving credit lines, if considered necessary.

Management monitors forecasts of the Company's liquidity reserve comprising cash and cash equivalents (Note 8). The forecasts are based on the expected cash flows.

The non-derivative financial liabilities have the following maturities, where the amounts disclosed are the contractual undiscounted cash flows:

AT 31 DECEMBER 2017	**Less than 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Trade and other payables	4 462	-	-	-	4 462
Total	**4 462**	-	-	-	**4 462**

AT 31 DECEMBER 2016	**Less than 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Trade and other payables	5 784	-	-	-	5 784
Total	**5 784**	-	-	-	**5 784**

In the category of trade and other payables are not included those arising from regulatory requirements (tax payables and social security payables) as well as the advances paid from customers and the deferred revenue.

There are no non-derivative financial liabilities for which is expected the cash flows to occur earlier than the periods shown in the table above.

33. CAPITAL MANAGEMENT

Management's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide adequate returns for the shareholder and benefits for other stakeholders. Management is trying to achieve those objectives through adequate pricing of the goods and the services comparable to the risk level and through maintaining optimal capital structure aimed at minimisation of its cost.

The Company is not subject to externally imposed capital requirements. The Company manages the capital structure and makes relevant adjustments according to the changes of the economic conditions and the risk characteristics of the major assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. The total capital is calculated as equity (as shown in the statement of financial position) plus the net debt.

In 2017 the Company's strategy, which was unchanged from 2016, was not to use borrowings.

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INDEPENDENT AUDITOR'S REPORT

TO THE SOLE SHAREHOLDER OF JUMBO EC. B EOOD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JUMBO EC. B EOOD ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, presented on pages 6 – 43.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, adopted for use in the European Union ("the IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("the ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the IESBA Code") together with the ethical requirements of the Independent Financial Audit Act ("the IFAA"), that are relevant to our audit of the financial statements in the Republic of Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual activity report for the year ending on 31 December 2017 ("the Activity report"), presented on pages 1 – 5, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In our opinion, the activity report is consistent with the financial statements for the corresponding reporting period. In addition to that, as a result of the gained knowledge and understanding of the Company's activity and the environment, in which it operates, we have not identified cases of material misstatements in the activity report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

NS CONSULTING OOD
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73 Bulgaria Blvd.
Entrance A, floor 2, # 107
1404 Sofia
Bulgaria

Report on Other Legal and Regulatory Requirements

Opinion

We have concluded procedures for the examination of the annual reports of the Company, which are prepared in accordance with the requirements of Chapter Seven of the Accountancy Act, and which comprise:

- Activity report, presented on pages 1 – 5;

In our opinion:

- The activity report has been prepared in accordance with the applicable regulatory requirements;

Responsibilities of Management for the Annual Reports

Management is responsible for the preparation of the annual reports in accordance with the requirements of Chapter Seven "Annual Reports" of the Accountancy Act.

Auditor's Responsibilities for the Examination of the Annual Reports

Our responsibility is to express opinion on the annual reports in accordance with the requirements of art. 37, subart. 6 of the Accountancy Act.

The engagement partner on the audit resulting in this independent auditor's report is Nino Kaloyanov.

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 142
НС КОНСУЛТИНГ ООД

Nino Kaloyanov
Registered Auditor

Snezhanka Kaloyanova
Manager

NS CONSULTING OOD
9 February 2018
Sofia