

JUMBO EC. B EOOD

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

31 DECEMBER 2018

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JUMBO EC. B EOOD

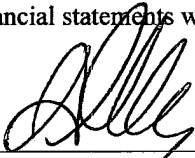
STATEMENT OF FINANCIAL POSITION


31 DECEMBER 2018

(All amounts in BGN thousands)

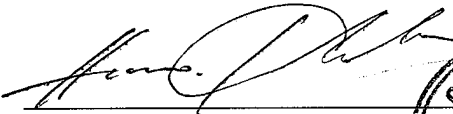
	NOTE	AT 31 DECEMBER	
		2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	172 758	177 786
Intangible assets	5	31	30
Other assets	8	2 672	-
Trade and other receivables	8	-	2 779
Deferred tax assets	6	42	46
Total non-current assets		175 503	180 641
Current assets			
Inventories	9	22 518	19 635
Other financial assets at amortised cost	7	306	-
Other assets	8	724	-
Trade and other receivables	7 & 8	-	949
Current income tax receivables	25	147	-
Cash and cash equivalents	10	233 205	197 410
Total current liabilities		256 900	217 994
TOTAL ASSETS		432 403	398 635
EQUITY AND LIABILITIES			
Equity			
Share capital	11	248 594	248 594
Other reserves	12	(2)	4
Retained earnings		171 376	138 536
Total equity		419 968	387 134
Non-current liabilities			
Retirement benefit obligations	13	105	86
Total non-current liabilities		105	86
Current liabilities			
Trade and other payables	14 & 15	12 294	11 128
Contract liabilities	15	-	-
Provisions	16	36	36
Current income tax payables	25	-	251
Total current liabilities		12 330	11 415
Total liabilities		12 435	11 501
TOTAL EQUITY AND LIABILITIES		432 403	398 635

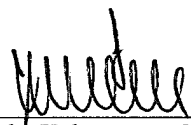
These financial statements were authorised for issue by the procurator on 11 February 2019.


Desislava Grigorova, Chief Accountant


Alexandra Mihova, Procurator

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 11 February 2019.


Nino Kaloyanov, Registered Auditor


Snezhanka Kaloyanova, Manager



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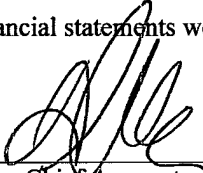
STATEMENT OF COMPREHENSIVE INCOME

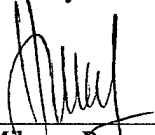
31 DECEMBER 2018

(All amounts in BGN thousands)

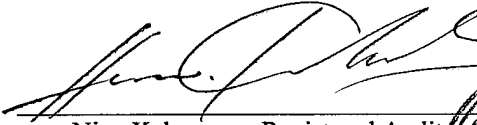
	NOTE	YEAR ENDED 31 DECEMBER	
		2018	2017
Revenue from contracts with customers	17	162 268	145 885
Cost of sales of goods	18	(86 693)	(79 071)
Gross profit		75 575	66 814
Distribution costs	19	(37 898)	(33 288)
Administrative expenses	20	(1 264)	(1 242)
Other income and gains	22	1 437	1 224
Other expenses and losses	23	(1 598)	(1 581)
Operating profit		36 252	31 927
Finance income	24	879	1 341
Finance costs	24	(433)	(337)
Finance income – net		446	1 004
Profit before income tax		36 698	32 931
Income tax expense	25	(3 858)	(3 449)
Profit for the year		32 840	29 482
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of retirement benefit obligations	13 & 25	(5)	(3)
Total other comprehensive income for the year – net of tax		(5)	(3)
Total comprehensive income for the year		32 835	29 479


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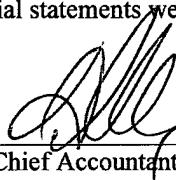
STATEMENT OF CHANGES IN EQUITY

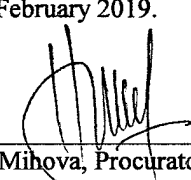
31 DECEMBER 2018

(All amounts in BGN thousands)

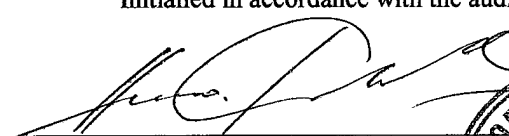
	NOTE	Share capital	Other reserves	Retained earnings	Total
AT 1 JANUARY 2017		248 594	7	109 054	357 655
Comprehensive income					
Profit for the year		-	-	29 482	29 482
Other comprehensive income for the year		-	(3)	-	(3)
Total comprehensive income		-	(3)	29 482	29 479
AT 31 DECEMBER 2017		248 594	4	138 536	387 134
Comprehensive income					
Profit for the year		-	-	32 840	32 840
Other comprehensive income for the year		-	(6)	-	(6)
Total comprehensive income		-	(6)	32 840	32 834
AT 31 DECEMBER 2018		248 594	(2)	171 376	419 968

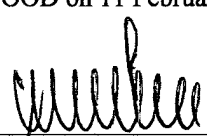
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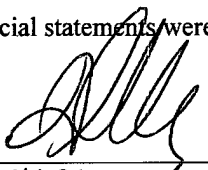
STATEMENT OF CASH FLOWS

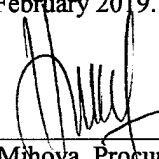
31 DECEMBER 2018

(All amounts in BGN thousands)

	NOTE	YEAR ENDED 31 DECEMBER	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	41 495	39 304
Payments of income tax		(4 251)	(3 241)
Net cash flows from operating activities		37 244	36 063
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(1 772)	(3 277)
Payments for acquisition of intangible assets		(18)	(30)
Net cash flows from investing activities		(1 790)	(3 307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from interests		773	1 244
Payments of bank charges		(374)	(290)
Net cash flows from financing activities		399	954
Net increase/(decrease) in cash and cash equivalents in the year		35 853	33 710
Cash and cash equivalents at beginning of the year		197 410	163 745
Foreign exchange gains/(losses) on cash and cash equivalents		(58)	(45)
Cash and cash equivalents at end of the year	10	233 205	197 410


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Snezhanka Kaloyanova, Manager



JUMBO EC. B FOOD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

(All amounts in BGN thousands unless otherwise stated)

1. GENERAL INFORMATION

JUMBO EC. B (“the Company”) is solely owned limited liability company, registered in Republic of Bulgaria with domicile and management address: 1404 Sofia, 51 Bulgaria Blvd. The correspondence address (the main place of business) of the Company is: 1404 Sofia, 51 Bulgaria Blvd. The Company has been registered with the Commercial Register at the Bulgarian Registry Agency with UIC 131476411.

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 Company is part of the JUMBO Group. The parent company and the sole owner of the share capital of the Company is JUMBO S.A., Greece. The parent company is also the ultimate parent company of the Group, part of which is the Company.

These financial statements were authorised for issue by the procurator of the Company on 11 February 2019.

2. BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

2.1. COMPLIANCE

These 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”).

2.2. BASIS OF MEASUREMENT

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

2.3. PRESENTATION CURRENCY AND LEVEL OF ROUNDING

These financial statements are presented in Bulgarian lev (BGN), which is also the Company’s functional currency (Note 3.1.1). The presented financial information has been rounded to the nearest thousand, except when otherwise indicated.

2.4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, when the revision affects only that period or in the revision period and in any future periods is the revision affects these future periods. For further information refer to Note 33.

2.5. 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 of financing provided by the current and future owners and investors. If the commercial risks are underestimated and if the business of the Company is hindered or ceased, and the respective assets sold, adjustments will need 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 non-current assets and liabilities as current assets and liabilities. Bearing in mind the abovementioned, as well as taking into consideration 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.

2.6. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2018 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 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 more timely 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 has applied the new standard and this has led to changes in the accounting policies related to the financial instruments and to certain retrospective adjustments, as disclosed in Note 38.

(All amounts in BGN thousands unless otherwise stated)

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 has applied the new standard and this has led to changes in the accounting policies related to the recognition of revenue and to certain retrospective adjustments, as disclosed in Note 38.

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 has applied the amendments to the new standard but this has had no significant effect on its financial statements.

2.7. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT WILL BE EFFECTIVE IN 2019 AND AFTERWARDS, THAT ARE RELEVANT TO AND EARLY ADOPTED BY THE COMPANY

There are no new standards/amendments to standards/interpretations that are early adopted by the Company in 2018.

2.8. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2017 AND NOT 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 2018 but are not relevant to the Company:

- IFRS 2 (Amendments) “Classification and Measurement of Share-based Payment Transactions”
- IFRS 4 (Amendments) “Applying IFRS 9 with IFRS 4”
- IAS 40 (Amendments) “Transfers of Investment Property”
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”
- Annual Improvements to IFRS 2014 – 2016 Cycle

(All amounts in BGN thousands unless otherwise stated)

2.9. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT WILL BE EFFECTIVE IN 2019 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 2019 and are relevant to the Company:

Amendments to References to the Conceptual Framework in IFRS Standards

- Published by IASB in March 2018

- Expecting adoption by the European Commission

- Effective for reporting periods beginning on or after **1 January 2020**

The amendments to the references to the Conceptual framework are based on the revised Conceptual Framework for Financial Reporting, which include: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Company will apply the amendments to the standards, after their adoption by the European Commission, but at the moment it is not expected that this will affect significantly its financial statements.

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 accounting 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 is expected to be as follows:

As at the end of the reporting period, the Company has non-cancellable operating lease commitments as lessor for the amount of BGN 29 134 thousand (Note 27). Of these commitments there are none that relate to short-term leases and to low value leases, the lease payments of which are to be recognised as expenses on a straight-line basis during the term of the lease. For the commitments the Company expects to recognise hired assets (right-of-use assets) for the amount of BGN 24 629 thousand and lease liabilities for the amount of BGN 22 007 thousand (after adjustments for prepayments). Net current assets will be BGN 1 272 thousand lower due to the presentation of a portion of the liability as a current liability. The Company expects that net profit after tax for 2019 will decrease by approximately BGN 343 thousand as a result of adopting the new rules. EBITDA is expected to increase by approximately BGN 2 001 thousand, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure. Net operating cash flows will increase and financing cash flows decrease by approximately BGN 1 894 thousand as repayment of the lease liabilities will be classified as cash flows from financing activities.

(All amounts in BGN thousands unless otherwise stated)

IAS 1 & IAS 8 (Amendments) “Definition of Material”

- Published by IASB in October 2018

- Expecting adoption by the European Commission

- Effective for reporting periods beginning on or after **1 January 2020**

The amendments to the standard improve the definition of material to make it easier for companies to make materiality judgements. The new definition is that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company will apply the amendments to the standards, after their adoption by the European Commission, but at the moment it is not expected that this will affect significantly its financial statements.

IAS 19 (Amendments) “Plan Amendment, Curtailment or Settlement”

- Published by IASB in February 2018

- Expecting adoption by the European Commission

- Effective for reporting periods beginning on or after **1 January 2019**

The amendments to the standard specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The Company will apply the amendments to the standard, after their 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

- Adopted by the European Commission in October 2018

- 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 it becomes effective, but at the moment it is not expected that this will affect significantly the financial statements.

2.10. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT WILL BE EFFECTIVE IN 2019 AND AFTERWARDS BUT 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 2019 but are expected not to be relevant to the Company:

- IFRS 3 (Amendments) “Definition of a Business”
- 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”
- Annual Improvements to IFRS 2015 – 2017 Cycle

JUMBO EC. B EOOD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

(All amounts in BGN thousands unless otherwise stated)

3. 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.

3.1. FOREIGN CURRENCY

3.1.1. FUNCTIONAL CURRENCY OF THE COMPANY

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 functional currency of the Company is the Bulgarian lev (BGN) and any currency other than the functional currency is a foreign currency.

3.1.2. TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

Foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at closing rates of monetary items (assets and liabilities) denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction.

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	
	2018	2017
1 Euro (EUR)	1.95583	1.95583

The Bulgarian lev is fixed to the Euro by the means of the enforced currency board in the Republic of Bulgaria since 1 January 1999.

(All amounts in BGN thousands unless otherwise stated)

3.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held by the Company for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment except for lands are measured at cost less subsequent depreciation and impairment. Land is measured at cost less impairment.

Cost includes the purchase price, including customs duties and non-refundable taxes on the purchase, if any, as well as other expenditures that are directly attributable to the acquisition of the items. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Cost does not include borrowing costs for there are no qualifying assets and no borrowings.

Subsequent expenditure related to property, plant and equipment, which lead to the improvement of the condition of the asset over its initially estimated standard efficiency or to the increase of the future economic benefits (e.g. reconstruction and restructuring costs), or which have the nature of replacement of certain components, and which can be measured reliably, are capitalised in the carrying amount of the respective asset. The non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses in the period of reconstruction. All other subsequent expenses (e.g. expenses related to ongoing repairs and maintenance) are recognised directly into profit or loss as current expenses in the period in which they are incurred.

Land is not depreciated. Depreciation on other assets in the category of property, plant and equipment is calculated using the straight-line method to allocate their carrying amounts to their residual values over their estimated useful lives. Property, plant and equipment are depreciated from the date on which the respective asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The expected useful lives of the assets by groups are as follows:

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

Management review the depreciation method, the residual values and the remaining useful lives of the assets categorised as property, plant and equipment at the end of each reporting period and make adjustments, if needed.

If the carrying amount of an asset within the category of property, plant and equipment is greater than its estimated recoverable amount, the asset's carrying amount is written down to its recoverable amount (Note 3.4).

The gains or losses arising from the derecognition of an asset categorised as property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are included in the statement of comprehensive income in other income or other expenses line items.

JUMBO EC. B EOOD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

(All amounts in BGN thousands unless otherwise stated)

3.3. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance.

Intangible assets separately acquired by the Company (computer software) are measured at cost less subsequent amortisation and impairment. The Company does not recognise as assets the internally generated goodwill and other intangible assets.

The cost of the separately acquired intangible assets includes the purchase price, including import duties and non-refundable purchase taxes, if any, and any directly attributable cost of preparing the asset for its intended use. Cost does not include borrowing costs for there are no qualifying assets and no borrowings.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenses (e.g. expenses related to computer software maintenance) are recognised as current expenses when they are incurred.

Intangible assets have definite useful lives. Amortisation on the intangible assets is calculated using the straight-line method to allocate their carrying amounts to their residual values over their estimated useful lives. The intangible assets are amortised from the date on which the respective asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The expected useful lives of the intangible assets are as follows:

	YEARS
Computer software	3 – 4

Management review the amortisation method, the residual values and the remaining useful lives of the intangible assets at the end of each reporting period and make adjustments, if needed.

If the carrying amount of an intangible asset is greater than its estimated recoverable amount, the asset's carrying amount is written down to its recoverable amount (Note 3.4).

The gains or losses arising from the derecognition of an intangible asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are included in the statement of comprehensive income in other income or other expenses line items.

(All amounts in BGN thousands unless otherwise stated)

3.4. IMPAIRMENT OF NON-FINANCIAL ASSETS

For non-financial assets that are subject to depreciation and amortisation the Company evaluates at the end of each reporting period whether there are indications that the value of the asset is impaired. If such indications are at place, the Company estimates the recoverable value of the asset. For non-financial assets that are not subject to depreciation and amortisation, the Company tests the asset for impairment annually by comparing its carrying amount with its recoverable amount. Impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of the asset is the higher of the following two amounts:

- Its fair value less costs of disposal; and
- Its value in use, which is the present value of the future cash flows expected to be derived from the asset.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset. The reversal of an impairment loss is recognised in the statement of comprehensive income to the extent to which the increased carrying amount, following the reversal, does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. That groups are called cash-generating units ("CGUs"). Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

3.5. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.5.1. FINANCIAL ASSETS

The financial assets of the Company represent:

- Cash; and
- Contractual rights to receive cash from other entities.

The Company recognises a financial asset in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset.

3.5.1.1. CLASSIFICATION OF FINANCIAL ASSETS

From 1 January 2018, the classification of financial assets is made, when those are initially recognised, on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset into the following measurement categories:

- Financial assets subsequently measured at amortised cost;
- Financial assets subsequently measured at fair value through other comprehensive income ("FVOCI"); and
- Financial assets subsequently measured at fair value through profit or loss ("FVPL").

A financial asset is classified as measured at amortised cost if both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company's assets measured at amortised cost are reported in the statement of financial position as cash and cash equivalents, trade receivables and other financial assets at amortised cost. Further information about the accounting policies regarding the trade receivables and the cash and cash equivalents is presented in Notes 3.6 and 3.7 below.

A financial asset is classified as measured at FVOCI if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVPL to present subsequent changes in fair value in other comprehensive income. The Company has no assets measured at FVOCI.

A financial asset is classified measured at FVPL unless it is measured at amortised cost or at FVOCI. However, the Company may, at initial recognition, irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has no assets measured at FVPL.

When, and only when, the Company changes its business model for managing financial assets it reclassifies all affected financial assets.

3.5.1.2. MEASUREMENT OF FINANCIAL ASSETS

Except for trade receivables, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets subsequently measured at amortised cost are carried at their amortised cost which is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of comprehensive income.

3.5.1.3. IMPAIRMENT OF FINANCIAL ASSETS

From 1 January 2018, the Company recognises loss allowances for expected credit losses on financial asset that are measured at amortised cost.

A credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

Except for trade receivables, at each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial asset.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. The 12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial asset that are possible within the 12 months after the reporting date.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

(All amounts in BGN thousands unless otherwise stated)

The Company writes off a financial asset, by directly reducing the gross carrying amount of that financial asset, when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. Indicators that there are no reasonable expectations of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and the inability of a debtor to make contractual payments for a period of greater than the legal limitation, which in the general case is 5 years from the moment in which the liability was due, as well as the commencement of insolvency proceedings of the debtor. For written-off assets, as long as any possibility for enforced or other collection exists, the Company continues to attempt to recover the receivable. Subsequent recoveries of amounts written off are recognised in profit or loss.

3.5.1.4. ACCOUNTING POLICIES FOR FINANCIAL ASSETS APPLIED UNTIL 31 DECEMBER 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

The Company classified its financial assets in the following categories: loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

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

At their recognition, the financial assets were 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 were subsequently carried at amortised cost using the effective interest method.

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

The company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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 could be reliably estimated.

(All amounts in BGN thousands unless otherwise stated)

The criteria that the Company used to determine that there was objective evidence of an impairment loss included:

- 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 assessed whether objective evidence of impairment existed 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 was 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 (i.e. the effective interest rate estimated at recognition). The asset's carrying amount of the asset was reduced and the amount of the loss was recognised in the profit or loss. If a loan or receivable had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognised in the profit or loss.

3.5.2. FINANCIAL LIABILITIES

The financial liabilities of the Company represent:

- Contractual obligations to deliver cash to other entities.

The Company recognises a financial liability in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. The Company removes a financial liability from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

3.5.2.1. CLASSIFICATION OF FINANCIAL LIABILITIES

From 1 January 2018, the Company classifies all financial liabilities as subsequently measured at amortised cost. The Company's liabilities measured at amortised cost are reported in the statement of financial position as trade and other payables. Further information about the accounting policies regarding the trade payables is presented in Note 3.10 below.

The Company does not reclassify any financial liability.

(All amounts in BGN thousands unless otherwise stated)

3.5.2.2. MEASUREMENT OF FINANCIAL LIABILITIES

At initial recognition, the Company measures a financial liability at its fair value minus transaction costs that are directly attributable to the issue of the financial liability.

Financial liabilities subsequently measured at amortised cost are carried at their amortised cost which is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. Interest expense for these financial liabilities is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Foreign exchange gains and losses, related to financial liabilities, are presented in other gains/(losses).

3.5.3. OFFSETING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Company has 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.

3.6. TRADE RECEIVABLES

At initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price. Trade receivables that do contain a significant financing component are recognised at fair value.

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 non-current assets.

At each reporting date, the Company measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses. Since trade receivables are from a limited number of customers, the Company makes individual estimates of the expected cash inflows for each customer, which estimates are based, among other factors, on the actual settlement of the trade receivables up to the date on which the estimates are made. Impairment losses on trade receivables are presented as net impairment losses in a separate line item in the statement of comprehensive income. Subsequent recoveries of amounts written off or impaired are credited against the same line item.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

(All amounts in BGN thousands unless otherwise stated)

3.6.1. ACCOUNTING POLICIES FOR TRADE RECEIVABLES APPLIED UNTIL 31 DECEMBER 2017

Trade receivables were 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 Note 3.5.1.4 existed, including delinquency in payments (more than 30 days), those were considered as indicators that the trade receivable were impaired. The carrying amount of the receivables was reduced through the use of an allowance account. The allowance account was credited at the recording of the impairment losses, which were recognised in the statement of comprehensive income in the year in which they occurred as other expenses, or was debited with the subsequently reversed impairment losses, which were recognised in the statement of comprehensive income in the year in which they occurred as an adjustment of other expenses or as other income.

When a trade receivable was uncollectible, it was written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off were credited against the statement of comprehensive income in the year in which they occurred as other income.

3.7. CASH AND CASH EQUIVALENTS

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

3.8. INVENTORIES

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories of the Company represent mainly merchandise (goods for resale).

Inventories are stated at the lower cost or net realizable value. The cost of inventories includes the sum of all purchase costs, production 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, which is calculated on a monthly basis.

3.9. SHARE CAPITAL

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

3.10. TRADE PAYABLES

Trade payables are obligations to pay to suppliers for goods or services that have been acquired in the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables 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.

3.11. 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 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 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.

3.12. 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.

3.13. 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 of resources embodying economic 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 recognise contingent liabilities in the statement of financial position.

3.14. REVENUE RECOGNITION

3.14.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

At contract inception, the Company assesses the goods or services promised in the contract with a customer and identifies as a performance obligation each promise to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Performance obligations might be satisfied over time or at a point in time. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- The Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

In case that none of the criteria, shown above, is not met, it is considered that the Company transfers the control at a point in time.

For each performance obligation satisfied over time the Company recognises revenue over time by measuring the progress achieved by the Company towards complete satisfaction of that performance obligation. For measuring the progress the Company uses output methods (revenue is recognised on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract)/input methods (revenue is recognised on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation).

When (or as) a performance obligation is satisfied, the Company recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, VAT).

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. The Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be 12 months or less. The Company presents the effects of the financing (interest income or expenses) in the statement of comprehensive income separately from the revenue from contracts with customers.

(All amounts in BGN thousands unless otherwise stated)

The Company recognises as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs and if the expected transfer to the customers of the goods or services will be executed in a period greater than 12 months. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). A recognised asset related to the incremental costs of obtaining a contract with a customer is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

The Company recognises as an asset costs to fulfil a contract with a customer if they do not represent another assets (for example, inventories, PPE or intangible assets) and if they meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

A recognised asset related to the costs to fulfil a contract with a customer is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

When either party to a contract has performed, the Company presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Company's performance and the customer's payment. The Company presents any unconditional rights to consideration separately as a trade receivable.

The principal activities carried out by the Company are related to the following business directions:

- Retail sales of merchandise (goods for kids, seasonal goods, household products, stationary and others) to end customers; and
- Wholesale sales of merchandise (goods for kids, seasonal goods, household products, stationary and others) to other traders.

(All amounts in BGN thousands unless otherwise stated)

3.14.1.1. RETAIL SALES OF MERCHANDISE

The Company operates a chain of stores in which are performed retail sales of the merchandise offered by the Company. Revenues from retail sales are recognised at a point in time – when the Company executes the sale and provides the merchandise to the customer. Payment of the transaction price is due immediately when the customer purchases the merchandise and takes delivery in store. It is the Company's policy to sell its products to the end customer with standard warranty terms allowing the replacement of defective products within 6 months. However, the Company has not recognised provisions for warranty liabilities, since the potential amounts are insignificant. The Company has used accumulated experience to estimate returns of defective products at the time of sale. Because the number of defective products returned has been steady and very low for years, it is highly probable that warranty liabilities related to the executed sales up to the end of the reporting period will not occur. The validity of this assumption and the estimated amounts are reassessed at each reporting date. The Company has no contracts with customers for which to be expected the period between the transfer of the promised goods to the customers and the payment to be greater than 1 year. As a result of this in determining the transaction price of the contracts with customers, the Company does not adjust the respective promised amount of consideration for the effects of the time value of money.

3.14.1.2. WHOLESALE SALES OF MERCHANDISE

The Company performs wholesale sales of the merchandise offered by the Company to other retailers. Revenues from wholesale sales are recognised at a point in time – when the Company transfers the control over the goods, being when the products are delivered to the retailer and he has accepted them. Payment of the transaction price is due within 90 days after the acceptance of the goods on behalf of the retailer. It is the Company's policy to sell its products to the other retailers with standard warranty terms allowing the replacement of defective products within 6 months. However, the Company has not recognised provisions for warranty liabilities, since the potential amounts are insignificant. The Company has used accumulated experience to estimate returns of defective products at the time of sale. Because the number of defective products returned has been steady and very low for years, it is highly probable that warranty liabilities related to the executed sales up to the end of the reporting period will not occur. The validity of this assumption and the estimated amounts are reassessed at each reporting date. It is the Company's policy not to offer volume discounts to its wholesale customers. The Company has no contracts with customers for which to be expected the period between the transfer of the promised goods to the customers and the payment to be greater than 1 year. As a result of this in determining the transaction price of the contracts with customers, the Company does not adjust the respective promised amount of consideration for the effects of the time value of money.

(All amounts in BGN thousands unless otherwise stated)

3.15. EMPLOYEE BENEFITS

3.15.1. SHORT-TERM BENEFITS

The short-term employee benefits are employee benefits that are expected to be settled wholly before 12 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, social security contributions, paid annual leaves and paid sick leaves and bonuses.

When an employee has rendered service during an accounting period, the Company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for the rendered service as a liability (accrued expense), after deducting any amount already paid, and as an expense in the statement of comprehensive income, unless other IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Company recognises a liability and the associated expenses for payment of additional remunerations (bonuses) to certain employees on the basis of a Company's policy relating the achievement of individually set targets. The Company recognises bonus accruals when there is a legal obligation or when there has been past practice that creates such constructive obligation, and when a reliable estimate of the obligation can be made.

The Company recognises the expected cost of short-term employee benefits in the form of non-accumulating paid absences, when the absences occur, and for those in the form of accumulating paid absences, when the employees render services that increases their entitlement to future paid absences. At the date of the statement of financial position, the Company measures the expected cost of accumulating paid absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

3.15.2. 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.

3.16. 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.

3.16.1. OPERATING LEASE WHERE THE COMPANY IS A LESSEE

The company holds hired assets within 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.

3.16.2. 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.

3.17. RELATED PARTIES

For the purposes of these financial statements, the Company considers and treats as related parties its parent company and its related parties thereof, key management personnel and their family members, in any different case and in relation to the companies controlled by them.

3.18. DISTRIBUTION OF DIVIDENDS

Dividends declared for distribution to the single owner of the share capital of the Company are recognised as a liability in the Company's financial statements in the period in which the distribution is approved by the board of directors of the parent company.

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(All amounts in BGN thousands unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Lands	Buildings	Furnitures, computers and machines	Assets under construction	Total
КЪМ 1 ЯНУАРИ 2017 г. Total					
Отчетна стойност	53 835	152 422	16 453	567	223 277
Нагрупана амортизация	-	(30 907)	(10 266)	-	(41 173)
Балансова стойност	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
YEAR ENDED 31 DECEMBER 2018					
Additions	-	-	927	849	1 776
Disposals and transfers	-	747	99	(849)	(3)
Depreciation charge	-	(5 082)	(1 719)	-	(6 801)
Closing net book amount	53 835	112 104	6 252	567	172 758
AT 31 DECEMBER 2018					
Cost	53 835	153 169	19 768	567	227 339
Accumulated depreciation	-	(41 065)	(13 516)	-	(54 581)
Net book amount	53 835	112 104	6 252	567	172 758

Depreciation expenses of PPE are reported as follows: BGN 6 784 thousand (2017: BGN 6 704 thousand) in distribution costs (Note 19) and BGN 17 thousand (2017: BGN 12 thousand) in administrative expenses (Note 20).

Lease rental payments amounting to BGN 3 140 thousand (2017: BGN 3 006 thousand) relating to the lease of land and buildings under operating leases are included in distribution costs in the statement of comprehensive income (Note 19). The terms of the operating leases are disclosed in Note 27.

No PPE have been presented as collateral for liabilities of the Company.

JUMBO EC. B EOOD**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2018***(All amounts in BGN thousands unless otherwise stated)***5. INTANGIBLE ASSETS**

	Computer software
AT 1 JANUARY 2017	
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
YEAR ENDED 31 DECEMBER 2018	
Additions	18
Amortisation charge	(17)
Closing net book amount	31
AT 31 DECEMBER 2018	
Cost	329
Accumulated amortisation	(298)
Net book amount	31

Amortisation expenses of intangible assets are reported as follows: BGN 17 thousand (2017: BGN 14 thousand) in distribution costs (Note 19).

No intangible assets have been presented as collateral for liabilities of the Company.

6. 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% (2017: 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	
	2018	2017
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	10	9
– Deferred income tax assets to be recovered within 12 months	55	51
Total deferred income tax assets	65	60
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered after 12 months	(23)	(14)
Total deferred income tax liabilities	(23)	(14)
Deferred income tax assets – net	42	46

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

	YEAR ENDED 31 DECEMBER	
	2018	2017
AT 1 JANUARY	46	44
(Charged)/credited to profit or loss (Note 25)	(5)	2
Tax (charge)/credit relating to components of OCI (Note 25)	1	-
AT 31 DECEMBER	42	46

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	Impair- ment losses on inventories	Total	
AT 1 JANUARY 2017	21	7	35	63	
(Charged)/credited to profit or loss	4	2	(9)	(3)	
(Charged)/credited to OCI	-	-	-	-	
AT 31 DECEMBER 2017	25	9	26	60	
(Charged)/credited to profit or loss	5	-	(1)	4	
(Charged)/credited to OCI	-	1	-	1	
AT 31 DECEMBER 2018	30	10	25	65	
Deferred tax liabilities				Property, plant and equipment	Total
AT 1 JANUARY 2017				(19)	(19)
(Charged)/credited to profit or loss				5	5
AT 31 DECEMBER 2017				(14)	(14)
(Charged)/credited to profit or loss				(9)	(9)
AT 31 DECEMBER 2018				(23)	(23)
DEFERRED TAX ASSETS AT 31 DECEMBER 2017 – NET					46
DEFERRED TAX ASSETS AT 31 DECEMBER 2018 – NET					42

At 31 December 2018, the Company has no unused tax losses to carry forward.

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7. OTHER FINANCIAL ASSETS AT AMORTISED COST

	AT 31 DECEMBER	
	2018	2017
Receivables for accrued interest on short-term deposits in banks	296	190
Other receivables	10	-
Total other financial assets at amortised cost	306	190
Less non-current portion:		
	-	-
Total other financial assets at amortised cost	306	190

The fair values of other financial assets at amortised cost approximate their carrying amounts.

No other financial assets at amortised cost have been presented as collateral for liabilities of the Company.

Information about the exposure of the Company to credit and foreign exchange risk, as well as about the impairment losses, relating to other financial assets at amortised cost, is presented in Note 36.

8. OTHER ASSETS

	AT 31 DECEMBER	
	2018	2017
Advances to suppliers	601	563
Deferred charges	2 700	2 881
Other tax receivables	83	83
Other receivables	12	11
Total other assets	3 396	3 538
Less non-current portion:		
- Advances to suppliers	(155)	(155)
- Deferred charges	(2 516)	(2 623)
- Other receivables	(1)	(1)
	(2 672)	(2 779)
Current other assets	724	759

Advances to suppliers

Advances to suppliers include amounts paid in advance for supplies of PPE for the amount of BGN 155 thousand (2017: BGN 159 thousand).

Deferred charges

The deferred charges represent prepaid expenses for lease rentals for the amount of BGN 2 623 thousand (2017: BGN 2 729 thousand), insurance for the amount of BGN 18 thousand (2017: BGN 109 thousand) and food vouchers for the amount of BGN 59 thousand (2017: BGN 43 thousand).

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Other tax receivables

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 16). The payment has been made in order to be stopped the accrual of interests while the appeal process is running.

The non-current part of the deferred charges, which are related to long-term rent of land and buildings, are expected to be recovered as follows:

	AT 31 DECEMBER	
	2018	2017
More than 1 year but less than 5 years	427	427
More than 5 years	2 089	2 196
Total non-current deferred charges	2 516	2 623

All other non-current other assets are expected to be realised within 5 years after the end of the reporting period.

No other assets have been presented as collateral for liabilities of the Company.

9. INVENTORIES

	AT 31 DECEMBER	
	2018	2017
Merchandise	22 518	19 635
Total inventories	22 518	19 635

The amount of inventories recognised as an expense during the period equals the sum of the cost of sold merchandise (Note 18), shortages and wastage of merchandise (Note 19) and consumable items (Note 19).

The Company incurred impairments of merchandise in 2018 for the amount of BGN 248 thousand (2017: BGN 258 thousand) (Note 19) and reversed previous impairments of merchandise for the amount of BGN 179 thousand (2017: BGN 228 thousand) (Note 22). The reversal of the impairments of merchandise was made due to changes in the pricing policy of the Company.

No inventories have been presented as collateral for liabilities of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

10. CASH AND CASH EQUIVALENTS

	AT 31 DECEMBER	
	2018	2017
Cash in hand	246	191
Cash at sight deposits in banks	63 356	26 343
Cash at short-term deposits in banks	169 190	169 190
Cash in transit	413	1 686
Total cash and cash equivalents	233 205	197 410

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

The cash at short-term deposits in banks, shown 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 16). No other cash items have been presented as collateral for liabilities of the Company.

Information about the exposure of the Company to credit and foreign exchange risk, relating to cash and cash equivalents, is presented in Note 36.

11. SHARE CAPITAL

	Number of shares	Total amount
AT 1 JANUARY 2017	2 485 944	248 594
AT 31 DECEMBER 2017	2 485 944	248 594
AT 31 DECEMBER 2018	2 485 944	248 594

The total authorised number of shares is 2 485 944 shares (2017: 2 485 944 shares) with par value of BGN 100 per share (2017: BGN 100 per share). All issued shares are fully paid.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

At 31 December 2018 and 2017, the single owner of the share capital of the Company is JUMBO S.A., Greece.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

(All amounts in BGN thousands unless otherwise stated)

12. OTHER RESERVES

	Reserve from remeasurement of retirement benefit obligations
AT 1 JANUARY 2017	7
Remeasurement of retirement benefit obligations – net of tax (Note 25)	(3)
AT 31 DECEMBER 2017	4
Remeasurement of retirement benefit obligations – net of tax (Note 25)	(6)
AT 31 DECEMBER 2018	(2)

13. 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	
	2018	2017
Present value of obligations	105	86
Present value of obligations	105	86

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

	YEAR ENDED 31 DECEMBER	
	2018	2017
AT 1 JANUARY	86	70
Current service cost (Note 21)	17	14
Interest expense (Note 24)	1	2
Total expense	18	16
Remeasurements:		
- Experience (gains)/losses	-	5
- (Gains)/losses from change in demographic assumptions	-	-
- (Gains)/losses from change in financial assumptions	6	(2)
Total other comprehensive income	6	3
Benefits paid	(5)	(3)
AT 31 DECEMBER	105	86

The expenses, relating to employees were included in distribution costs in the statement of comprehensive income (Note 19).

The principal actuarial assumptions used were as follows:

	AT 31 DECEMBER	
	2018	2017
Discount rate	1.00 %	1.40 %
Future salary increases	0.60 %	0.60 %

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

AT 31 DECEMBER 2018	Change in actuarial assumption	Effect on the liability	Change in actuarial assumption	Effect on the liability
Discount rate	+ 1 %	(15)	- 1 %	19
Future salary increases	+ 1 %	19	- 1 %	(16)

The above sensitivity analysis is based on a model that estimates the potential 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 2018, the weighted average duration of the defined benefit obligation is 16.0 years (2017: 15.1 years).

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

14. TRADE AND OTHER PAYABLES

	AT 31 DECEMBER	
	2018	2017
Trade payables	2 331	2 727
Trade payables to related parties (Note 31)	1 388	691
Payables to employees	1 374	1 044
Payables to social and health security organisations	562	460
Other tax payables	6 626	6 196
Other payables	13	6
Total trade and other payables	12 294	11 124
Less non-current portion:	-	-
Current trade and other payables	12 294	11 124

Trade payables

Trade payables do not include payables to suppliers of PPE (2017: none).

Payables to employees

Payables to employees include payables related to accruals of unused paid leaves for the amount BGN 255 thousand (2017: BGN 218 thousand).

Payables to social and health security organisations

Payables to social and health security organisations include payables related to accruals of social and health insurance contributions on accrued unused paid leaves for the amount BGN 45 thousand (2017: BGN 38 thousand).

Other tax payables

Other tax payables represent payable VAT which is due for payment to the tax administration for the amount of BGN 6 620 thousand (2017: BGN 6 184 thousand) and tax on expenses for the amount of BGN 6 thousand (2017: BGN 12 thousand).

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

Information about the exposure of the Company to liquidity and foreign exchange risk, relating to trade and other payables, is presented in Note 36.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

15. CONTRACT LIABILITIES

	AT 31 DECEMBER	
	2018	2017
Advances from customers	-	4
Total contract liabilities	-	4
Less non-current portion:	-	-
Current contract liabilities	-	4

Advances from customers

Advances from customers represent received payments in advance on behalf of customers which will be deducted from the last due amounts under the contracts after the finalization of their execution.

The changes in the account balance of the contract liabilities include the following:

YEAR ENDED 31 DECEMBER 2018	Advances from clients
AT 1 JANUARY	4
Utilised advances from customers	(4)
Received new advances from customers	-
AT 31 DECEMBER	-

All non-current contract liabilities are expected to be settled within 5 years after the end of the reporting period.

16. PROVISIONS

	Pending tax cases
AT 1 JANUARY 2017	36
AT 31 DECEMBER 2017	36
AT 31 DECEMBER 2018	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 2018 is expected to be utilised by 31 December 2019. 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 recognised 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 26).

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of recognised revenue from contracts with customers by main categories is as follows:

	YEAR ENDED 31 DECEMBER	
	2018	2017
Sales of merchandise on the domestic market	161 390	144 295
Sales of merchandise on foreign markets	878	1 590
Total revenue from contracts with customers	162 268	145 885

18. COST OF SALES OF GOODS

	YEAR ENDED 31 DECEMBER	
	2018	2017
Inventories at beginning of period (Note 9)	(19 635)	(19 656)
Purchases	(92 779)	(82 170)
Discounts on purchases	822	774
Surpluses of merchandise (Note 22)	(1 010)	(840)
Shortages and wastage of merchandise (Note 19)	2 221	1 922
Impairments of inventories (Note 19)	248	258
Reversals of previous impairments of inventories (Note 22)	(179)	(228)
Merchandise used as consumables (Note 19)	1 101	1 234
Inventories at end of the period (Note 9)	22 518	19 635
Total cost of sales of goods	(86 693)	(79 071)

19. DISTRIBUTION COSTS

	YEAR ENDED 31 DECEMBER	
	2018	2017
Depreciation and amortisation charges (Notes 4 and 5)	(6 801)	(6 718)
Employee benefit expenses (Note 21)	(14 528)	(11 198)
Electricity	(3 408)	(3 000)
Rents – minimum lease payments (Note 4)	(2 002)	(1 996)
Rents – contingent rent (Note 4)	(1 138)	(1 010)
Advertisement	(1 861)	(1 661)
Shortages and wastage of merchandise	(2 221)	(1 922)
Merchandise used as consumables	(1 101)	(1 233)
External services	(1 637)	(1 572)
Assets repair and maintenance costs	(1 416)	(1 233)
Other materials	(495)	(466)
Fuel	(402)	(404)
Impairments of inventories (Note 9)	(248)	(258)
Losses on disposals of PPE	(3)	(7)
Other expenses	(637)	(610)
Total distribution costs	(37 898)	(33 288)

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.

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

20. ADMINISTRATIVE EXPENSES

	YEAR ENDED 31 DECEMBER	
	2018	2017
Employee benefit expenses (Note 21)	(956)	(1 014)
External services	(157)	(155)
Depreciation and amortisation charges (Note 4)	(17)	(12)
Assets repair and maintenance costs	(8)	(8)
Other materials	(6)	(6)
Electricity	(6)	(3)
Other expenses	(114)	(44)
Total administrative expenses	(1 264)	(1 242)

In the external services line above are included expenses for independent financial audit and reviews for the amount of BGN 41 thousand (2017: BGN 41 thousand).

21. EMPLOYEE BENEFIT EXPENSES

	YEAR ENDED 31 DECEMBER	
	2018	2017
Salaries	(12 923)	(10 280)
Social and health security contributions	(2 244)	(1 662)
Accruals of unused paid leaves	(300)	(256)
Pension costs – defined benefit plans (Note 13)	(17)	(14)
Total employee benefit expenses	(15 484)	(12 212)

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

	YEAR ENDED 31 DECEMBER	
	2018	2017
Employees at the end of the year	831	695
Average number of employees in the year	814	666

22. OTHER INCOME AND GAINS

	YEAR ENDED 31 DECEMBER	
	2018	2017
Surpluses of merchandise	1 010	840
Reversals of previous impairments of inventories (Note 9)	179	228
Sales of materials	89	83
Other services	77	51
Surpluses of cash	27	22
Other income	55	-
Total other income and gains	1 437	1 224

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NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in BGN thousands unless otherwise stated)

23. OTHER EXPENSES AND LOSSES

	YEAR ENDED 31 DECEMBER	
	2018	2017
Local taxes and fees on real estates	(1 598)	(1 581)
Expenses for provisions (Note 16)	-	-
Total other expenses and losses	(1 598)	(1 581)

24. FINANCE INCOME AND COSTS

	YEAR ENDED 31 DECEMBER	
	2018	2017
Finance income		
Interests on cash in banks	879	1 341
Total finance income	879	1 341
Finance costs		
Interests on retirement benefit obligations (Note 13)	(1)	(2)
Bank charges	(374)	(290)
Foreign currency exchange losses on cash	(58)	(45)
Total finance costs	(433)	(337)
Finance income – net	446	1 004

25. INCOME TAX EXPENSE

	YEAR ENDED 31 DECEMBER	
	2018	2017
Current income tax expense	(3 853)	(3 451)
Effect from changes in deferred taxes (Note 6)	(5)	2
Income tax expense	(3 858)	(3 449)

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

	YEAR ENDED 31 DECEMBER	
	2018	2017
Profit before tax	36 698	32 931
Theoretical income tax expense at 10 % (2017: 10 %)	(3 670)	(3 293)
<i>Effect on the tax charge of:</i>		
Expenses not deductible for tax purposes	(183)	(158)
Income tax expense	(3 853)	(3 451)

(All amounts in BGN thousands unless otherwise stated)

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

YEAR ENDED 31 DECEMBER 2018	Before tax	Tax (charge) / credit	After tax
Remeasurements of retirement benefit obligations (Note 13)	(7)	1	(6)
Other comprehensive income	(7)	1	(6)
Deferred tax (Note 6)		1	

The current income tax payable at 31 December 2018 for the amount of BGN 147 thousand is calculated as from the current tax charge for the year, amounting to BGN 3 853 thousand, and the tax payable at the beginning of the year, amounting to BGN 251 thousand, is deducted the tax paid in the year, amounting to BGN 4 251 thousand.

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 tax payable at the beginning of the year, amounting to BGN 41 thousand, is deducted the tax paid in the year, amounting to BGN 3 241 thousand.

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26. CONTINGENT LIABILITIES

26.1. LITIGATIONS

At 31 December 2018, the Company is not a part in any commercial litigation which has significant interest, apart from what is disclosed below. The Company's management does not expect that any potentially material liability could arise in the case of advertent outcome of other court cases or legal claims against it.

At 31 December 2018, there is a contingent liability for the amount of BGN 111 thousand relating to two separate court cases brought against the Company by former employees who claim for compensations for damages suffered due to labour accidents. These court cases have been decided unfavourable to the Company at the first court instance but those decisions are being appealed. The actual amounts of the compensations 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.

26.2. TAX CONTINGENCIES

In 2018, the Company was not subjected to examinations by the tax authorities including regarding corporate income tax. The tax authorities may at any time inspect the books and records within 5 years subsequent to the financial year in which the respective tax has become due, and may impose additional tax assessments and penalties in accordance with the interpretation of the tax legislation. The Company's management is not aware of any circumstances which may give rise to potentially material additional tax liabilities, apart from what is disclosed below.

At 31 December 2018, 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 recognised for the amount of BGN 36 thousand, as legal advice indicates that it is probable that a liability will arise (Note 16). 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.

26.3. 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.

26.4. 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 2018, this amount equals BGN 4 724 thousand. JUMBO SA, Greece has provided to the lessor a corporate guarantee, which covers any financial claim to the Company under the lease contract.

JUMBO EC. B EOOD**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2018***(All amounts in BGN thousands unless otherwise stated)***27. COMMITMENTS****27.1. CAPITAL COMMITMENTS**

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

	AT 31 DECEMBER	
	2018	2017
Property, plant and equipment	147	147
Total capital commitments	147	147

27.2. 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	
	2018	2017
Not later than 1 year	1 894	1 604
Later than 1 year and not later than 5 years	7 691	6 485
Later than 5 years	19 549	19 123
Total minimum lease payments	29 134	27 212

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 19.

28. CASH FLOWS**28.1. CASH GENERATED FROM OPERATIONS**

	YEAR ENDED 31	
	DECEMBER	
	2018	2017
Profit after tax	32 840	29 482
<i>Adjustments for:</i>		
- Income tax expense (Note 25)	3 858	3 449
- Depreciation and amortisation charges (Notes 4 and 5)	6 818	6 730
- Operating pension provisions costs (Note 13)	12	11
- Expenses for provisions (Note 16)	-	-
- Losses on impairments of inventories – net (Notes 19 and 20)	69	30
- (Gains)/Losses on disposal of PPE (Note 19)	3	7
- Finance income – net (Note 24)	(446)	(1 004)
<i>Changes in working capital:</i>		
- Inventories	(2 952)	(9)
- Trade and other receivables	(200)	167
- Other assets	181	(24)
- Trade and other payables	1 312	466
- Other	-	(1)
Cash generated from operations	41 495	39 304

(All amounts in BGN thousands unless otherwise stated)

28.2. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

In 2018 and 2017 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).

29. DIVIDENDS PER SHARE

In 2018 and 2017, 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 2018 will be made.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

With a decision of the single owner of the share capital of the Company dated 26 September 2018, the share capital of the Company was decreased with BGN 49 718 880 through the decrease of the par value the Company's shares from BGN 100 to BGN 80 per share. The new amount of the share capital after the decrease equals BGN 198 875 520 and is consisted of 2 485 944 shares with par value of BGN 80 per share. The decrease of the share capital of the Company was finalized and filed in the Trade register on 18 January 2019.

With a decision of the single owner of the share capital of the Company dated 22 January 2019, the share capital of the Company was decreased with BGN 37 289 160 through the decrease of the par value the Company's shares from BGN 80 to BGN 65 per share. The new amount of the share capital after the decrease equals BGN 161 586 360 and is consisted of 2 485 944 shares with par value of BGN 65 per share. The decrease of the share capital of the Company is expected to be finalized and filed in the Trade register in May 2019.

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 2018.

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31. RELATED-PARTY TRANSACTIONS

The Company is controlled by JUMBO S.A., Greece (Parent Company) which holds 100 % of the Company's shares (Note 11), and 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:

31.1. SALES OF MERCHANDISE, OTHER GOODS, OTHER SERVICES AND PPE

	YEAR ENDED 31 DECEMBER	
	2018	2017
Parent company		
JUMBO S.A., Greece (merchandise)	692	1 590
JUMBO S.A., Greece (other goods)	-	-
JUMBO S.A., Greece (other services)	29	-
JUMBO S.A., Greece (PPE)	7	9
Other related parties		
JUMBO EC. R SRL, Romania (merchandise)	186	-
Total sales of goods, other goods, other services and PPE	914	1 599

31.2. PURCHASES OF MERCHANDISE, SERVICES AND PPE

	YEAR ENDED 31 DECEMBER	
	2018	2017
Parent company		
JUMBO S.A., Greece (merchandise)	91 008	78 245
JUMBO S.A., Greece (services)	43	31
JUMBO S.A., Greece (PPE)	293	182
Total purchases of merchandise, services and PPE	91 344	78 458

31.3. TRADE RECEIVABLES FROM SALES

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 35). In 2018 and 2017 there were no impairment losses against doubtful or overdue receivables from related parties.

31.4. TRADE PAYABLES FOR PURCHASES

	AT 31 DECEMBER	
	2018	2017
Parent company		
JUMBO S.A., Greece (merchandise)	1 388	691
Total trade payables for purchases	1 388	691

Trade payables to related parties are due within 90 days after the execution of the purchase transaction, are unsecured and do not bear interest expenses.

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31.5. RECEIVED GUARANTEES

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 26.

31.6. KEY MANAGEMENT COMPENSATION

Key management personnel include the managers of the Company.

The compensations paid or payable to key management for employee services were as follows:

	YEAR ENDED 31 DECEMBER	
	2018	2017
Short-term key management personnel benefits	221	239
Total key management personnel benefits	221	239

32. FAIR VALUE MEASUREMENT

32.1. FAIR VALUE FOR DISCLOSURE PURPOSES

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

- Current trade receivables;
- Current other financial assets at amortised cost; and
- Current trade and other payables.

The fair value of financial instruments different than those shown above is estimated for disclosure purposes through discounting of future contractual cash flows with the current market interest rate that would be available to the Company for similar financial instruments.

32.2. FAIR VALUE FOR MEASUREMENT PURPOSES

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

(All amounts in BGN thousands unless otherwise stated)

33. 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.

33.1. 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, apart from those disclosed below:

33.1.3. MEASUREMENT OF RETIREMENT BENEFIT OBLIGATIONS

Detailed information about the made assumptions regarding the future, related to the measurement of the retirement benefit obligations, as well as the sensitivity analysis of those liabilities to changes in the principal assumptions, is disclosed in Note 13.

33.2. 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.

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34. FINANCIAL INSTRUMENTS BY CATEGORY

The recognised financial instruments in the statement of financial position (“SFP”) are as follows:

AT 31 DECEMBER 2018

Financial assets	Financial assets measured at amortised cost
Other financial assets at amortised cost (Note 7)	306
Cash and cash equivalents (Note 10)	233 205
Total financial assets in SFP	233 511

Financial liabilities	Financial liabilities measured at amortised cost
Trade and other payables (Note 14)	5 093
Total financial liabilities in SFP	5 093

AT 31 DECEMBER 2017

Financial assets	Loans and receivables
Trade and other receivables (Note 7)	190
Cash and cash equivalents (Note 10)	197 410
Total financial assets in SFP	197 600

Financial liabilities	Financial liabilities measured at amortised cost
Trade and other payables (Note 14)	4 462
Total financial liabilities in SFP	4 462

Trade and other receivables, shown above, do not include receivables and other assets which do not represent financial assets.

Trade and other payables, shown above, do not include payables which do not represent financial liabilities.

JUMBO EC. B EOOD**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2018***(All amounts in BGN thousands unless otherwise stated)***35. 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).

35.1. 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:

	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
AT DECEMBER 2018			
Trade receivables from related parties	391	(391)	-
Total financial assets	391	(391)	-
AT DECEMBER 2017			
Trade receivables from related parties	982	(982)	-
Total financial assets	982	(982)	-

35.2. 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:

	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
AT DECEMBER 2018			
Trade payables to related parties	1 779	(391)	1 388
Total financial liabilities	1 779	(391)	1 388
AT DECEMBER 2017			
Trade payables to related parties	1 673	(982)	691
Total financial liabilities	1 673	(982)	691

36. FINANCIAL RISK MANAGEMENT

Performing its activities, the Company uses financial instruments and this potentially exposes it to a variety of financial risks, as follows:

- Market risk;
- Credit risk; and
- Liquidity risk.

This note presents information about the exposure of the Company to each of the abovementioned risks, the objectives of the Company, policies and processes for risk measurement and management.

The management's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. Financial risk management is carried out by the management in accordance with the selected and approved policy.

36.1. MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk;
- Interest rate risk; and
- Other price risk.

36.1.1. CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates in Republic of Bulgaria and since the Bulgarian Lev has been officially pegged to the Euro at a fixed rate (Note 3.1.2), it is exposed to currency risk only from deals and transactions denominated in other foreign currencies. The company has no such deals and transactions.

The currency risk is monitored and minimised by managing the size of exposures to specific foreign currencies, including, as much as possible, relation of the volume of the cash inflows (e.g. related to sales and receipt of borrowings) with the volume of cash flows needed for the payment of the financial liabilities denominated in the respective foreign currency.

The carrying amount of the financial assets is denominated in the following currencies:

	AT 31 DECEMBER	
	2018	2017
Bulgarian lev (BGN)	147 968	113 269
Euro (EUR)	85 543	84 331
Total financial assets in the statement of financial position	233 511	197 600

The carrying amount of the financial liabilities is denominated in the following currencies:

	AT 31 DECEMBER	
	2018	2017
Bulgarian lev (BGN)	3 414	3 519
Euro (EUR)	1 679	943
Total financial liabilities in the statement of financial position	5 093	4 462

(All amounts in BGN thousands unless otherwise stated)

36.1.2. INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate risk is monitored and minimised by managing the size of exposures to floating interest rates, including, as much as possible, relation of market interest indexes, determining the volume of the cash inflows (e.g. related to financial assets with floating interest) with the market interest indexes, determining the volume of the cash flows needed for the payment of the financial liabilities with floating interest.

The interest rate profile of the interest-bearing financial instruments of the Company is as follows:

	AT 31 DECEMBER	
	2018	2017
Fixed rate instruments		
Financial assets	232 959	197 219
Financial liabilities	-	-
Fixed rate instruments – net	232 959	197 219
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments – net	-	-

Sensitivity analysis for fixed rate financial instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate financial instruments

The Company has no floating rate financial assets and liabilities.

36.1.3. OTHER PRICE RISK

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

At 31 December 2018, the Company is not exposed to significant other price risk regarding investments held by it, since it has no significant investments, biological or other assets measured at fair value. The Company is not exposed to other price risk and with regards to financial assets related to price levels of commodities.

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36.2. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk arises with regards to:

- Trade receivables;
- Other financial assets at amortised cost; and
- Cash and cash equivalents (except for cash in hand).

Credit risk is managed in a centralised manner by management of the Company. With regards to banks and financial institutions, the Company uses the services only of banks in the Republic of Bulgaria with good reputation and investment grade credit rating. 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.

The carrying amount of the financial assets represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date is:

	AT 31 DECEMBER	
	2018	2017
Other financial assets at amortised cost	306	-
Trade and other receivables	-	190
Cash and cash equivalents in banks	232 959	197 219
Total financial assets, related to credit risk	233 265	197 409

The maximum exposure to credit risk at the reporting date by geographic regions in which the respective counter parties are based is as follows:

	AT 31 DECEMBER	
	2018	2017
Republic of Bulgaria	233 265	197 409
Total financial assets, related to credit risk	233 265	197 409

The carrying amount of financial assets except for the trade receivables by rating classes of the credit risk is as follows:

	AT 31 DECEMBER	
	2018	2017
Long-term credit rating from BBB+ to BBB-		
- Other financial assets at amortised cost	296	190
- Cash and cash equivalents in banks	232 959	197 219
Without information about the long-term credit rating		
- Other financial assets at amortised cost	10	-
Total financial assets except trade receivables	233 265	197 409

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The Company holds no collateral for financial assets.

The Company has no purchased or originated credit-impaired financial assets.

The Company has no financial assets on which the credit risk to be increased significantly since initial recognition.

The Company has no financial assets that are overdue for more than 30 days.

There are no credit losses on trade receivables at the end of the reporting period and at the date of adoption of IFRS 9.

There are no credit losses on other financial assets at amortised cost at the end of the reporting period and at the date of adoption of IFRS 9.

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36.3. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management involves 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. Management monitors forecasts for the available liquidity reserve of the Company which includes the unused amount from borrowings agreements as well as the cash and cash equivalents (Note 10). The forecasts are based on the expected cash flows. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

	Carrying amount	Contractual cash flows	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
AT 31 DECEMBER 2018						
Trade and other payables	5 093	5 093	5 093	-	-	-
Total financial liabilities in statement of financial position	5 093	5 093	5 093	-	-	-
AT 31 DECEMBER 2017						
Trade and other payables	4 462	4 462	4 462	-	-	-
Total financial liabilities in statement of financial position	4 462	4 462	4 462	-	-	-

Trade and other payables, shown above, do not include payables which do not represent financial liabilities.

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.

37. 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 single owner of the share capital 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 number of dividends paid to the single shareholder, return capital to the singleshareholder, issue new shares or sell assets to reduce debt.

The Company monitors the capital structure on the basis of the gearing ratio, which 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, which are not blocked, if any. 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.

(All amounts in BGN thousands unless otherwise stated)

38. CHANGES IN ACCOUNTING POLICIES

38.1. ADOPTION OF IFRS 9 “FINANCIAL INSTRUMENTS”

The company adopted IFRS 9 on 1 January 2018 (date of initial application) which lead to changes in accounting policies, as well as to adjustments in the amounts recognised in the financial statements. In accordance with the transitional provisions of IFRS 9, the comparative information was not restated.

There is no effect on the retained earnings as at 1 January 2018.

On 1 January 2018, the Company’s management assessed which business models apply to the financial assets held by the Company and classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Loans and receivables	Financial assets measured at amortised cost
AT 31 DECEMBER 2017 (IAS 39)	197 600	-
Reclassification of receivables as financial assets at amortised cost	(190)	190
Reclassification of cash and cash equivalents as financial assets at amortised cost	(197 410)	197 410
AT 1 JANUARY 2018 (IFRS 9)	-	197 600

Financial assets at amortised cost

Receivables and cash and cash equivalents, reported in accordance with IAS 39 into the category of loans and receivables, are reclassified into the category of financial assets at amortised cost, since they meet the definition for such financial assets in IFRS 9 and are not designated by the management as financial assets at FVPL.

On 1 January 2018 the financial instruments of the Company were as follows:

	Measurement category		IAS 39	IFRS 9	Carrying amount Difference
	IAS 39	IFRS 9			
Financial assets					
Other financial assets at amortised cost	Amortised cost	Amortised cost	190	190	-
Cash and cash equivalents	Amortised cost	Amortised cost	197 410	197 410	-
Total financial asset			197 600	197 600	-
Financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	4 462	4 462	-
Total financial liabilities			4 462	4 462	-

(All amounts in BGN thousands unless otherwise stated)

38.2. ADOPTION OF IFRS 15 “REVENUE FROM CONTRACTS WITH CUSTOMERS”

The company adopted IFRS 15 on 1 January 2018 (date of initial application) which lead to changes in accounting policies, as well as to adjustments in the amounts recognised in the financial statements. In accordance with the transitional provisions of IFRS 15, the Company applied the standard retrospectively with the cumulative effect of initial application recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The comparative information was not restated.

On 31 December 2018 the amounts with which each item in the financial statements was impacted due to the application of IFRS were the following:

	Carrying amount under IAS 18	Reclassi- fication	Remeasure- ment	Carrying amount under IFRS 15
Advances from customers	-	-	-	-
Contract liabilities	-	-	-	-
Total liabilities	-	-	-	-

On 1 January 2018 the amounts with which each item in the financial statements was impacted due to the application of IFRS were the following:

	Carrying amount under IAS 18	Reclassi- fication	Remeasure- ment	Carrying amount under IFRS 15
Advances from customers	4	(4)	-	-
Contract liabilities	-	4	-	4
Total liabilities	4	-	-	4

Contract liabilities

Payments in advances made by the customers are previously presented as advances from customers.

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GENERAL INFORMATION

The management of JUMBO EC. B EOOD (“the Company”) presents the annual activity report, prepared 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 2018.

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 2018, the Company has stores at the territory 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 customers of the Company in 2018 were JUMBO S.A., Greece (Parent company) and JUMBO EC. R SRL, Romania (Other related party).

The major suppliers of the Company in 2018 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 2018, the Company had no research and development activities.

REVIEW OF DEVELOPMENT AND ACTIVITY’S RESULTS

Sales Revenue and Other Operating Income

In 2018, the Company generated revenue from sales of merchandise for the amount of BGN 162 268 thousand (2017: BGN 145 885 thousand) as disclosed in Note 17 to the annual financial statements. The increase in the revenue from sales of merchandise in 2018 amounts to BGN 16 383 thousand (11.23 %) in comparison to 2017. The increase in sales is due to the general increase of the sales in the existing stores. 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 2018, the other income and gains of the Company amount to BGN 1 437 thousand (2017: BGN 1 244 thousand). The increase in the other income is due mainly to the increase in surpluses of merchandise.

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Operating Expenses

In 2018, there was no significant change in the structure of the operating expenses of the Company in comparison to the previous year. In 2018 and 2017, 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:

Type of expense	All amounts, apart from the shown percentages, are in BGN thousand			
	2018	%	2017	%
Expenses for materials	(5 592)	14 %	(5 301)	15 %
Expenses for external services	(8 048)	20 %	(7 446)	21 %
Depreciation and amortization charges	(6 818)	17 %	(6 730)	19 %
Employee benefit costs	(15 484)	38 %	(12 212)	34 %
Expenses for other taxes and other provisions	(1 598)	4 %	(1 581)	4 %
Other expenses	(3 220)	7 %	(2 840)	7 %
	(40 760)	100 %	(36 110)	100 %

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

Finance Income and Expenses

There was no significant change in the structure of the finance income and expenses of the Company in comparison to the previous year. In 2018, the finance income and expenses of the Company represent net finance income amounting to BGN 446 thousand (2017: BGN 1 004 thousand). The decrease in the net finance income is due mainly to the decrease in the interest income.

Financial Result

The financial result of the Company in 2018 was a net profit of BGN 32 840 thousand (2017: BGN 29 482 thousand), which represents 20.24 % of the realised revenue from the sales of merchandise for 2018 (2017: 20.21 %). The increase in the Company's profit is due mainly to the increased sales revenue which lead to an increase in the operating profit, even though the expenses are increasing with a slightly higher trend. Impact on the financial result has also the decrease in the net finance income.

At the moment, no meeting of the Board of Directors of the single shareholder is scheduled to be held in 2019 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.

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Non-current Assets

At 31 December 2018, 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, apart from the changes related to the first-time adoption of IFRS 9 and IFRS 15. The non-current assets of the Company at the end of the reporting period were BGN 175 503 thousand, consisting mainly of property, plant and equipment amounting to BGN 172 758 thousand (98.44 %). The remaining non-current assets represent other assets amounting to BGN 2 672 thousand, intangible assets amounting to BGN 31 thousand and deferred tax assets amounting to BGN 42 thousand. Additional information about the non-current assets is disclosed in Notes 4, 5, 6 and 8 to the annual financial statements.

Current Assets

At 31 December 2018, there was no significant change in the structure of the current assets of the Company in comparison to the end of the previous year, apart from the changes related to the first-time adoption of IFRS 9 and IFRS 15. The current assets of the Company at the end of the reporting period were BGN 256 900 thousand, consisting mainly of cash amounting to BGN 233 205 thousand (90.78 %). The remaining current assets represent inventories amounting to BGN 22 518 thousand, other financial assets at amortised cost amounting to BGN 306 thousand, other assets amounting to BGN 724 thousand and current income tax receivables amounting to BGN 147 thousand. Additional information about the current assets is disclosed in Notes 7, 8, 9, 10 and 25 to the annual financial statements.

Non-current Liabilities

At 31 December 2018, 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 105 thousand, consisting only of retirement benefit obligations. Additional information about the non-current liabilities is disclosed in Note 13 to the annual financial statements.

Current Liabilities

At 31 December 2018, there was no significant change in the structure of the current liabilities of the Company in comparison to the end of the previous year, apart from the changes related to the first-time adoption of IFRS 9 and IFRS 15. The current liabilities of the Company at the end of the reporting period were BGN 12 330 thousand, consisting mainly of trade and other payables for the amount of BGN 12 294 thousand (99.71 %). The remaining current liabilities represent other provisions for the amount of BGN 36 thousand. Additional information about the current liabilities is disclosed in Notes 14, 15 and 16 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 11 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 171 376 thousand and BGN (2) thousand (2017: respectively BGN 138 536 thousand and BGN 4 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 13 to the annual financial statements).

The single shareholder in the Company as at 31 December 2018 and 2017 is JUMBO S.A., Greece, as disclosed in Note 11 to the annual financial statements.

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FINANCIAL RATIOS

Liquidity

Current ratio = Current assets / Current liabilities = **20.84** (2017: **19.10**)

Quick ratio = (Current assets – Inventory) / Current liabilities = **19.01** (2017: **17.38**)

Absolute ratio = Cash and cash equivalents / Current liabilities = **18.91** (2017: **17.29**)

Net working capital = Current assets – Current liabilities = **BGN 244 570 thousand** (2017: **BGN 206 579 thousand**)

The changes in the liquidity ratios were due to the greater relative and nominal increase in the amount of current assets than the increase in the current liabilities.

Profitability

Gross profit margin = Gross profit / Revenue from contracts with customers = **46.57 %** (2017: **45.80 %**)

Pre-tax return on assets = Profit before income tax / Total assets = **8.49 %** (2017: **8.26 %**)

Return on equity = Comprehensive income / Equity = **7.82 %** (2017: **7.61 %**)

The changes in the profitability ratios were due mainly to the increased sales revenue, while the gross profit margin increased, and the lower nominal increase in the operating expenses, which has led to a general increase in profitability.

Activity

Days in inventory = Average inventory * 365 / Cost of sales = **89 days** (2017: **91 days**)

Total asset turnover = Sales revenue / Average total assets = **0.39** (2017: **0.38**)

The changes in the activity ratios were due mainly to the increased sales revenue, realised however with an increase in the available inventories and total assets.

JUMBO EC. B EOOD

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USED FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGERMENTS

In its activity, the Company does not use financial instruments apart from those, under which trade receivables and payables are recognised. Performing its activity, the Company is not exposed to significant 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 36 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 30 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 31 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 2019, is achieving an additional optimisation of the operating expenses and increasing the revenue from sales of merchandise with around 10 – 11 % in comparison to those realised in 2018.

Another objective is improvement of the customer service quality.

At the moment, the Company is not planning to open new store in 2019.

With regards to the development of personnel, the Company has an objective to keep the hired staff. In 2019, 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 circumstances which might lead to decrease in the activity.

JUMBO EC. B EOOD

ANNUAL ACTIVITY REPORT

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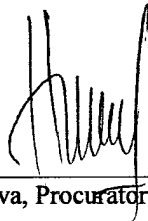
MANAGEMENT'S RESPONSIBILITIES

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.

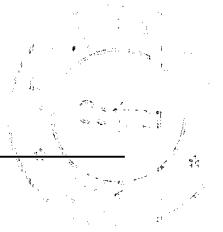
Management confirms that it has applied, in a consistent manner, adequate accounting policies and that in the preparation of the financial statements as at 31 December 2018 it has applied the principle for prudence in the valuation of assets, liabilities income and expenses.

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.



Alexandra Mihova, Procurator
Sofia
11 February 2019





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 2018, 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 1 – 56.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 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 2018 ("the Activity report"), presented on pages 1 – 6, 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.

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 – 6;

In our opinion:

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

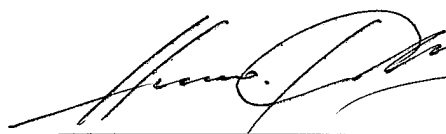
Responsibilities of Management for the Annual Reports

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.



Nino Kaloyanov
Registered Auditor



Snezhanka Kaloyanova
Manager

NS CONSULTING OOD
11 February 2019
Sofia