

**JUMBO EC.R SRL**

**ANNUAL DIRECTORS' REPORT  
ANNUAL FINANCIAL STATEMENTS  
INDEPENDENT AUDITOR'S REPORT**

**30 JUNE 2018**

**JUMBO EC.R S.R.L**

**FINANCIAL STATEMENTS**

**30 JUNE 2018**

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**30 JUNE 2018**

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The management of JUMBO EC. R S.R.L presents their Directors' Report and the Annual Financial Statements as at 30 June 2018 prepared under the International Financial Reporting Standards, adopted for use in the European Union ("IFRS").

### **DESCRIPTION OF ACTIVITIES**

JUMBO EC. R SRL („*The Company*") is registered in the Trade Companies Register under № 7122, having the fiscal code RO 18921652 and headquarters' address in Romania, 51 Theodor Pallady Blvd. Bucharest District 3.

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 Romania.

The Company has stores at the terrioty of the cities of Bucharest, Timisoara, Oradea, Arad, Ploiesti, Pitesti and Constanta.

The Company has predominantly retail sales to a large number of customers.

The major single customer of the Company during the financial period analized was JUMBO S.A., Greece ("*The Parent Company*").

The major suppliers of the Company during the financial period analized were the Parent Company for goods, electricity distributing companies, lessors of stores, transportation firms and others.

The Company had no research and development activities in 2017.

### **ANALYSIS OF THE ACTIVITIES' RESULTS**

#### **Sales Revenue**

In June 2018 the Company generated sales revenue from sales of merchandise for the amount of RON 466,897 thousand (2017: RON 297,004 thousand) as disclosed in Note 16 to the financial statements. The increase in the sales revenue from sales of merchandise in 2017 is RON 169,894 thousand (64 %) in comparison to 2017. The increase in sale is due mainly of increasing of the sales in the existing 6 stores Timisoara (by 24,73%), Bucharest Pallady (by 15,35%) , Bucharest Berceni (by 22,87%), Oradea (by 26,12%), Arad (by 22,68%), Ploiesti (by 28,96%) and Pitesti (by 30,49%). It is notable that the Company has opened 1 new store in Constanta starting with June 2017, 1 new store in Suceava starting with October 2017 and another one in Domnesti, Ilfov County starting with March 2018, supporting in this way the increasing of the sales analysed above.

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**Operating Expenses**

There is no significant change in the structure of the operating expenses of the Company in comparison to the previous year. The Company's operating expenses, analysed on the basis of their nature and not on 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 RON thousand

<b>Type of expense</b>	<b>Year 2018</b>	<b>%</b>	<b>Year 2017</b>	<b>%</b>
Payroll expenses	35,506	38%	22,468	37 %
Third parties' expenses and fees	9,735	11%	6,437	12 %
Services received	9,142	10%	4,149	7 %
Assets repair and maintenance cost	-	-	1,124	2 %
Operating leases rent	8,710	9%	6,310	10 %
Taxes and duties	4,667	5%	2,917	5 %
Consumable items	884	1%	858	1 %
Advertisement	5,535	6%	3,945	7 %
Other various expenses	427	0%	219	0 %
Depreciation of tangible assets	15,611	17%	10,489	18%
Small inventories	2,645	3%	689	1 %
	92,866	100%	59,605	100%

**Financial Result**

The financial result of the Company in June 2018 is a net profit of RON 115,552 thousand (2017: RON 73,924 thousand), which represents 24.75 % of the revenue from the sales of merchandise for 2018 (2017: 24.89 %). The increase in the Company's profit is due mainly of the increasing of sales of 7 stores and also of the expansion investments (the opening of 1 new shop – Suceava, open starting with October 2017).

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**

There is 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 RON 424,423 thousand, consisting of property, plant and equipment. Additional information about the non-current assets is disclosed in Notes 6, 7, 9 and 11 to the financial statements.

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**Current Assets**

There is 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 RON 293,089 thousand, consisting mainly of cash amounting to RON 217,083 thousand (74,07 %). The remaining current assets represent mainly inventories amounting to RON 66,262 thousand, as well as trade and other receivables amounting to RON 9,744 thousand. Additional information about the current assets is disclosed in Notes 8, 9 and 10 to the financial statements.

**Non-current Liabilities**

There is a 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 RON 83,528 thousand, consisting of Balance to be paid for the 3 shops acquisition (Constanta, Suceava and Braila) and the Performance and Deffects Guarantees related to the last shop Constanta and to the extension works of Pallady Shop, and also the works from Voluntari, Braila, Bacau and rent guarantee from Suceava Gallery. Additional information about the non-current liabilities is disclosed in Note 14 to the financial statements.

**Current Liabilities**

There is a 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 RON 67,529 thousand, consisting mainly of other current liabilities for the amount of RON 53,175 thousand (79,19 %). The remaining current liabilities represent current tax payables for the amount of RON 10,240 thousand and trade and other payables amount of RON 4,113 thousand. Additional information about the current liabilities is disclosed in Notes 13 to the financial statements.

**Share Capital**

The share capital of the Company is remaining the same as at June 2017, amounting of RON 307,808 thousand.

The par value of a share is not changed; it is disclosed in Note 12 to the financial statements.

The share capital of the Company at the end of the reporting period was RON 307,808,449. The share capital consists of 23,677,573 shares with par value of RON 13 each. The single shareholder of the Company as at 30 June 2017 and 2016 is JUMBO S.A., Greece, as disclosed in Note 12 to the financial statements.

**30 JUNE 2018****FINANCIAL RATIOS****Liquidity****30 June 2018    30 June 2017****Liquidity**

Current ratio = Current assets / Current liabilities =	RON 293,089 thousand / RON 67,529 thousand (RON 293,089 thousand – RON 66,262 thousand) /		
Quick ratio = (Current assets – Inventory) / Current liabilities =	RON 67,529 thousand =	4,340	4,191
Absolute ratio = Cash and cash Equivalents / Current liabilities =	RON 217,082 thousand / RON 67,529 thousand	3,359	3,509
Net working capital = Current assets – Current liabilities	= RON 293,089 thousand – 67,529 RON thousand =	3,215	3,493
		225,560	213,020

**Profitability**

Gross profit margin = Gross profit / Sales revenue =	RON 222,144 thousand / RON 466,897 thousand =	47,57%	47,64 %
Pre-tax return on assets = Profit before income tax / Total assets =	RON 137,445 thousand / RON 717,513 thousand =	19,16%	16,56 %
Return on equity = Comprehensive income / Equity =	RON 6,313 thousand / RON 566,455 thousand =	1,11%	0,63 %

**Activity**

Days in inventory = Average inventory * 365 / Cost of sales =	RON 55,881 thousand * 365 /RON 245,783 thousand =	82,99%	94 %
Total asset turnover = Sales revenue / Average total assets =	RON 466,897 thousand / RON 624,234 thousand =	74,80%	60,85 %

**MANAGEMENT**

The management of the Company is carried out by Marios Petridis and Evangelos Papaevangelou, as Administrators and Ana Maria Kotsis, Procurator.

The remunerations received in the year by the key management personnel are those disclosed in Note 29 to the financial statements.

**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 Management monitors the overall risk and seeks to neutralise the potential negative effects on the financial position of the Company as disclosed in Note 3 to the financial statements.

**JUMBO EC.R SRL**

**ANNUAL DIRECTORS' REPORT**

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**EVENTS AFTER THE END OF THE REPORTING PERIOD**

There are no events which occurred after the end of the reporting period and which have impact on the financial statements, as disclosed in Note 28 to the financial statements.

**OBJECTIVES FOR THE FUTURE DEVELOPMENT**

One of the major objectives set by the management of the Company for the period July 2018 – June 2019 are achieving an optimisation of the operating expenses and increasing the sales revenue with around 10 % in comparison to the realised in 2017-2018.

The Company is planning to open new stores in the new financial period 2018 – 2019 ( Voluntari, Braila, Bacau, Brasov, as acquisitioned shops and Militari as per lease agreement).

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.

**MANAGEMENT'S RESPONSIBILITIES**

Under the Romanian legislation the management have 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 Order of Ministry of Finance.

The management confirms that they have applied in a consistent manner adequate accounting policies and that in the preparation of the financial statements as at 30 June 2018 they have applied the principle for prudence in the valuation of assets, liabilities income and expenses.

The management also confirm that they have adhered to the applicable financial reporting standards and the financial statements were prepared on a going concern basis.

The management are 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.



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Kotsis Ana Maria, Procurator  
Bucharest  
4 September 2018

**JUMBO EC.R SRL**

**INTERNATIONAL FINANCIAL REPORTING  
STANDARDS**

**FINANCIAL STATEMENTS**

**30 JUNE 2018**





## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders and Board of Directors of Jumbo EC. R SRL**

### **Report on the financial statements**

- 1 We have audited the accompanying financial statements of Jumbo EC. R SRL which comprise the statement of financial position as at 30 June 2018 and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### **Auditor's responsibility**

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

6 In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers Audit SRL*

PricewaterhouseCoopers Audit SRL

Bucharest, 10 October 2018

**JUMBO EC. R S.R.L**

**FINANCIAL STATEMENTS**

**30 JUNE 2018**

*(All amounts in LEI thousands unless otherwise stated)*

**Statement of Financial Position**  
*(All amounts in LEI thousands)*

	<u>NOTE</u>	<u>2018</u> <u>(lei)</u>	<u>AT 30 JUNE</u> <u>2017</u> <u>(lei)</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6,7	424,423	251,181
		<u>424,423</u>	<u>251,181</u>
<b>Current assets</b>			
Inventory	8	66,262	45,500
Trade and other receivables	9	9,670	1,054
Other current assets	9	73	47
Cash and cash equivalents	10	217,082	233,174
		<u>293,087</u>	<u>279,775</u>
<b>TOTAL ASSETS</b>		<u>717,510</u>	<u>530,956</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	307,808	307,808
Other reserves		15,380	8,508
Reterning earnings previous year		134,586	65,057
Retained earnings		108,679	69,529
		<u>566,453</u>	<u>450,902</u>
<b>Minor interests</b>			
<b>Total Equity</b>		<u>566,453</u>	<u>450,902</u>
<b>Non-current liabilities</b>			
Long Term loan liabilities			
Other long term liabilities	14	83,528	13,298
<b>Total non-current liabilities</b>		<u>83,528</u>	<u>13,298</u>
<b>Current liabilities</b>			
Trade and other payables	13	4,113	6,797
Current tax liabilities	13	10,240	7,483
Other current liabilities	13	53,176	52,471
<b>Total current liabilities</b>		<u>67,529</u>	<u>66,756</u>
<b>Total liabilities</b>		<u>151,057</u>	<u>80,054</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>717,510</u>	<u>530,956</u>

These financial statements were approved by the Management on 4 September 2018



Anton Elena Livia, Chief Accountant



Kotsis Ana Maria, Procurator



The notes on pages 5 to 34 are an integral part of these financial statements

**JUMBO EC. R S.R.L****FINANCIAL STATEMENTS****30 JUNE 2018****(All amounts in LEI thousands unless otherwise stated)****Statement of Comprehensive Income****(All amounts in LEI thousands)**

	<b>NOTE</b>	<b>YEAR ENDED 30 JUNE</b>	
		<b>2018</b>	<b>2017</b>
		<b>(lei)</b>	<b>(lei)</b>
Sales Revenue	15	466,897	297,004
Cost of sales	16	(245,783)	(155,501)
<b>Gross profit</b>		<b><u>221,114</u></b>	<b><u>141,503</u></b>
Distribution costs	17	(91,020)	(58,033)
Administrative expenses	18	(1,847)	(1,572)
Other income and gains	19	6,313	2,856
Other expenses and losses	20	(368)	-
<b>Operating profit</b>		<b><u>134,192</u></b>	<b><u>84,754</u></b>
Finance income	22	3,252	3,147
Finance costs		-	-
Finance income – Net		3,252	3,147
<b>Profit before income tax</b>		<b><u>137,444</u></b>	<b><u>87,901</u></b>
Income tax expense	23	(21,893)	(13,977)
<b>Profit for the year</b>		<b><u>115,551</u></b>	<b><u>73,924</u></b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>		-	-
<b>Total other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<b><u>115,551</u></b>	<b><u>73,924</u></b>

These financial statements were approved by the Management on 6 September 2018.

Anton Elena Livia, Chief Accountant

Kotsis Ana Maria, Procurator



**JUMBO EC. R S.R.L****FINANCIAL STATEMENTS****30 JUNE 2018***(All amounts in LEI thousands unless otherwise stated)***Statement of Changes in Equity**  
*(All amounts in lei thousands)*

	<u>Share capital</u> (lei)	<u>Statutory reserves</u> (lei)	<u>Retained earnings</u> (lei)	<u>Total</u> (lei)
<b>AT 1 JULY 2016</b>	307,808	4,113	65,057	376,978
<b>Comprehensive income</b>				
Profit for the year	-	-	73,924	73,924
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>	<u>73,924</u>	<u>73,924</u>
<b>Transactions with owners</b>				
Statutory reserves	<u>-</u>	<u>4,395</u>	<u>(4,395)</u>	<u>-</u>
<b>Total transactions with owners</b>	-	4,395	69,529	73,924
<b>AT 1 JULY 2017</b>	307,808	8,508	134,586	450,902
<b>Comprehensive income</b>				
Profit for the year	<u>-</u>	<u>-</u>	<u>115,551</u>	<u>115,551</u>
<b>Total comprehensive income</b>	-	-	115,551	115,551
<b>Transactions with owners</b>				
Statutory reserves	<u>-</u>	<u>6,872</u>	<u>(6,872)</u>	<u>-</u>
<b>Total transactions with owners</b>	-	6,872	108,679	115,551
<b>AT 30 JUNE 2018</b>	307,808	15,380	243,265	566,453

These financial statements were approved by the Management on 4 September 2018.

  
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 Anton Elena Livia, Chief Accountant

  
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 Kotsis Ana Maria, Procurator





## FINANCIAL STATEMENTS

30 JUNE 2018

*(All amounts in LEI thousands unless otherwise stated)*

<i>Statement of Cash-Flows</i> <i>(All amounts in lei thousands)</i>	<u>30 June 2018</u> (lei)	<u>30 June 2017</u> (lei)
<b>Cash flows from operating activities</b>		
Net profit for the period	115,552	73,924
Adjustments for:		
Income taxes	21,893	13,977
Depreciation of non current assets	15,611	10,489
Interest and related income	<u>(3,253)</u>	<u>(290)</u>
Operating profit before change in working capital	149,803	98,100
Change in working capital		
Increase in inventories	(20,763)	(10,929)
Decrease / (increase) in trade and other receivables	(7,702)	1,307
Decrease / (increase) in other current and non-current assets	(26)	(27)
(Decrease) / increase in trade payables	11,529	10,869
Cash flows from operating activities	132,841	99,320
Paid income taxes	(20,252)	(13,027)
<b>Net cash flows from operating activities</b>	112,589	86,293
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(131,020)	(71,514)
Refunded other taxes	-	6
<b>Net cash flows from investing activities</b>	(131,020)	(71,508)
<b>Cash flows from financing activities</b>		
Interest received	<u>2,339</u>	-
<b>Net cash flows from financing activities</b>	2,339	-
<b>Net increase in cash and cash equivalents</b>	(16,092)	14,785
<b>Cash and cash equivalents at beginning of the period</b>	<u>233,174</u>	<u>218,389</u>
<b>Cash and cash equivalents at end of the period</b>	<u>217,082</u>	<u>233,174</u>

These financial statements were approved by the Management on 4 September 2018.



Anton Elena Livia, Chief Accountant



Kotsis Ana Maria, Procurator



**1. GENERAL INFORMATION**

JUMBO EC. R SRL („*The Company*”) is a solely owned limited liability company registered in Romania with domicile 51 Theodor Pallady Blvd. Bucharest district 3.

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 Romania.

The parent 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 on 04 September 2018.

**2. SUMMARY OF SIGNIFICANT 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 International Accounting 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.

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

**Standards and interpretations effective from 1 January 2018 or later, not yet adopted**

Certain new standards and interpretations relevant for the Group have been published, but are not yet effective and were not early adopted.

<u>Standard / Interpretation</u>	<u>Content</u>	<u>Applicable for financial years beginning on/after</u>
IFRS 9	"Financial Instruments: Classification and Measurement"	1 January 2018
IFRS 16	"Leases"	1 January 2019
IFRS 15	"Revenue from contracts with customers"	1 January 2018

**IFRS 9 "Financial instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)**

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI.

Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.



- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group has assessed the impact of the new standard on its financial statements and has concluded that the impact is immaterial. The Group has not adopted IFRS 9 before its mandatory date.

**IFRS 16 “Leases” (issued in January 2016 effective for the periods beginning on or after 1 January 2019)**

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is currently assessing the impact of the amendments of the standard IFRS 16.

**IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).**

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Group has assessed that this change has no material impact on the Group's financial position or performance.

**Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28 not yet endorsed).** The improvements impact three standards. The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose.

The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

There are no other standards and interpretations that are not yet effective and that would be expected to have an impact on the Group's financial position or performance.

## **2.2. FOREIGN CURRENCY TRANSLATION**

### **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 Romanian RON (RON), which is the Company's functional and presentation currency. The Romanian Leu is not fixed to the EUR, having fluctuations based on monetary policy of Romania.

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	32
Machines and equipment	5 - 10
Computers	3 - 4
Furniture and fittings	5 - 10
Leasehold improvements	Shorter of useful life and the term of the underlying lease
	Shorter of useful life and the term of the underlying lease

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

##### 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 instruments - key measurement terms**

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**2.6.1. CLASSIFICATION OF FINANCIAL ASSETS**

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. 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 2.8 and 2.9).

**2.6.2. CLASSIFICATION OF FINANCIAL LIABILITIES**

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Company's other financial liabilities comprise of 'trade and other payables' in the statement of financial position.

**2.6.3. DERECOGNITION 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.

**2.6.4. 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 other 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.

#### **2.6.5. 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. 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. 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.



**2.8. 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.

**2.9. 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.

**2.10. 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. BORROWINGS**

Borrowings are classified as current liabilities when the payment is to be executed within 12 months after the period end and unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. If not, they are presented as non-current liabilities.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

**2.13. 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 assets (Current income tax receivables).

Deferred income tax is recognised, using the liability method, on all 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 nor 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.

**Uncertain tax positions**

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.



**2.16.2 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.

**2.18 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.

**2.1.9. EMPLOYEE BENEFITS**

Wages, salaries, contributions to the Romanian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond.

**2.20 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.

**2.21. 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.

30 JUNE 2018

**3. FINANCIAL RISK MANAGEMENT****3.1. FINANCIAL RISK FACTORS**

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.

**3.1.1. MARKET RISK****(A) CURRENCY RISK**

The Company is exposed to foreign exchange risk only from purchases, related to the construction of property, plant and equipment, denominated in foreign currencies EUR, main). The currency risk is monitored and minimised only by the minimisation of the portion of those purchases.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date:

	<u>At 30 June 2018</u>			<u>At 30 June 2017</u>		
	Monetary financial assets	Monetary financial liabilities (kEUR)	Net balance sheet position	Monetary financial assets	Monetary financial liabilities (kEUR)	Net balance sheet position
EUR	-	1,549	1,549	-	4,660	4,660
		1,549	1,549	-	4,660	4,660

The above analysis includes only monetary assets and liabilities.

The annual average EUR rate as of 30 June 2018 strengthened against RON compared to 30 June 2017 by 2.4%.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date relative to the Company's functional currency, with all other variables held constant:

<u>Impact on profit/(loss) of:</u>	<u>2018</u>	<u>2017</u>
EUR strengthening by 10% (in EUR)	(155)	(466)

**(B) 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 30 June 2018. The Company has no significant interest bearing liabilities.

**(C) 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.

**3.1.2. 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 Romanian 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.

	<u>2018</u>	<u>2017</u>
Trade and other receivables (Note 9)	9,670	1,054
Cash and cash equivalents (Note 10)	<u>217,082</u>	<u>233,174</u>
<b>Total on-balance sheet exposure</b>	<b><u>226,752</u></b>	<b><u>234,228</u></b>

**3.1.3. 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 10). The forecasts are based on the expected cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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

<b>AT 30 JUNE 2018</b>	<b>Less than 6 months</b>	<b>Between 6 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade and other payables	<u>67,529</u>		<u>83,528</u>		<u>151,057</u>
<b>Total</b>	<b>67,529</b>		<b>83,528</b>		<b>151,057</b>

<b>AT 30 JUNE 2017</b>	<b>Less than 6 months</b>	<b>Between 6 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade and other payables	<u>66,756</u>	=	<u>13,298</u>	=	<u>80,054</u>
<b>Total</b>	<b>66,756</b>		<b>13,298</b>		<b>80,054</b>

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 the cash flows to occur earlier than the periods shown in the table above.

### 3.2. CAPITAL RISK MANAGEMENT

The 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 2018 the Company's strategy, which was unchanged from 2017, was not to use borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

*All amounts in LEI thousands unless otherwise stated***3.3. FAIR VALUE ESTIMATION**

The Company has no 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.

**3.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Company offsets financial assets and financial liabilities under a contract for offsetting accounts receivables concluded in 2013 with JUMBO SA, Greece (Parent Company) and under a contract for offsetting accounts receivables concluded in 2014 with JUMBO EC. B EOOD, Bulgaria (Other related party).

**3.4.1 FINANCIAL LIABILITIES**

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

**AT 30 JUNE 2018**

	<b>Gross amount of recognised financial liabilities</b>	<b>Gross amount of recognised financial assets set off in the Statement of financial position</b>	<b>Net amount of financial liabilities presented in the Statement of financial position</b>
	(lei)	(lei)	(lei)
Payables to JUMBO SA, Greece	1,755	=	1,755
<b>Total</b>	<b>1,755</b>		<b>1,755</b>

**AT 30 JUNE 2017**

	<b>Gross amount of recognised financial liabilities</b>	<b>Gross amount of recognised financial assets set off in the Statement of financial position</b>	<b>Net amount of financial liabilities presented in the Statement of financial position</b>
	(lei)	(lei)	(lei)
Payables to JUMBO SA, Greece	5,165	=	5,165
<b>Total</b>	<b>5,165</b>	<b>-</b>	<b>5,165</b>

30 JUNE 2018

*All amounts in LEI thousands unless otherwise stated*

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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.

**4.1 CRITICAL ACCOUNTING ESTIMATES 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.

Income taxes (current and deferred tax)

The Company is subject to income taxes in one jurisdiction (Romania). There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**4.2 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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

*All amounts in LEI thousands unless otherwise stated*

## 5. FINANCIAL INSTRUMENTS BY CATEGORY

AT 30 JUNE 2018

Financial assets	<u>Loans and receivables</u> (lei)
Trade and other receivables (Note 9)	9,670
Cash and cash equivalents (Note 10)	<u>217,082</u>
<b>Total financial assets in the Statement of financial position</b>	<b><u>226,752</u></b>
Financial liabilities	<u>Financial liabilities</u> <u>at amortised cost</u> (lei)
Trade and other payables (Note 13)	4,113
Other current liability (Note 13)	<u>53,176</u>
<b>Total financial liabilities in the Statement of financial position</b>	<b><u>57,289</u></b>

AT 30 JUNE 2017

Financial assets	<u>Loans and receivables</u> (lei)
Trade and other receivables (Note 9)	1,054
Cash and cash equivalents (Note 10)	<u>233,174</u>
<b>Total financial assets in the Statement of financial position</b>	<b><u>234,228</u></b>
Financial liabilities	<u>Financial liabilities</u> <u>at amortised cost</u> (lei)
Trade and other payables (Note 13)	6,797
Other current liability (Note 13)	<u>52,471</u>
<b>Total financial liabilities in the Statement of financial position</b>	<b><u>59,268</u></b>

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.

JUMBO EC. R S.R.L

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

All amounts in LEI thousands unless otherwise stated

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Furnitures, computers and machines</u>	<u>Assets under construction</u>	<u>Total</u>
	(lei)	(lei)	(lei)	(lei)	(lei)
<b>AT 1 JULY 2017</b>					
Cost	31,709	199,409	38,143	7,369	276,630
Accumulated depreciation	-	(13,500)	(12,208)	-	(25,708)
<b>Net book amount</b>	<b>31,709</b>	<b>185,909</b>	<b>25,935</b>	<b>7,369</b>	<b>250,922</b>
<b>YEAR ENDED 30 JUNE 2018</b>					
Additions	44,717	103,549	14,104	46,117	208,487
Decreases	-	-	-	(19,899)	(19,899)
Depreciation charge	-	(9,861)	(5,538)	-	(15,399)
<b>Closing net book amount</b>	<b>76,426</b>	<b>279,597</b>	<b>34,501</b>	<b>33,587</b>	<b>424,111</b>
<b>AT 1 JULY 2016</b>					
Cost	29,554	142,454	33,193	57	205,258
Accumulated depreciation	-	(7,692)	(7,780)	-	(15,472)
<b>Net book amount</b>	<b>29,554</b>	<b>134,762</b>	<b>25,414</b>	<b>57</b>	<b>189,787</b>
<b>YEAR ENDED 30 JUNE 2017</b>					
Additions	2,155	52,832	4,950	11,435	71,372
Transfers	-	4,123	-	(4,123)	-
Depreciation charge	-	(5,808)	(4,429)	-	(10,237)
<b>Closing net book amount</b>	<b>31,709</b>	<b>185,909</b>	<b>25,935</b>	<b>7,369</b>	<b>250,922</b>
<b>AT 30 JUNE 2018</b>					
Cost	76,426	302,958	52,247	33,587	465,218
Accumulated depreciation	-	(23,361)	(17,746)	-	(41,107)
<b>Net book amount</b>	<b>76,426</b>	<b>279,597</b>	<b>34,501</b>	<b>33,587</b>	<b>424,111</b>

Depreciation and amortization expenses (Notes 6 and 7) are reported as follows: 15,612 (2017: 10,142) in Distribution costs (Note 17) and 72 (2017: 82) in Administrative expenses (Note 18).

Lease rental payments amounting to 6,310 (2016: 4,787) relating to the lease of land and buildings are included in the Statement of comprehensive income (Notes 17 and 18).



**JUMBO EC. R S.R.L**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2018**

***All amounts in LEI thousands unless otherwise stated***

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**10. CASH AND CASH EQUIVALENTS**

	<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Cash in hand	1,048	855
Cash at bank	10,680	19,421
Short-term bank deposits	202,000	211,856
Cash in transit	3,354	1,042
<b>Total cash and cash equivalents</b>	<b><u>217,082</u></b>	<b><u>233,174</u></b>

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

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

**JUMBO EC. R S.R.L**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2018**

*All amounts in LEI thousands unless otherwise stated*

<b>14.</b>	<b>LIABILITIES</b>		
<b>14.1</b>	<b>TRADE AND OTHER PAYABLES</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Trade payables – Suppliers of goods (note 26)	914	3,960
	Other trade payables	3,198	2,834
	Advances from customers	<u>1</u>	<u>3</u>
	Total trade and other trade payables	<u>4,113</u>	<u>6,797</u>
	The fair values of trade and other payables approximate their carrying amounts. Other trade payables represent other internal suppliers.		
<b>14.2</b>	<b>Current tax liabilities</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Expense for income tax corresponding the period	4,461	2,820
	liabilities from taxes VAT	5,472	4,378
	tax on salaries	209	242
	Other taxes - analysis below	<u>98</u>	<u>43</u>
	Total	<u>10,240</u>	<u>7,483</u>
<b>14.3</b>	<b>Other Short term liabilities</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Suppliers of fixed assets EU intercompany and intercompany (Note 26)	6,070	3,887
	Suppliers of fixed assets internal	44,497	46,922
	Salaries payable to personnel	1,472	962
	Social security liabilities	<u>1,137</u>	<u>700</u>
	Total	<u>53,176</u>	<u>52,471</u>
<b>15.</b>	<b>LONG TERM OTHER PAYABLES</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	<i>Guarantees obtained</i>		
	Opening balance	456	599
	Additions	1,150	456
	Reductions	15	(599)
	Total	1,621	456
	<i>Liabilities to suppliers of fixed assets</i>		
	Opening balance	12,842	25,569
	Additions (balance payable 2016,2017)	81,789	12,842
	Reductions	<u>(12,724)</u>	<u>(25,569)</u>
	Total	<u>81,907</u>	<u>12,842</u>
	Total Long term Other Payables	<u>83,528</u>	<u>13,298</u>

**JUMBO EC. R S.R.L****NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2018***All amounts in LEI thousands unless otherwise stated*

<b>16.</b>	<b>SALES REVENUE</b>	<b><u>30 June 2018</u></b> <b>(lei)</b>	<b><u>30 June 2017</u></b> <b>(lei)</b>
	Sales of merchandise on the domestic market	465,576	295,934
	Sales of merchandise on foreign market (Note 26)	<u>1,321</u>	<u>1,070</u>
	Total revenue	<u>466,897</u>	<u>297,004</u>
<b>17.</b>	<b>COST OF SALES</b>	<b><u>30 June 2018</u></b> <b>(lei)</b>	<b><u>30 June 2017</u></b> <b>(lei)</b>
	Inventory Merchandise at the beginning of period (Note 8)	44,961	33,865
	Purchases	266,410	166,584
	Discounts on purchases	(2,882)	(2,121)
	Surpluses of merchandise	2,962	2,134
	Inventory in the end of the period (Note 8)	<u>65,668</u>	<u>44,961</u>
	Total cost of sales	<u>245,783</u>	<u>155,501</u>
<b>18.</b>	<b>DISTRIBUTION COSTS</b>	<b><u>30 June 2018</u></b> <b>(lei)</b>	<b><u>30 June 2017</u></b> <b>(RON)</b>
	Depreciation and amortisation charges (Notes 6 and 7)	15,540	10,421
	Small inventories	2,636	673
	Payroll expenses (Note 21)	34,443	21,568
	External services	8,579	4,852
	Third parties' expenses	9,721	6,418
	Operating leases- rent	8,703	6,304
	Taxes and duties	4,611	2,912
	Other expenses	368	82
	Advertisement	5,535	3,945
	Consumable items	<u>884</u>	<u>858</u>
	Total distribution costs	<u>91,020</u>	<u>58,033</u>
<b>19.</b>	<b>ADMINISTRATIVE EXPENSES</b>	<b><u>30 June 2018</u></b> <b>(lei)</b>	<b><u>30 June 2017</u></b> <b>(lei)</b>
	Payroll expenses (Note 22)	1,063	901
	External services	579	439
	Operating leases- rent	7	7
	Depreciation and amortisation charges (Note 6)	72	68
	Small inventories	9	15
	Taxes and duties	57	5
	Other expenses	<u>60</u>	<u>137</u>
	Total administrative expenses	<u>1,847</u>	<u>1,572</u>

**JUMBO EC. R S.R.L**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2018**

*All amounts in LEI thousands unless otherwise stated*

<b>20.</b>	<b>OTHER INCOME AND GAINS</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Surpluses of merchandise	2,962	2,392
	Sales of other goods	348	234
	Surpluses of cash	108	68
	Other income	2,895	31
	Operating gains on foreign currencies	-	<u>131</u>
	<b>Total other income and gains</b>	<b><u>6,313</u></b>	<b><u>2,856</u></b>
<b>21.</b>	<b>OTHER EXPENSES AND LOSSES</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Other expenses (Exchange differences)	(368)	-
	<b>Total other expenses and losses</b>	<b><u>(368)</u></b>	<b><u>-</u></b>
<b>22.</b>	<b>PAYROLL EXPENSES</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Wages and salaries	32,103	18,199
	Social security and national health contributions	<u>3,403</u>	<u>4,269</u>
	<b>Total payroll expenses</b>	<b><u>35,506</u></b>	<b><u>22,468</u></b>
	The number of employees at the end of the presented periods and the average number of employees was as follows:		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
		(lei)	(lei)
	Employees at the end of the year	952	662
	Average number of employees in the year	<u>839</u>	<u>528</u>
<b>23.</b>	<b>FINANCE INCOME</b>		
		<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
	<b>Finance income</b>	<b>(lei)</b>	<b>(lei)</b>
	Interest income on cash at banks	3,253	3,147
	<b>Total finance income</b>	<b><u>3,253</u></b>	<b><u>3,147</u></b>
	<b>Finance income – net</b>	<b><u>3,253</u></b>	<b><u>3,147</u></b>

**JUMBO EC. R S.R.L**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2018**

*All amounts in LEI thousands unless otherwise stated*

**24. INCOME TAX EXPENSE**

	<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
	(lei)	(lei)
Current tax	21,893	13,977
Income tax expense	21,893	13,977

The tax on the Company's profit before tax adjusts to the theoretical amount that would arise using the tax rate applicable to profits as follows:

	<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
	(lei)	(lei)
Profit before tax	137,444	87,901
Theoretical current tax at 16% (2017: 16%)	21,991	14,064
<i>Effect on the tax charge of:</i>		
<i>Non-taxable expenses</i>	98	87
Current tax	21,893	13,977

The current income tax payable at 30 June 2018 for the amount of lei 4,461 thousand is calculated as from the current tax charge for the year, amounting to lei 21,893 thousand is deducted the tax paid in the financial year, amounting to lei 17,432 thousand.

The current income tax payable at 30 June 2017 for lei 2,820 thousand is calculated as from the current tax charge for the year, amounting to lei 13,977 thousand and is deducted the tax paid in the financial year, amounting to lei 11,157 thousand.

**25. DIVIDENDS PER SHARE**

In 2018 and 2017, there is 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 30 June 2018 will be made.

**26. CONTINGENT LIABILITIES**

**(a) Legal proceedings**

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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

*All amounts in LEI thousands unless otherwise stated***(b) Operating lease commitments where the company is a lessee**

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

	<u>30 June 2018</u> (lei)	<u>30 June 2017</u> (lei)
Not later than 1 year	10,772	7,249
Later than 1 year and not later than 5 years	72,554	35,477
Later than 5 years	<u>31,421</u>	<u>26,608</u>
Total	<u>114,747</u>	<u>69,334</u>

The Company leases lands and buildings under non-cancellable operating lease agreements with terms that expire 2025. The agreements include different renewable options.

Operating lease payments recognised as expense in the Statement of comprehensive income are disclosed in Notes 17 and 18.

**27. RELATED-PARTY TRANSACTIONS**

The Company is controlled by JUMBO S.A., Greece which holds 100 % of the Company's shares (Note 12) which is also the ultimate 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.

The following transactions were carried out with related parties:

**(A) SALES OF MERCHANDISE AND OTHER GOODS**

Parent company	<u>30 June 2018</u> (lei)	<u>30 June 2017</u> (lei)
JUMBO SA, Greece	1,599	1,070
JUMBO Trading Limited, Cyprus	<u>6.5</u>	<u>7</u>
Total	<u>1,605.5</u>	<u>1,077</u>

**(B) PURCHASES OF MERCHANDISE, SERVICES AND PPE**

Parent company	<u>30 June 2018</u> (lei)	<u>30 June 2017</u> (lei)
JUMBO SA, Greece – merchandise	258,366	158,657
JUMBO SA, Greece – services		
JUMBO SA, Greece – PPE	<u>3,429</u>	<u>1,573</u>
Total parent company	<u>261,795</u>	<u>160,230</u>
JUMBO Trading Limited, Cyprus	100	3
JUMBO EC. B EOOB , Bulgaria merchandise	<u>444</u>	<u>-</u>
Total related parties	<u>262,339</u>	<u>160,233</u>
Purchases of services from the parent company include insurances and other services.		

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

*All amounts in LEI thousands unless otherwise stated***(C) Payables for purchases of merchandise, services and property, plant and equipment**

Parent company	<u>30 June 2018</u> (lei)	<u>30 June 2017</u> (lei)
JUMBO SA, Greece – merchandise	889	3,960
JUMBO SA, Greece – services		1,205
JUMBO SA, Greece – PPE	<u>865</u>	<u>-</u>
<u>Total parent company</u>	<u>1,754</u>	<u>5,165</u>

**(D) KEY MANAGEMENT COMPENSATION**

Key management personnel include the managers of the Company.

	<u>YEAR ENDED 30 JUNE</u>	
	<u>2018</u> (lei)	<u>2017</u> (lei)
Short-term employee benefits/ Salaries fees	<u>411</u>	<u>351</u>
Total	<u>411</u>	<u>351</u>

**28. GOING CONCERN**

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.

**29. EVENTS AFTER THE END OF THE REPORTING PERIOD**

There are no significant events after the end of the reporting period, having effects on the financial statements for the year ended on 30 JUNE 2018.