Grant Thornton

Annual Management Report
Independent Auditor's Report
Financial Statements

Mutual Fund Advance Eastern Europe

31 December 2017

advance eastern europe
KAROLL CAPITAL MANAGEMENT

Contents

Annual management report

OF

MF ADVANCE EASTERN EUROPE

FOR 2017

1. Development, operating results and status of the mutual fund, description of main risks

1.1. Registration and license of the Fund

MF Advance Eastern Europe is an open-ended collective investment scheme, which operates on the principle of risk sharing. The scope of activity of the Fund is investing in securities of the funds raised through public offering of units. Overall activities of the Fund are administered by the Management Company, Karoll Capital Management EAD.

The Management Company Karoll Capital Management has received permit 742 - DF/30.08.2006 by the FSC to organize and manage Advance Eastern Europe. The Fund is registered under art. 30, para. 1, item 5 of the FSCA.

UniCredit Bulbank is the depositary bank, which holds the securities and cash of the Fund.

The public offering of units of Advance Eastern Europe over the counter started on 4 October, 2006.

The capital of the Fund is variable and may change depending on the number of issued and repurchase units, but it is always equal to the net asset value of the Fund. The nominal value of a unit is EUR 1.

1.2. Investment activity in 2017

Despite the existence of significant volatility, 2017 was overall positive for global markets. In the first half of the year, sentiment among investors was largely influenced by political factors, mostly the presidential election in France, and the likelihood of electing the leader of the far right National Front, Marie Le Pen, who was suggesting for a referendum for leaving the European Union. After the elections ended with an election of Le Pen's opponent, investors' attention was again focused on fundamentals and the positive data on Europe's development.

Despite market correction concerns as a result of the substantive gains realized in large markets (the US market is at record high levels) and uncertainty about the adoption of the tax reform proposed by US President Donald Trump, the market sentiment for the second half of the year was positive overall. Emerging markets outperformed developed markets, with the MSCI Emerging Markets index rising to 18% in Euro terms.

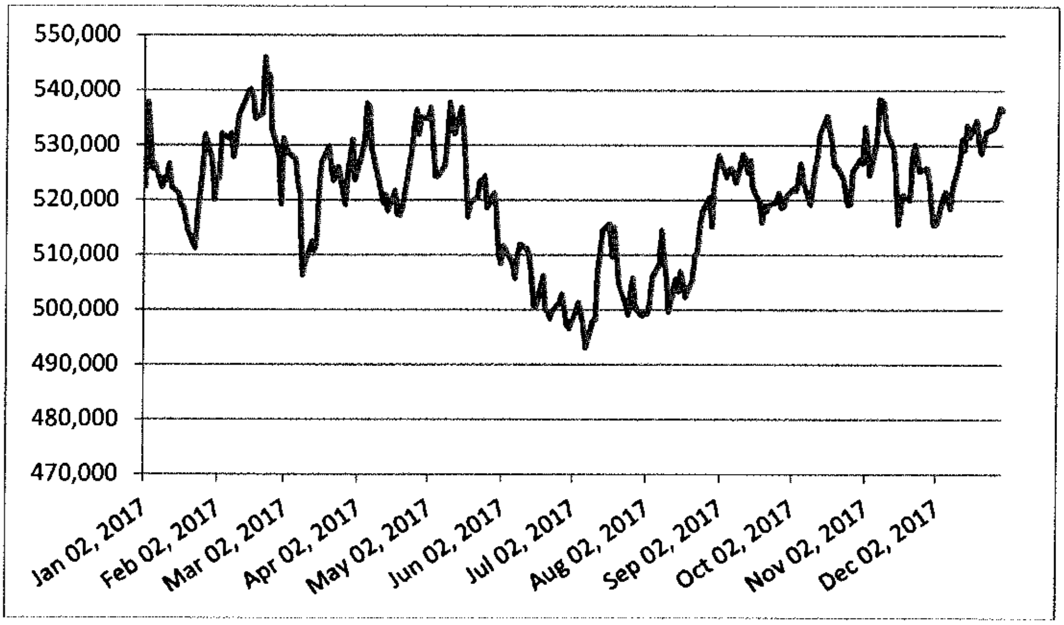
Meanwhile, the macroeconomic environment in Europe continues to improve, resulting in a substantive revision of the expectations for growth in European economies. In its October regular revision, the International Monetary Fund raised its expectations for the Eurozone GDP growth to 2.1% and 1.9% in 2017 and 2018 respectively. At the end of the year PMI Eurozone indexes reported their highest levels for the last six and a half years. This will in turn further boost the growth of the Central and Eastern European region due to the strong commercial commitment. The region also showed exceptional sustainability over the past two years, with the Eurozone slowdown having no effect on the pace of growth due to it being offset by very strong domestic consumption. Falling unemployment rates, coupled with stronger staff recruitment demand which in turn lead to remuneration growth, has been the foundation for growth over the past two years.

As a result of increased domestic demand, coupled with expectations of strengthening net exports' contribution to GDP growth, in October 2017 the IMF increased its growth forecast for the developing region of Europe in its regular half-yearly review of global economic developments. The increase was the highest among all regions, with expectations of GDP growth of 4.5% for 2017 and 3.5% for 2018.

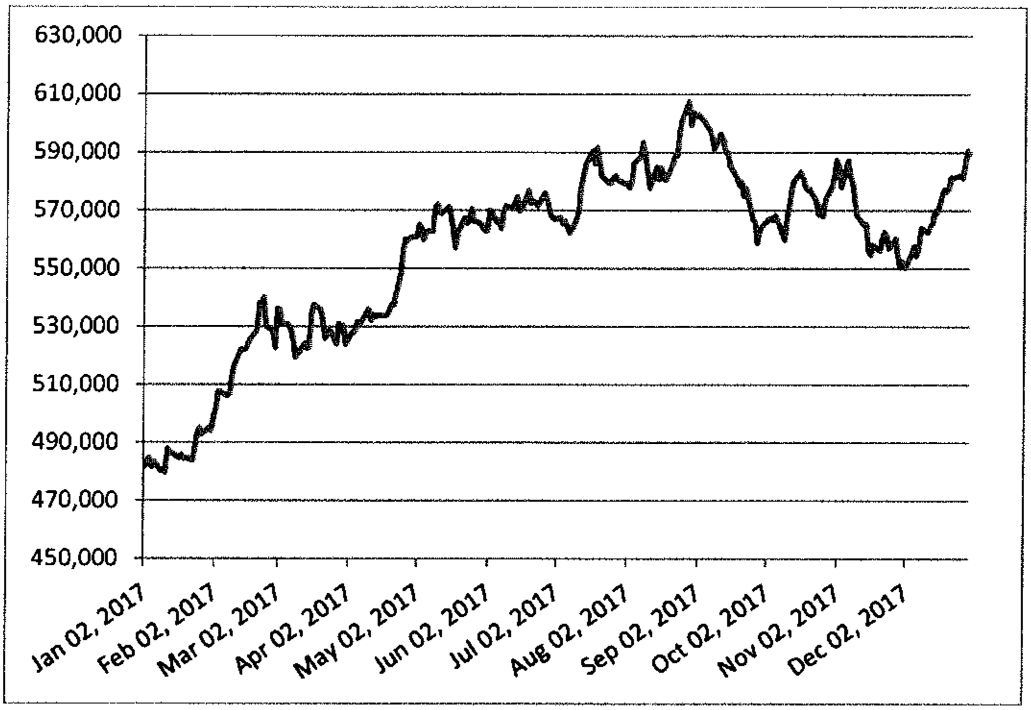
Strong and improving macroeconomic data for the region increasingly puts it in the focus of attention of foreign investors. The CEE region has lagged behind the rest of the markets, with a large part of them having passed respective peak levels since the pre-2008 financial crisis. The region's indexes are about 50% below their 2007 levels, which, given the favorable economic and social development corporate profits suggest a strong catching-up potential.

This combination of strong macroeconomic development as well as low valuation ratios accumulate more attention to the region, with the MSCI EFM Europe + CIS ex RU index being one of the most well-established regional indices on a global scale last year. Some markets in the region were among the world's most prominent. Following a weak performance in 2016 (-1.29%), MSCI EFM Europe + CIS ex RU reported a 22.4% increase in Euro. Due to the pressure on the price of oil and on the Russian market in the first half of the year, the Russian benchmark, in which the weight of the Russian shares is close to 50%, ended the year much lower (+ 2.66%).

MSCI EFM Europe+CIS (E+C) during 2017



MSCI EFM Europe+CIS (E+C) ex RU during 2017



Overview of the markets, represented in the Fund's portfolio

Russia

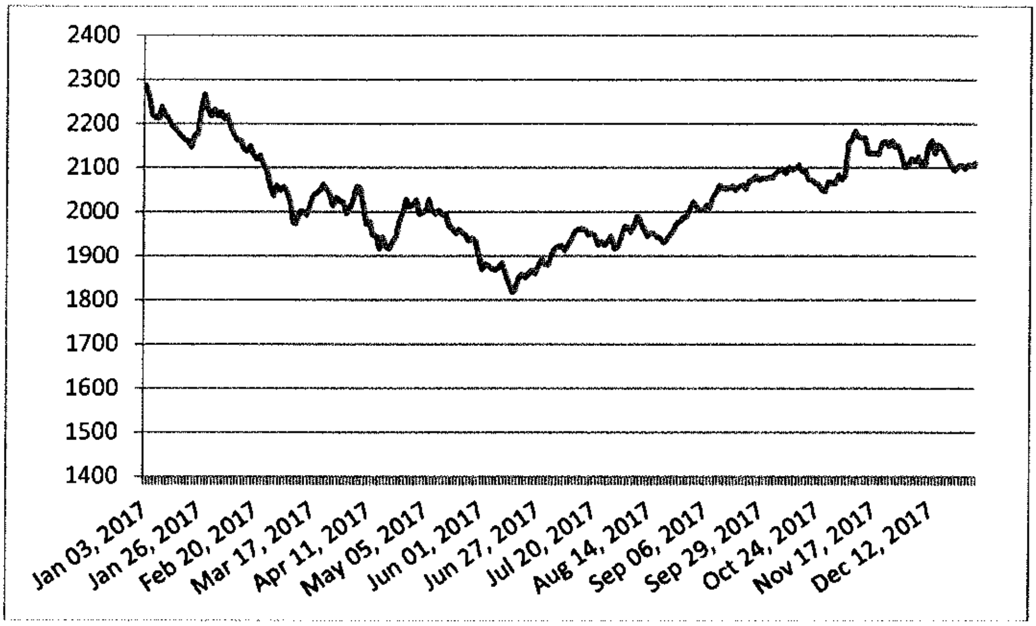
After a very strong year for the Russian market during 2016, the past year was much weaker, with MICEX ending with a 5.5% drop. However, the second half of the year was much more positive due to the change in sentiment in the oil market.

Following the sharp rise in oil prices in 2016, when Brent oil rose by more than 52%, the first half of 2017 was negative for black gold. This had an effect on the movement of Russian stocks due to the very high dependence of the Russian economy on oil (more than 50% of the state budget was due to the petroleum companies before the onset of the oil price commenced in 2014. Currently this percentage is just under 40%.) In the second half of the year, however, the sentiment in the oil market changed, with OPEC's measures to limit production having an impact on the price movement. Brent managed to completely erase losses in the first half of the year and ended 2017 with a growth of over 17%. This supported the Russian ruble, which ended the year with a 5.3% gain against the dollar (and a decline of 8.5% against the euro).

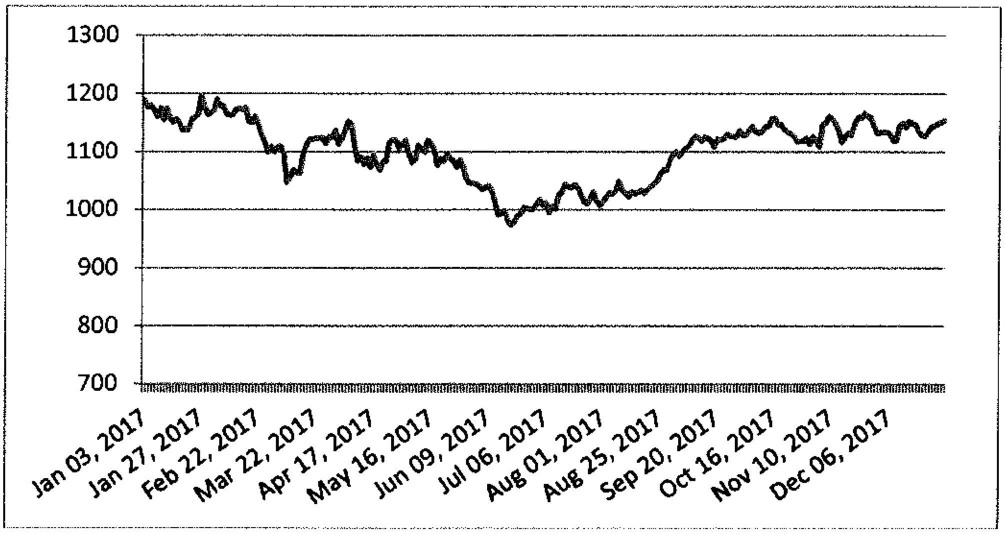
Additionally, the Russian economy continued to recover after its contraction during 2015 and 2016. Data for the second quarter of the year was particularly surprising, with a GDP growth rate of 2.5% on an annual basis while in the third quarter there was a slowdown bringing the growth rate to 1.8 %. It is expected that steady growth rates will be kept intact amidst declining inflation, improving consumer demand, and continued declines in domestic interest rates. Inflation in the country, which was in excess of 15% in 2015, reached a historic minimum of 2.5% at the end of last year, ranking under the Central Bank target of 4%. This, respectively, supports retail sales in the country. The growth of the Russian economy will also depend on the possible abolition of economic sanctions by Western Europe and the United States.

The second half of 2017 was much stronger for the Russian market compared to the first six months. The companies with the strongest growth were companies from the metal sector, supported by favorable conditions. Thus, the index for companies operating in the metallurgy industry rose by over 5% for the year. Growth in oil prices also supported stocks in the sector in the last quarter of the year.

MICEX during 2017



RTS during 2017



In terms of valuation ratios, the Russian market remains one of the world's cheapest with a P/E reatio based on expected earnings amounting to 6.2x , which corresponds to a 50% discount compared to the average for emerging markets. We believe that this discount is too high. We remain positive for the Russian market in view of these valuation ratios as well as in view of the good fuel economy. Judging from the cash flow to the market, foreign investors have not yet returned since they left in the first half of last year because of its disappointing performance. For this reason, we believe that the rise in the price of oil is yet to be reflected in increased interest in the market. It should be borne in mind that the country's budget for 2018 as well as for 2017 is based on a presumption of an average Brent price of 40 dollars per barrel, which makes us optimistic about the country's economy even if there is a drop of the oil price, which at the end of the year was over 65 dollars.

We remain positive for retail companies given weak presence of large retail chains, the results of which should also be favored by the substantial fall in inflation, wage growth and consumption.

The improvement in the state of Russia's economy should also boost credit demand, and for this reason we are positive about bank stocks. We are also expecting an increase in property demand. In line with our expectations for the region as a whole, we continue to be positive for the IT sector, which enjoys a high demand for services both internally and externally from developed markets due to much lower labor costs.

Ukraine

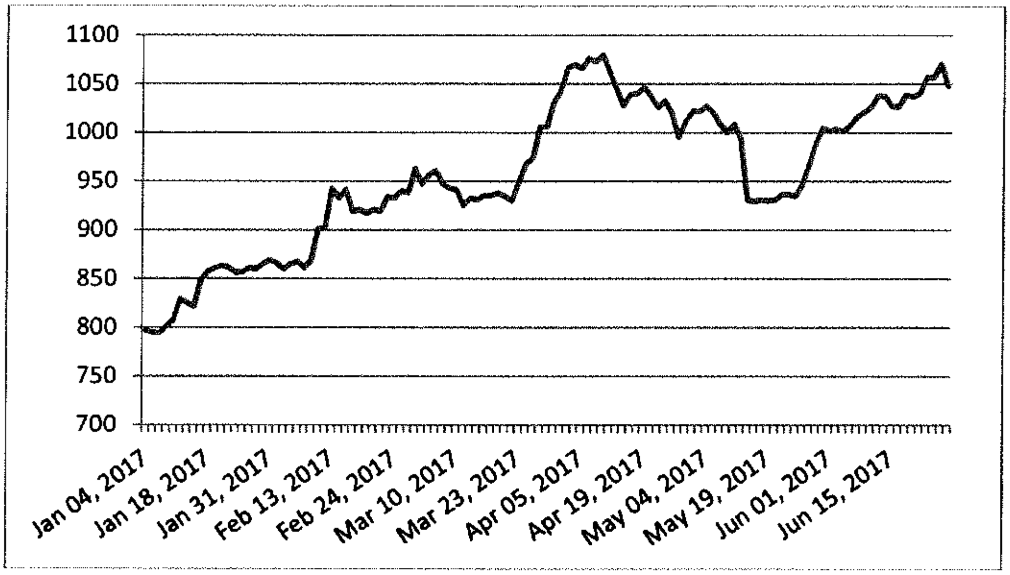
The Ukrainian market was the world's third-largest market in 2017 with a UX index growth of over 70% and a relatively more stable currency, which devalued strongly in 2015 and 2016. It should be borne in mind, however, that the index includes only five stocks, with liquidity remaining at very low levels.

Following indications in 2016 for a stibilizing Ukranian economy, this year is again worsening as a result of the economic blockade of the separatist eastern regions of the country. In the third quarter, growth was down to 2.1% on a yearly basis. Growth is expected to slow further in the fourth quarter of 2017, especially given the high base in Q4 of 2016 when the country's economy grew by 4.8%. On the one hand, the deterioration will be the result of the weaker agricultural year and, on the other, the lack of significant reforms that will lead to growth in the economy and investment activity. The delay in adopting a new privatization law, as well as in anti-corruption measures, led to the withdrawal of IMF support, as well as the termination of funding by both the EU and the World Bank.

Contributing to slowdown in growth was largely net exports, as exports increased, but growth was outpaced by imports. On the other hand, domestic consumption supported the growth of the economy in the third quarter of 2017. Investment activity recorded the highest growth out of all GDP components.

Although it reported a decline at the end of the year, inflation remained at high levels - over 13%. At the same time, however, real disposable income of households increased, which stimulated retail sales (+ 8% for the 11 months to November).

UX during 2017

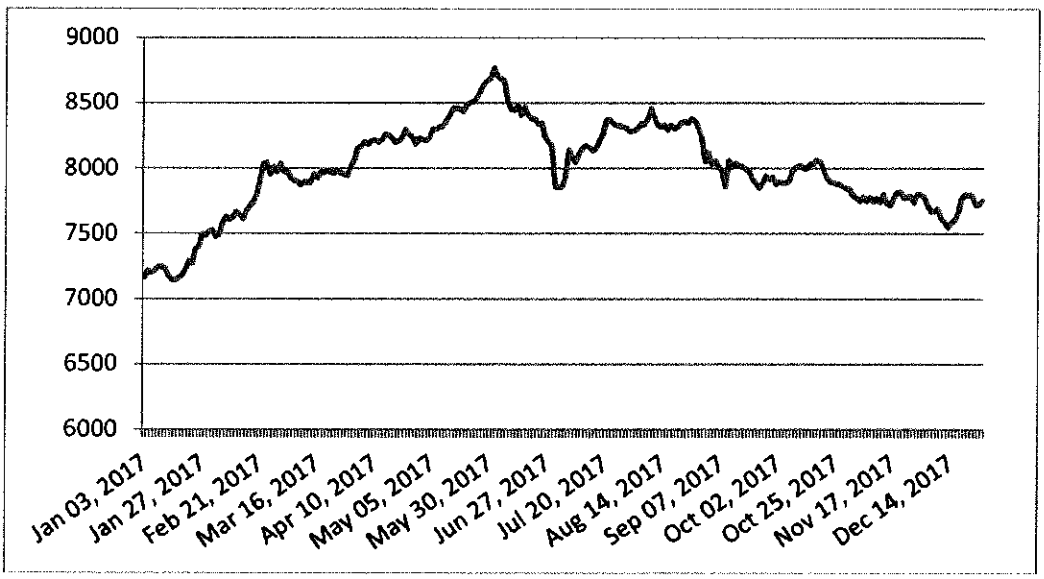


We remain positive for agricultural companies that generate a significant part of their earnings from exports and are less dependent on internal economic problems. In view of the low liquidity of the Ukrainian market, our investments in Ukrainian companies are mainly in those listed on foreign exchanges (London, Warsaw).

Romania

As a result of political uncertainty in the country and protests against reforms, the Romanian market was relatively modest, ending the year with a growth of 9.4%. However, the Romanian leu has been put under pressure, reaching the historic low against the euro at the end of the year, ending in 2017 with a 2.5% depreciation against the euro.

BET during 2017



In macroeconomical terms, Romania remains one of the most developed countries in the region. Bulgaria's GDP grew by 8.6% on a yearly basis in the third quarter of the year - the strongest pace for the EU, which has also exceeded expectations. Thus, the IMF's expectations are for a 5.5% growth in 2017. Personal growth has remained the main driver, and it is expected to be the foundation for growth throughout 2017 as a result of a tightening labor market and strong growth in disposable income. Unemployment declined to its lowest levels since 2008 (4.7% at the end of November). At the same time, Romania remains the country with the strongest wage growth across Europe, with labor costs in the third quarter of the year rising by 16.5% compared to the previous year. Thus, retail sales marked double-digit growth this year, and so did production. A major challenge for Romania remains the budget deficit, which is expected to approach 4% of GDP as a result of announced tax reforms.

Given the dynamic development of the Romanian economy, we remain positive for the Romanian market. We continue to have positive expectations for banks, given the favorable prospects for the country's economic development. We believe that the strong performance of the economy as well as improving business confidence indicators will also lead to increased demand for investment loans.

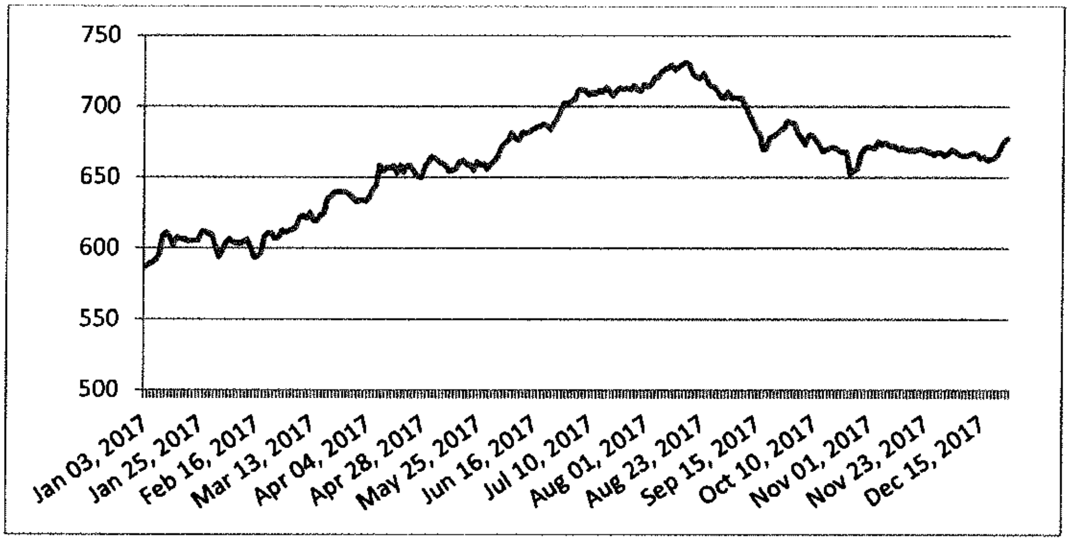
We remain positive for the Romanian market also in terms of attractive price ratios. Despite the growth in the market, the further improvement in corporate profits led to a decline in the average P/E ratio for Romanian stocks as at the end of December to 8.34x.

The strategy of the Romanian stock exchange management conciders turning it from a peripheral into an emerging market, which will be a key event and will attract more international investors. In the medium term, public offerings of shares from Hidroelectrica and Bucharest Airport are expected, as well as secondary offers of government shares from OMV Petrom, Romgaz and Electrica.

Bulgaria

The positive trend of the Bulgarian market continued in 2017, and after a SOFX growth of 27.2% in 2016, the year ended with a growth of 15.5%. At the same time, the turnover of the BSE increased significantly.

SOFIX during 2017



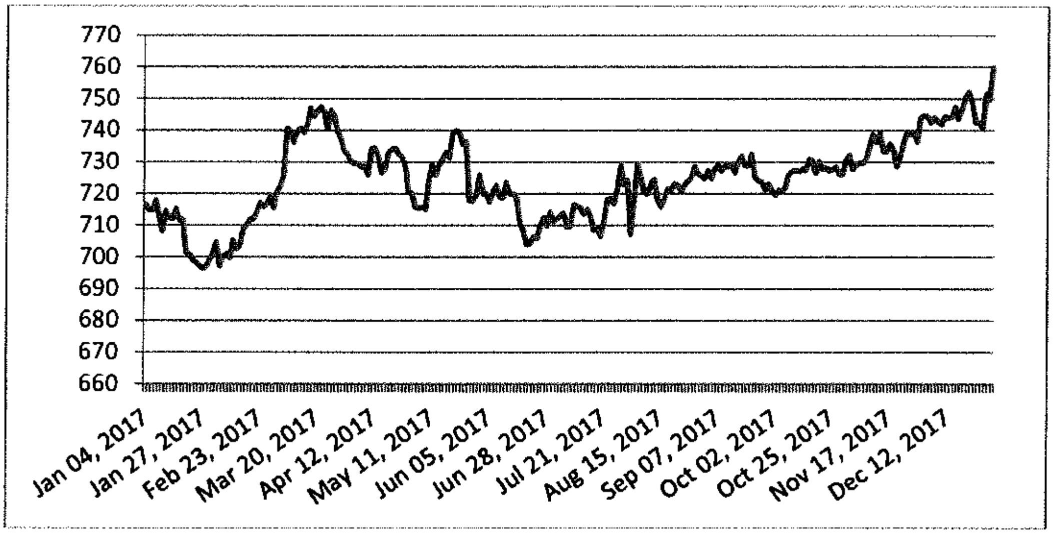
In macroeconomic terms, the Bulgarian economy continued with its very good performance, with GDP growth rising to 3.9% on a yearly basis in the third quarter, the fastest growth rate since the first quarter of 2011. The basis for good performance was strong domestic consumption as well as increased investment activity as a result of the increase in the rate of absorption of EU funds. These channels are expected to maintain a good growth rate over the medium term. Unemployment continued to fall (to 6.2% at the end of November), while the growth rate of wages was one of the fastest in Europe (+ 10.2% on a yearly basis in the third quarter of 2017).

Improvements in corporate performance led to a decline in the average P/E on the market despite the rise in prices - by the end of December 2017 the shares traded at an average P/E of 11.76x. Despite market growth in 2016 and 2017, SOFIX remains significantly below its pre-crisis peak (over 65%).

Serbia

The past year ended with relatively modest growth for the Serbian market, with BELEX 15 rising by 5.9%.

Belex 15 during 2017



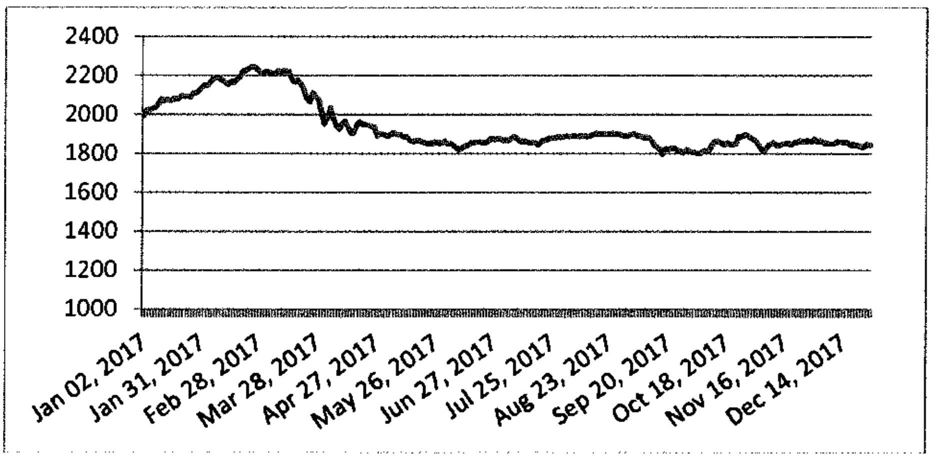
The Serbian economy accelerated its growth rate in the third quarter of the year to 2.1% on a yearly basis after a temporary delay in the first half of the year. At the same time, the Central Bank of Serbia and the IMF expect growth of 3.5% for both 2018 and 2019. Growth is supported by domestic consumption as well as credit recovery. Unemployment continues to decline, reaching 12.9% in the third quarter.

Serbia remains one of the most underestimated markets in the region with P/E on a ttm base of 6.81x as at the end of December, dropping significantly below the levels at the end of 2016 due to improved corporate results. A problem, however, is the low liquidity of Bulgaria. We continue to have positive expectations for the banking and construction sector in view of the improving prospects for the Serbian economy.

Croatia

After a good performance in 2016, when CROBEX finished with a 18.1% growth, the year was challenging for the Croatian market, which ultimately depreciated by 7.6%.

CROBEX during 2017



The Croatian economy has also continued to grow at a good pace, mainly driven by domestic consumption, as well as strong performance in the tourism sector. Q3 of 2017 experienced GDP growth amounting to 3.2% on an annual basis. Investment activity in the country is boosted by growing business confidence, strengthening construction and expanding business lending. It is expected that investment activity will be the driving factor for growth as the rate of absorption of European funds increases. In addition, strong expectations for European economies in 2018 should again lead to a strong tourist season, which is key to the Croatian economy (a share of about 20% of GDP).

Although unemployment in Croatia remains higher than the EU average, it declined, to 10.4% as at the end of November, compared with 12.5% a year earlier.

The year started strong for the Croatian market with gains in January and February, but they were followed by strong volatility over the rest of the months. The negative sentiment was provoked by the financial problems of Agrokor Holding, the largest privately owned company in the country. The problems affected not only the subsidiaries listed on the Zagreb Stock Exchange but also the overall market and especially the supplier companies of the holding. Thus, the sentiment of the market was driven by the news about Agrocor and the measures to heal it.

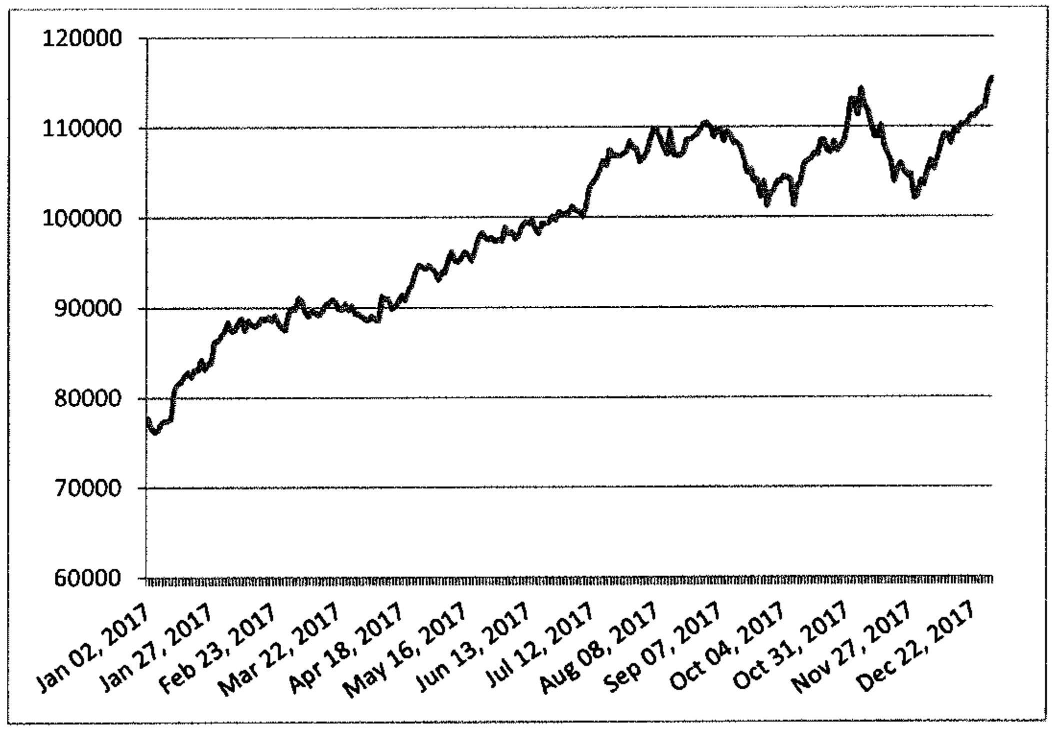
As at the end of December, Croatian stocks traded at an average P/E of 14.97x. We remain positive for the development of companies in the tourism sector, given the favorable economic situation in Croatia, as well as increased geopolitical risks at competitive destinations. The sector also records strong results due to the measures taken to extend the tourist season. For the first 8 months of the year, the number of tourists visiting the country jumped 17%.

Turkey

After an exceptionally volatile 2016 resulting from political conflicts and attempted military coup in July, last year was very positive for the Turkish market. It was one of the strongest on a global scale with BIST 100 growing 47.6%. At the same time, however, the Turkish lira has been subject to strong pressure, which lead to an yearly depreciation by almost 18% against the euro.

The interest in the Turkish market was provoked by the increased demand for higher risk assets, the faster-than-expected recovery of the Turkish economy and the attractive valuation ratios for the market. In addition, the referendum in April, ending with the support of Turkey's transition to a presidential republic, provided further reassurance to investors by bringing their attention back to fundamentals.

BIST 100 during 2017



After the military coup attempt in mid July, 2016, reflected in a declining business activity and consumer confidence and a 1.8% decline in GDP in the third quarter of 2016, a surprise economic recovery was seen in the coming months. In the third quarter of 2017, GDP growth was reported at 11.1% on an annual basis, well above expectations of 8.5%. This makes the country the fastest growing among the G20. Growth measures have greatly contributed to stimulating lending, with personal consumption being the strongest contributor. Investment activity also grew significantly, while strong export growth provoked by the depreciation of the Turkish lira was accompanied by tangible growth in imports, leading to a modest contribution of net exports to the impressive Q3 growth.

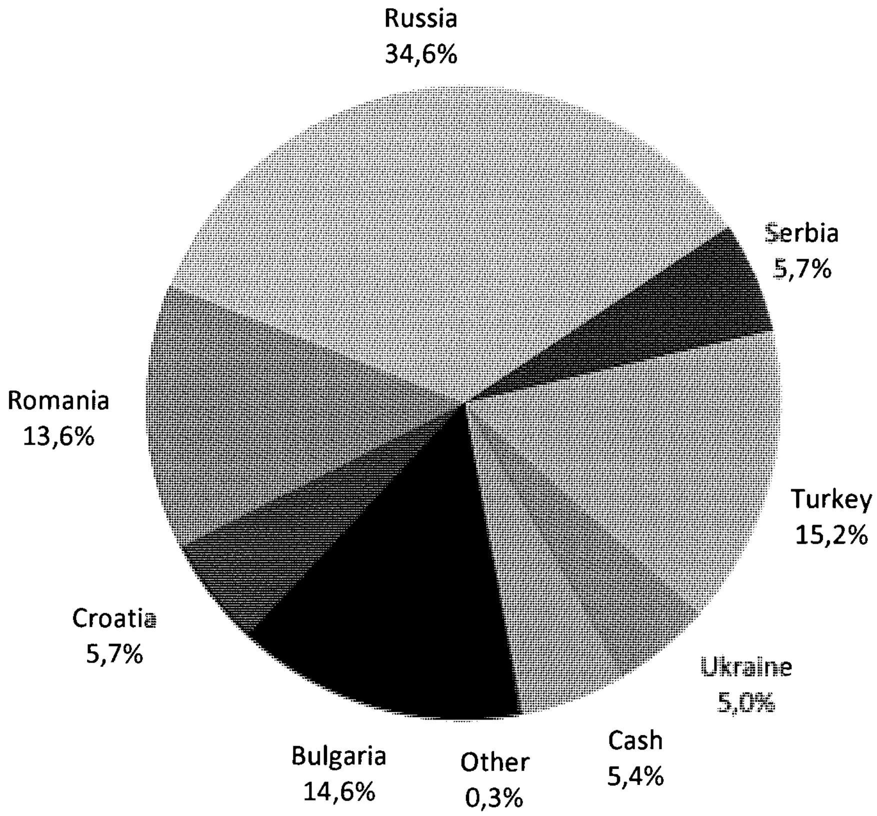
The economy still faces a number of challenges. Inflation remains at high levels - in November it posted a 14-year maximum of 13%, remaining well above the central bank's target of 5% . The depreciation of the pound has a negative impact on the Turkish economy due to the high level of the current account deficit as well as the high share of the foreign debt denominated in dollars.

Despite the many risks with regard to the Turkish market, it remains attractive with very rapid levels of economic development and strong company performance. In terms of valuation ratios, Turkish shares are currently among the most attractive, with the average ttm P/E at the end of June being 9.34x, with a discount against the emerging market at the highest historical levels (over 35%).

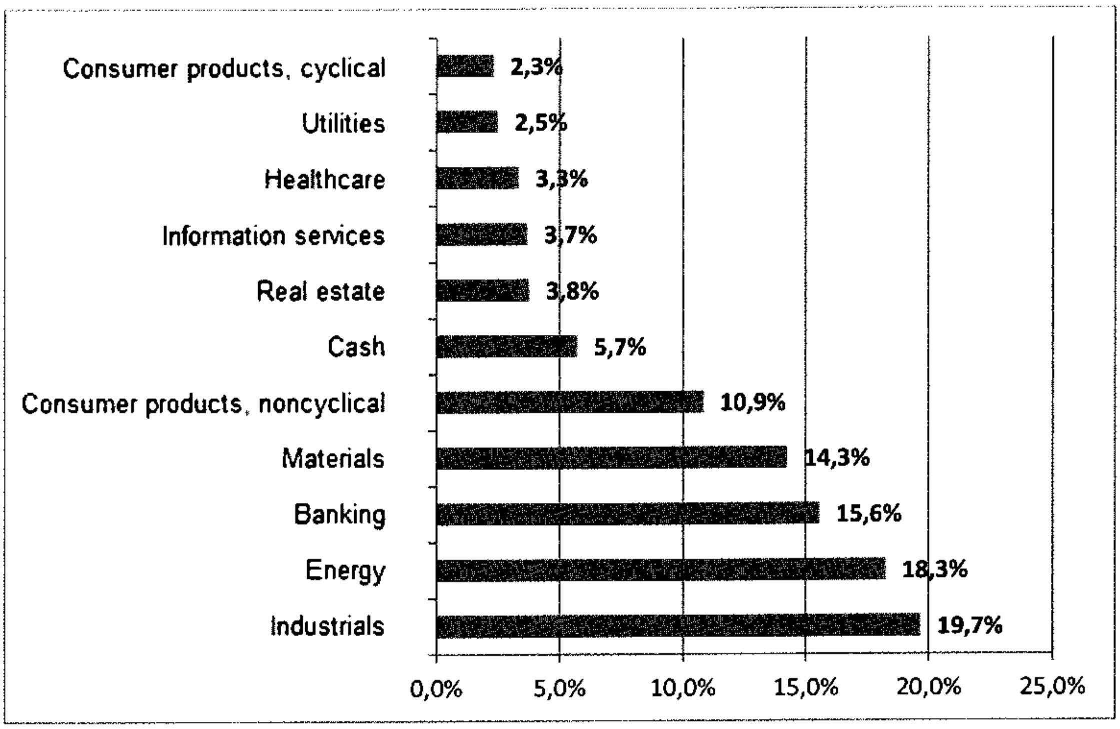
Changes in the Fund's portfolio and operating result for 2017

In 2017 we changed the Fund's portfolio in view of the mood swings in some of the markets. In view of the more negative sentiment towards the Russian market, the weight of Russian shares was decreased and at the end of 2017 they were slightly below 35% of assets, compared to 41% as at the end of the previous year. The weights of Bulgaria and Romania were further increased. Turkey's weight has also increased, but remained at relatively moderate levels given the still existing political and economic risks to the country and the market.

Portfolio of MF Advance Eastern Europe as at 31.12. 2017



Assets distribution by sector for 2017



Leading positions in the portfolio and a share of total assets as at 31.12.2017

Company	% of assets
GMK Norliski Nikel (Russia), Materials	4.1%
SBERBANK, COMMON (Russia), Banking	3.2%
X5 Retail Group N.V. (Russia), Retail	3.1%
ROMGAZ S.A. (Romania), Energy	3.1%
BANKA TRANSILVANIA (Romania), Banking	3.0%

1.3. Financial result for the year and total comprehensive income.

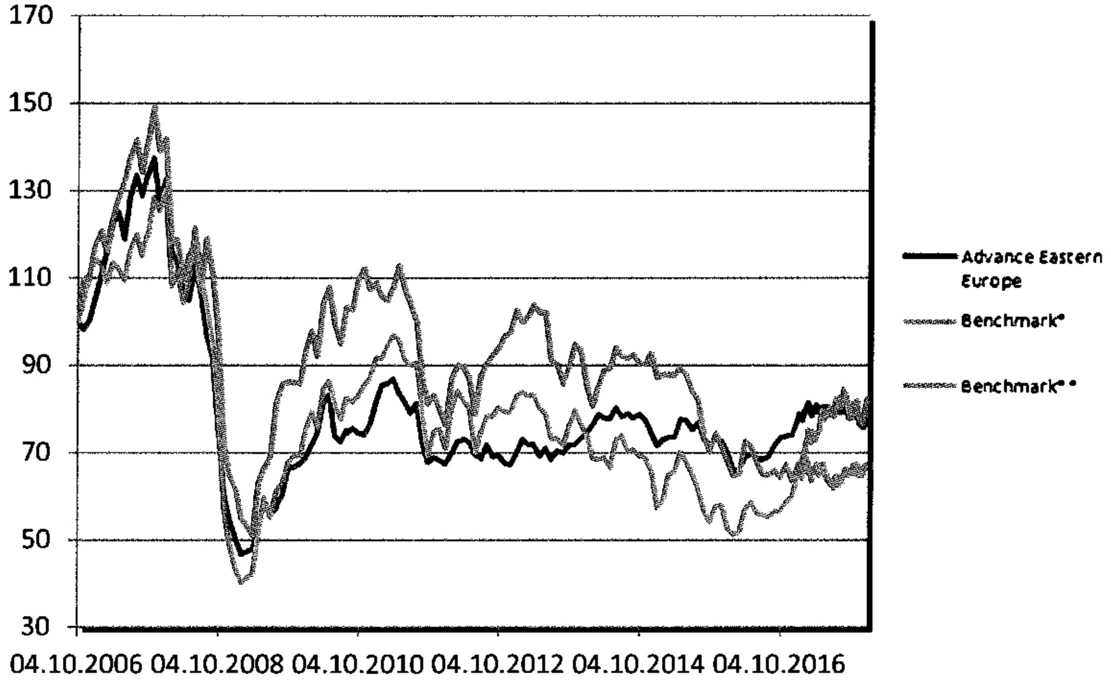
The financial result of MF Advance Eastern Europe as at 31 December 2016 is a loss of BGN (219). Total comprehensive income for the year amounted to BGN (41). The Fund's revenues are financial revenues amounting to BGN 2,660 thousand, of which income from operations with financial assets amounting to BGN 243 thousand, income from dividends amounting to BGN 273 thousand and and foreign currency exchange gains amounting to BGN 2,144 thousand.

In 2017, the financial expenses of the Fund amounted to BGN (2,680) thousand, of which BGN (136) thousand resulting from operations with financial assets, foreign currency exchange losses amounting to BGN (2,543) thousand and other - BGN (1) thousand. Non-financial expenses amounted to BGN (199) thousand and represent hired service costs relating to the activity of

Advance Eastern Europe, which is 3.17% of the average annual net asset value of the Fund. Of these, BGN (157) thousand represent the management fee of the Management Company.

1.4. Changes in unit price

The Fund preserves its better performance against the two benchmarks since the beginning of the public offering, as well as for a period of 5 years.



Benchmark* MSCI EFM Europe + CIS
Benchmark** MSCI EFM Europe + CIS ex RU

Fund results compared to benchmarks	1 year	3 years, annualized	5 years, annualized	Since incorporation, annualized
MSCI EFM Europe + CIS	+2.66%	+5.4%	-4.14%	-3.61%
MSCI EFM Europe + CIS ex RU	+22.39%	-2.02%	-4.36%	-2.53%
Advance Eastern Europe	-0.73%	+2.59%	+2.01%	-2.26%

1.5. Expected risks associated with the investment portfolio and techniques for their management

The risks associated with the investments of Advance Eastern Europe are:

a) Market risk - the possibility of incurring losses due to adverse changes in the prices of securities, market interest rates, exchange rates and others. The components of market risk are the following:

- interest rate risk - the risk of decrease in the value of an investment in a security due to changes in interest rates. The Management Company measures interest rate risk by calculating duration. Duration is a measure of the sensitivity of a security to the level of interest rates. The Management company uses the method of modified duration to measure interest rate risk associated with each security based on interest rates as bonds, interest rate swaps, futures on interest rates and futures on bonds;

- currency risk - the risk that the value of an investment in a security or a deposit denominated in a currency other than the EURO or BGN, because of a change in the exchange rate between that currency and the BGN or EURO. Currency risk is measured using the historical volatility of the exchange rate of the BGN currency to the EURO or to the net currency exposure;

- price risk associated with investment in shares or other equity securities - the risk of decrease in the value of an investment in a security due to adverse changes in market prices. The Management Company measures the price risk associated with investing in stocks by tracking historical volatility measured by the standard deviation or calculating the β-coefficients to the appropriate index.

b) Credit risk – the possibility of reducing the value of the position in a financial instrument due to unexpected credit events relating to issuers of financial instruments, the counterparty in exchange and OTC transactions, as well as countries in which they operate. There are three types of credit risk:

- counterparty risk is the risk of default by the counterparty to the OTC deal;

- settlement risk is the risk that mutual funds may not receive the cash or securities from a counterparty on the settlement date, after they have fulfilled their obligations arising from that trade. The Management Company measures this risk by value of all trades with a counterparty as a percentage of the value of the portfolio. Transactions concluded on condition of DVP (delivery versus payment) and markets with a clearing house are not included;

- investment credit risk is the risk of reducing the value of an investment in a debt security due to a credit event with the issuer of the instrument. Credit event includes bankruptcy, insolvency or significant change in the capital structure, reducing the credit rating and others.

c) Operational risk – the possibility of incurring losses, errors or flaws in the organization, inadequately trained personnel, adverse external non-financial events, including legal risk. Operational risks are internal - related to the work of the management company in the management of Advance Eastern Europe and external - related to macroeconomic, political and other factors that influence and / or may affect the business of the management company in relation to management of the fund. Internal operational risks include risks related to staff and technological risks, and external debt - risk environment and risk of physical interference. Assessment of the operational risks associated with the activities of Advance Eastern Europe is conducted by the Department for internal control.

d) Liquidity risk – risk arising from possible losses due to sales of assets in adverse market conditions to meet unexpected short-term obligations.

e) Concentration risk – the possibility of loss due to inadequate diversification of exposures to customers, groups of connected clients, clients from the same industry, geographic region or arising from the same activity, which may cause significant losses, and the risk associated with large indirect credit exposures

2. Important events after the reporting period

No adjusting events or significant non-adjusting events have occurred, between the reporting date and the date of approval for publication of these financial statements.

3. Expected future development

The Management Company remains positive for the development of the Eastern European region, with data showing a continuation of the upward trend in most of the countries in the region compared to developed Europe. Overall, the perspectives for the development of regional economies remain favorable with the strengthening of domestic demand and a gradual increase in exports in view of the recovery of the euro zone. Investment activity will also grow as the rate of absorption of European funds increases. With the increase in corporate profits, the region's valuation ratios remain among the lowest in the world. Considering the strong macroeconomic performance in some countries, and clear indications of recovery for others, we believe that the discount that is being observed is overstated.

We remain positive about the Russian market given the recovery of the Russian economy as well as the low valuation ratios at which shares are traded. We remain moderately positive for the price of oil, which has been on the upward trend in recent months. This will keep a relatively higher exposure to oil companies as well as to raw material companies due to favorable weather conditions. With regard to the other large market in the portfolio of the Fund - Turkey, we remain long-term positive given the favorable demographic landscape in the country and the dynamic development of the economy. Geopolitical risks can lead to increased volatility, so we will be relatively moderate in terms of exposure to Turkish stocks.

We remain positive about companies in Russia's retail sector given the weak presence of large retail chains, the whose financial results should also be favored by expectations of a fall in inflation and a corresponding increase in consumption. In the rest of the countries, we are also positive about retail companies, given the lowering of unemployment rates and wage increases, respectively increasing the disposable income of households.

We continue to be positive about the IT sector, which enjoys a high demand for services both internally and externally from developed markets due to much lower labor costs.

We expect that the good macroeconomic prospects in the region and the increasing businessvconfidence will lead to increased demand for loans and, consequently, stronger bank performance. We will also monitor the industrial companies that export a significant part of their production in view of the rehabilitation in developed Europe and, respectively, the expected increase in external demand.

4. Research and development

The specificity of the activities of the Fund does not involve research and development.

5. Information pursuant to art. 187d and art. 247 of the Commercial Law

MF Advance Eastern Europe has no Board of Directors. The overall activity of the Fund is managed by MC Karoll Capital Management EAD.

During the period 843,218.4929 units were issued and 898,337.0408 units redeemed, with par value of 1 EUR. During 2017 the net asset value decreased to BGN 5,896 thousand as at the year end. The number of unitholders during the year increased from 393 as at the end of 2016 to 398 as at the end of 2017, with 381 individuals and 17 legal entities.

Equity as at 31.12.2017 in the amount of BGN 5,896 thousand consists of:
- Share capital: BGN 7,628 thousand;
- Premium reserves from unit issues: BGN 5,540 thousand;
- Reserve from subsequent revaluation of securities: BGN 944 thousand;
- General reserves: BGN 3 thousand;
- Accumulated loss from previous years: BGN (10,086) thousand;
- Retained earnings from previous years: BGN 2,086 thousand;
- Current period result: loss: BGN (219) thousand.

The Fund has not distributed dividends. The Fund has no registered branches. As of 31 December 2017 there are no restrictions imposed on the rights of members of the Board of Directors of the Management Company to acquire units of the Fund. Daniel Yovchev Ganev owns 337.4864 units of the Fund.

During 2017 the Management Company selected the specialized auditing company Grant Thornton OOD with Reg No. 032 to audit the annual financial statements for 2017. The remuneration is at the amount of BGN 4,900.00 before VAT.

6. Information under Art. 73 of Ordinance No. 44 of 20.10.2011 on the Requirements for the Activities of the Collective Investment Schemes, the Managing Companies, the National Investment Funds and the Managers of Alternative Investment Funds

6.1 Changes in Net Asset Value and Net Value Per Unit

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR
Net assets	3,014,620.51	3,079,604.38	2,798,781.40
Net value per unit	0.7730	0.7787	0.6996

6.2 Remuneration Policy of the Management Company

The company shall disclose to all parties concerned details of the applicable remuneration policy and any subsequent change therein by not disclosing information constituting a secret protected by law.

The remuneration policy covers all forms of remuneration paid by the management company as well as any amounts paid directly by the managed collective investment schemes, including:
- wages;
- any financial incentives, incl. performance fees;
- other material incentives, incl. any transfer of units or shares in collective investment schemes to the employees subject to this policy and to the benefit of any other employee whose total remuneration is comparable to the remuneration of those employees and whose professional activities have an impact on the risk profile of the managed by the management company collective investment schemes;
- benefits related to pension and health insurance.

The remuneration policy applies to the remuneration of the following categories of staff:
- senior management;
- employees whose activity is related to risk taking;
- staff performing control functions;
- all other employees whose remuneration is commensurate with the remuneration of senior management and employees whose activities involve risk-taking and whose professional activities affect the risk profile of the collective investment undertaking managed by the management company.

Where the remuneration is tied to performance, its overall amount is based on a combination of the performance appraisal of the individual and of the organizational unit in which he works or the relevant collective investment scheme or other investment product, taking into account their risk profile, as well as the overall performance of the management company.

For the purpose of determining the variable remuneration of its employees, the asset management company has assessed the performance of a company as a whole and a thorough analysis of the results of the management of the collective investment schemes, the results of the trustee management of an individual portfolio, the activity of providing investment advice , from the activity of marketing and distribution of collective investment schemes managed by other management companies, as well as of the results of other activities activities carried out by the company.

There are no remuneration paid directly by the collective investment scheme itself, including a performance fee. The Management Company has paid annual variable remuneration to the members of the Board of Directors with a total amount of the respective person not exceeding 30 per cent of its total fixed remuneration and not exceeding BGN 30,000. The Management Company has reviewed and evaluated the current Remuneration Policy. There is no need to change and update it.

Total amount of accrued remuneration for the financial year paid by the management company to its employees:

Staff category	Weighted average number of employees	Permanent remuneration BGN '000	Variable remuneration BGN '000
Manegerial staff	5	376	97
Analytical specialists	4	59	-
Applied specialists	3	41	-

06.03.2018

Daniel Ganev
Executive Director

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

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INDEPENDENT AUDITOR'S REPORT

To the unitholders of
MF Advance Eastern Europe
№1, Zlatovrah str.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MF Advance Eastern Europe** (the Fund), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management report, prepared in accordance with Bulgarian Accountancy Act, 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 whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information 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. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the and Bulgarian legislation, 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 and Bulgarian Independent Financial Audit Act 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 our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

(a) the information in the management report is consistent with the financial statements for the same reporting period;

(б) the management report is prepared in accordance with the applicable legal requirements; and

(в) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Silvia Dinova
Registered auditor responsible for the audit

19 March 2018
Bulgaria, Sofia

MF ADVANCE EASTERN EUROPE
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017
ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

	Note	As at 31.12.2017	As at 31.12.2016
Assets			
Current assets			
Financial assets available for sale	5	5,573	5,607
Current receivables	6	16	34
Cash and cash equivalents	7	321	405
Total assets		**5,910**	**6,046**
Net assets, belonging to unitholders			
Share capital	9.1	7,628	7,735
Premium reserve	9.2	5,540	5,519
Revaluation reserve	10	944	766
General reserve		3	3
Accumulated loss		(8,219)	(8,000)
Total net assets, belonging to unitholders		**5,896**	**6,023**
Liabilities			
Current liabilities			
Related party payables	13.2	11	13
Current payables	8	3	10
Total liabilities		**14**	**23**
Total net assets, belonging to unitholders and liabilities		**5,910**	**6,046**

Daniel Ganev:
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova:
Chief Accountant
MC Karoll Capital Management EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova

Mariy Apostolov
Managing partner
Grant Thornton Ltd
Auditing Company

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТЪН ООД

The accompanying notes on pages from 5 to 33 form an integral part of the financial statements.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

	Note	For the year ended 31.12.2017	For the year ended 31.12.2016
Dividend income	11.1	273	238
Gain from the operations with investments, net	11.2	107	(148)
Loss from exchange differences, net	11.3	(399)	19
Intereset income	11.4	-	1
Other expenses		(1)	(8)
Net (loss) / profit from financial assets		**(20)**	**102**
Hired services expenses	12	(199)	(177)
Total operating expenses		**(199)**	**(177)**
Loss for the year		**(219)**	**(75)**
Other comprehensive income:			
Financial assets available for sale:			
-Profit for the year	10	276	552
-Reclassification to profit or loss	10	(98)	123
Other comprehensive income:		**178**	**675**
Total other comprehensive income for the year		**(41)**	**600**

Daniel Ganev: __________
Executive Director
MC Karoll Capital Management EAD

КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
КАРОЛ
ЕАД

Stoyka Koritarova: __________
Chief Accountant
MC Karoll Capital Management EAD

Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Auditing Company

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

The accompanying notes on pages from 5 to 33 form an integral part of the financial statements.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

	For the year ended 31.12.2017	For the year ended 31.12.2016
Cash flows from investing activies		
Cash payments for financial assets acquisition	(1,012)	(2,476)
Proceeds from sale of financial assets	950	2,205
Interest received	-	1
Dividends received	270	345
Net cash and cash equivalents, used in investing activities	**208**	**75**
Cash flows from non-specialized investment activities		
Cash payments related to trade contractors	(42)	(41)
Cash payments related to managing company	(160)	(134)
Other cash flows from non-specialized investment activities	(4)	-
Net cash and cash equivalents used for non-specialized investment activities	**(206)**	**(175)**
Cash flows from financing activities		
Proceeds from units issue	1,309	119
Payment for units redemption	(1,395)	(170)
Net cash and cash equivalents from financing activities	**(86)**	**(51)**
Net increase/decrease in cash and cash equivalents	**(84)**	**(151)**
Cash and cash equivalents at the beginning of the year (note 7)	**405**	**556**
Cash and cash equivalents at the end of the year (note 7)	**321**	**405**

Daniel Ganev:
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova:
Chief Accountant
MC Karoll Capital Management EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Auditing Company

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

The accompanying notes on pages from 5 to 33 form an integral part of the financial statements.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

	Share capital	Premium reserve	Revaluation reserve	General reserves	Accumulated loss	Total
Balance as at 1 January 2016	**7,824**	**5,481**	**91**	**3**	**(7,925)**	**5,474**
Issue of share capital	155	(35)	-	-	-	120
Unit redemption	(244)	73	-	-	-	(171)
Transactions with unitholders	(89)	38	-	-		(51)
Loss for the year	-	-	-	-	(75)	(75)
Other comprehensive income	-	-	675	-	-	675
Total comprehensive loss for the year	-	-	675	-	(75)	(600)
Balance as at 31 December 2016	**7,735**	**5,519**	**766**	**3**	**(8,000)**	**6,023**
Issue of share capital	1,649	(341)	-	-	-	1,308
Unit redemption	(1,756)	362	-	-	-	(1,394)
Transactions with unitholders	(107)	21	-	-	-	(86)
Loss for the year	-	-	-	-	(219)	(219)
Other comprehensive income	-	-	178	-	-	178
Total comprehensive loss for the year	-	-	178	-	(219)	(41)
Balance as at 31 December 2017	**7,628**	**5,540**	**944**	**3**	**(8,219)**	**5,896**

Daniel Ganev: ________________
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: ________________
Chief Accountant
MC Karoll Capital Management EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova

Mariy Apostolov
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Grant Thornton Ltd.
Auditing Company

ОДИТОРСКО ДРУЖЕСТВО
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Notes to the financial statements

1. General information

MF Advance Eastern Europe (the Fund) is a collective investment scheme of an open type that operates following the principle of distribution of the risk. The Mutual Fund is organized and managed by MC Karoll Capital Management EAD that has received a license with a decision 328 – UD of 21 August 2003 of FSC for realizing its activity within the meaning of the Public Offering of Securities Act. The license is supplemented with a decision 115 – UD of 14 February 2006 of SFC on the order of the amendments in the Public Offering of Securities Act with a subject of activity management of the activity of the collective investment schemes and collective investment schemes of a closed type and management of individual portfolios and providing investment consultations regarding securities.

MC Karoll Capital Management EAD has received a license № 742 – MF/30.08.2006 of SFC to organize and manage MF Advance Eastern Europe. The Fund has been registered in the register according to art. 30, para 1, pt 5 of SFCA

The Fund is subject to regulation by the Financial Supervision Commission. The special legislation concerning the activity of the Fund is contained and arises mainly from the Act on the activities of collective investment schemes and other collective investment undertakings (ZDKISDPKI) and regulations related.

MC Karoll Capital Management EAD, acting on behalf of MF Advance Eastern Europe chooses UniCredit Bulbank AD as a custodian bank that will hold dematerialized securities and cash of the Fund.

The public offering of the shares of MF Advance Eastern Europe started on 4 October 2006.

The capital of the fund varies, depending on the number of units issued and offered to be repurchased, but it is always equal to the net asset value of the Fund. Par value per unit is EUR 1. As at 31 December 2017 there are 3,899,928.4947 units, compared to 3,955,047.0426 units as at the end of 2016.

1.1. Investment strategy of the fund

The main objective of the Fund is to increase the value of the investment unit holders by realizing capital gains by assuming a moderate to high level of risk, and provide sustainable investment results through long-term growth in the value of its investments. The Fund invests primarily in shares admitted to trading on regulated markets in the emerging markets of Eastern Europe. Except for shares, part of the investments will be directed to money market instruments (mostly bank deposits and government bonds) in order to maintain liquidity.

The investment objective of the Mutual Fund is to provide stable over time and favorable investment results through long-term growth in the value of its investments.

For this purpose, under normal circumstances at least 75% of the Fund's assets are invested in leading companies in the region, each of which is included in the main stock index in the relevant market. Risk management is done by diversification of assets, as the Management

Company may apply appropriate strategies to safeguard the assets of the Fund from currency and interest rate risk, as well as protection from market risk in cases where it is necessary.

2. Basis for preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

Financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information for 2016) unless otherwise stated.

Financial statements are prepared under the going concern principle.

At the date of preparation of these financial statements, the management of the Management Company has assessed the ability of the Fund to continue as a going concern on the basis of the available information for the foreseeable future. Following a review of the Fund's management expects that the Fund has sufficient financial resources to continue its operational activities in the near future and continue to apply the principle of going concern when preparing financial statements.

3. Changes in accounting policies

3.1. New standards, amendments and interpretations to IFRS that are effective for annual periods beginning on or after 1 January 2017

The Fund has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2017 and have no significant impact on the Fund's results or financial position:

- IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017, adopted by the EU
- IAS 12 "Income Taxes" (amended) effective from 1 January 2017, adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle – IFRS 12 "Disclosure of interests in other entities", not yet adopted by the EU

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2017 and have not been adopted early by the Fund. Information on those expected to be relevant to the Fund's financial statements is provided below.

IFRS 9 „Financial instruments" effective from 1 January 2018, adopted by the EU

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Fund will change the classification of its financial assets. Changes in the fair value of financial assets will be recognized in the profit or loss for the period instead of other comprehensive income as at present. The fair value revaluation gains on the Fund's financial assets of BGN 625 thousand will be transferred from a revaluation reserve of available-for-sale financial assets to retained earnings as of January 1, 2018.

The following new standards, amendments and interpretations to existing standards, which have also been issued, but are not yet effective, are not expected to have a material impact on the Fund's financial statements:

- IFRS 2 "Share Based Payments" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 4 „Insurance contracts" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, adopted by the EU
- IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation, effective from 1 January 2019, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective date to be determined, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 16 "Leases" effective from 1 January 2019, adopted by the EU

- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures effective from 1 January 2019, not yet adopted by the EU
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, not yet adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle - IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures", effective from 1 January 2018, not yet adopted by the EU

4. Accounting policy

4.1. Overall consideration

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of the financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Fund has elected to present the statement of profit or loss and other comprehensive income in two statements: a statement of profit or loss and a statement of comprehensive income.

Two comparative periods are presented for the statement of financial position when the Company:

a) applies an accounting policy retrospectively;

b) makes a retrospective restatement of items in its financial statements, or

c) reclassifies items in the financial statements.

The Fund has none of the above conditions for the presentation of two comparative periods so the financial statements are therefore presented with a single comparative period.

4.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4. Segment reporting

With Part III of the Listing Rules now being effective and by decision of the Board of Directors of Bulgarian Stock Exchange - Sofia AD and Protocol № 26/09 May 2014, the registration of all issues admitted to trading on the Segment for collective investment schemes is terminated, effective from 12 May 2014. As at 31 December 2017, the shares of the Fund are not traded on a regulated market. The Fund operates in a single economic sector because of legal restrictions and the purpose for which it was created. For these reasons no information will be presented regarding various sectors.

4.5. Revenue

The main financial revenue of the Fund comprises revaluation of securities, realized gains or losses from transactions with securities, interest income on deposits and interest-bearing securities and from dividends.

4.5.1. Interest income

Interest income from bank deposits is recognized in the Statement of profit or loss and other comprehensive income of the Fund, according to the terms of the contracts. Interest income is recognized on an accrual basis.

Interest received on bank deposits is presented in the statement of cash flows as interest income.

Dividend income is recognized in profit or loss at the time of origination of the right to receive payment.

4.5.2. Net income from operations with investments

Subsequent measurement, due to changes in the market (fair) value of securities is presented in the statement of profit or loss and other comprehensive income of the Fund as net income from investment operations.

Differences from changes in the value of financial instruments are reported as current income or expense from revaluation of financial assets when those assets are held for trade and in equity as revaluation reserves when these assets are available for sale.

The difference between the revalued amount and the price of the financial instruments, when sold is recognized as current revenue or expense from operations with financial instruments.

4.5.3. 4.5.3. Net income from foreign exchange transactions

Foreign currency transactions are recognized in BGN by applying the exchange rate of the Bulgarian National Bank (BNB) as of the date of the respective transaction. Assets and liabilities denominated in foreign currency are reported by applying the closing exchange rate of BNB at the date of preparation of the statement of financial position.

Gains and losses from exchange rate differences and from trade with currency are reported in the Statement of profit or loss and other comprehensive income in the period of their occurrence.

The subsequent measurement, due to changes in foreign exchange rates are reflected in the statement of profit or loss and other comprehensive income as net income from foreign exchange operations. The effects of changes in exchange rates in the subsequent measurement of financial assets denominated in foreign currencies at fair value through profit or loss, are recognized after taking into account changes in the market prices in original currencies.

4.6. Expenses

Expenses associated with the operations of the Fund are recognized in profit or loss in the statement of profit or loss and other comprehensive income following the accrual basis. The annual operating expenses of the Fund cannot exceed 3.50% of the average annual net asset value of the Fund. The percentage is determined by the management of the Management Company, as it is set in the Prospectus of the Fund and approved by the Financial Supervision Commission. Costs relating to the activities that are borne indirectly by all its unitholders, including management fee and remuneration of the depository bank are accrued daily, under contracts with the Management Company and Depositary bank.

Costs associated with the investment in units of the Fund costs are borne directly by the individual investor / unitholder. The Fund's units are purchased at their issue price, which is equal to the net asset value per unit plus the cost of issuance, calculated as a percentage of net asset value per unit as follows:

- 1.5% of the net asset value per unit for orders up to EUR 50,00.0 euro;
- 1.0% of the net asset value per unit for orders from EUR 50,000.01 to EUR 250,000;
- 0.5% of the net asset value per unit for orders of EUR 250,000.01 to EUR 500,000;
- For orders above EUR 500,000 – no expenses on issuance, as well as for orders on behalf of institutional investors, and orders on behalf of investors, resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management EAD.

These expenses are payable by the Fund to the Management Company and are due until the

5th of following month.

4.7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to contractual agreements, which include financial instruments.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their settlement date

Financial assets and financial liabilities are subsequently measured as described below.

4.7.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- investments, held to maturity;
- available-for-sale financial assets

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment is applied for each category of financial assets, which is described below.

All income and expenses relating to financial assets are recognized in profit or loss upon receipt, regardless of how the carrying value of the financial assets to which they relate is estimated, is presented in the statement of profit or loss and other comprehensive income within "Gains / (losses) from operations with investments, net", except for impairment of trade receivables which is presented within 'Other expenses/income (including financial)'.

Financial assets held by the Fund are:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest rate method, less provision for impairment.

Any change in their value is recognized in profit or loss in the current period. The Fund's cash and cash equivalents, trade and most of other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial. Current receivables are measured at their expected realizable value. Individually significant receivables are tested for impairment when they are past due or when there is objective evidence that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The impairment percentage is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables is presented within 'Other expenses/income (including financial)'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

The subsequent daily valuation of the financial instruments is carried out in accordance with the accounting policy for revaluation in accordance with the Portfolio Valuation Rules and the determination of the net asset value of Advance Invest Mutual Fund, in accordance with Ordinance No. 44 of 20 October 2011 on the Requirements for the Activities of the Collective investment schemes, closed-end investment companies and management companies (NIDISIDZDUD), which have been approved by the Financial Supervision Commission. The rules can be found on the Fund's website http://www.karollcapital.bg.

When valuing assets, the Fund is guided by the following basic principles:

- available-for-sale investments and financial assets at fair value through profit or loss are measured at fair value, that is their market price in all cases where they are available;
- where the assets have no market price, the fair value is determined using the valuation models;
- the primary criterion for determining whether an asset has a market price is its liquidity.

Cash is measured at nominal value.

4.7.2. Financial liabilities

Financial liabilities of the Fund include trade and other payables. Financial liabilities are recognized when there is a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments with another company under potentially adverse conditions. All costs associated with changes in fair value of financial instruments are recognized in profit or loss.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost, less payments on debt settlement.

4.7.3. Contracts for sale and repurchase of securities

Securities may not be rented or sold with a commitment to repurchase (repo). These securities continue to be recognized in the statement of financial position when the significant risks and rewards of ownership thereof shall be borne by the Fund. In this case, it recognizes a liability to the other party in the statement of financial position when the Fund receives cash remuneration.

The difference between the sale price and the redemption price is recognized deferred for the period of the contract using the effective interest method. Securities rented continue to be recognized in the statement of financial position. Securities leased are not recognized in the statement of financial position, unless they are sold to third parties in which the obligation to repurchase is recognized as commercial liability at fair value and subsequent gains or losses are included in net operating result.

When the Fund rents or buys securities with a commitment to resell them (reverse repo), but acquires the risks and rewards of ownership, securities are recognized in the statement of financial position.

4.8. Cash and cash equivalents

The Fund accounts for cash and cash equivalents available in cash and cash in bank accounts.

4.9. Income taxes

According to the Corporate Income Tax Art. 174 Collective investment schemes that are admitted for public offering in Bulgaria and licensed investment companies of closed type under the Public Offering of Securities are not subject to corporate tax.

4.10. Net assets, attributable to investors in shares

The Fund is a mutual fund that issued its "capital" instruments and then has the responsibility for their repurchase. The funds raised - face value and reserves and issuing financial result determined net asset value belonging to investors.

Objectives, policies and processes for managing its obligation to the Fund to redeem the instruments when the holders of these instruments require this are set out in note 19 "Risks associated with financial instruments.".

The estimation of the net asset value of the Fund shall be under the rules for determining the net asset value of the Fund "Advance Eastern Europe", approved resolution № 748 - DF of 30 August 2006 of the Financial Supervision Commission. In 2013 MC "Karoll Capital Management" EAD amended rules for valuation and determination of the net asset value of the Fund pursuant to Ordinance 44 on the activities of collective investment schemes and other undertakings for collective investment. The changes were approved by Decision № 976-DF from 16.12.2013 of the Commission for Financial Supervision.

The methodology for determining the net asset value is based on the legislation related to the Fund and includes the principles and methods of valuation of assets and liabilities of the Fund.

The net asset value per unit is the basis for determining the issue price and redemption price per share of MF Advance Eastern Europe, calculated every business day. The net asset value of the Fund is obtained by subtracting the value of all liabilities from the value of assets. The net asset value of the Fund is declared in euro.

The methodology for determining the net asset value of the Fund is based on:

- the accounting legislation's provisions;
- provisions of the activities of collective investment schemes and other collective investment undertakings (ZDKISDPKI) published on 04 October 2011
- Regulation №44 from 20 October 2011 on the requirements to collective investment schemes, investment companies and management companies (NIDKISIDZTUD);
- Rules and the Prospectus of the Fund.

Retained earnings / accumulated loss include the current financial result and retained earnings and uncovered losses from previous years.

4.11. Provisions, contingent liabilities and contingent assets

Provisions are recognized when there is a possibility of present obligations resulting from past events to lead to an outflow of resources from the Fund and can be made reliable estimate of the amount of the obligation. Timing or amount of the outflow may still be uncertain. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as legal disputes.

Restructuring provisions are recognized only if there is a developed and implemented detailed formal restructuring plan or management has announced the main points of the restructuring plan to those affected by it. Provisions for future operating losses are not recognized.

The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow to settle the obligation is determined by considering the class of obligations as a whole. Provisions are discounted when the effect of the time value of money is significant.

Benefits, from third parties, in connection with obligations, to which the Fund is confident, that it would receive, are recognized as separate assets. This asset may not exceed the value of the related provision.

Provisions are reviewed at each reporting period and their value is adjusted to reflect the current best estimate.

In cases, where it is considered unlikely, that outflow of economic resources will arise as result of a current liability, this liability is not recognized.

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets.

4.12. Significant management judgements in applying accounting policies

Significant management judgments in applying the accounting policies of the Fund which have the most significant impact on the financial statements are described below:

- The issue and redemption price of Fund's units are based on the net asset value of the Fund at the date of determination. The Management Company is assessing the portfolio, determine the net asset value of the Fund, net asset value per unit and calculate the issue price and the redemption price under the control of the Custodian in accordance with regulatory requirements;
- The Management Company invests the Fund's assets in securities and in proportions determined in accordance with Art. 38 of the Law on the activities of collective investment schemes and other collective investment entities (ZDKISDPKI) published on 04 October 2011 and the Fund Rules;
- The subsequent valuation of the Fund's assets shall be made in accordance with the Fund's Rules and Regulation № 44/20 October 2011 on the requirements to the activities of collective investment schemes, investment companies and management companies;
- According to agreement with the Management Company and the Custodian, fees are collected daily;
- The management of the Fund is carried out by the Management Company. The Fund does not have the right, and has no tangible or intangible assets, investment property. The Fund is not entitled to be a party of lease agreements and thus no accounting policy has been adopted regarding this type of assets.
- The Fund does not have its own staff and thus no accounting policy has been adopted for pension and other employee obligations, as well as for staff remuneration based on shares.

4.13. Uncertainty in accounting estimates

4.13.1 Fair value of financial instruments

Management uses techniques to assess the fair value of financial instruments in the absence of quoted prices in an active market in accordance with the Fund's Rules and Ordinance № 44 / 20 October 2011 on the requirements to the activities of collective investment schemes, investment companies of closed-end type and management companies, which is approved by the Financial Supervision Commission.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

In applying the valuation techniques, management makes maximum use of market data and assumptions that market participants would use in pricing the financial instrument. These estimates may differ from the actual prices that would be determined in a fair market transaction between knowledgeable and willing parties, in the end of the reporting period.

4.13.2. Impairment of financial assets

Management assesses at each reporting date, whether there is objective evidence, that a financial asset or group of financial assets should be impaired.

If there is objective evidence for an impairment loss from loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows. The carrying amount of the asset is reduced either directly or through an allowance account. The amount of the loss is recognized in profit or loss.

A financial asset or group of financial assets are considered impaired and impairment losses are incurred when there is objective evidence for impairment arising from one or more events that occurred after the initial recognition of the asset (event "loss") and when this event "loss" (or events) has an effect on the estimated future cash flows from an asset or group of financial assets that can be measured reliably.

It may not be possible to identify a single event that caused the impairment. Rather, the impairment may be caused by the combined effect of several events.

Losses expected as a result of future events, no matter how likely, are not recognized.

5. Financial assets available for sale

Financial assets available for sale can be represented as follows:

	Note	Fair value As at 31.12.2017	Fair value As at 31.12.2016
Shares in BGN	5.1	861	798
Shares in foreign currency	5.2	4,712	4,809
Total		**5,573**	**5,607**

5.1. Shares in BGN

	ISIN	As at 31.12.2017	% of assets	As a 31.12.201	% of assets
CEZ Razpredelenie Bulgaria AD	BG1100025110	149	2.51	-	-
Advance Terrafund REIT	BG1100025052	130	2.20	123	2.05
Stara Planina Hold AD	BG1100005971	120	2.02	97	1.6
Sopharma Trading AD	BG1100086070	112	1.90	141	2.33
Monbat AD	BG1100075065	94	1.60	90	1.48
Trace Group Hold AD	BG1100049078	87	1.48	101	1.67
Sopharma AD	BG11SOSOBT18	86	1.45	85	1.40
Alterko AD - Blocked	BG1100003166	83	1.41	137	2.27
Sirma Group Holding AD	BG1100032140	-	-	24	0.40
Total		**861**	**14.57%**	**798**	**13.20**

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

5.2. Shares in foreign currency

	ISIN	As at 31.12.2017	% of assets	As at 31.12.2016	% of assets
Gmk Norliski nikel	RU0007288411	245	4.14	314	5.19
Sberbank, Common	RU0009029540	190	3.22	-	-
X5 Retail Group N.V.	US98387E2054	185	3.13	241	3.98
Romgaz S.A.	ROSNGNACNOR3	184	3.11	70	1.16
Banka Transilvania	ROTLVAACNOR1	181	3.06	148	2.46
JSC "Novatek", common	RU000A0DKVS5	172	2.91	217	3.59
Lukoil (common)	RU0009024277	169	2.86	189	3.12
Sntgn Transgaz S.A.	ROTGNTACNOR8	164	2.77	110	1.81
Vsmpo-avisma	RU0009100291	162	2.74	144	2.37
Trakya Cam Sanayii AS	TRATRKCM91F7	159	2.69	-	-
Ojsc "Motor sich"	UA4000143135	151	2.56	89	1.48
Aerodrom Nikola Tesla AD Beograd	RSANTBE11090	151	2.55	112	1.85
Fondul Proprietatea SA	ROFPTAACNOR5	139	2.35	131	2.17
Valamar riviera D.D.	HRRIVPRA0000	138	2.34	-	-
Qiwi PLC	US74735M1080	136	2.30	85	1.41
Banca Romana Pentru	ROBRDBACNOR2	135	2.29	128	2.12
Adris Grupa D.D.	HRADRSPA0009	128	2.18	136	2.24
Alrosa PAO	RU0007252813	123	2.08	172	2.84
Tav Hava Limnlari Holding A.S.	TRETAVH00018	121	2.04	93	1.53
Novolipetsk steel ojsc	RU0009046452	120	2.03	101	1.68
Tupras- Turkiye Petrol Rafine	TRATUPRS91E8	120	2.03	86	1.42
Migraos Ticaret A.S	TREMGTI00012	118	2.01	93	1.53
Energoprojekt Holding A.D.	RSHOLDE58279	117	1.99	177	2.93
Gazprom Neft OAO-CLS	RU0009062467	110	1.86	-	-
Turkiye Sinai Kalkinma Bankasi	TRATSKBW91N0	98	1.65	100	1.66
JSC "Aeroflot", common	RU0009062285	98	1.65	-	-
Haci Omer Sabanci Aktie	TRASAHOL91Q5	96	1.62	97	1.6
LSR Group PJSC	RU000A0JPFP0	93	1.58	116	1.92
Gazprom PJSC	RU0007661625	92	1.56	117	1.94
Kernel Holding SA	LU0327357389	89	1.51	113	1.87
Polyus Gold OJSC	RU000A0JNAA8	84	1.42	88	1.45
Turkiye Halk Bankasi A.S	TRETHAL00019	81	1.37	86	1.43
Nis A.D. Novi Sad	RSNISHE79420	68	1.15	67	1.10
Akron JSC	RU0009028674	65	1.11	130	2.16
Podravka Prehrambena Industrija D.D.	HRPODRRA0004	64	1.08	88	1.45
Klimasan Klima Sanayi VE TIC	TRAKLMSN91H5	63	1.06	100	1.66
Astarta Holding NV	NL0000686509	55	0.92	54	0.90
Cimsa Cimento Sanayi Ve Tic	TRACIMSA91F9	43	0.73	61	1.01
Ledo dionicko drustvo za proizvodnju i promet slad	HRLEDORA0003	2	0.03	74	1.23
Atlantska plovidba D.D	HRATPLRA0008	2	0.03	-	0.01
Yasynivka Cokery plant	UA0500491008	1	0.02	2	0.03
Bashneft PAO	RU0007976957	-	-	186	3.07
Ojsc "Magnit", common	RU000A0JKQU8	-	-	167	2.77
Phosagro OAO-GDR	RU000A0JRKT8	-	-	111	1.83
Ros Agro PLC- GDR REG S	US7496552057	-	-	98	1.62
Transelectrica	ROTSELACNOR9	-	-	63	1.04
Atlantic Grupa Dionicko drustvo	HRATGRRA0003	-	-	55	0.91
Total		**4,712**	**79.73%**	**4,809**	**79.54**

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Market approach has been used in determining the fair value of all shares in the Fund's portfolio as at 31 December 2017.

Sector distribution of investments:

	As at 31.12.2017	% of assets	As at 31.12.2016	% of assets
Banking	590	9.99	560	9.26
Energy	535	9.03	188	3.10
Oil and gas	529	8.95	744	12.30
Industrials	459	7.76	375	6.20
Metallurgy	405	6.85	417	6.89
Holdings	388	6.57	359	5.95
Commerce	303	5.14	501	8.28
Raw materials	289	4.89	377	6.23
Information services	219	3.71	247	4.08
Construction	211	3.57	293	4.85
Healthcare	198	3.35	226	3.74
Finance and real estate	190	3.22	124	2.05
Utilities	164	2.77	171	2.85
Distribution	159	2.69	-	-
Transportation	151	2.55	112	1.85
Machinery	151	2.56	90	1.48
Agriculture	144	2.43	167	2.77
Tourism	138	2.34	-	-
Real estate	130	2.20	-	-
Infrastructure	87	1.48	101	1.67
Consumer products	66	1.11	162	2.68
Chemical industry	65	1.11	241	3.99
Marine transportation	2	0.03	-	-
Food industry	-	-	152	2.52
Total	**5,573**	**94.30**	**5,607**	**92.74**

Investments are distributed by states as follows:

State	As at 31.12.2017	% of assets	As at 31.12.2016	% of assets
Russia	1,724	29.15	2,475	40.94
Turkey	900	15.21	798	13.20
Bulgaria	861	14.57	715	11.83
Romania	803	13.58	651	10.76
Serbia	336	5.69	355	5.88
Croatia	334	5.65	354	5.85
USA	320	5.43	-	-
Ukraine	152	2.58	259	4.28
Poland	143	2.43	-	-
Total	**5,573**	**94.30**	**5,607**	**92.74**

As at 31 December 2017, the Management Company reviewed and analyzed evidence of impairment of financial assets available for sale and, as a result of the analysis, considers that no impairment is required.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

6. Current receivables

	As at 31.12.2017	As at 31.12.2016
Receivables from participation	16	31
Receivables from orders for purchase of Fund's units	-	3
Total	**16**	**34**

The Fund has receivables arising from approved, but not yet distributed dividends, from the following companies: Komercijalna Banka AD Beograd, Ukrnafta, Centrenergo St. J. NA. UH1, Lukoil (common), Gazprom Neft Oao-Cls. As at the date of approval of these statements, dividend receivables from Lukoil (common) and Gazprom Neft Oao-Cls, amounting to BGN 8 thousand have been paid.

7. Cash and cash equivalents

	As at 31.12.2017	As at 31.12.2016
Cash on hand and in current accounts in BGN	10	99
Cash on hand and in current accounts in foreign currency	311	306
Total	**321**	**405**

As at 31 December 2017 there are no blocked cash and cash equivalents.

8. Current payables

	As at 31.12.2017	As at 31.12.2016
Payables to custodian bank	2	3
Payables, related to emission of own units	-	3
Payables related to purchase of financial instruments	1	4
Total	**3**	**10**

9. Net assets, belonging to unitholders

9.1. Number of units issued

During the presented period, the number of units in circulation is as follows:

	Number of units	Par value	Share capital (BGN'000)
As at 01.01.2016	**4,000,490.7049**	**1 EUR/unit**	**7,824**
Issued units 2016	79,061.9533	1 EUR/unit	155
Redeemed units 2016	(124,505.6156)	1 EUR/unit	(244)
As at 31.12.2016	**3,955,047.0426**	**1 EUR/unit**	**7,735**
Issued units 2017	843,218.4929	1 EUR/unit	1,649
Redeemed units 2017	(898,337.0408)	1 EUR/unit	(1,756)
As at 31.12.2017	**3,899,928.4947**	**1 EUR/unit**	**7,628**

9.2. Premium reserve

	2017 BGN'000	2016 BGN'000
Premium reserve as at 1 January	5,519	5,481
Change due to emission	(341)	(35)
Change due to redemption	362	73
Premium reserve as at 31 December	**5,540**	**5,519**

9.3. Net asset value per unit

Net asset value per unit is the basis for determining the issue price and the repurchase price of units of MF Advance Eastern Europe and is calculated every work day. Net asset value of the Fund is presented in Euro. The most recent calculation and announced to investors and to the FSC net asset value per unit, issue price and repurchase price is as of 29 December 2017 (30 December 2016). For the purpose of these financial statements and the principles of IFRS the net asset value per unit, issue price and repurchase price is calculated and presented as of 31 December 2017.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

For the purposes of correct presentation of financial information, and with regard to the fact that the Fund announces its net asset value in euro, this note is presented in euro:

EUR	**31.12.2017**	**29.12.2017**	**31.12.2016**	**30.12.2016**
Net asset value	3,014,620.51	3,005,199.03	3,079,604.38	3,083,241.80
Number of units in circulation	3,899,928.4947	3,899,928.4947	3,955,047.0426	3,955,047.0426
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per unit	0.7730	0.7706	0.7787	0.7796
Issue price				
orders up to EUR 50 000 after "issue fee" of 1.5% of the net asset value	0.7846	0.7822	0.7904	0.7913
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	0.7807	0.7783	0.7865	0.7874
orders from EUR 250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	0.7769	0.7745	0.7826	0.7835
for orders above EUR 500 000.01 as well as orders from institutional investors, and orders resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management	0.7730	0.7706	0.7787	0.7796
Redemption price	0.7730	0.7706	0.7787	0.7796

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10. Revaluation reserve

	As at 31.12.2017	As at 31.12.2016
Revaluation reserve from subsequent measurement of available-for-sale financial assets in the beginning of the period	**766**	**91**
Profit from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	555	662
Loss from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	(279)	(110)
Profit from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	127	563
Loss from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	(225)	(440)
Total	**944**	**766**

11. Revenue

11.1. Dividend income

	Year ended 31.12.2017	Year ended 31.12.2016
Dividend income from Russian issuers	114	81
Dividend income from Romanin issuers	84	72
Dividend income from Bulgarian issuers	39	16
Dividend income from Turkish issuers	20	28
Dividend income from Croatian issuers	10	12
Dividend income from Serbian issuers	5	26
Dividend income from Ukrainian issuers	1	3
Total	**273**	**238**

11.2. Profit / loss from operations with investments, net

	Year ended 31.12.2017	Year ended 31.12.2016
Profit from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	225	440
Loss from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	(127)	(563)
Profit from sale of available-for-sale financial assets	18	13
Loss from sale of assets available-for-sale financial assets	(9)	(38)
Loss from operations with investments, net	**107**	**(148)**

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

11.3. Profit / Loss from exchange rate differencese, net

	Year ended 31.12.2017	Year ended 31.12.2016
Gain on foreign currency revaluation of financial assets	2,143	2,727
Loss from foreign currency revaluation of financial assets	(2,502)	(2,625)
Foreign exchange operations – income	2	13
Foreign exchange operations – expense	(42)	(96)
Total	**(399)**	**19**

11.4. Interest income

	Year ended 31.12.2017	Year ended 31.12.2016
Interest income from deposits and current accounts	-	1
Total	**-**	**1**

12. Hired services expenses

	Year ended 31.12.2017	Year ended 31.12.2016
Remuneration of the Management Company	(157)	(135)
Remuneration of the custodian bank	(23)	(28)
Advertisement	(11)	(4)
Audit	(6)	(6)
Annual fees	(1)	(1)
Other	(1)	(3)
Total	**(199)**	**(177)**

Costs related to the Fund's activity represent 3.17% (2016: 3.28%) of the average annual net asset value according to the statement of financial position of the Fund.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

13. Related parties

13.1. Transactions during the year

	Year ended 31.12.2017	Year ended 31.12.2016
Remuneration of the Management Company (see note 12)	(157)	(149)
Transactions, related to emission of Fund's own units	(1)	-

For its management activities the Management Company shall receive remuneration amounting to 2.5 % of the average annual net asset value of the Fund.

For issuance of units the Fund accrues fee, which is a revenue for the Management Company, and originally is payable to the Fund from investors, and then proceeds to the Managing Company, with no effect on the Fund's comprehensive income.

13.2. Related party balances as at year end

	As at 31.12.2017	As at 31.12.2016
Payables to the Management Company	11	13
Total	**11**	**13**

The liability to the Management Company represents remuneration for the management activities for December and is repaid in January 2018.

14. Non-monetary transactions

During the periods presented, the Fund has not carried out any investment and financial transactions, in which no cash or cash equivalents were used and which are not reflected in the statement of cash flows.

15. Contingent assets and contingent liabilities

The Fund has no commitments or contingent assets as at 31.12.2017.

16. Categories financial assets and financial liabilities

The carrying value of financial assets and liabilities can be presented as follows:

Financial assets	**Note**	**2017 BGN '000**	**2016 BGN '000**
Financial assets available-for-sale:			
Shares	5.1, 5.2	5,573	5,607
		5,573	**5,607**
Loans and receivables:			
Current receivables	6	16	34
Cash and cash equivalents	7	321	405
		5,910	**6,046**

Financial liabilities	**Note**	**2017 BGN '000**	**2016 BGN '000**
Financial liabilities, at amortized cost:			
Current payables	8	3	10
Related party payables	13.2	11	13
		14	**23**

See Note 4.7 for information on accounting policy for each category of financial instruments and methods used to estimate fair value. Description of the policies and objectives of the risk management of the Company's financial instruments is presented in note 17.

17. Financial instrument risk

Management policy and objectives in relation to risk management

For the purpose of adequate financial risk management MC Karoll Capital Management EAD has accepted Rules on risk assessment and management, on behalf of the Fund. The methods and procedures stated in the Rules have to be performed on a daily basis from the Risk Management Department of the Management Company.
The Management Company applies appropriate procedures for risk management, as it is disclosed below

Liquidity risk

The Fund is obliged to maintain such a structure of the assets and liabilities that will enable it to carry out its activity unimpeded and to repay its payables on a timely basis at reasonable prices without the need to sell profitable assets. The Fund attracts resources by issue of own units.

The liquidity risk can arise as a consequence from the low liquidity on the capital market as well as when there are unusual big orders for repurchase of units which can lead to exhausting the Fund's cash.

The Fund invests in equities, traded on an active stock market and when it is necessary it can provide cash and cash equivalents for the accepted order of repurchase of the own units within a statutory regulated term.

The Fund manages this risk by keeping a relatively large portion of cash and highly liquid assets in its portfolio, thus reducing to a minumym the possibility of being unable to settle its liabilities on time.

According to the rules for maintenance and management of the liquid funds the Fund holds cash on term and demand deposits in order to meet liquidity needs. The portfolio manager monitors on a daily basis liquid cash as a percentage of the assets while there are controlled by the Board of Directors on a monthly basis. Each month, a Risk Management Report of the Fund, which contains an assessment of the calculated liquidity risk indicators, is prepared and presented to the Board of Directors.

The table below shows financial liabilities of the Fund, summarized in groups by maturity from the reporting date of the statement of financial to the date of repayment.

	Under 1 month
As at 31 December 2017	
Current payables	14
Own units issued, measured at net value of one unit as at year end	5,896
As at 31 December 2016	
Current payables	23
Own units issued, measured at net value of one unit as at year end	6,023

Own units are subject to redemption upon decision of their holders.

Market risk

Market risk is a systematic (general) risk, having effect on the value of all assets. It arises from the characteristics of the macroeconomic environment and the condition of the capital market in the country.It cannot be controlled by the issuer and it cannot be diversified. Market risk consists of foreign currency risk, interest rate risk and other price risk.

Basic methods for reduction of the systematic risk and its components include collecting and processing of information about the macroeconomic environment and, based on this information, forecasting and adjusting the investment policy to the expected changes in the environment.

All investments in securities can generate risk of loss of capital. The portfolio manager manages this risk by careful selection of securities and other financial instruments within certain limits. The investment portfolio of the Fund is monitored on a daily basis by the portfolio manager. Each month, a Risk Management Report of the Fund, which contains an assessment of the calculated liquidity risk indicators, is prepared and presented to the Board of Directors.

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

Market risk is concentrated in the following positions:

	As at 31.12.2017		As at 31.12.2016	
	Fair value	**% of assets measured at market price**	**Fair value**	**% of assets measured at market price**
Financial assets available for sale	5,573	94.30	5,607	92.74
Dividend receivables	16	0.27	31	0.52
Total amount, exposed to market risk	**5,589**	**94.57**	**5,638**	**93.26**

Currency risk

The Fund is exposed to foreign currency risk while operating with financial instruments, denominated in foreign currency. Foreign currency transactions result in exchange rate gains and losses represented through the statement of comprehensive income. Such exposures are the monetary assets and liabilities of the Fund, denominated in currency other than BGN and EUR.

The investment strategy, assumed by the Management Company in 2017 with respect to foreign currency risk is that the cost of hedging the currency risk in long-term investment horizon (as is the investment horizon of the Fund) rarely compensate actually realized risk of exchange rate change. This conclusion is reinforced by the observed historically low correlation of the main currencies in which the MF Advance Eastern Europe is exposed, suggesting that long-term exchange rate movements are not bound to each other and largely neutralized.

Concentration of assets and liabilities in foreign currency:

	Short term currency risk exposure							
	Romanian lea	**Russian rouble**	**Serbian dinar**	**Croatian kuna**	**Ukrainian hryvna**	**Turkish lira**	**Polish zloty**	**US dollar**
31 December 2017								
Financial assets	803	1,724	336	334	152	899	144	320
Total currency risk exposure	**803**	**1,724**	**336**	**334**	**152**	**899**	**144**	**320**
31 December 2016								
Financial assets	651	2,149	355	354	91	715	168	326
Total currency risk exposure	**651**	**2,149**	**355**	**354**	**91**	**715**	**168**	**326**

Tables, presented below, show the sensitivity of the financial result and equity to hypothetical change of the Bulgarian lev's exchange rate:

- Romanian lea (+/- 0.6%)
- Russian rouble (+/- 7.3%)
- Serbian dinar (+/- 0.3%)
- Croatian kuna (+/- 0.7%)
- Ukrainian hryvna (+/- 3.1%)
- Turkish lira (+/- 3.8%)
- Polish zloty (+/- 1.2%)
- US dollar (+/- 2.1%)

All other parameters are assumed to be constant.

These percentages are determined using averaged exchange rate for the last 12 months. The sensitivity analysis is based on the Fund's investments in foreign currency denominated assets, held as per year end.

31 December 2017	**Increase in Bulgarian lev's exchange rate**		**Decrease in Bulgarian lev's exchange rate**	
	Net financial result BGN '000	**Equity BGN '000**	**Net financial result BGN '000**	**Equity BGN '000**
- Romanian lea (+/- 0.6%)	(32)	(32)	32	32
- Russian rouble (+/- 7.3%)	(112)	(112)	112	112
- Serbian dinar (+/- 0.3%)	(5)	(5)	5	5
- Croatian kuna (+/- 0.7%)	(14)	(14)	14	14
- Ukrainian hryvna (+/- 3.1%)	(5)	(5)	5	5
- Turkish lira (+/- 3.8%)	(64)	(64)	64	64
- Polish zloty (+/- 1.2%)	(5)	(5)	5	5
- US dollar (+/- 2.1%)	(20)	(20)	20	20

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Exposure to currency risk varies during the year, based on the volume of deals with foreign securities. Although it is assumed, that the analysis, presented above shows the level of currency risk, the Fund is exposed to.

Interest rate risk

Asset value of the Fund depends on the dynamics of interest rates in the economy. The activity of the Fund is subject to the risk of fluctuations in interest rates, as the cost of interest-bearing assets with fixed-rate changes as a result of change in market interest rates. On the other hand, the Fund is exposed on assets with floating interest rates, to interest rate risk, as a result of a change in the interest rate index, that is bound to the relevant financial instruments. Upon change of 0.1% in interest rates for one year, the effect on net interest income would be negligible.

As at 31 December 2017	**Under 1 month**	**Interest free assets and liabilities**	**Total**
Assets			
Cash and cash equivalents	321	-	321
Financial assets available for sale	-	5,573	5,573
Interest receivables	-	16	16
Total assets	**321**	**5,589**	**5,910**
Liabilities			
Current payables	-	14	14
Total liabilities	**-**	**14**	**14**
Own units in circulation, measured at net value per unit as at year end	-	5,896	5,896
Total amount, exposed to interest rate risk	**321**	**(321)**	**-**

As at 31 December 2016	**Under 1 month**	**Interest free assets and liabilities**	**Total**
Assets			
Cash and cash equivalents	405	-	405
Financial assets available for sale	-	5,607	5,607
Interest receivables	-	34	34
Total assets	**405**	**5,641**	**6,046**
Liabilities			
Current payables	-	23	23
Total liabilities	**-**	**23**	**23**
Own units in circulation, measured at net value per unit as at year end	-	6,023	6,023
Total amount, exposed to interest rate risk	**405**	**(405)**	**-**

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Other price risk

The Fund determines the price risk as the risk of decrease in the price of a financial asset, or portfolio of financial assets, due to factors other than those, arising from interest rate or currency risk.

The Management Company has adopted strict limits on the risk indicators of the positions in the investment portfolio of the Fund. These limits are approved by the Board of Directors of the Management Company, and their compliance is monitored on a daily basis by the "Risk Management" Department.

The Fund measured general price risk of the investment portfolio through the historic volatility of the net asset value per unit, which is measured by the standard deviation.

2017

Name	Currency	Average return (annual)	Standard deviation
MF Advance Eastern Europe	BGN	6.73%	-0.71%

2016

Name	Currency	Average return (annual)	Standard deviation
MF Advance Eastern Europe	BGN	11.66%	11.65%

Credit risk

The Fund's exposure to credit risk is limited to the carrying amount of financial assets, recognized at the reporting date, as indicated below:

Financial assets	**As at 31.12.2017**	**As at 31.12.2016**
Financial assets available for sale:		
Shares	5,573	5,607
	5,573	**5,607**
Loans and receivables:		
Current receivables	16	34
Cash and cash equivalents	321	405
	5,910	**6,046**

The Fund defines credit risk as the possibility of reduction in the value of a position in a financial instrument, due to unexpected credit events, related to issuers of financial instruments; the counterparty in exchange and OTC transactions; as well as countries in which they operate.

The Fund distinguishes, assesses and manages the following types of credit risk:

- counterparty risk: risk of default by the contracting party to the OTC deals;
- settlement risk: risk, arising from the possibility that the Fund will not receive the cash or financial instruments on the date of the settlement, after it has fulfilled its obligations, arising from that trade;
- investment credit risk: the risk of reducing the value of an investment in a debt security, due to a credit event with the issuer of the instrument. A credit event includes bankruptcy, insolvency or significant change in the capital structure, reducing the credit rating, and others.

The Management Company of the Fund measures and assesses counterparty risk and credit settlement risk by the value of all unconcluded transactions with certain counterparty as a percentage from the value of the investment portfolio. It manages these types of risk by setting limits regarding the value of the unconcluded transactions with certain counterparty and strictly observes them, Counterparty credit risk and the settlement risk are relatively low with respect to the transactions of the Company as most of the transactions are concluded under DVP terms of settlement.

During the reporting period the Fund has not invested in debt instruments and is not exposed to investment credit risk.

As at the date of the financial statements, no trade receivables have expired, which should have been impaired.

18. Fair value measurement of fiancial assets

Financial instruments are initially measured at fair value in the statement of financial position. IFRS 7 requires disclosure of the techniques for measurement of the fair value of financial instruments, measured at fair value in the statement of the financial position, after their initial recognition. This Standard introduces a hierarchy of fair values, defined according to the degree of observation of the data used for the measurement. Observable data can be defined as market data obtained from independent sources, while data reflecting market assumptions of the company is defined as unobservable. Both data sets the three levels of the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides information on financial instruments at fair value as at 31 December 2017 and 2016resented in levels 1 to 3 of the fair value hierarchy:

As at 31.12.2017	**Level 1**	**Total**
Financial assets available for sale		
- Shares	5,573	5,573
Total	**5,573**	**5,573**

As at 31.12.2016	**Level 1**	**Total**
Financial assets available for sale		
- Shares	5,607	5,607
Total	**5,607**	**5,607**

19. Policies and procedures for management of net assets, belonging to unitholders

The objectives of the Management Company regarding capital management are:

- Achieve profitability with minimum risk for investors;
- Maintain high liquidity with regard to the timely repayment of obligations to investors that could arise when repurchasing units;
- Adequate ratio between cash invested in securities and cash instruments.

Capital management of the Fund, and its use to generate income, is performed by the Management Company in accordance with the regulations, the Prospectus and the Rules of the Fund. It is made under the supervision of the "Risk Management" department, and with active cooperation with the "Accounting" department, in accordance with the internal structure rules and internal control of the Management Company.

	2017 BGN '000	**2016 BGN '000**
Net assets, belonging to unitholders	5,896	6,023
Debt	14	23
- Cash and cash equivalents	(321)	(405)
Net debt	**(307)**	**(382)**
Net assets to net debt ratio	**1:(0.05)**	**1:(0.06)**

ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

20. Post-reporting date events

By decision of the Board of Directors dated 02.02.2018, the Management Company adopted a decision to reduce the annual remuneration from 2.5% to 1.5% of the Fund's average annual net asset value. The amendments were approved by the FSC with Decision No 198 - MF / 26.02.2018.

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

21. Authorization of the financial statements

The financial statements for the year ended 31 December 2017 (including comparative information) were approved by the Board of directors of the Management Company "Karoll Capital Management" EAD, on behalf of, and at the expense of MF Advance Eastern Europe, on 06 March 2018.

Daniel Ganev:	**Stoyka Koritarova:**
Executive Director	**Chief Accountant**
MC Karoll Capital Management EAD	MC Karoll Capital Management EAD

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