JUMBO EC. R SRL

Financial Statements
for the six months period ended 31 December 2019
Prepared in accordance with
International Financial Reporting Standards

CONTENTS

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Independent auditor's report on Financial Statements

To: Sole Shareholder of JUMBO EC R SRL

As requested in the engagement letter dated 6 January 2020, we have audited the accompanying financial statements ("Financial Statements") of Jumbo EC R SRL ("the Company") which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the six months period then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements of the Company as of 31 December 2019 and for the six months period then ended have been prepared, in all material respects, in accordance with the International Financial Reporting Standards (IFRSs)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the Financial Statements in Romania, including the law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting and restriction of use

We draw attention to Note 2 to the Financial Statements which describes the basis of accounting. The Financial Statements have been prepared to assist the Company in complying with the Jumbo Group financial reporting requirements. As a result, the Financial Statements may not be suitable for another purpose. Our report is intended solely for the use of the Company and its shareholder and should not be distributed to or used for any other purposes by parties other than the Company and its shareholder. Our opinion is not modified in respect of this matter.

Emphasis of matter – Comparability of financial information

We draw attention to Note 2 to the Financial Statements which describes the basis of preparation. The Company undertook a change of the year end from 30 June 2019 to 31 December 2020. As a result, the Company has included additional information in order to ensure the comparability of the financial information. Our opinion is not modified in respect of this matter.

Emphasis of matter –transfer pricing

As described in Note 24 to the Financial Statements, a significant proportion of the Company's purchases and accounts payables arise from relations with related parties. The going concern of the Company depends on the future continuation of these relations. In additional, tax legislation in Romania includes the "market value" principle, according to which transactions between related parties must be carried out at market values. Local taxpayers, members of groups, who engage in operations with related parties, must prepare the transfer pricing documentation file in order to sustain the compliance with the market value principle either annually by the deadline for submitting the corporate tax return (large taxpayers) or during a tax inspection. At the date of approval of these Financial Statements, the Company is in process of preparing the transfer pricing documentation file. The impact of a documentation that cannot support the company's transfer pricing policy or of different interpretations of tax authorities and possible tax adjustments that would be required in these circumstances cannot be estimated reliably. Our opinion is not modified in respect of this matter.

Emphasis of matter – coronavirus outbreak

As described in Note 28 to the Financial Statements, a major coronavirus outbreak occurred in the first quarter 2020, adversely affecting the daily routine of the general public, and, conversely, the Company performance. The Company performance closely depends on the duration of this outbreak, the effective measures taken by the general public and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to respond to the outbreak may have an impact on various financial indicators and ultimately on the Company's going concern Our opinion is not modified in respect of this matter.

Responsibilities of management for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the 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 relating 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.

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

Auditor's responsibility for the audit of Financial Statements

The objectives of our audit 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 scepticism throughout the planning and performance of 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 entity'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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Grant Thornton Audit SRL
28 April 2020
Bucharest, Romania

The management of JUMBO EC. R S.R.L disclose the Directors' Report and the Financial Statements for the six months period ended 31 December 2019 prepared under the International Financial Reporting Standards, adopted for use in the European Union ("IFRS").

Company description

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

The Company has the following activity subject: manufacture and wholesale and retail trade of all kinds of goods, including kid's products, toys, baby's products, office consumables, clothes, shoes, accessories for clothes and shoes, furniture, 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 Romania.

The Company has stores in the territory of the cities of Bucharest, Timisoara, Oradea, Arad, Ploiesti, Pitesti, Constanta, Suceava, Bacau and Braila.

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

The major single supplier of the Company during the financial period was the Company's parent JUMBO S.A., Greece ("the Parent'), for acquisition of merchandises. Other major suppliers are the landlords (3 stores are leased), utilities, transportation suppliers, others.

ANALYSIS OF THE OPERATIONS

Sales revenue and gross profit

Sales for the six months period ended 31 December 2019 were of RON thousand 470,746 (six months period ended 31 December 2018, unaudited: RON thousand 378,595), with an increase of RON thousand 92,151 (24%). The increase has primarily occurred organically, and from new stores opened: September 2018: in Voluntari, Ilfov County, November 2018: Bacau, March 2019: Braila and November 2019: Brasov. As a result, as at 31 December 2019, the Company operates 14 stores.

The gross profit evolved in line with the sales revenue: increase of RON thousand 36,664 from RON thousand 178,257 in the six months period ended 31 December 2018, unaudited to RON thousand 214,921 in the six months period ended 31 December 2019 (21% increase). The lower increase comes from a slight drop in gross margin (46% in the six months period ended 31 December 2019 compared to 47% in the six months period ended 31 December 2018, unaudited)

Operating expenses: distribution costs and administrative expenses

The total operating expenses increased from RON thousand 65,990 to RON thousand 78,788, an increase of RON thousand 12,798 or 19%. The increase was highly resulting from payroll costs, the Company hiring additional personnel in order to accommodate the new store openings.

Directors' report (continued)

Evolution of operating expenses (Direct costs and Administrative expenses) during the six months period ended 31 December 2019 and six months period ended 31 December 2018 (unaudited):

	Six months period ended 31 December 2019	**Share:**	**Six months period ended 31 December 2018 (unaudited)**	**Share:**
Payroll expenses	31,880	40%	27,047	41%
Depreciation of tangible assets	12,087	15%	9,361	14%
Third parties' expenses and fees	8,958	11%	9,181	14%
Advertisement	7,817	10%	5,339	8%
Operating leases rent	5,301	7%	6,369	10%
Services received	5,635	7%	5,444	8%
Taxes and duties	2,763	4%	3,099	5%
Consumable items	1,232	2%	-	0%
Other various expenses	3,115	4%	150	0%
Total:	**78,788**	**100%**	**65,990**	**100%**

The share of individual operating expenses share remained mostly constant throughout the two six months periods.
The notable exceptions were:

- Share of advertising expenses increased (8% in the six months period ended 31 December 2018, unaudited to 10% in the six months period ended 31 December 2019), as a result of higher focus placed on advertising and promotion in 2019
- Operating lease share decreased (10% during the six months period ended 31 December 2018, unaudited to 7% during the six months period ended 31 December 2019), as a result of the IFRS16 adoption. The operating lease for the six months period ended 31 December 2019 is represented by the contingent rent charged for the Timisoara and Theodor Pallady stores.

Net profit

The net profit increased during the six months period ended 31 December 2019 compared to the six months period ended 31 December 2018, unaudited (RON thousand 97,970 to RON thousand 120,454), driven primarily by the higher gross profit (as a consequence of the turnover increase).

ANALYSIS OF THE FINANCIAL POSITION

Non-current assets:

The single major change in non-current assets as at 31 December 2019 compared to 30 June 2019, comes from the recognition of right-of-use assets in amount of RON thousand 22,719, in accordance with the IFRS 16 provisions. In addition, the Company made additions of RON thousand 20,853 (mostly cost for the opened stores), and recognized depreciation charges of RON thousand 10,783. For more details, please refer to Note 4 of the financial statements.

Current assets:

The main driver for the increase in current assets was the higher cash and cash equivalents balance as at 31 December 2019 (RON thousand 445,006) compared to 31 December 2018, unaudited (RON 313,108). The increase in the balance comes from the cash flow generated from operations during the six month period ended 31 December 2019. Please refer to the Statement of cash flows for more details.

Directors' report (continued)

Non-current liabilities

The overall balance has not varied much as at 31 December 2019 compared to 30 June 2019 (RON thousand 1,398: from RON thousand 56,170 to RON thousand 57,568). The slight overall increase comes from the following:

- Lease liabilities recognized in accordance with IFRS 16 in amount of RON thousand 20,338
- Repayment of non-current liabilities from acquisition of stores: RON thousand 18,940

Current liabilities

The overall current liabilities balance has increased from RON thousand 55,440 as at 30 June 2019 to RON thousand 97,772 as at 31 December 2019, coming from the following:

- Increase in trade payables: RON thousand 36,517 as at 30 June 2019 to RON thousand 50,208 due to higher volume of acquisitions carried out in December 2019 compared to December 2018
- Increase in other current liabilities: RON thousand 12,439 as at 30 June 2019 to RON thousand 34,092 as at 31 December 2019, coming primarily from higher VAT payable balance, due to higher sales made in December 2019 compared to December 2018 (for more details concerning other current liabilities please refer to Note 14 to the financial statements.

Share capital

The share capital of the Company as at 31 December 2019 is amounting of RON thousand 425,246. The share capital consists of 32,711,227 shares with par value of RON 13 each. The single shareholder of the Company as at 31 December 2019 is JUMBO S.A., Greece. For more details, please refer to Note 11 to the financial statements.

ANALYSIS OF FINANCIAL INDICATORS

		Six months period ended 31 December 2019	Year ended 30 June 2019*
Liquidity ratios			
Current ratio	Current assets/Current liabilities	5.56	7.44
Quick ratio	(Current assets – Inventory) / Current liabilities	4.60	5.79
Absolute ratio	Cash and cash Equivalents / Current liabilities	4.55	5.65
Net working capital	Current assets – Current liabilities	446,159	357,209
Profitability			
Gross profit margin	Gross profit / Sales revenue	46%	47%
Pre-tax return on assets	Profit before income tax** / Total assets	43%	28%
Return on equity	Total comprehensive income** / Total equity	25%	18%
Operational			
Days in inventory	Average inventory * 365 / Cost of sales**	66	100
Total asset turnover	Sales revenue** /Average total assets	0.92	0.67

*Given the change in year-end (from 30 June to 31 December), the Management considered that for comparing the indicators for the six months period ended 31 December 2019 and the indicators for the year ended 30 June 2019.
**For the following indicators: Pre-tax return on assets, Return on equity, Days in inventory and Total assets turnover, the profit or loss amount (Profit before income tax, Total comprehensive income, Cost of sales and Sales Revenue) were annualized, for the indicators for the two periods to be comparable.

Directors' report (continued)

MANAGEMENT

The executive management of the Company is carried out by Kyriakos Arampatzis (Administrator) and Ana Maria Kotsis (Administrator). The remunerations received in the year by the key management personnel is disclosed in Note 24 to the financial statements.

FINANCIAL RISK MANAGEMENT

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Management monitors the overall risk and seeks to minimise the potential negative effects on the financial position of the Company as disclosed in Note 26 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Coronavirus outbreak

During 2020, the Company performance was affected by the 2019-20 coronavirus (COVID-2019) outbreak. First identified in China in December 2019, then it has since spread all over the world, and was recognized in March 2020 as a pandemic by the World Health Organization. In an effort to curb the spreading of the outbreak, in March 2020 the Romanian authorities have suspended the school year and instituted an emergency state, banning activities involving public gatherings. In addition, the authorities issued calls for the general public to limit their movement outside to the absolute minimum.
The Management continuously analyses the developments and takes appropriate measures in order to ensure the safety of the customers and the Company personnel, as well as to ensure the performance of the Company. For more information, please refer to Note 28 to the financial statements.

Aside of the coronavirus outbreak, there are no significant matters to report.

Kotsis Ana Maria, Administrator
Bucharest
5 March 2020

JUMBO EC. R SRL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(All amounts are presented in RON thousand, unless otherwise stated)

	Notes	31 December 2019	30 June 2019
Non-current assets			
Property, plant and equipment	4	539,816	529,746
Rights of used assets based on IFRS 16	5	22,719	
Intangible assets	6	526	481
Deferred tax assets	22	68	-
Total non-current assets		**563,129**	**530,227**
Current assets			
Inventories	7	94,204	91,568
Trade receivables	8	114	95
Other current assets	9	4,607	7,878
Current bank deposits	10	215,000	-
Cash and cash equivalents	10	230,006	313,108
Total current assets		**543,931**	**412,649**
Total assets		**1,107,060**	**942,876**
Equity			
Share capital	11	425,246	425,246
Other reserves		31,110	24,130
Retained earnings		495,364	381,890
Total equity		**951,720**	**831,266**
Non-current liabilities			
Non-current lease liabilities	5	20,338	-
Other long term liabilities	12	37,230	56,170
Total non-current liabilities		**57,568**	**56,170**
Current liabilities			
Trade payables	13	50,208	36,517
Current income tax payable		10,665	6,484
Current lease liabilities	5	2,807	
Other current liabilities	14	34,092	12,439
Total current liabilities		**97,772**	**55,440**
Total liabilities		**155,340**	**111,610**
Total equity & liabilities		**1,107,060**	**942,876**

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.
The financial statements were authorized for issue on 5 March 2020:

Ana Maria Kotsis
Procurator

Societatea Comercială JUMBO EC. R S.R.L J40/7122 2013 București - România

Rodica Cristea
Chief Accountant

(All amounts are presented in RON thousand, unless otherwise stated)

	Notes	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Sales revenues	15	470,746	378,595	628,279
Cost of sales	16	(255,825)	(200,338)	(335,850)
Gross profit		**214,921**	**178,257**	**292,429**
Other income	17	2,191	3,323	6,063
Distribution costs	18	(73,862)	(64,151)	(121,883)
Administrative expenses	19	(4,926)	(1,839)	(3,564)
Other expenses	20	(787)	(165)	(1,224)
Operating profit (EBIT)		**137,537**	**115,425**	**171,821**
Finance income	22	3,410	1,855	4,796
Finance costs	22	(1,759)	(967)	(1,625)
Net financial result		**1,651**	**888**	**3,171**
Profit for the period before tax		**139,188**	**116,313**	**174,992**
Income tax expense	23	(18,734)	(18,343)	(27,617)
Profit for the period after tax		**120,454**	**97,970**	**147,375**
Other comprehensive income:		-	-	-
Total comprehensive income for the period		**120,454**	**97,970**	**147,375**

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.

The financial statements were authorized for issue on 5 March 2020:

Ana Maria Kotsis
Procurator

Societatea Comercială JUMBO EC. R S.R.L. J40/7122 2013 București - România

Rodica Cristea
Chief Accountant

JUMBO EC. R SRL
STATEMENT OF CHANGES IN EQUITY
for the six months period ended 31 December 2019
(All amounts are presented in RON thousand, unless otherwise stated)

	Share capital	Legal reserves	Retained earnings	Total Equity
Balance as at 1 July 2018:	**307,808**	**15,380**	**243,265**	**566,453**
Profit for year ended 30 June 2019	-	-	147,375	147,375
Other comprehensive income:	-	-	-	-
Total comprehensive income	**-**	**-**	**147,375**	**147,375**
Other movements:				
Share capital increase through issuing of new shares	117,438	-	-	117,438
Statutory reserves	-	8,750	(8,750)	
Total other movements	**117,438**	**8,750**	**(8,750)**	**117,438**
Balance as at 30 June 2019:	**425,246**	**24,130**	**381,890**	**831,266**
Balance as at 1 July 2019:	**425,246**	**24,130**	**381,890**	**831,266**
Profit for the 6 months period ended 31 December 2019	-	-	120,454	120,454
Other comprehensive income:	-	-	-	-
Total comprehensive income	**-**	**-**	**120,454**	**120,454**
Other movements:				
Statutory reserves	-	6,980	(6,980)	-
Total other movements	**-**	**6,980**	**(6,980)**	**-**
Balance as at 31 December 2019:	**425,246**	**31,110**	**495,364**	**951,720**

Legal reserves are recognized by the Company in accordance with the Romanian tax provisions as 5% of accounting profit until they reach 20% of share capital.

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.
The financial statements were authorized for issue on 5 March 2020:

Ana Maria Kotsis
Procurator

Rodica Cristea
Chief Accountant

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JUMBO EC. R SRL
STATEMENT OF CASH FLOWS
for the six months period ended 31 December 2019
(All amounts are presented in RON thousand, unless otherwise stated)

	Note	Six months period ended 31 December 2019	Year ended 30 June 2019
Cash flows from operating activities			
Profit before tax		139,188	174,992
Adjustments for:			
Depreciation and amortization of property, plant and equipment, rights of use and intangible assets	4,5,6	12,087	19,835
Write down noncurrent assets	4	-	314
Surpluses of merchandise	17	-	(4,145)
Interest income	21	(3,410)	(4,796)
Interest expense	21	468	-
Unrealized, foreign exchange (gain)/loss		216	-
Increase in inventories		(2,636)	(21,161)
Decrease in trade receivables		2,403	4,674
Decrease / (Increase) in other current assets		1,043	(2,113)
(Decrease) / Increase in trade and other payables		33,629	(41,470)
Income tax paid		(14,621)	(25,594)
Net cash from operating activities		**168,367**	**100,536**
Cash flows from investing activities:			
Payments for tangible assets purchases		(38,023)	(125,953)
Current bank deposits set-up		(215,000)	-
Interest received		2,977	4,005
Net cash from investing activities		**(250,046)**	**(121,948)**
Cash flows from finance activities			
Proceeds from shareholders		-	117,438
Payment of leases		(1,423)	-
Net cash from finance activities		**(1,423)**	**117,438**
Net decrease / increase in cash and cash equivalents		**(83,102)**	**96,026**
Cash and cash equivalents at the beginning of the period		313,108	217,082
Cash and cash equivalents at the end of the period		**230,006**	**313,108**

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.

The financial statements were authorized for issue on 5 March 2020:

Ana Maria Kotsis
Procurator

Rodica Cristea
Chief Accountant

Societatea Comercială JUMBO EC. R S.R.L. J40/7122/2013 București - România

1. General Information

JUMBO EC. R SRL („the Company") is a solely owned limited liability company registered in Romania, domiciled at number 51 Theodor Pallady Blvd. Bucharest, third district.
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, furniture, 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 Romania.
The parent Company which is also the ultimate parent of the Group which the Company is a part of is JUMBO S.A., Greece.
These financial statements were approved for publishing by the Management on 5 March 2020.

2. Summary of accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union by the Commission of the European Union („the European Commission").
The financial statements have been prepared on a historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

Starting with 1 July 2019, the Company changed its year-end reporting date from 30 June to 31 December. The last prior financial statements prepared by the Company were at 30 June 2019 and it covered the year then ended (1 July 2018- 30 June 2019). The Company prepared this set of financial statements as a transition for the financial statements to be prepared as at 31 December 2020, and cover the six months period ended 31 December 2019. As such, the financial statements provide:

- Statement of financial position as at 31 December 2019 and 30 June 2019
- Statement of comprehensive income for the six months period ended 31 December 2019, six months period ended 31 December 2018 (unaudited) and year ended 30 June 2019
- Statement of changes in equity for the six months period ended 31 December 2019 and year ended 30 June 2019
- Statement of cash flows for the six months period ended 31 December 2019 and year ended 30 June 2019

Functional and presentation currency

The Company's functional currency is the Romanian Leu (RON). The Company determined the functional currency and items included in the financial statements of the entity are measured using that functional currency. The financial statements are presented in RON and all values are rounded to the nearest monetary unit, except where otherwise indicated.

(All amounts are presented in RON thousand, unless otherwise stated)

2.2 Summary of significant accounting policies

a) Foreign currency translation

Transactions are recorded in the functional currency RON at the exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date and all differences are included in the profit or loss.

The exchange rates applicable for year-end and average rates for the year were as follows (EUR, USD and PLN 1/RON):

	Six months period ended 31 December 2019	Six months period ended 31 December 2018	Year ended 30 June 2019
EUR: Average for the period	4.7491	4.6533	4.6631
EUR Year end	4.7793	4.6639	4.7351
USD: Average for the period	4.2804	4.0392	4.1113
USD Year end	4.2608	4.0736	4.1587

b) Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred, if the recognition criteria are met.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year when the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is provided on a straight-line basis to write off the recorded cost of assets over their estimated useful lives as follows:

Fixed asset	Useful life (years)
Buildings	32
Machines and equipment	5-10
Computers	3-4
Furniture and fittings	5-10
Leasehold improvements	minimum between the useful life and the remaining duration of the lease agreement

The depreciation expense is recognized in the statement of comprehensive income in distribution costs and administrative expenses, depending on the purpose of the item of property, plant and equipment.

2.2 Summary of significant accounting policies (continued)

c) Intangibles

Computer software

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

Intangible asset	Useful life (years)
Software	3-4

The amortization expense is recognized in the statement of comprehensive income in distribution costs and administrative expenses, depending on the purpose of the item of the software.

d) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

e) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

2.2 Summary of significant accounting policies (continued)

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

f) Financial instruments – initial recognition, subsequent measurement and de-recognition

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.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.2 Summary of significant accounting policies (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.
The Company's financial assets at amortized cost include trade receivables and purchased loan portfolios.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they are not held for trading and meet the definition of equity under IAS 32 Financial Instruments: Presentation. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2.2 Summary of significant accounting policies (continued)

The Company has not elected to classify any instruments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company has no financial assets at fair value through profit or loss.

Embedded derivatives

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Company has no embedded derivatives.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company

2.2 Summary of significant accounting policies (continued)

continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company is active in the retail industry and the sales are made on a cash basis. The Company occasional sales on credit (though these are mostly to Group entities). As such, given the low number of credit customers, the Company analyses on a case by case basis whether an allowance is necessary.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, non-current trade payables and lease liabilities recognized in accordance with IFRS 16.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2.2 Summary of significant accounting policies (continued)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at fair value through profit or loss.

Trade payables and lease payables
These are the categories most relevant to the Company. After initial recognition, the instruments are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.
Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

g) Inventories
The main categories of inventory are raw materials, spare parts and consumables, semi-finished and finished goods and merchandises.

The cost of inventory includes all the acquisition and production costs, and other costs incurred in order to bring the inventory in the present location and condition. The cost of finished and semi-finished goods includes direct production expenses such as direct materials, energy and labour, plus other direct production expenses and reasonably apportioned production overheads, and is determined using the standard cost method.

When consumed/sold, the inventories are measured using the weighted average cost method.

At the balance-sheet date, the inventories are stated at the lower of purchase cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Obsolete and slow-moving inventories are written down to their estimated realizable value.

2.2 Summary of significant accounting policies (continued)

h) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less from the period end, they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost (using the effective interest method), less provision for impairment.
If the criteria detailed in Note 2.2h, section "Impairment of financial assets" are met, the company recognizes an impairment allowance, reducing the carrying amount of the asset and the loss is recognized in the Statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the Statement of comprehensive income.

i) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less after the period end. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand. Overdrafts are included in the balance sheet under the amounts due to financial institutions, falling due within one year. Bank deposits for terms of 3 months at most are included in cash and cash equivalents only to the extent they are held to cover the short-term cash needs, and not for investment purposes.

k) Loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received less attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in net profit or loss when the liabilities are derecognized, as well as through the amortization process.

l) Employee benefits

The Company contributes in respect of its employees to the Government Social Fund, Government Medical Insurance Fund at the statutory rates, based on gross salary payments. The cost of these payments is charged to the profit or loss in the same period as the related salary cost. The Company has no other obligation to provide pensions or other post-retirement benefits to any of its management or staff and, accordingly, no provision for future pension costs is required.

m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made from the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

The Company reassesses the provisions at the end of each year using best estimates.

2.2 Summary of significant accounting policies (continued)

n) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.2.5 Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings.

During the six months period ended 31 December 2019, the Company adopted IFRS 16 in relation to the contracts where it acts as a lessee. For more information, please refer to Notes 3 and 5.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging

2.2 Summary of significant accounting policies (continued)

an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

o) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties.

The following specific recognition criteria must also be met before revenue is recognized.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, but no selling taxes (VAT). The Company does not provide any warranties, in line with industry practice. The financial discounts awarded to customers are recorded as financial expenses without affecting the value of revenues of the Company.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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

p) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are recognized in the income statement of the period in which they became known.

The preparation of financial statements in accordance with IFRS requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are recognized in the income statement of the period in which they became known.

q) Taxes

Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The Company uses the Romanian tax rates and tax laws used to compute the current income tax amount.

Income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the income statement.

2.2 Summary of significant accounting policies (continued)

The Romanian current income tax rate for the six months period ended 31 December 2019 was 16% (six months period ended 31 December 2018 and year ended 30 June 2019: 16%).

Deferred tax:
Differences between financial reporting under IFRS and tax regulations give rise to differences between the carrying value of certain assets and liabilities and their tax base. Deferred income tax is provided using the liability method, for all such temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the statement of financial position at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets are recognized for all temporary deductible differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized.

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

2.2 Summary of significant accounting policies (continued)

Value-added tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on the purchase of assets or services is not recoverable from the tax authority so that the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item.
- receivables and payables which are subject to sales tax are stated with the amount of sales tax included.

The net amount of the sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

r) Contingencies

Contingent liabilities are not recognized in the accompanying financial statements. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the accompanying financial statements but are disclosed when an inflow of economic benefits is probable.

s) Equity

Share capital is stated at the nominal value of the shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from other paid-in capital, net of any related income tax benefits.
The effects of foreign currency translation are included as a separate component of equity.

t) Dividends

The Company recognises a liability to pay a dividend to owners of equity once it has been approved by the shareholders at the Shareholder's General Meeting. A corresponding amount is recognized directly in equity.

u) Balance sheet classification

Current assets and liabilities include items due less than one year from the reporting date, and items tied to the operating cycle, if longer. The current portion of long-term debt is included as current liabilities. Other assets are classified as non-current assets.

v) Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. All transactions between the related parties are based on the principle of 'arm's length' (estimated market value).

w) Subsequent events

Post period-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption are not appropriate (adjusting events) and are reflected in the accompanying financial statements. Post period events that are not adjusting events are disclosed in the notes, when material.

2.3 Significant management judgement in applying accounting and estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

The preparation of the Company's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

As regards estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the related actual results.

In the process of applying the Company's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

a) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

b) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting.

Investment properties are properties held to earn rentals and/or capital appreciation (including property under construction for such purposes). Investment properties are stated in statement of financial position at their cost less accumulated depreciation and allowance for impairment, if any. The Company has no investment properties in balance as at 31 December 2019 (30 June 2019: no investment properties)

c) Going concern

Management prepared these financial statements on a going concern basis. The Company was set-up in 2013. So far, the Company has recorded strong performances and as at 31 December 2019 enjoys a strong financial position. As such, the Management prepared the financial statements on a going concern basis.

The Management analyzed the impact of the coronavirus outbreak (please refer to Note 28 for more information) over the Company position as at 31 December 2019. Following the analysis, the Management concluded that, although it would impact adversely the 2020 operations, the going concern basis is still the most relevant in preparing the financial statements as at 31

2.3 Significant management judgement in applying accounting and estimation uncertainty (continued)

December 2019 and for the six months period then ended. The Management monitors closely the developments and takes appropriate actions towards its personnel and its clients in order to ensure the Company's performance and position.

d) Operating segments

A segment of activity is component of the Company which engages in business activities which may generate income and incur expenses, whose results are examined periodically by Company's decision makers with the purpose of allocating resources to segments and evaluating their performance and for which separate financial information is available. The business activity of the Company does not include any segments of activities.

3. New and amended standards and interpretations

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the retrospective method of application, with the date of initial application of 1 July 2019. The Company recognized a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application (there were no, however, such prepaid or accrued lease payments in relation to the lease).

The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company did not elect to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). As at 1 July 2019 the Company was not part of such contracts.

(All amounts are presented in RON thousand, unless otherwise stated)

3. New and amended standards and interpretations (continued)

Impact on the statement of financial position (increase/(decrease)):

	31 December 2019
Non-current assets	
Rights of used assets based on IFRS 16	22,719
Deferred tax assets	68
Total assets	**22,787**
Equity	
Retained earnings	(358)
Total equity	**(358)**
Liabilities	
Non-current lease liabilities	20,338
Current lease liabilities	2,807
Total liabilities	**23,145**
Total equity & liabilities	**22,787**

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets (however, of which the Company has none). The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the retrospective method of adoption, the Company applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

As at 31 December 2019:

- 'Right-of-use assets based on IFRS 16' were recognized and presented separately in the statement of financial position. There were no lease assets recognized previously under finance leases, which were included under 'Property, plant and equipment', and, as such, there were no derecognitions.
- Additional lease liabilities were recognized and included under 'Lease liabilities'.
- 'Deferred tax assets' increased because of the deferred tax impact of the changes in recognized lease related assets and liabilities.
- 'Retained earnings' decreased due to the net impact of these adjustments.

Impact on the statement of profit or loss (increase/(decrease)):

	Six months period ended 31 December 2019
Distribution costs	258
Other expenses	(216)
Operating profit (EBIT)	**42**
Finance costs	(468)
Income tax expense	68
Profit for the period after tax	**(358)**

3. New and amended standards and interpretations (continued)

For the six months period ended 31 December 2019:

- Distribution costs had a net overall decrease of RON thousand 258, leading to a corresponding increase in net profit:
  - Increase in depreciation and amortization charges of RON thousand 1,165 because of the amortization of additional assets recognized (i.e., increase in right-of-use asset)
  - Decrease in operating leases of RON thousand 1,423 as a result of their recognition as a separate right-of-use asset
- Other expenses increased by RON thousand 216, as a result of the restatement as at 31 December 2019 of the additional lease liabilities recognized in accordance with IFRS 16 (these being contractually expressed in EUR)
- 'Finance costs' increased by RON thousand 468 relating to the interest expense on additional lease liabilities recognized.
- 'Income tax expense' decreased by RON thousand 68 relating to the tax effect of these changes in expenses.

Impact on the statement of cash flows (increase/(decrease)):

	Six months period ended 31 December 2019
Cash flows from operating activities	
Profit before tax	(426)
Adjustments for:	
Depreciation and amortization of property, plant and equipment and intangible assets	1,165
Interest expense	468
Unrealized, foreign exchange (gain)/loss	216
Net cash from operating activities	**1,423**
Cash flows from finance activities	
Payment of leases	(1,423)
Net cash from finance activities	**(1,423)**
Net decrease / increase in cash and cash equivalents	**-**

Cash outflows from operating activities decreased by RON thousand 1,423 and cash outflows from financing activities increased by the same amount, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

3. New and amended standards and interpretations (continued)

The Management applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in only one tax environment, and the activity is fairly straightforward, the Management assessed whether the Interpretation has no impact on the Company's financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as the Company does not operate any defined benefits scheme.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company, as the Company is not party of any joint ventures.

Annual Improvements 2015-2017 Cycle

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

3. New and amended standards and interpretations (continued)

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- **IFRS 11 Joint Arrangements**

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as the Company is not part of any joint operations or arrangements.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company operates only in Romania and has no subsidiaries, the Management considers the amendments above do not apply to the Company.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company contracted no borrowings to develop its property, plant and equipment, the Management considers the amendments above do not apply to the Company.

4. Property, plant and equipment

The movement of property, plant and equipment for six months period ended 31 December 2019 and year ended 30 June 2019 is presented below:

	Land	Buildings	Machinery, furniture and equipment	Constructions in progress	Total:
Gross book value:					
At 1 July 2018	**76,427**	**302,959**	**52,247**	**33,585**	**465,218**
Additions	29,857	9,300	10,105	76,321	125,583
Transfers	-	68,142	-	(68,142)	-
Disposal	-	-	-	(314)	(314)
At 30 June 2019	**106,284**	**380,401**	**62,352**	**41,450**	**590,487**
Additions	-	-	5,939	14,914	20,853
Transfers	-	26,407	1,235	(27,642)	-
At 31 December 2019	**106,284**	**406,808**	**69,526**	**28,722**	**611,340**
Accumulated depreciation and impairment:					
At 1 July 2018	-	**(23,361)**	**(17,746)**	-	**(41,107)**
Depreciation charge	-	(12,665)	(6,969)	-	(19,634)
At 30 June 2019	**-**	**(36,026)**	**(24,715)**	**-**	**(60,741)**
Depreciation charge	-	(6,936)	(3,847)	-	(10,783)
At 31 December 2019	**-**	**(42,962)**	**(28,562)**	**-**	**(71,524)**
Net carrying amount					
At 1 July 2018	**76,427**	**279,598**	**34,501**	**33,585**	**424,111**
At 30 June 2019	**106,284**	**344,375**	**37,637**	**41,450**	**529,746**
At 31 December 2019	**106,284**	**363,846**	**40,964**	**28,722**	**539,816**

The Company property, plant and equipment have not been pledged as a security for loans and borrowings as of 31 December 2019 and 30 June 2019. As at 31 December 2019 the gross book value of the fully depreciated property, plant and equipment in use is of RON thousand 5,923 (30 June 2019: RON thousand 4,342).

The additions for the six months period ended 31 December 2019 and year ended 30 June 2019 relate mainly to new stores opened.

(All amounts are presented in RON thousand, unless otherwise stated)

5. Right of use, lease liabilities, recognized in accordance with IFRS 16

As detailed in Note 2.2.n, the Company recognized a right of use of property, plant and equipment (building), and lease liabilities in relation to the operating lease concluded for the Militari shop. For other two shops (Th. Pallady and Timisoara), the rental payments are fully contingent on shops' turnover, and, as such, no right of use was recognized.

The movement in the right of use for the six months period ended 31 December 2019 was the following:

	Right of use, Militari shop	**Total:**
Gross book value:		
At 30 June 2019	-	-
Initial recognition in accordance with IFRS 16	23,884	23,884
At 31 December 2019	**23,884**	**23,884**
Accumulated amortization and impairment:		
At 30 June 2019	-	-
Amortization charge	(1,165)	(1,165)
At 31 December 2019	**(1,165)**	**(1,165)**
Net carrying amount		
At 30 June 2019	-	-
At 31 December 2019	**22,719**	**22,719**

The movement in the lease liabilities for the six months period ended 31 December 2019 was the following:

	Lease liability, Militari shop	**Total:**
Initial recognition in accordance with IFRS 16	23,884	23,884
Interest expense	468	468
Foreign exchange losses	216	216
Lease repayments	(1,423)	(1,423)
Balance as at 31 December 2019:	**23,145**	**23,145**
Less, non-current portion:	(20,338)	(20,338)
Current portion:	**2,807**	**2,807**

The Company incremental borrowing rate used in the recognition of rights of use in accordance with IFRS 16 at the transition date (1 July 2019) was of 4.05%. The Company did not recognize a right of use for all the operating lease commitments disclosed as at 30 June 2019, as a large portion of these related to contingent rent, which falls out of scope of IFRS 16.

6. Intangible Assets

The movement of intangible assets for the six months period ended 31 December 2019 and year ended 30 June 2019 is presented below:

	Software	Total:
Gross book value:		
At 1 July 2018	**1,231**	**1,231**
Additions	370	370
At 30 June 2019	**1,601**	**1,601**
Additions	184	184
At 31 December 2019	**1,785**	**1,785**
Accumulated amortization:		
At 1 July 2018	**(919)**	**(919)**
Amortization charge	(201)	(201)
At 30 June 2019	**(1,120)**	**(1,120)**
Amortization charge	(139)	(139)
At 31 December 2019	**(1,259)**	**(1,259)**
Net carrying amount		
At 1 July 2018	**312**	**312**
At 30 June 2019	**481**	**481**
At 31 December 2019	**526**	**526**

The Company intangible assets have not been pledged as a security for loans and borrowings as of 31 December 2019 and 30 June 2019. As at 31 December 2019 the gross book value of the fully amortized intangible assets in use is of RON thousand 885 (30 June 2019: RON thousand 612).

7. Inventories

	31 December 2019	30 June 2019
Merchandises	93,639	91,183
Spare parts and consumables	565	385
Total:	**94,204**	**91,568**

During the six months period ended 31 December 2019, merchandises in amount of RON thousand 255,825 were included in cost of sales (six months period ended 31 December 2018, unaudited: RON thousand 200,338 and year ended 30 June 2019: RON thousand 335,830). During six months period ended 31 December 2019, consumables in amount of RON thousand 1,232 were included in consumables expenses in distribution costs and administrative expenses (six months period ended 31 December 2018, unaudited: no consumables expensed, year ended 30 June 2019: RON thousand 3,015).

8. Trade receivables

The trade receivable balances as at 31 December 2019 and 30 June 2019 relate solely to third-party receivables that have general credit terms of 30-90 days and do not carry interest. The net carrying amount of trade receivables is considered a reasonable approximation of fair value.
The receivables are neither past due, nor impaired.

9. Other current assets

	31 December 2019	30 June 2019
Receivables for accrued interests on bank deposits	1,510	1,705
Receivables from the State	1,200	1,223
Prepaid expenses	1,142	2,185
Advances to suppliers	54	2,668
Other receivables	701	97
Total:	**4,607**	**7,878**

The receivables from the State comprise mainly the recoverable amount of personnel medical leave.
Over the financial periods the Company has concluded several bank deposits with a maturity of 1 – 3 months. The balance of accrued interest as at 31 December 2019 is RON thousand 1,510 (30 June 2019: RON thousand 1,705).

10. Cash and cash equivalents

	31 December 2019	30 June 2019
Short-term bank deposits	185,000	290,000
Cash in bank	42,470	14,478
Petty cash	1,396	1,346
Cash in transit	1,140	7,284
Total:	**230,006**	**313,108**

Bank accounts are held exclusively with Romanian banks. As at 31 December 2019 and 30 June 2019 the Company had current accounts in RON and EUR.. In the Short-term bank deposits included in Cash and cash equivalents (RON 185,000 thousand as at 31 December 2019 and RON 290,000 thousand as at 30 June 2019), the Company discloses deposits with maturities of up to 3 months at contract initiation.

In the current bank deposits (RON 215,000 thousand as at 31 December 2019, nil as at 30 June 2019), the Company discloses deposits with maturities at initiation of 6 months.

11. Share capital

The Company's single shareholder at 31 December 2019 and 30 June 2019 was JUMBO S.A., Greece. As at 31 December 2019, the share capital is divided in 32,711,227 social parts with a nominal value of RON 13/share (30 June 2019: 32,711,227 social parts with a nominal value of RON 13/share).
On 7 February 2019, the Company sole shareholder decided to increase the capital through a cash contribution of RON thousand 117,438. The cash was fully paid during the year. All issued shares are fully paid.
The Company is member of the Jumbo SA Group, the Company parent (Jumbo SA), preparing the consolidated financial statements. The Group is listed on the Athens stock exchange market. The Group main shareholders (holding a stake of more than 5%) are Tanocerian Maritime SA and Fidelity low-priced stock fund.

12. Other non-current liabilities

	31 December 2019	30 June 2019
Suppliers of fixed assets	36,164	55,744
Guarantees received	1,066	426
Total:	**37,230**	**56,170**

(All amounts are presented in RON thousand, unless otherwise stated)

13. Trade payables

	31 December 2019	30 June 2019
Trade payables with related parties (Note 24)	971	2,656
Trade payables with third-parties	9,016	1,884
Suppliers of fixed assets	40,221	31,977
Total:	**50,208**	**36,517**

The trade payables have general credit terms of 30-90 days and do not carry interest. The net carrying amount of trade payables is considered a reasonable approximation of fair value.

14. Other current liabilities

	31 December 2019	30 June 2019
VAT	28,156	7,402
Payroll taxes	3,332	3,029
Salary payable	2,604	2,008
Total:	**34,092**	**12,439**

15. Turnover

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Sales of merchandises, third-parties	469,083	376,995	375,567
Sales of merchandises, related parties (Note 24)	1,663	1,600	3,028
Total:	**470,746**	**378,595**	**378,595**

16. Cost of sales

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Inventory at the beginning of period	91,183	65,668	65,668
Purchases:	260,012	210,935	360,752
Discounts on total purchases	(1,730)	(1,336)	(3,568)
Surpluses of inventory	-	2,813	4,181
Inventory in the end of the period	(93,640)	(77,742)	(91,183)
Total	**255,825**	**200,338**	**335,850**

17. Other income

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Sales of other merchandise	266	240	-
Rental income	495	482	-
Surpluses of merchandise	-	2,378	4,145
Plus from cashiers	-	133	46
Other income	1,430	90	1,872
Total:	**2,191**	**3,323**	**6,063**

(All amounts are presented in RON thousand, unless otherwise stated)

17. Other income (continued)

Starting with 1 July 2019, the Group instituted a new policy according to which all the inventory count deficits/surpluses are recharged to the Group (Jumbo SA) at cost. As such, no surpluses of merchandise were recognized during the six months period ended 31 December 2019.

18. Distribution costs

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Payroll expenses	30,439	25,784	50,585
Depreciation of tangible assets	11,999	9,311	19,737
Third parties' expenses and fees	8,951	9,145	14,769
Advertisement	7,817	5,339	6,835
Operating leases rent	5,295	6,365	10,811
Services received	5,279	4,971	9,905
Taxes and duties	2,759	3,097	6,077
Consumable items	1,208	-	2,976
Other various expenses	115	139	188
Total:	**73,862**	**64,151**	**121,883**

The operating lease rent relates to the contingent rent owed by the Company for three of its shops (Militari, Th. Pallady and Timisoara), and represents 5.5% to 5.75% of the turnover. In relation to Military, the contract provides a minimum rent (EUR 50,000/month), which was used in the recognition of a right-of-use asset in accordance with IFRS 16 (please refer to Notes 2.2.h and 5 for more details).

19. Administrative expenses

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Sponsorship expenses	3,000	11	11
Payroll expenses	1,441	1,263	2,538
Services received	356	473	646
Depreciation of tangible assets	88	50	113
Consumables expenses	24	-	39
Third parties' expenses and fees	7	36	22
Operating leases rent	6	4	7
Taxes and duties	4	2	188
Total:	**4,926**	**1,839**	**3,564**

The sponsorship expenses for the six months period ended 31 December 2019 relate to a donation to the Marie Curie hospital.

20. Other expenses

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Operating losses on foreign currency exchanges	787	165	1,224
Total:	**787**	**165**	**1,224**

(All amounts are presented in RON thousand, unless otherwise stated)

21. Personnel expenses

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Wages and salaries and related benefits	31,212	26,461	48,754
Social security and national health contributions	668	586	4,369
Total:	**31,880**	**27,047**	**53,123**

The personnel expenses are recognized in the statement of comprehensive income as follows:

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Distribution costs	30,439	25,784	50,585
Administrative expenses	1,441	1,263	2,538
Total:	**31,880**	**27,047**	**53,123**

21. Personnel expenses (continued)

The Company headcount evolved as follows:

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Headcount at the end of the year	1,308	1,197	1,197
Average number of employees during the year	1,307	1,195	1,001

22. Finance income and costs

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Interest income on cash at banks	3,410	1,855	4,796
Total finance income:	**3,410**	**1,855**	**4,796**
Interest expenses	(468)	-	-
Bank commissions	(1,291)	(967)	(1,625)
Total finance costs:	**(1,759)**	**(967)**	**(1,625)**
Net finance income:	**1,651**	**888**	**3,171**

(All amounts are presented in RON thousand, unless otherwise stated)

23. Taxation

The major components of income tax expense for six months period ended 31 December 2019, six months period ended 31 December 2018 and year ended 30 June 2019 are:

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Current income tax:			
Current income tax charge	18,802	18,343	27,617
Deferred tax:			
Relating to origination and reversal of temporary differences	(68)	-	-
Total:	**18,734**	**18,343**	**27,617**

Reconciliation of tax expense and the accounting profit multiplied by Romania's domestic tax rate for the six months periods ended 31 December 2019 and 2018 and year ended 30 June 2019:

	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Accounting profit before income tax	**139,188**	**116,313**	**174,992**
At Romanian statutory income tax rate of 16% (six months period ended 31 December 2019 and 2018 and year ended 30 June 2019: 16%)	22,270	18,610	27,999
Legal reserves	(1,116)	(1,268)	(1,400)
Non-deductible expenses for tax purposes:	580	1,001	1,018
Fiscal credits, sponsorship	(3,000)	-	-
At the effective income tax rate of 13% (six months period ended 31 December 2018 and year ended 30 June 2019: 16%)	**18,734**	**18,343**	**27,617**

Deferred tax

Deferred tax relates to the following:

	Statement of financial position			Profit or loss	
	31 December 2019	30 June 2019	1 July 2018	Six months period ended 31 December 2019	Year ended 30 June 2019
Lease liabilities recognized in relation to IFRS 16 adoption	68	-	-	68	-
Total:	**68**	**-**	**-**	**68**	**-**

24. Related parties

As detailed above (Note 11), the Company is controlled by Jumbo S.A (domiciled in Greece) which holds 100% of the Company's social parts, which is also the ultimate parent company of the Group of which the Company is a part of. The parent company has control over the entities disclosed below as other related parties.

(All amounts are presented in RON thousand, unless otherwise stated)

24. Related parties (continued)

24.a Transactions with related parties:

		Sales to related parties	Acquisitions from related parties
Entity with significant influence over the Company			
Jumbo S.A	Year ended 30 June 2019	-	361,580
	Six months period ended 31 December 2018 (unaudited)	1,600	261,796
	Six months period ended 31 December 2019	1,663	260,374
			-
Other related parties			
Jumbo Trading Ltd	Year ended 30 June 2019	-	-
	Six months period ended 31 December 2018 (unaudited)	100	7
	Six months period ended 31 December 2019	-	-
Jumbo ec B	Year ended 30 June 2019	-	-
	Six months period ended 31 December 2018 (unaudited)	444	-
	Six months period ended 31 December 2019	-	-

24.b Balances with related parties:

		Trade receivables with related parties	Trade payables with related parties
Entity with significant influence over the Company			
Jumbo S.A			
	30 June 2019	-	2,656
	31 December 2019	-	971

24.c Compensation paid to key management personnel:

Key management personnel of the Company	Six months period ended 31 December 2019	Six months period ended 31 December 2018 (unaudited)	Year ended 30 June 2019
Directors and Board Members	411	337	494

The Company has not granted the key management personnel any loans nor other benefit during the six months period ended 31 December 2019, 31 December 2018 and year ended 30 June 2019.

25. General commitments and contingencies

Legal claims

As at 31 December 2019 and 30 June 2019, the Company is not part of any commercial litigation which could have a major exposure over the Company financial position or performance. The Company's Management does not expect that any potentially material liability could arise in the case of advertent outcome of court cases or legal claims against it, apart from what is disclosed in these financial statements.

Contingent assets

No significant matters to report

Contingent liabilities

No significant matters to report

(All amounts are presented in RON thousand, unless otherwise stated)

25. General commitments and contingencies (continued)

Operating lease commitments where the company is a lessee

The Company is part of three lease contracts (shops), In relation to two of these, the rent is fully contingent on the Company sales (i.e. 5% of shops' turnover). The third contract provides a minimum lease of EUR 50,000/months.
In relation to the contingent rent contracts, the Company determined the commitments based on the contingent rentals recorded during the reporting period.
In relation to the third contract, the Company disclosed the commitments only as at 30 June 2019, as at 31 December 2019, the Company recognized a right of use and corresponding lease liabilities in relation to this contract, in accordance with IFRS 16 provisions.

	31 December 2019	30 June 2019
Under 1 year	10,589	11,611
1-5 years	42,357	66,036
Over 5 years	10,589	16,787

26. Financial Risk management

26.1 Financial assets and liabilities

	31 December 2019	30 June 2019
Financial assets		
Debt instruments at amortized cost:		
Trade receivables	114	95
Cash and cash equivalents	445,006	313,108
Total financial assets at amortized cost	**445,120**	**313,203**
Total financial assets	**445,120**	**313,203**
Financial liabilities		
Financial liabilities at amortized cost:		
Non-current leases	20,338	-
Other non-current liabilities	37,230	56,170
Current leases	2,807	-
Trade payables	50,208	36,517
Total financial liabilities at amortized cost	**110,583**	**92,687**
Total financial liabilities	**110,583**	**92,687**

(All amounts are presented in RON thousand, unless otherwise stated)

26. Financial Risk management (continued)

26.2 Fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments. The carrying amounts are reasonable approximations of fair values:

	31 December 2019		30 June 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt instruments at amortized cost:				
Trade receivables	114	114	95	95
Cash and cash equivalents	445,006	445,006	313,108	313,108
Total debt instruments at amortized cost	**445,120**	**445,120**	**313,203**	**313,203**
Total financial assets	**445,120**	**445,120**	**313,203**	**313,203**
Financial liabilities				
Financial liabilities at amortized cost				
Non-current leases	20,338	20,338	-	-
Other non-current liabilities	37,230	37,230	56,170	56,170
Current leases	2,807	2,807	-	-
Trade payables	50,208	50,208	36,517	36,517
Total financial liabilities at amortized cost	**110,583**	**110,583**	**92,687**	**92,687**
Total financial liabilities	**110,583**	**110,583**	**92,687**	**92,687**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and.
- Level 3: unobservable inputs for the asset or liability.

All financial instruments of the Company are carried at within Level 3 fair value category.

26.3 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise lease liabilities and current and non-current trade payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include the trade receivables, and cash and short-term deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The senior management designs and follows appropriate policies and procedures that ensure the financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The management reviews and agrees policies for managing each of these risks, which are summarised below.

(All amounts are presented in RON thousand, unless otherwise stated)

26. Financial Risk management (continued)

26.4 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: interest rate risk, currency risk and credit risk. Financial instruments affected by market risk include interest-bearing borrowings, debt instruments and equity investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2019 and 30 June 2019.

The Company assumed in calculating the sensitivity analysis that the sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December in 2019 and 30 June 2019.

26.5 Interest rate risk

The Company is not exposed to interest rate risk, as the lease liabilities were recognized in accordance with the IFRS 16 provisions based on the market interest rate applicable at the date of transition (1 July 2019). Also, the Company bank deposits were as well set-up on fixed interest rate. As at 31 December 2019 and 30 June 2019 the Company has no financial instruments subject to floating interest rates.

26.6 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's acquisitions of merchandises and related payables, which are denominated in EUR.
In addition, following IFRS 16 adoption, the Company exposure to EUR increased as a result of recognition of lease liabilities (which are contracted in EUR).

The table below summarizes the Company's exposure to foreign currency exchange risk at 31 December 2019 and 30 June 2019. The Company's financial assets and liabilities at carrying amounts, categorized by currency are included in the table.

	31 December 2019	31 December 2019	31 December 2019
	Total	**RON**	**EUR**
Financial assets			
Debt instruments at amortized cost:			
Trade receivables	114	114	-
Cash and cash equivalents	445,006	442,221	2,785
Total debt instruments at amortized cost	**445,120**	**442,335**	**2,785**
Total financial assets	**445,120**	**442,335**	**2,785**
Financial liabilities			
Financial liabilities at amortized cost:			
Non-current leases	20,338	-	20,338
Other non-current liabilities	37,230	-	37,230
Current leases	2,807	-	2,807
Trade payables	50,208	45,494	4,714
Total financial liabilities at amortized cost	**110,583**	**45,494**	**65,089**
Total financial liabilities	**110,583**	**45,494**	**65,089**
Net financial assets/(liabilities):	**334,537**	**396,841**	**(62,304)**

(All amounts are presented in RON thousand, unless otherwise stated)

26. Financial Risk management (continued)

	30 June 2019	30 June 2019	30 June 2019
	Total	**RON**	**EUR**
Financial assets			
Debt instruments at amortized cost:			
Trade receivables	95	95	-
Cash and cash equivalents	313,108	306,814	6,294
Total debt instruments at amortized cost	**313,203**	**306,909**	**6,294**
Total financial assets	**313,203**	**306,909**	**6,294**
Financial liabilities			
Financial liabilities at amortized cost:			
Other non-current liabilities	56,170	-	56,170
Trade payables	36,517	31,973	4,544
Total financial liabilities at amortized cost	**92,687**	**31,973**	**60,714**
Total financial liabilities	**92,687**	**31,973**	**60,714**
Net financial assets/(liabilities):	**220,516**	**274,936**	**(54,420)**

The following tables demonstrate the sensitivity to a reasonably possible change in EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of financial assets and liabilities and it matches the change in pre-tax equity.

	Change in EUR Rate	Effect on profit before tax	Effect on pre-tax equity
31 December 2019	5%	(2,098)	(2,098)
	-5%	2,098	2,098
30 June 2019	5%	(2,721)	(2,721)
	-5%	2,721	2,721

The Company does not employ hedging in managing its foreign currency risk. When taking the decision to repay the owed funds, the Company considers also the foreign currency aspect, in order to minimize its risk.

26.7 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing, mainly cash placed with banks.

The maximum exposure to credit risk of the Company is the carrying amount as disclosed below.

	31 December 2019	30 June 2019
Financial assets		
Debt instruments at amortized cost:		
Trade receivables	114	95
Cash and cash equivalents	445,006	313,108
Total financial assets at amortized cost	**445,120**	**313,203**
Total financial assets	**445,120**	**313,203**

(All amounts are presented in RON thousand, unless otherwise stated)

26. Financial Risk management (continued)

Trade receivables

Customer credit risk is managed by the Management of the Company, in accordance with the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

As the Company operates in the retail industry, the credit sales are occasional. As such, the Company monitors the outstanding receivables on an individual basis, and follows-up on overdue collections. As at 31 December 2019 (30 June 2019), the Company had no overdue trade receivables.

Cash and cash equivalents

The Company deposits cash only with reputable financial institutions with high credibility.

As such, the Management considers there is no credit risk in relation to the cash or the accrued interest balances, and, hence, no impairment allowance has been recorded in this regard as at 31 December 2019 (30 June 2019: no allowance).

26.8 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. As the Company operates in the retail industry and virtually all the sales are made on a cash basis, the Company Management considers it is not strongly exposed to the liquidity risk. Nevertheless, the Company analyses the Company forecasted cash inflows and matches to the expected cash outflows relating to the day-to-day business. In addition, the Company holds sufficient cash deposited with banks in current accounts to cover potential deficits.

The tables below summarize the maturity profile of the Company's financial liabilities as of 31 December 2019 and 30 June 2019, based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The below amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

	31 December 2019	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-current leases	25,091	-	-	11,470	13,621
Other non-current liabilities	37,230	-	-	37,230	-
Current leases	2,868	717	2,151	-	-
Trade payables	50,208	50,208	-	-	-
Total financial liabilities	**115,397**	**50,925**	**2,151**	**48,700**	**13,621**

	30 June 2019	Less than 3 months	3-12 months	1-5 years	Over 5 years
Other non-current liabilities	56,170	-	-	56,170	-
Trade payables	36,517	36,517	-	-	-
Total financial liabilities	**36,517**	**36,517**	**-**	**56,170**	**-**

(All amounts are presented in RON thousand, unless otherwise stated)

27. Capital management

The Company' s capital management objectives are:

- to ensure the Company's ability to continue as a going concern,
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital based on the gearing ratio, computed as a ratio between the net debt and the net debt plus capital, as presented on the face of the statement of financial position. The Company's goal in capital management is to maintain a gearing ratio of up to 2.

Management assesses the Company's capital requirements to maintain an efficient overall financing structure while avoiding excessive leverage. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the value of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Company for the reporting periods under review are summarised as follows:

	31 December 2019	30 June 2019
Non-current borrowings	20,338	-
Current borrowings	2,807	-
Trade payables	50,208	36,517
Cash and cash equivalents	(445,006)	(313,108)
Net debt:	**(371,653)**	**(276,591)**
Total equity	951,720	831,266
Non-current borrowings	20,338	-
Current borrowings	2,807	-
Capital and net debt	**974,865**	**831,266**
Capital to overall financing	**N/A**	**N/A**

As at 31 December 2019 and 30 June 2019 no gearing ratio was computed, as the available cash levels exceeded the current and non-current financing obligations.

28. Events after the balance sheet date

Coronavirus outbreak

During 2020, the Company performance was affected by the 2019-20 coronavirus (COVID-2019) outbreak. First identified in China in December 2019, then it has since spread all over the world, and was recognized in March 2020 as a pandemic by the World Health Organization. In an effort to curb the spreading of the outbreak, in March 2020 the Romanian authorities have suspended the school year and instituted an emergency state, banning activities involving public gatherings. In addition, the authorities issued calls for the general public to limit their movement outside to the absolute minimum.

The Management continuously analyses the developments and takes appropriate measures in order to ensure the safety of the customers and the Company personnel, as well as to ensure the performance of the Company. In addition, the Management analysed the impact of the outbreak over the financial statements as at 31 December 2019 and for the six-month period then

28. Events after the balance sheet date (continued)

ended. Based on the analysis, it was concluded that it does not represent an adjusting event, and, as a result, there were no adjustments recorded in the financial statements in this regard. The management will closely monitor the developments resulting from the consequences of this outbreak and their potential impact on the financial indicators, the estimates and assumptions retained in their financial closing process going forward.

Aside of the coronavirus outbreak, there are no significant matters to report.

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.
The financial statements were authorized for issue on 5 March 2020:

Societatea Comercială JUMBO EC. R S.R.L. J40/7122/2013 București - România

Ana Maria Kotsis	Rodica Cristea
Administrator	*Chief Accountant*