JUMBO EC. B EOOD

ANNUAL FINANCIAL STATEMENTS
ANNUAL ACTIVITY REPORT
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

CONTENTS

JUMBO EC. B EOOD

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

(All amounts in BGN thousands)

	NOTE	AT 31 DECEMBER 2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	189 529	172 758
Intangible assets	5	18	31
Deferred tax assets	6	46	42
Other assets	9	256	2 672
Total non-current assets		**189 849**	**175 503**
Current assets			
Inventories	10	23 496	22 518
Trade receivables	7	491	-
Other financial assets at amortised cost	8	108	306
Other assets	9	124	724
Current income tax receivables	27	-	147
Cash and cash equivalents	11	187 413	233 205
Total current liabilities		**211 632**	**256 900**
TOTAL ASSETS		**401 481**	**432 403**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	161 586	248 594
Other reserves	13	(2)	(2)
Retained earnings		207 918	171 376
Total equity		**369 502**	**419 968**
Non-current liabilities			
Lease liabilities	14	19 111	-
Retirement benefit obligations	15	122	105
Total non-current liabilities		**19 233**	**105**
Current liabilities			
Lease liabilities	14	1 869	-
Trade and other payables	16	10 713	12 294
Contract liabilities	17	6	-
Provisions	18	-	36
Current income tax payables	27	158	-
Total current liabilities		**12 746**	**12 330**
Total liabilities		**31 979**	**12 435**
TOTAL EQUITY AND LIABILITIES		**401 481**	**432 403**

These financial statements were authorised for issue by the procurator on 16 March 2020.

Desislava Marinova, Chief Accountant

Alexandra Mihova, Procurator

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 16 March 2020.

Nino Kaloyanov, Registered Auditor

Snezhanka Kaloyanova, Manager

Одиторско дружество София Рег. № 142 НС Консултинг ООД

JUMBO EC. B EOOD

STATEMENT OF COMPREHENSIVE INCOME

31 DECEMBER 2019

(All amounts in BGN thousands)

	NOTE	YEAR ENDED 31 DECEMBER	
		2019	**2018**
Revenue from contracts with customers	19	176 119	162 268
Cost of sales of goods	20	(95 964)	(86 693)
Gross profit		**80 155**	**75 575**
Distribution costs	21	(36 842)	(37 898)
Administrative expenses	22	(1 459)	(1 264)
Other income and gains	24	838	1 437
Other expenses and losses	25	(1 478)	(1 598)
Operating profit		**41 214**	**36 252**
Finance income	26	278	879
Finance costs	26	(795)	(433)
Finance (costs)/income – net		(517)	446
Profit before income tax		**40 697**	**36 698**
Income tax expense	27	(4 155)	(3 858)
Profit for the year		**36 542**	**32 840**
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of retirement benefit obligations	15 & 27	-	(5)
Total other comprehensive income for the year – net of tax		**-**	**(5)**
Total comprehensive income for the year		**36 542**	**32 835**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 142 НС КОНСУЛТИНГ ООД

JUMBO EC. B EOOD

STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2019

(All amounts in BGN thousands)

	NOTE	Share capital	Other reserves	Retained earnings	Total
AT 1 JANUARY 2018		**248 594**	**4**	**138 536**	**387 134**
Comprehensive income					
Profit for the year		-	-	32 840	**32 840**
Other comprehensive income for the year		-	(6)	-	**(6)**
Total comprehensive income		**-**	**(6)**	**32 840**	**32 834**
AT 31 DECEMBER 2018		**248 594**	**(2)**	**171 376**	**419 968**
Trasnsactions with owners					
Decrease of share capital	12	(87 008)	-	-	**(87 008)**
Total transactions with owners		**(87 008)**	**-**	**-**	**(87 008)**
Comprehensive income					
Profit for the year		-	-	36 542	**36 542**
Other comprehensive income for the year		-	-	-	**-**
Total comprehensive income		**-**	**-**	**36 542**	**36 542**
AT 31 DECEMBER 2019		**161 586**	**(2)**	**207 918**	**369 502**

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Одиторско дружество София Рег. № 142 НС Консултинг ООД

JUMBO EC. B EOOD

STATEMENT OF CASH FLOWS

31 DECEMBER 2019

(All amounts in BGN thousands)

	NOTE	YEAR ENDED 31 DECEMBER 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	46 486	41 495
Payments of income tax		(3 853)	(4 251)
Net cash flows from operating activities		**42 633**	**37 244**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(718)	(1 772)
Proceeds from sale of property, plant and equipment		215	-
Payments for acquisition of intangible assets		(6)	(18)
Net cash flows from investing activities		**(509)**	**(1 790)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to owner from share capital decrease		(87 008)	-
Payments for the principal portion of the lease liability		(590)	-
Payments for the interest portion of the lease liability		(359)	-
Receipts from interests		477	773
Payments of bank charges		(368)	(374)
Net cash flows from financing activities		**(87 848)**	**399**
Net increase/(decrease) in cash and cash equivalents in the year		**(45 724)**	**35 853**
Cash and cash equivalents at beginning of the year		233 205	197 410
Foreign exchange gains/(losses) on cash and cash equivalents		(68)	(58)
Cash and cash equivalents at end of the year	11	**187 413**	**233 205**

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Одиторско дружество София Рег. № 142 НС Консултинг ООД

1. GENERAL INFORMATION

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

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

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

These financial statements were authorised for issue by the procurator of the Company on 16 March 2020.

2. BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

2.1. COMPLIANCE

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

2.2. BASIS OF MEASUREMENT

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

2.3. PRESENTATION CURRENCY AND LEVEL OF ROUNDING

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

2.4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, when the revision affects only that period or in the revision period and in any future periods is the revision affects these future periods. For further information refer to Note 35.

2.5. GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The future viability of the Company depends upon the business environment as well as on the securing of financing provided by the current and future owners and investors. If the commercial risks are underestimated and if the business of the Company is hindered or ceased, and the respective assets sold, adjustments will need to be made to reduce the carrying value of assets to their liquidation value, to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilitiesBearing in mind the abovementioned, as well as taking into consideration the expected future cash flows, the management of the Company considers that it is appropriate the financial statements to be prepared on a going concern basis. With regards to the management assessment that the Company will be able to continue as a going concern, the Company receives full support, including financial assistance, by JUMBO S.A., Greece.

2.6. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2019 AND RELEVANT TO THE COMPANY

The following standards/amendments to standards/interpretations are mandatory for the preparation of financial statements for reporting periods beginning on or after 1 January 2019 and are relevant to the Company:

IFRS 16 "Leases"
- Published by IASB in January 2016
- Adopted by the European Commission in October 2017
- Effective for reporting periods beginning on or after 1 January 2019
The new standard replaces accounting requirements introduced more than 30 years ago that are no longer consider fit for purpose and is major revision of the way in which the companies account for leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The new standard substantially carries forward lessor accouting from IAS 17. The Company has applied the new standard and this has significantly affected the financial statements. Additional information about the effects from the application of the new standard is disclosed in Note 40.

IFRIC 23 "Uncertainty over Income Tax Treatments"
- Published by IASB in June 2017
- Adopted by the European Commission in October 2018
- Effective for reporting periods beginning on or after 1 January 2019
It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Company has applied the the new interpretation but this has not significantly affected the financial statements.

2.7. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT WILL BE EFFECTIVE IN 2020 AND AFTERWARDS, THAT ARE RELEVANT TO AND EARLY ADOPTED BY THE COMPANY

There are no new standards/amendments to standards/interpretations that are early adopted by the Company in 2019.

2.8. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2019 AND NOT RELEVANT TO THE COMPANY

The following standards/amendments to standards/interpretations are mandatory for the preparation of financial statements for reporting periods beginning on or after 1 January 2019 but are not relevant to the Company:

- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement"
- IAS 28 (Amendments) "Long-term Interests in Associates and Joint Ventures"
- Annual Improvements to IFRS 2015 – 2017 Cycle

2.9. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT WILL BE EFFECTIVE IN 2020 AND AFTERWARDS, RELEVANT TO BUT NOT EARLY ADOPTED BY THE COMPANY

The following standards/amendments to standards/interpretations are published and are mandatory for reporting periods beginning on different dates, the earlier of which is 1 January 2020 and are relevant to the Company:

Amendments to References to the Conceptual Framework in IFRS Standards
- Published by IASB in March 2018
- Adopted by the European Commission in November 2019
- Effective for reporting periods beginning on or after 1 January 2020
The amendments to the references to the Conceptual framework are based on the revised Conceptual Framework for Financial Reporting, which include: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Company will apply the amendments to the standards, after becoming effective, but at the moment moment it is not expected that this will affect significantly its financial statements.

IAS 1 & IAS 8 (Amendments) "Definition of Material"
- Published by IASB in October 2018
- Adopted by the European Commission in November 2019
- Effective for reporting periods beginning on or after 1 January 2020
The amendments to the standard improve the definition of material to make it easier for companies to make materiality judgements. The new definition is that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company will apply the amendments to the standards, after becoming effective, but at the moment it is not expected that this will affect significantly its financial statements.

IAS 1 (Amendments) "Classification of Liabilities as Current or Non-current"
- Published by IASB in January 2020
- Expecting adoption by the European Commission
- Effective for reporting periods beginning on or after 1 January 2022

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The Company will apply the amendments to the standards, after their adoption by the European Commission, but at the moment it is not expected that this will affect significantly its financial statements.

2.10. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT WILL BE EFFECTIVE IN 2020 AND AFTERWARDS BUT NOT RELEVANT TO THE COMPANY

The following standards/amendments to standards/interpretations are published and are mandatory for reporting periods beginning on different dates, the earlier of which is 1 January 2020 but are expected not to be relevant to the Company:

- IFRS 3 (Amendments) "Definition of a Business"
- IFRS 9, IAS 39 and IFRS 7 (Amendments) "Reforming Major Interest Rate Benchmarks"
- IFRS 10 and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 14 "Regulatory Deferral Accounts"
- IFRS 17 "Insurance contracts"

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. FOREIGN CURRENCY

3.1.1. FUNCTIONAL CURRENCY OF THE COMPANY

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the Functional currency"). The functional currency of the Company is the Bulgarian lev (BGN) and any currency other than the functional currency is a foreign currency.

3.1.2. TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

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

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

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

The closing exchange rates of the BGN against the major foreign currencies relevant to the Company's operations for the reporting periods of the financial statements are as follows:

	AT 31 DECEMBER	
	2019	**2018**
1 Euro (EUR)	1.95583	1.95583

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

3.2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

	YEARS
Buildings	30
Machines and equipment	5 – 10
Computers	3 – 4
Furniture and fittings	5 – 9
Right-of-use assets	5 – 24

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

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

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

Additional information about the accounting policies related to right-of-use assets, presented as part of property, plant and equipment is presented in Note 3.16.

3.3. INTANGIBLE ASSETS

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

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

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

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

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

	YEARS
Computer software	3 – 4

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

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

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

3.4. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount of the asset is the higher of the following two amounts:
- Its fair value less costs of disposal; and
- Its value in use, which is the present value of the future cash flows expected to be derived from the asset.

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

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

3.5. FINANCIAL INSTRUMENTS

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

3.5.1. FINANCIAL ASSETS

The financial assets of the Company represent:
- Cash; and
- Contractual rights to receive cash from other entities.

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

3.5.1.1. CLASSIFICATION OF FINANCIAL ASSETS

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

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

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

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

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

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

3.5.1.2. MEASUREMENT OF FINANCIAL ASSETS

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

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

3.5.1.3. IMPAIRMENT OF FINANCIAL ASSETS

The Company recognises loss allowances for expected credit losses on financial asset that are measured at amortised cost.

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

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

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

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

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

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

3.5.2. FINANCIAL LIABILIITES

The financial liabilities of the Company represent:

- Contractual obligations to deliver cash to other entities.

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

3.5.2.1. CLASSIFICATION OF FINANCIAL LIABILITIES

The Company classifies all financial liabilities as subsequently measured at amortised cost or at value measured under the requirements of IFRS 16. The Company's liabilities measured at amortised cost are reported in the statement of financial position as trade and other payables. Further information about the accounting policies regarding the trade payables and lease liabilities is presented in Notes 3.10 and 3.16 below.

The Company does not reclassify any financial liability.

3.5.2.2. MEASUREMENT OF FINANCIAL LIABILITIES

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

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

3.5.3. OFFSETING FINANCIAL ASSETS AND LIABILITIES

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

3.6. TRADE RECEIVABLES

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

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

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

3.7. CASH AND CASH EQUIVALENTS

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

3.8. INVENTORIES

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

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

The method used to determine cost of inventories when they are expensed is weighted average cost, which is calculated on a monthly basis.

3.9. SHARE CAPITAL

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

3.10. TRADE PAYABLES

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

Trade payables are classified as current liabilities if payment is due within 12 months or less after the period end. If not, they are presented as non-current liabilities.

3.11. CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

3.12. PROVISIONS

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

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

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

3.13. CONTINGENT LIABILITIES

Contingent liabilities are:

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

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

3.14. REVENUE RECOGNITION

3.14.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.14.1.1. RETAIL SALES OF MERCHANDISE

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

3.14.1.2. WHOLESALE SALES OF MERCHANDISE

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

3.15. EMPLOYEE BENEFITS

3.15.1. SHORT-TERM BENEFITS

The short-term employee benefits are employee benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. The short-term employee benefits include the following items: salaries, social security contributions, paid annual leaves and paid sick leaves and bonuses.

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

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

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

3.15.2. POST-EMPLOYMENT BENEFITS

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

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

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

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

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

3.16. LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.16.1. LEASES WHERE THE COMPANY IS A LESSEE

At the date on which the lessor makes an underlying asset available for use by the Company (the commencement date of the lease), the Company recognises a right-of-use asset and a lease liability, except for the following cases:

- The lease has no non-cancellable period (e.g. when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty);
- The lease is a short-term lease (a contract that, at the commencement date, has a lease term of 12 months or less and does not contain a purchase option); and
- The underlying asset of the lease is of low value.

In those cases the Company recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

3.16.1.1. MEASUREMENT AND PRESENTATION OF RIGHT-OF-USE ASSETS

At the commencement date, the Company measures the right-of-use asset at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the lessee; and
- An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Company measures the right-of-use asset applying the cost model, under which the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

The Company applies the depreciation requirements applicable for property, plant and equipment (Note 3.2) where:

- If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset; and
- If the lease does not transfer ownership of the underlying asset to the Company by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In the statement of financial position the Company presents the right-of-use assets as part of property, plant and equipment.

3.16.1.2. MEASUREMENT AND PRESENTATION OF LEASE LIABILITES

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate (the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment).

The lease payments included in the measurement of the lease liability comprise the following payments:

- Fixed payments;
- Variable lease payments that depend on an index or a rate (payments linked to a consumer price index, payments linked to a benchmark interest rate, such as LIBOR, or payments that vary to reflect changes in market rental rates), initially measured using the index or rate as at the commencement date;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate (the interest rate implicit in the lease or the incremental borrowing rate).

After the commencement date, the Company remeasures the lease liability to reflect changes to the lease payments and/or the discount rate, which result for example from:

- Changes in future lease payments resulting from a change in an index or a rate;
- Changes in the lease term;
- Changes in the assessment of an option to purchase the underlying asset.

The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

In the statement of financial position the Company presents the lease liabilities as part of the borrowings that require payment of interest.

3.16.1.3. ITEMS RECOGNISED IN PROFIT OR LOSS

After the commencement date, the Company recognises in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards:

- Depreciation charges on right-of-use assets (operating expenses);
- Variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs (operatin expenses);
- Interest on the lease liability (finance expenses); and
- Any gains or losses relating to the partial or full termination of the lease (operating gains and losses).

3.16.2. LEASES WHERE THE COMPANY IS A LESSOR

The Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

3.16.2.1. OPERATING LEASES WHERE THE COMPANY IS A LESSOR

Underlying assets subject to operating leases are presented in the statement of financial position according to their nature, and the depreciation policy for assets subject to operating leases is consistent with the Company's normal depreciation policy for similar assets. The Company recognizes lease payments from operating leases as income on a straight-line basis and costs, including depreciation, incurred in earning the lease income as an expense.

3.16.3. ACCOUNTING POLICIES FOR LEASES APPLIED UNTIL 31 DECEMBER 2018

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

3.16.3.1. OPERATING LEASE WHERE THE COMPANY IS A LESSEE

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

3.16.3.2. OPERATING LEASE WHERE THE COMPANY IS A LESSOR

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

3.17. RELATED PARTIES

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

3.18. DISTRIBUTION OF DIVIDENDS

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

(All amounts in BGN thousands unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Owned assets					Right-of-use assets			
	Lands	**Buildings**	**Furnitures, computers and machines**	**Assets under construction**	**Total owned assets**	**Lands**	**Buildings**	**Total right-of-use assets**	**Total PPE**
AT 1 JANUARY 2018									
Cost	53 835	152 422	18 782	567	**225 606**	-	-	-	**225 606**
Accumulated depreciation	-	(35 983)	(11 837)	-	**(47 820)**	-	-	-	**(47 820)**
Net book amount	**53 835**	**116 439**	**6 945**	**567**	**177 786**	-	-	-	**177 786**
YEAR ENDED 31 DECEMBER 2018									
Additions	-	-	927	849	**1 776**	-	-	-	**1 776**
Disposals and transfers	-	747	99	(849)	**(3)**	-	-	-	**(3)**
Depreciation charge	-	(5 082)	(1 719)	-	**(6 801)**	-	-	-	**(6 801)**
Closing net book amount	**53 835**	**112 104**	**6 252**	**567**	**172 758**	-	-	-	**172 758**
AT 31 DECEMBER 2018									
Cost	53 835	153 169	19 768	567	**227 339**	-	-	-	**227 339**
Accumulated depreciation	-	(41 065)	(13 516)	-	**(54 581)**	-	-	-	**(54 581)**
Net book amount	**53 835**	**112 104**	**6 252**	**567**	**172 758**	-	-	-	**172 758**
Adjustments for changes in accounting policies (Note 40)	-	-	-	-	-	7 306	16 692	**23 998**	**23 998**
AT 1 JANUARY 2019 (restated)	**53 835**	**112 104**	**6 252**	**567**	**172 758**	**7 306**	**16 692**	**23 998**	**196 756**
YEAR ENDED 31 DECEMBER 2019									
Additions	-	106	613	-	**719**	-	-	-	**719**
Adjustments of right-of-use assets	-	-	-	-	-	141	-	**141**	**141**
Disposals and transfers	(626)	-	(4)	-	**(630)**	-	-	-	**(630)**
Depreciation charge	-	(5 102)	(1 540)	-	**(6 642)**	(152)	(663)	**(815)**	**(7 457)**
Closing net book amount	**53 209**	**107 108**	**5 321**	**567**	**166 205**	**7 295**	**16 029**	**23 324**	**189 529**
AT 31 DECEMBER 2019									
Cost	53 209	153 275	20 321	567	**227 372**	7 447	16 692	**24 139**	**251 511**
Accumulated depreciation	-	(46 167)	(15 000)	-	**(61 167)**	(152)	(663)	**(815)**	**(61 982)**
Net book amount	**53 209**	**107 108**	**5 321**	**567**	**166 205**	**7 295**	**16 029**	**23 324**	**189 529**

(All amounts in BGN thousands unless otherwise stated)

At 31 December 2019, the Company has lands rented to lessees under operating leases with carrying amount of BGN 1 263 thousand (2018: BGN 1 263 thousand).

Depreciation expenses of PPE are reported as follows: BGN 7 438 thousand (2018: BGN 6 784 thousand) in distribution costs (Note 21) and BGN 19 thousand (2018: BGN 17 thousand) in administrative expenses (Note 22).

In 2019, variable lease payments, related to the lease of lands and buildings under lease contracts not included in the measurement of lease liabilities for the amount of BGN 1 262 thousand were included in distribution costs in the statement of comprehensive income (Note 21).

In 2018, lease rental payments amounting to BGN 3 140 thousand relating to the lease of land and buildings under operating leases are included in distribution costs in the statement of comprehensive income (Note 21).

No owned PPE have been presented as collateral for liabilities of the Company. PPE with the following carrying amounts represent collateral for lease liabilities:

	AT 31 DECEMBER	
	2019	**2018**
Right-of use assets	23 324	-
Total PPE presented as collateral	**23 324**	**-**

5. INTANGIBLE ASSETS

	Computer software
AT 1 JANUARY 2018	
Cost	311
Accumulated amortisation	(281)
Net book amount	**30**
YEAR ENDED 31 DECEMBER 2018	
Additions	18
Amortisation charge	(17)
Closing net book amount	**31**
AT 31 DECEMBER 2018	
Cost	329
Accumulated amortisation	(298)
Net book amount	**31**
YEAR ENDED 31 DECEMBER 2019	
Additions	6
Amortisation charge	(19)
Closing net book amount	**18**
AT 31 DECEMBER 2019	
Cost	326
Accumulated amortisation	(308)
Net book amount	**18**

Amortisation expenses of intangible assets are reported as follows: BGN 19 thousand (2018: BGN 17 thousand) in distribution costs (Note 21).

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

(All amounts in BGN thousands unless otherwise stated)

6. DEFERRED TAX ASSETS

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities, at the tax rate of 10% (2018: 10%), which is to be effective at the time they are realised.

The deferred tax assets and liabilities are analysed as follows:

	AT 31 DECEMBER	
	2019	**2018**
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	2 362	10
– Deferred income tax assets to be recovered within 12 months	45	55
Total deferred income tax assets	**2 407**	**65**
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered after 12 months	(2 361)	(23)
Total deferred income tax liabilities	**(2 361)**	**(23)**
Deferred income tax assets – net	**46**	**42**

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

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
AT 1 JANUARY	**42**	**46**
(Charged)/credited to profit or loss (Note 27)	4	(5)
Tax (charge)/credit relating to components of OCI (Note 27)	-	1
AT 31 DECEMBER	**46**	**42**

(All amounts in BGN thousands unless otherwise stated)

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

Deferred tax assets	Prepay-ments under lease contracts	Lease liabilities	Unused paid leaves	Provisions for pensions	Impair-ment losses on inventories	Total deferred tax assets
AT 1 JANUARY 2018	**-**	**-**	**25**	**9**	**26**	**60**
(Charged)/credited to profit or loss	-	-	5	-	(1)	**4**
(Charged)/credited to OCI	-	-	-	1	-	**1**
AT 31 DECEMBER 2018	**-**	**-**	**30**	**10**	**25**	**65**
(Charged)/credited to profit or loss	252	2 098	(1)	2	(9)	**2 342**
(Charged)/credited to OCI	-	-	-	-	-	**-**
AT 31 DECEMBER 2019	**252**	**2 098**	**29**	**12**	**16**	**2 407**

Deferred tax liabilities	Property, plant and equipment	Total deferred tax liabilities
AT 1 JANUARY 2018	**(14)**	**(14)**
(Charged)/credited to profit or loss	(9)	**(9)**
(Charged)/credited to OCI	-	**-**
AT 31 DECEMBER 2018	**(23)**	**(23)**
(Charged)/credited to profit or loss	(2 338)	**(2 338)**
(Charged)/credited to OCI	-	**-**
AT 31 DECEMBER 2019	**(2 361)**	**(2 361)**
DEFERRED TAX ASSETS AT 31 DECEMBER 2018 – NET		**42**
DEFERRED TAX ASSETS AT 31 DECEMBER 2019 – NET		**46**

At 31 December 2019 and 2018, the Company has no unused tax losses to carry forward.

(All amounts in BGN thousands unless otherwise stated)

7. TRADE RECEIVABLES

	AT 31 DECEMBER	
	2019	**2018**
Trade receivables from related parties (Note 33)	491	-
Total trade receivables	**491**	**-**
Less non-current portion:		
	-	-
Current trade receivables	**491**	**-**

The fair values of trade receivables approximate their carrying amounts.

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

Information about the exposure of the Company to credit and foreign exchange risk relating to trade receivables, is presented in Note 38.

8. OTHER FINANCIAL ASSETS AT AMORTISED COST

	AT 31 DECEMBER	
	2019	**2018**
Receivables for accrued interest on short-term deposits in banks	97	296
Other receivables	11	10
Total other financial assets at amortised cost	**108**	**306**
Less non-current portion:		
	-	-
Current other financial assets at amortised cost	**108**	**306**

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

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

Information about the exposure of the Company to credit and foreign exchange risk relating to other financial assets at amortised cost, is presented in Note 38.

(All amounts in BGN thousands unless otherwise stated)

9. OTHER ASSETS

	AT 31 DECEMBER 2019	2018
Advances to suppliers	215	601
Deferred charges	64	2 700
Other tax receivables	-	83
Other receivables	101	12
Total other assets	**380**	**3 396**
Less non-current portion:		
- Advances to suppliers	(155)	(155)
- Deferred charges	-	(2 516)
- Other receivables	(101)	(1)
	(256)	**(2 672)**
Current other assets	**124**	**724**

Advances to suppliers
Advances to suppliers include amounts paid in advance for supplies of PPE for the amount of BGN 155 thousand (2018: BGN 155 thousand).

Deferred charges
The deferred charges represent prepaid food vouchers for the amount of BGN 54 thousand (2018: BGN 59 thousand) and advertisement for the amount of BGN 10 thousand (2018: none). At 31 December 2018, the deferred charges included and prepaid expenses for lease rentals for the amount of BGN 2 623 thousand and insurance for the amount of BGN 18 thousand.

Other tax receivables
At 31 December 2018, other tax receivables represent amount paid by the Company to the National Revenue Agency, which represent the principle amount of additional tax payables, enforced with a Tax revision act, issued in June 2014. The Company appealed the act bu the case was finally lost in February 2019 (Note 18). The payment had been made in order to be stopped the accrual of interests while the appeal process is running and after the case was lost, the amount was deducted from the imposed additional tax liabilities.

Other receivables
At 31 December 2019, other receivables include an amount of BGN 100 thousand paid as a deposit to the court for the cessation of an executory case under pending labour case, for which there is a disclosed contingent liability (Note 28).

At 31 December 2018, the non-current part of the deferred charges, which are related to long-term rent of land and buildings, are expected to be recovered as follows:

	AT 31 DECEMBER 2019	2018
More than 1 year but less than 5 years	-	427
More than 5 years	-	2 089
Total non-current deferred charges	**-**	**2 516**

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

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

(All amounts in BGN thousands unless otherwise stated)

10. INVENTORIES

	AT 31 DECEMBER	
	2019	**2018**
Merchandise	23 496	22 518
Total inventories	**23 496**	**22 518**

The amount of inventories recognised as an expense during the period equals the sum of the cost of sold merchandise (Note 20), shortages and wastage of merchandise (Note 21) and consumable items (Note 21).

The Company incurred impairments of merchandise in 2019 for the amount of BGN 160 thousand (2018: BGN 248 thousand) (Note 21) and reversed previous impairments of merchandise for the amount of BGN 102 thousand (2018: BGN 179 thousand) (Note 24). The reversal of the impairments of merchandise was made due to changes in the pricing policy of the Company.

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

11. CASH AND CASH EQUIVALENTS

	AT 31 DECEMBER	
	2019	**2018**
Cash in hand	253	246
Cash at sight deposits in banks	56 743	63 356
Cash at short-term deposits in banks	129 984	169 190
Cash in transit	433	413
Total cash and cash equivalents	**187 413**	**233 205**

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

Short-term bank deposits – blocked amounts
At 31 December 2018, the short-term bank deposits include a deposit of BGN 89 thousand under contract for financial collateralisation with presentment of collateral for an issued bank guarantee, which secures the currently due interest, enforced with a tax revision act, issued in June 2014. The tax revision act was appealed, but the case was finally lost in February 2019 (Note 18). The deposit was released in April 2019 after the payment of the imposed additional tax liabilities. No other cash items have been presented as collateral for liabilities of the Company.

Short-term bank deposits – terms
The contracted maturity of the short-term bank deposits at 31 December 2019 is 6 months, which expire on 2 January 2020. The short-term bank deposits can be withdrawn by the Company at any time prior to expiration of their maturity.

Information about the exposure of the Company to credit and foreign exchange risk, relating to cash and cash equivalents, is presented in Note 38.

(All amounts in BGN thousands unless otherwise stated)

12. SHARE CAPITAL

	Number of shares	Total amount
AT 1 JANUARY 2018	**2 485 944**	**248 594**
AT 31 DECEMBER 2018	**2 485 944**	**248 594**
Decrease of capital through decrease of par value of shares	-	(87 008)
AT 31 DECEMBER 2019	**2 485 944**	**161 586**

The total authorised number of shares is 2 485 944 shares (2018: 2 485 944 shares) with par value of BGN 65 per share (2018: BGN 100 per share). All issued shares are fully paid.

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

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

With a decision of the single owner of the share capital of the Company dated 22 January 2019, the share capital of the Company was decreased with BGN 37 289 160 through the decrease of the par value the Company's shares from BGN 80 to BGN 65 per share. The new amount of the share capital after the decrease equals BGN 161 586 360 and is consisted of 2 485 944 shares with par value of BGN 65 per share. The decrease of the share capital of the Company was finalised and filed in the Trade register on 23 May 2019.

At 31 December 2019 and 2018, the single owner of the share capital of the Company is JUMBO S.A., Greece.

13. OTHER RESERVES

	Reserve from remeasurement of retirement benefit obligations
AT 1 JANUARY 2018	**4**
Remeasurement of retirement benefit obligations – net of tax (Note 27)	(6)
AT 31 DECEMBER 2018	**(2)**
Remeasurement of retirement benefit obligations – net of tax (Note 27)	-
AT 31 DECEMBER 2019	**(2)**

(All amounts in BGN thousands unless otherwise stated)

14. LEASE LIABILITIES

	AT 31 DECEMBER 2019	2018
Non-current		
Lease liabilities	19 111	-
Total non-current lease liabilities	**19 111**	-
Current		
Lease liabilities	1 869	-
Total current lease liabilities	**1 869**	-
Total lease liabilities	**20 980**	-

Lease liabilities

The Company has the following lease contracts for lands, stores and warehouses:

- A lease contract for land on which the Company constructed a store from 2009, the non-cancellable term of which expires in July 2043. The contract has an extension option for an additional period of 10 years and does not contain a purchase option. The lease does require payment of variable lease payments that depend on an index or a rate, as well as of other variable lease payments that depend on sales generated in the store. The liability under that lease contract is measured with an incremental borrowing rate of 3.50 % (2018: not applicable);
- A lease contract for a store from 2011, the non-cancellable term of which expires in May 2035. The contract has no extension options and does not contain a purchase option. The lease does not require payment of variable lease payments that depend on an index or a rate, as well as of other variable lease payments. The liability under that lease contract is measured with an incremental borrowing rate of 3.50 % (2018: not applicable);
- A lease contract for warehouses from 2014, the non-cancellable term of which expires in December 2024. The contract has an additional cancellable term until 2031, as well as an extension option for an additional period of 2 years, but does not contain a purchase option. The lease does not require payment of variable lease payments that depend on an index or a rate, as well as of other variable lease payments. The liability under that lease contract is measured with an incremental borrowing rate of 3.00 % (2018: not applicable); and
- A lease contract for a store from 2016, the non-cancellable term of which expires in 2028. The contract has an extension option for an additional period of 12 years and does not contain a purchase option. The lease does require payment only of variable lease payments that depend on sales generated in the store thus it has no recognised liability.

Usage of variable lease payments that depend on level of sales generated in the respective store has several reasons the main of which is minimising the fixed costs for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the respective sales are realised, and are included in distribution costs (Note 21). A 10% increase in sales in the respective stores would increase total lease payments by approximately BGN 126 thousand.

Lease liabilities are effectively secured with the leased assets as their rights revert to the lessor in the event of default.

Information about the exposure of the Company to interest, liquidity and foreign exchange risk, relating to lease liabilities, is presented in Note 38.

(All amounts in BGN thousands unless otherwise stated)

15. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

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

	AT 31 DECEMBER	
	2019	**2018**
Present value of obligations	122	105
Present value of obligations	**122**	**105**

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

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
AT 1 JANUARY	**105**	**86**
Current service cost (Note 23)	19	17
Interest expense (Note 26)	1	1
Total expense	**20**	**18**
Remeasurements:		
- Experience (gains)/losses	(8)	-
- (Gains)/losses from change in demographic assumptions	-	-
- (Gains)/losses from change in financial assumptions	8	6
Total other comprehensive income	**-**	**6**
Benefits paid	**(3)**	**(5)**
AT 31 DECEMBER	**122**	**105**

The expenses, relating to employees were included in distribution costs in the statement of comprehensive income (Note 21).

(All amounts in BGN thousands unless otherwise stated)

The principal actuarial assumptions used were as follows:

	AT 31 DECEMBER 2019	2018
Discount rate	0.60 %	1.00 %
Future salary increases	0.60 %	0.60 %

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

AT 31 DECEMBER 2019	Change in actuarial assumption	Effect on the liability	Change in actuarial assumption	Effect on the liability
Discount rate	+ 0.50 %	(9)	– 0.50 %	11
Future salary increases	+ 0.50 %	11	– 0.50 %	(10)

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

At 31 December 2019, the weighted average duration of the defined benefit obligation is 16.3 years (2018: 16.0 years).

16. TRADE AND OTHER PAYABLES

	AT 31 DECEMBER 2019	2018
Trade payables	2 154	2 331
Trade payables to related parties (Note 33)	-	1 388
Payables to employees	1 445	1 374
Payables to social and health security organisations	609	562
Other tax payables	6 499	6 626
Other payables	6	13
Total trade and other payables	**10 713**	**12 294**
Less non-current portion:		
	-	-
Current trade and other payables	**10 713**	**12 294**

Trade payables
Trade payables do not include payables to suppliers of PPE (2018: none).

Payables to employees
Payables to employees include payables related to accruals of unused paid leaves for the amount BGN 247 thousand (2018: BGN 255 thousand).

(All amounts in BGN thousands unless otherwise stated)

Payables to social and health security organisations

Payables to social and health security organisations include payables related to accruals of social and health insurance contributions on accrued unused paid leaves for the amount BGN 45 thousand (2018: BGN 45 thousand).

Other tax payables

Other tax payables represent payable VAT which is due for payment to the tax administration for the amount of BGN 6 497 thousand (2018: BGN 6 620 thousand) and tax on expenses for the amount of BGN 2 thousand (2018: BGN 6 thousand).

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

Information about the exposure of the Company to liquidity and foreign exchange risk, relating to trade and other payables, is presented in Note 38.

17. CONTRACT LIABILITIES

	AT 31 DECEMBER	
	2019	**2018**
Advances from customers	6	-
Total contract liabilities	**6**	**-**
Less non-current portion:		
	-	-
Current contract liabilities	**6**	**-**

Advances from customers

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

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

YEAR ENDED 31 DECEMBER 2019	**Advances from clients**	**Total contract liabilities**
AT 1 JANUARY	-	-
Received new advances from customers	22	**22**
Utilised advances from customers	(16)	**(16)**
AT 31 DECEMBER	**6**	**6**

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

(All amounts in BGN thousands unless otherwise stated)

18. PROVISIONS

	Pending tax cases
AT 1 JANUARY 2018	**36**
AT 31 DECEMBER 2018	**36**
Used provisions	(36)
AT 31 DECEMBER 2019	**-**

Provisions for pending tax cases

There were two tax revision acts, issued by the National Revenue Agency against the Company in June 2014, with which on the Company are enforced additional tax liabilities for the amount of BGN 217 thousand. The Company accrued provisions for part of that amount and for the amounts that had not been provided for at 31 December 2018, the Company reported a contingent liability (Note 28). One of these tax claims was repealed by the Supreme Administrative Court in January 2018 and the other was confirmed in February 2019. The actual amount of the additional tax liabilities was determined in the appeal process for the amount BGN 121 thousand, against which were offset the other receivables from the state amounting to BGN 83 thousand (Note 9). As a result from this were accrued current other tax payables of BGN 38 thousand, which were paid by the Company in April 2019.

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Sales of merchandise on the domestic market	174 630	161 390
Sales of merchandise on foreign markets	1 489	878
Total revenue from contracts with customers	**176 119**	**162 268**

20. COST OF SALES OF GOODS

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Inventories at beginning of period (Note 10)	(22 518)	(19 635)
Purchases	(98 827)	(92 779)
Discounts on purchases	920	822
Surpluses of merchandise (Note 24)	(474)	(1 010)
Shortages and wastage of merchandise (Note 21)	903	2 221
Impairments of inventories (Note 21)	160	248
Reversals of previous impairments of inventories (Note 24)	(102)	(179)
Merchandise used as consumables (Note 21)	478	1 101
Inventories at end of the period (Note 10)	23 496	22 518
Total cost of sales of goods	**(95 964)**	**(86 693)**

(All amounts in BGN thousands unless otherwise stated)

21. DISTRIBUTION COSTS

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Depreciation and amortisation charges (Notes 4 and 5)	(7 457)	(6 801)
Employee benefit expenses (Note 23)	(15 718)	(14 528)
Electricity	(3 505)	(3 408)
Rents – minimum lease payments (Note 4)	(1 005)	(2 002)
Rents – contingent rent (Note 4)	(1 262)	(1 138)
Advertisement	(1 903)	(1 861)
Shortages and wastage of merchandise	(903)	(2 221)
Merchandise used as consumables	(478)	(1 101)
External services	(1 593)	(1 637)
Assets repair and maintenance costs	(1 332)	(1 416)
Other materials	(487)	(495)
Fuel	(367)	(402)
Impairments of inventories (Note 10)	(160)	(248)
Losses on disposals of PPE	(414)	(3)
Cost of other goods sold	(9)	-
Other expenses	(249)	(637)
Total distribution costs	**(36 842)**	**(37 898)**

Contingent rent represents variable lease payments, not included in the lease liabilities, which are established on the base of the realised sales revenues in the respective store to which the lease contract relates. Contingent rent is due for two lease contracts (Note 14).

22. ADMINISTRATIVE EXPENSES

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Employee benefit expenses (Note 23)	(1 010)	(956)
External services	(185)	(157)
Depreciation and amortisation charges (Note 4)	(19)	(17)
Assets repair and maintenance costs	(9)	(8)
Other materials	(41)	(6)
Electricity	(4)	(6)
Other expenses	(191)	(114)
Total administrative expenses	**(1 459)**	**(1 264)**

In the external services line above are included expenses for independent financial audit and reviews for the amount of BGN 47 thousand (2018: BGN 41 thousand).

23. EMPLOYEE BENEFIT EXPENSES

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Salaries	(14 175)	(12 923)
Social and health security contributions	(2 242)	(2 244)
Accruals of unused paid leaves	(292)	(300)
Pension costs – defined benefit plans (Note 15)	(19)	(17)
Total employee benefit expenses	**(16 728)**	**(15 484)**

(All amounts in BGN thousands unless otherwise stated)

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

	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Employees at the end of the year	808	831
Average number of employees in the year	844	814

24. OTHER INCOME AND GAINS

	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Surpluses of merchandise	474	1 010
Reversals of previous impairments of inventories (Note 10)	102	179
Sales of materials	85	89
Sales of other goods	9	-
Other services	131	77
Surpluses of cash	25	27
Other income	12	55
Total other income and gains	**838**	**1 437**

25. OTHER EXPENSES AND LOSSES

	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Local taxes and fees on real estates	(1 478)	(1 598)
Expenses for provisions (Note 18)	-	-
Total other expenses and losses	**(1 478)**	**(1 598)**

26. FINANCE INCOME AND COSTS

	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Finance income		
Interests on cash in banks	278	879
Total finance income	**278**	**879**
Finance costs		
Interests on lease liabilites	(359)	-
Interests on retirement benefit obligations (Note 15)	(1)	(1)
Bank charges	(367)	(374)
Foreign currency exchange losses on cash	(68)	(58)
Total finance costs	**(795)**	**(433)**
Finance (costs)/income – net	**(517)**	**446**

(All amounts in BGN thousands unless otherwise stated)

27. INCOME TAX EXPENSE

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Current income tax expense	(4 159)	(3 853)
Effect from changes in deferred taxes (Note 6)	4	(5)
Income tax expense	**(4 155)**	**(3 858)**

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

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Profit before tax	**40 697**	**36 698**
Theoretical income tax expense at 10 % (2018: 10 %)	(4 070)	(3 670)
Effect on the tax charge of:		
Expenses not deductible for tax purposes	(89)	(183)
Income tax expense	**(4 159)**	**(3 853)**

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

YEAR ENDED 31 DECEMBER 2019	**Before tax**	**Tax (charge) / credit**	**After tax**
Remeasurements of retirement benefit obligations (Note 15)	-	-	-
Other comprehensive income	-	-	-
Deferred tax (Note 6)		-	-

The current income tax payable at 31 December 2019 for the amount of BGN 158 thousand is calculated as from the current tax charge for the year, amounting to BGN 4 159 thousand are deducted the tax receivable at the beginning of the year, amounting to BGN 147 thousand, and the tax paid in the year, amounting to BGN 3 853 thousand.

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

28. CONTINGENT LIABILITIES

28.1. LITIGATIONS

At 31 December 2019, the Company is not a part in any commercial litigation which has significant interest, apart from what is disclosed below. The Company's management does not expect that any potentially material liability could arise in the case of advertent outcome of other court cases or legal claims against it.

At 31 December 2019, there is a contingent liability for the amount of BGN 162 thousand relating to a court case brought against the Company by a former employee who claim for compensations for damages suffered due to a labour accident. This court case has been decided unfavourable to the Company at the first and second court instances but those decisions are being appealed. The actual amounts of the compensations that might be payable and the actual timing in which the payment might be needed to be made will be determined in the appeal process.

28.2. TAX CONTINGENCIES

In 2019, the Company was not subjected to examinations by the tax authorities including regarding corporate income tax. The tax authorities may at any time inspect the books and records within 5 years subsequent to the financial year in which the respective tax has become due, and may impose additional tax assessments and penalties in accordance with the interpretation of the tax legislation. The Company's management is not aware of any circumstances which may give rise to potentially material additional tax liabilities, apart from what is disclosed below.

At 31 December 2018, there is a contingent liability for the amount of BGN 135 thousand under a tax revision act, issued against the Company in June 2014. This tax claim was appealed by the Company, but the case was finally lost in February 2019. A provision in relation to this tax claim has been recognised for the amount of BGN 36 thousand, as legal advice indicated that it was probable that a liability will arise (Note 17). Another tax act, issued against the Company also in June 2014, and in relation to which the Company disclosed a contingent liability for the amount of BGN 46 thousand in previous periods, was irrevocably repealed by the Supreme Administrative Court in January 2018.

28.3. ACQUISITION OF A STORE

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

28.4. REIMBURSEMENT OF INITIAL EXPENSES

With a non-cancellable lease contract for rent of real estate, the Company is obliged to pay to the lessor a penalty in the amount of the non-amortised part of the investment made by the lessor for the design, remodeling and construction of the leased real estate, as of the moment of termination, in case that the Company vacates the leased real estate prior to the lapse of the first twelve years of the contract, i.e. prior to 15 November 2028. At 31 December 2019, this amount equals BGN 4 247 thousand. JUMBO SA, Greece has provided to the lessor a corporate guarantee, which covers any financial claim to the Company under the lease contract.

(All amounts in BGN thousands unless otherwise stated)

29. COMMITMENTS

29.1. CAPITAL COMMITMENTS

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

	AT 31 DECEMBER	
	2019	**2018**
Property, plant and equipment	147	147
Total capital commitments	**147**	**147**

29.2. LEASES WHERE THE COMPANY IS A LESSEE

At 31 December 2019, there are no leases not yet commenced to which the Company is committed.

At 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases, classified as operating leases, were as follows:

	AT 31 DECEMBER	
	2019	**2018**
Not later than 1 year	-	1 894
Later than 1 year and not later than 5 years	-	7 691
Later than 5 years	-	19 549
Total minimum lease payments	**-**	**29 134**

Operating lease expenses recognised in the statement of comprehensive income for 2018 are disclosed in Note 21.

30. CASH FLOWS

30.1. CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Profit after tax	**36 542**	**32 840**
Adjustments for:		
- Income tax expense (Note 27)	4 154	3 858
- Depreciation and amortisation charges (Notes 4 and 5)	7 476	6 818
- Operating pension provisions costs (Note 15)	17	12
- Expenses for provisions (Note 18)	(36)	-
- Losses on impairments of inventories – net (Notes 21 and 22)	58	69
- (Gains)/Losses on disposal of PPE (Note 21)	414	3
- Finance (costs)/income – net (Note 26)	517	(446)
Changes in working capital:		
- Inventories	(1 036)	(2 952)
- Trade and other receivables	35	(200)
- Other assets	67	181
- Trade and other payables	(1 720)	1 312
- Other	(2)	-
Cash generated from operations	**46 486**	**41 495**

(All amounts in BGN thousands unless otherwise stated)

30.2. NON-CASH TRANSACTIONS

The principal non-cash transactions are those relating to the acquisition of right-of-use assets, classified as part of PPE, through leases. The assets thus acquired are excluded from investing activities in the statement of cash flows and the cash payments are presented payments for financing activities.

30.3. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities (liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities) were as follows:

LEASE LIABILITIES	YEAR ENDED 31 DECEMBER 2019	2018
AT 1 JANUARY	-	-
Adjustments for changes in accounting policies (Note 40)	21 429	-
AT 1 JANUARY (restated)	**21 429**	-
CASH FLOWS		
• Payments for the principal portion of the lease liability	(590)	-
• Payments for the interest portion of the lease liability	(359)	-
OTHER CHANGES		
• New lease liabilities	359	-
• New finance lease liabilities	141	-
AT 31 DECEMBER	**20 980**	-

30.4. TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases is for the amount of BGN 3 216 thousand (2018: not applicable).

31. DIVIDENDS PER SHARE

In 2019 and 2018, there was no distribution of dividends to the single shareholder of the Company. At the date of the approval of these financial statements it is not expected that a decision for distribution of dividends relating to the year ended 31 December 2019 will be made.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

With a decision of the single owner of the share capital of the Company dated 19 December 2019, the share capital of the Company was decreased with BGN 59 662 656 through the decrease of the par value the Company's shares from BGN 65 to BGN 41 per share. The new amount of the share capital after the decrease equals BGN 101 923 704 and is consisted of 2 485 944 shares with par value of BGN 41 per share. The Company commenced the pocedure for official filing of the decision in January 2020 and the decrease of the share capital is expected to be finalised and filed in the Trade register in May 2020.

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). While the situation at year end was that a limited number of cases had been reported to the World Health Organization, in the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. As a result of this on 13 March 2020 the Bulgarian parliament declared a state of emergency that will last until 13 April 2020. This is still an evolving situation at the time of issuing these financial statements, to date there has been limited impact on the Company's sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

There are no other significant events after the end of the reporting period, having effects on the financial statements for the year ended on 31 December 2019.

(All amounts in BGN thousands unless otherwise stated)

33. RELATED-PARTY TRANSACTIONS

The Company is controlled by JUMBO S.A., Greece (Parent Company) which holds 100 % of the Company's shares (Note 12), and which is also the ulltimate parent company of the Group which the Company is a part of. The parent company has control over the entities disclosed below as Other related parties.

The following transactions were carried out with related parties:

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

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Parent company		
JUMBO S.A., Greece (merchandise)	1 489	692
JUMBO S.A., Greece (other goods)	9	-
JUMBO S.A., Greece (other services)	67	29
JUMBO S.A., Greece (PPE)	-	7
Other related parties		
JUMBO EC. R SRL, Romania (merchandise)	-	186
Total sales of goods, other goods, other services and PPE	**1 565**	**914**

33.2. PURCHASES OF MERCHANDISE, SERVICES AND PPE

	YEAR ENDED 31 DECEMBER	
	2019	**2018**
Parent company		
JUMBO S.A., Greece (merchandise)	96 912	91 008
JUMBO S.A., Greece (services)	35	43
JUMBO S.A., Greece (PPE)	34	293
Total purchases of merchandise, services and PPE	**96 981**	**91 344**

33.3. TRADE RECEIVABELS FROM SALES

	AT 31 DECEMBER	
	2019	**2018**
Parent company		
JUMBO S.A., Greece (merchandise)	491	-
Total trade receivables from sales	**491**	**-**

In 2013 and 2014, the Company has entered into agreements for offsetting of account receivables from related parties, under which the accounts receivables at the end of the year have been set off (Note 37). In 2019 and 2018, there were no impairment losses against doubtful or overdue receivables from related parties.

(All amounts in BGN thousands unless otherwise stated)

33.4. TRADE PAYABLES FOR PURCHASES

	AT 31 DECEMBER 2019	2018
Parent company		
JUMBO S.A., Greece (merchandise)	-	1 388
Total trade payables for purchases	**-**	**1 388**

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

33.5. RECEIVED GUARANTEES

The Company has received guarantees from the parent company and from JUMBO TRADING LTD, Cyprus (Other related party) with regards to contingent liabilities. Additional information about the provided guarantees and the contingent liabilities is disclosed in Note 28.

33.6. KEY MANAGEMENT COMPENSATION

Key management personnel include the managers of the Company.

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

	YEAR ENDED 31 DECEMBER 2019	2018
Short-term key management personnel benefits	183	221
Total key management personnel benefits	**183**	**221**

34. FAIR VALUE MEASUREMENT

34.1. FAIR VALUE FOR DISCLOSURE PURPOSES

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

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

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

34.2. FAIR VALUE FOR MEASUREMENT PURPOSES

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

35. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

35.1. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

35.1.3. MEASUREMENT OF RETIREMENT BENEFIT OBLIGATIONS

Detailed information about the made assumptions regarding the future, related to the measurement of the retirement benefit obligations, as well as the sensitivity analysis of those liabilities to changes in the principal assumptions, is disclosed in Note 15.

35.1.2. DETERMINATION OF THE LEASES TERM

In determining the term of a specific lease contract, management of the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of warehouses, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2019, there are potential future cash outflows of BGN 2 983 thouasand (undiscounted) that have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. During the current financial year, there was no financial effect of revising lease terms.

(All amounts in BGN thousands unless otherwise stated)

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

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

AT 31 DECEMBER 2019

Financial assets	**Financial assets measured at amortised cost**	**Total financial assets**
Trade receivables (Note 7)	491	**491**
Other financial assets at amortised cost (Note 8)	108	**108**
Cash and cash equivalents (Note 11)	187 413	**187 413**
Total financial assets in SFP	**188 012**	**188 012**

Financial liabilities	**Financial liabilities measured at amortised cost**	**Other financial liabilities**	**Total financial liabilities**
Lease liabilities (Note 14)	-	20 980	**20 980**
Trade and other payables (Note 16)	3 599	-	**3 599**
Total financial liabilities in SFP	**3 599**	**20 980**	**24 579**

AT 31 DECEMBER 2018

Financial assets	**Financial assets measured at amortised cost**	**Total financial assets**
Other financial assets at amortised cost (Note 8)	306	**306**
Cash and cash equivalents (Note 11)	233 205	**233 205**
Total financial assets in SFP	**233 511**	**233 511**

Financial liabilities	**Financial liabilities measured at amortised cost**	**Total financial liabilities**
Trade and other payables (Note 16)	5 093	**5 093**
Total financial liabilities in SFP	**5 093**	**5 093**

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

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

(All amounts in BGN thousands unless otherwise stated)

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

37.1. FINANCIAL ASSETS

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

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the SFP	Net amount of financial assets presented in the SFP
AT DECEMBER 2019			
Trade receivables from related parties	730	(239)	491
Total financial assets	**730**	**(239)**	**491**
AT DECEMBER 2018			
Trade receivables from related parties	391	(391)	-
Total financial assets	**391**	**(391)**	**-**

37.2. FINANCIAL LIABILITIES

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

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the SFP	Net amount of financial liabilities presented in the SFP
AT DECEMBER 2019			
Trade payables to related parties	239	(239)	-
Total financial liabilities	**239**	**(239)**	**-**
AT DECEMBER 2018			
Trade payables to related parties	1 779	(391)	1 388
Total financial liabilities	**1 779**	**(391)**	**1 388**

(All amounts in BGN thousands unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT

Performing its activities, the Company uses financial instruments and this potentially exposes it to a variety of financial risks, as follows:
- Market risk;
- Credit risk; and
- Liquidity risk.

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

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

38.1. MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:
- Currency risk;
- Interest rate risk; and
- Other price risk.

38.1.1. CURRENCY RISK

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

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

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

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

	AT 31 DECEMBER	
	2019	**2018**
Bulgarian lev (BGN)	142 440	147 968
Euro (EUR)	45 572	85 543
Total financial assets in the statement of financial position	**188 012**	**233 511**

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

	AT 31 DECEMBER	
	2019	**2018**
Bulgarian lev (BGN)	24 423	3 414
Euro (EUR)	156	1 679
Total financial liabilities in the statement of financial position	**24 579**	**5 093**

(All amounts in BGN thousands unless otherwise stated)

38.1.2. INTEREST RATE RISK

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

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

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

	AT 31 DECEMBER	
	2019	**2018**
Fixed rate instruments		
Financial assets	187 413	232 959
Financial liabilities	20 980	-
Fixed rate instruments – net	**166 433**	**232 959**
Variable rate instruments		
Financial assets		-
Financial liabilities		-
Variable rate instruments – net		-

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

Sensitivity analysis for variable rate financial instruments
The Company has no floating rate financial assets and liabilities.

38.1.3. OTHER PRICE RISK

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

At 31 December 2019, the Company is not exposed to significant other price risk regarding investments held by it, since it has no significant investments, biological or other assets measured at fair value. The Company is not exposed to other price risk and with regards to financial assets related to price levels of commodities.

(All amounts in BGN thousands unless otherwise stated)

38.2. CREDIT RISK

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

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

Credit risk is managed in a centralised manner by management of the Company. With regards to banks and financial institutions, the Company uses the services only of banks in the Republic of Bulgaria with good reputation and investment grade credit rating. With regards to customers, apart from the sales to the parent company, the Company sells merchandise to end customers, predominantly in cash and no credit limits are allowed.

The carrying amount of the financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	AT 31 DECEMBER	
	2019	**2018**
Trade receivables	491	-
Other financial assets at amortised cost	108	306
Cash and cash equivalents in banks	187 413	232 959
Total financial assets, related to credit risk	**188 012**	**233 265**

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

	AT 31 DECEMBER	
	2019	**2018**
European Union	491	-
Republic of Bulgaria	187 521	233 265
Total financial assets, related to credit risk	**188 012**	**233 265**

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

	AT 31 DECEMBER	
	2019	**2018**
Long-term credit rating from BBB+ to BBB-		
- Other financial assets at amortised cost	97	296
- Cash and cash equivalents in banks	187 413	232 959
Without information about the long-term credit rating		
- Other financial assets at amortised cost	11	10
Total financial assets except trade receivables	**187 521**	**233 265**

The Company holds no collateral for financial assets.

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

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

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

There are no credit losses on trade receivables and other financial assets at amortised cost at the end of the reporting period

(All amounts in BGN thousands unless otherwise stated)

38.3. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management involves maintaining sufficient cash, cash equivalents and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities, such as bank overdrafts and revolving credit lines. Management monitors forecasts for the available liquidity reserve of the Company which includes the unused amount from borrowings agreements as well as the cash and cash equivalents (Note 11). The forecasts are based on the expected cash flows. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

AT 31 DECEMBER 2019	Carrying amount	Contrac-tual cash flows	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Lease liabilities	20 980	27 442	951	951	7 773	17 767
Trade and other payables	3 599	3 599	3 599	-	-	-
Total financial liabilities in statement of financial position	**24 579**	**31 041**	**4 550**	**951**	**7 773**	**17 767**

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

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

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

(All amounts in BGN thousands unless otherwise stated)

39. CAPITAL MANAGEMENT

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

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

The Company monitors the capital structure on the basis of the gearing ratio, which ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities (as shown in the statement of financial position) less cash and cash equivalents, which are not blocked, if any. The total capital is calculated as equity (as shown in the statement of financial position) plus the net debt.

In 2019, the Company's strategy, which was unchanged from 2018, was not to maintain the gearing ratio at zero.

The gearing ratio at the end of the reporting period is as follows:

	КЪМ 31 ДЕКЕМВРИ	
	2019 г.	**2018 г.**
Total lease liabilities (Note 14)	20 980	-
Less: cash and cash equivalents (Note 11)	(187 413)	(233 205)
Net debt	**-**	**-**
Equity	369 502	419 968
Total capital	**369 502**	**419 968**
Gearing ratio	**0.00 %**	**0.00 %**

(All amounts in BGN thousands unless otherwise stated)

40. CHANGES IN ACCOUNTING POLICIES

40.1. ADOPTION OF IFRS 16 "LEASES"

The Company has adopted IFRS 16 retrospectively from 1 January 2019 (date of initial application), but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on the date of initial application.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate of the Company applied to the lease liabilities on the date of initial application was 3.45 %. The Company recognized right-of-use assets for an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

The Company has no leases previously classified as finance leases.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard::

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial
- application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition to that, the Company also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4.

The differences between operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period ended on 31 December 2018, discounted using the incremental borrowing rate of the Company at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application, are as follows:

	AT 1 JANUARY 2019
Operating lease commitments disclosed as at 31 December 2018	29 134
Discounted value of those commitments using the Company's incremental borrowing rate of at the date of initial application	21 429
Lease liabilities	**21 429**
Of which:	
- Non-current lease liabilities	19 569
- Current lease liabilities	1 860

(All amounts in BGN thousands unless otherwise stated)

Adjustments recognised in the statement of financial position on 1 January 2019 are as follows:

	AT 1 JANUARY		
	2019	**Adjustement from adoption of IFRS 16**	**2019 (restated)**
ASSETS			
Non-current assets			
Property, plant and equipment	172 758	23 998	196 756
Intangible assets	31	-	31
Other assets	2 672	(2 462)	210
Deferred tax assets	42	-	42
Total non-current assets	**175 503**	**21 536**	**197 039**
Current assets			
Inventories	22 518	-	22 518
Other financial assets at amortised cost	306	-	306
Other assets	724	(107)	617
Current income tax receivables	147	-	147
Cash and cash equivalents	233 205	-	233 205
Total current liabilities	**256 900**	**(107)**	**256 793**
TOTAL ASSETS	**432 403**	**21 429**	**453 832**
EQUITY AND LIABILITIES			
Equity			
Share capital	248 594	-	248 594
Other reserves	(2)	-	(2)
Retained earnings	171 376	-	171 376
Total equity	**419 968**	**-**	**419 968**
Non-current liabilities			
Lease liabilities	-	19 569	19 569
Retirement benefit obligations	105	-	105
Total non-current liabilities	**105**	**19 569**	**19 674**
Current liabilities			
Lease liabilities	-	1 860	1 860
Trade and other payables	12 294	-	12 294
Contract liabilities	-	-	-
Provisions	36	-	36
Current income tax payables	-	-	-
Total current liabilities	**12 330**	**1 860**	**14 190**
Total liabilities	**12 435**	**21 429**	**33 864**
TOTAL EQUITY AND LIABILITIES	**432 403**	**21 429**	**453 832**

JUMBO EC. B EOOD

ANNUAL ACTIVITY REPORT

31 DECEMBER 2019

GENERAL INFORMATION

The management of JUMBO EC. B EOOD ("the Company") presents the annual activity report, prepare under the requirements of the Accountancy Act, and the annual financial statements prepared under the International Financial Reporting Standards, adopted for use in the European Union ("IFRS"), for the year ending on 31 December 2019.

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

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

At 31 December 2019, the Company has stores at the terrioty of the cities of Sofia, Plovdiv, Varna, Burgas, Ruse and Stara Zagora.

The Company has predominantly retail sales to a large number of customers. The major single customer of the Company in 2019 was JUMBO S.A., Greece (Parent company).

The major suppliers of the Company in 2019 were the parent company, electricity distributing companies, lessors of land, stores and warehouses, transportation firms and others.

Existence of Branches

The Company has no branches.

Research and Development Activities

In 2019, the Company had no research and development activities.

REVIEW OF DEVELOPMENT AND ACTIVITY'S RESULTS

Sales Revenue and Other Operating Income

In 2019, the Company generated revenue from contracts with customers (revenue from sales of merchandise) for the amount of BGN 176 119 thousand (2018: BGN 162 268 thousand), as disclosed in Note 19 to the annual financial statements. The increase in the revenue from sales of merchandise in 2019 amounts to BGN 13 851 thousand (8.54 %) in comparison to 2018. The increase in sales is due to the general increase of the sales in the existing stores. Impact on the overall revenue from sales of merchandise has also the slight increase in the sales on foreign markets.

There was no significant change in the structure of the other operating income of the Company in comparison to the previous year. In 2019, the other income and gains of the Company amount to BGN 838 thousand (2018: BGN 1 437 thousand). The decrease in the other income is due mainly to the decrease in surpluses of merchandise.

Operating Expenses

In 2019, there were no significant changes in the structure of the operating expenses of the Company in comparison to the previous year. In 2018 and 2018, the operating expenses of the Company, analysed on the basis of their nature and not on the basis of the function they pertain to, and without considering the cost of sold merchandise, were as follows:

	All amounts, apart from the shown percentages, are in BGN thousand			
Type of expense	**2019**	**%**	**2018**	**%**
Expenses for materials	(5 007)	13 %	(5 592)	14 %
Expenses for external services	(7 154)	18 %	(8 048)	20 %
Depreciation and amortization charges	(7 476)	19 %	(6 818)	17 %
Employee benefit costs	(16 728)	41 %	(15 484)	38 %
Expenses for other taxes and other provisions	(1 478)	4 %	(1 598)	4 %
Other expenses	(1 936)	5 %	(3 220)	7 %
	(39 779)	**100 %**	**(40 760)**	**100 %**

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

Finance Income and Expenses

There was a significant change in the structure of the finance income and expenses of the Company in comparison to the previous year mainly due to the application of the requirements of IFRS 16. In 2019, the finance income and expenses of the Company represent net finance expenses amounting to BGN 517 thousand (2018: net finance income of BGN 446 thousnad). The decrease in the net finance expenses/income is due both to the accrual of interest expenses on the lease liabilities and to the decrease in the interest income.

Financial Result

The financial result of the Company in 2019 was a net profit of BGN 36 542 thousand (2018: BGN 32 840 thousand), which represents 20.75 % of the realised revenue from the sales of merchandise for 2019 (2018: 20.24 %). The increase in the Company's profit is due mainly to the increased sales revenue which lead to an increase in the operating profit. Impact on the financial result has also the decrease in the net finance expenses/income.

At the moment, no meeting of the Board of Directors of the single shareholder is scheduled to be held in 2020 at which to be taken a decision for distribution of the realised financial result in the form of dividends and/or transfer of the realised financial result into the retained earnings.

Non-current Assets

At 31 December 2019, there was no significant change in the structure of the non-current assets of the Company in comparison to the end of the previous year, apart from the changes related to the first-time adoption of IFRS 16. The non-current assets of the Company at the end of the reporting period were BGN 189 849 thousand, consisting mainly of property, plant and equipemnt amounting to BGN 189 529 thousand (99.83 %). The remaining non-current assets represent other assets amounting to BGN 256 thousand, intangible assets amounting to BGN 18 thousand and deferred tax assets amounting to BGN 46 thousand. Additional information about the non-current assets is disclosed in Notes 4, 5, 6 and 9 to the annual financial statements.

Current Assets

At 31 December 2019, there was no significant change in the structure of the current assets of the Company in comparison to the end of the previous year. The current assets of the Company at the end of the reporting period were BGN 211 632 thousand, consisting mainly of cash amounting to BGN 187 413 thousand (88.56 %). The remaining current assets represent inventories amounting to BGN 23 496 thousand, trade receivables amounting to BGN 491 thousand, other financial assets at amortised cost amounting to BGN 108 thousand and other assets amounting to BGN 124 thousand. Additional information about the current assets is disclosed in Notes 7, 8, 9, 10 and 11 to the annual financial statements.

Non-current Liabilities

At 31 December 2019, there was no significant change in the structure of the non-current liabilities of the Company in comparison to the end of the previous year, apart from the changes related to the first-time adoption of IFRS 16. The non-current liabilities of the Company at the end of the reporting period were BGN 19 233 thousand, consisting mainly of lease liabilities amounting to BGN 19 111 thousand (99.37 %). The remaining non-current liabilities represent retirement benefit obligations amounting to BGN 122 thousand. Additional information about the non-current liabilities is disclosed in Notes 14 and 15 to the annual financial statements.

Current Liabilities

At 31 December 2019, there was no significant change in the structure of the current liabilities of the Company in comparison to the end of the previous year, apart from the changes related to the first-time adoption of IFRS 16. The current liabilities of the Company at the end of the reporting period were BGN 12 746 thousand, consisting mainly of trade and other payables for the amount of BGN 10 713 thousand (84.05 %). The remaining current liabilities represent lease liabilities amounting to BGN 1 869 thousand, contract liabilities amounting to BGN 6 thousand and current income tax payables amounting to BGN 158 thousand. Additional information about the current liabilities is disclosed in Notes 14, 16, 17, 18 and 27 to the annual financial statements.

Equity

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

In 2019, there were two decreases in the share capital of the Company, as disclosed in Note 12 to the annual financial statements. The share capital of the Company at the end of the reporting period was BGN 161 586 360 (2018: BGN 248 594 400). The share capital consists of 2 485 944 shares with par value of BGN 65 per share (2018: BGN 100 per share). The other elements of the equity represent retained earnings and other reserves, which at the end of the reporting period were respectively for the amounts of BGN 207 918 thousand and BGN (2) thousand (2018: respectively BGN 171 376 thousand and BGN (2) thousand). The changes in the other elements of the equity are due to as follows: the increase in the retained earnings resulted from the realised financial results in the reporting period, and the lack of changes in the other reserves resulted from the performed insignificant re-measurement of the retirement benefit obligations (additional information for which is presented in Note 15 to the annual financial statements).

The single shareholder in the Company as at 31 December 2019 and 2018 is JUMBO S.A., Greece, as disclosed in Note 12 to the annual financial statements.

FINANCIAL RATIOS

Liquidity

Current ratio = Current assets / Current liabilities = **16.60** (2018: **20.84**)

Quick ratio = (Current assets – Inventory) / Current liabilities = **14.76** (2018: **19.01**)

Absolute ratio = Cash and cash equivalents / Current liabilities = **14.70** (2018: **18.91**)

Net working capital = Current assets – Current liabilities = **BGN 198 886 thousand** (2018: **BGN 244 570 thousand)**

The changes in the liquidity ratios were due both to the decrease in the current assets, driven from the decrease in the cash following the payments to the single shareholder, and to the increase in the current liabilities.

Profitability

Gross profit margin = Gross profit / Revenue from contracts with customers = **45.51 %** (2018: **46.57 %**)

Pre-tax return on assets = Profit before income tax / Total assets = **10.14 %** (2018: **8.49 %**)

Return on equity = Comprehensive income / Equity = **9.89 %** (2018: **7.82 %**)

The changes in the profitability ratios were due both to the increased sales revenue, while the gross profit margin slightly decreased, and the decrease in the operating expenses, which has led to a general increase in profitability.

Activity

Days in inventory = Average inventory * 365 / Cost of sales = **88 days** (2018: **89 days**)

Total asset turnover = Sales revenue / Average total assets = **0.42** (2018: **0.39**)

The changes in the activity ratios were due mainly to the increased sales revenue.

Leverage

Total debt to equity = Liabilities / Equity = **0.09** (2018: **0.03**)

The change in the ratio is due to the increase in liabilities, which is mainlu due to the recognition of lease liabilities following the application for the first-time of IFRS 16.

USED FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENTS

In its activity, the Company does not use financial instruments apart from those, under which trade receivables and payables and lease liabilities are recognised. Performing its activity, the Company is not exposed to signicificant financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance and financial position. Financial risk management is carried out by the management in accordance with the selected and approved policy. Information about the Company's exposition to the different risks, as well as additional information about the objectives and the policies of the Company regarding financial risk management is disclosed in Note 38 to the annual financial statements.

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

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

There were no events which to have occurred after the end of the reporting period and which to have impact on the financial statements, apart from those disclosed in Note 32 to the annual financial statements.

MANAGEMENT

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

The remunerations received in the year by the key management personnel are those disclosed in Note 33 to the annual financial statements.

OBJECTIVES FOR THE FUTURE DEVELOPMENT

One of the main objectives, which have been set by the management of the Company for 2020, is achieving an additional optimisation of the operating expenses and increasing the revenue from sales of merchandise with around 7 – 9 % in comparison to those realised in 2019.

Another objective is improvement of the customer service quality.

At the moment, the Company is not planning to open new store in 2020.

With regards to the development of personnel, the Company has an objective to keep the hired staff. In 2020, the Company will continue to invest in trainings and qualification of the employees.

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

MAIN RISKS TO THE COMPANY

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

MANAGEMENT'S RESPONSIBILITIES

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

Management confirms that it has applied, in a consistent manner, adequate accounting policies and that in the preparation of the financial statements as at 31 December 2019 it has applied the principle for prudence in the valuation of assets, liabilities income and expenses.

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

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

Alexandra Mihova, Procurator
Sofia
16 March 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE SOLE SHAREHOLDER OF JUMBO EC. B EOOD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JUMBO EC. B EOOD ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, presented on pages 1 – 58.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, adopted for use in the European Union ("the IFRSs").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual activity report for the year ending on 31 December 2019 ("the Activity report"), presented on pages 1 – 6, but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

Opinion

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

- Activity report, presented on pages 1 – 6;

In our opinion:

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

Responsibilities of Management for the Annual Reports

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

Auditor's Responsibilities for the Examination of the Annual Reports

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

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

Одиторско дружество
София
Рег. № 142
НС Консултинг ООД

Nino Kaloyanov
Registered Auditor

Snezhanka Kaloyanova
Manager

NS CONSULTING OOD
16 March 2020
Sofia