Grant Thornton

Annual Management Report
Independent Auditor's Report
Financial Statements

Mutual Fund
Advance Emerging Europe Opportunities

31 December 2017

advance emerging europe opportunities

KAROLL CAPITAL MANAGEMENT

Contents

ANNUAL MANAGEMENT REPORT

OF

MF ADVANCE EMERGING EUROPE OPPORTUNITIES

FOR 2017

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

1.1. Registration and license

MF Advance Emerging Europe Opportunities is an open-end collective investment scheme, which invests in securities, by raising money through public offering of its own units. MF Advance Emerging Europe Opportunities (formerly MF Advance IPO Fund) is organized by Management Company Karoll Capital Management EAD, according to decision of the Board of Directors dated 12/07/2007, pursuant to art.177a, para. 1, in conjunction with art. 164a, para. 2 of the Public Offering of Securities Act (POSA). The overall activities of the Fund are administered by the Management Company Karoll Capital Management EAD, entitled for this with decision № 1410 – DF, dated 7 November 2007 of the Financial Supervision Commission. The Fund is registered under art. 30, para. 1, item 5 of the FSCA. In 2007, on behalf of the Fund, MC Karoll Capital Management signed a contract for depository services with UniCredit Bulbank AD. The public offering of units of the Fund, began on 23 November 2007. The capital of the Fund is variable and may change depending on the number of units issued and repurchased, but it is always equal to the net asset value of the Fund. The nominal value of one unit is EUR 1.

In 2015, the Management Company changed the name and investment policy of its Fund under management – MF Advance IPO Fund. The name has changed from MF Advance IPO Fund to MF Advance Emerging Europe Opportunities. The strategy of the collective investment scheme also changed as to include investments in shares of companies from Central and Eastern Europe, primarily from Poland, Czech Republic, Hungary, Estonia, Lithuania, Latvia. The Fund may also invest in shares of Austrian companies, whose revenues are mainly generated in the region. Furhermore, the Fund will seek to participate actively in IPO deals, and at the discretionof the Managemnet Company, even in IPOs in countries outside of the region of Central and Eastern Europe. In cases of investments in countries different from Poland, Czech Republic, Hungary and the Baltic republics, the objective is to benefit from attractive opportunities, applying a short-term horizon rule for investing (they will be held for not more than a few months). Investments on the regulated markets of Romania, Russia, Slovenia, Serbia, Croatia, Bulgaria, Turkey, Kazakhstan, Macedonia, Ukraine are also permitted. The Fund may also invest in shares of companies from Central and Eastern Europe, traded on foreign stock exchanges.
All changes are approved by FSC with Decision № 112 - DF / 23.02.2015, Decision № 113-DF / 23.02.2015 and Decision № 114 - DF / 23.02.2015.

1.2. Investment activity in 2017

Despite the volatility of that global markets in 2017, the year was overall positive for investors in equities. The year started with increased political risks in Europe, due to concerns for referendum for exiting EU in France. The defeat of the leader or far-right's National Front Marie Le Pen, in the presidential ellections, eliminated the fears, and as a result investors' attention was brought to the improving macroeconomical environment.

Neverminding the apprehensions for correction of the market as a result of the sensible growth, and uncertainty over the tax reform in US, the sentiment in the markets during the secound half of 2017 was also positive. Emerging markets were ahead of developed in terms of growth rate, and MSCI Emerging Markets index has increased by 18%, measured in EUR.

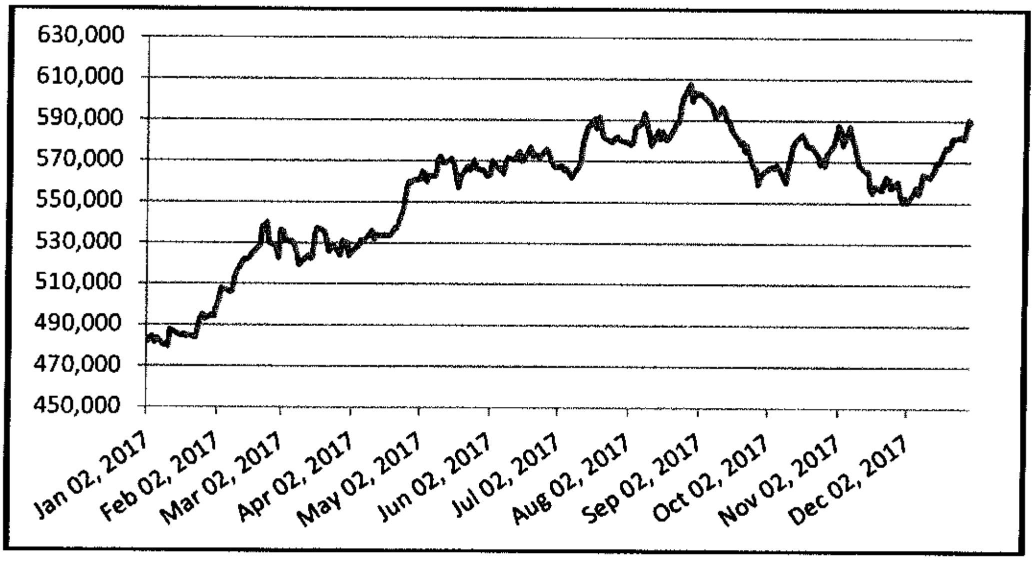
Economic data for Europe showed an improvement in economic activity by the end of 2017. PMI indexes for the Euro zone reported their highest levels for the past six and a half years. Domestic consumption at record hights along with rapid growth in export were the basis for improving indicators. As a result, in October IMF amended its forecast for the Euro zone GDP growth rate in 2017 and 2018 to 2.1% and 1.9% respectively. Given the strong correlation between Central and Eastern Europe, and the Euro zone, in terms of the internation trade, increased growth rate of developed Europe will benefit also Central and Eastern Europe. Combined with increased domestic consumption in the CEE countries, the region will continue to grow significantly faster than a developed Europe, with the IMF forecasts for the region also rising sharply to 4.5% in 2017 and 3.5% in 2018

Meanwhile, CEE region continues to develop rapidly, considerably above the average rates for developed Europe. Reformations started in the region, as well as fiscal incentives and labour market tightening led to increased internal demand, which was a good foundation for sound performance of the local economies. Taking in account the slow absorption of EU funds in the new programming period 2014-2020, the gradual acceleration of the process over the past months has led to an increase in investment activity.

As a result of the favourable data about CEE economies, reflected in strong corporate results, regional markets have begun attracting more and more investors. Given the Europe-wide and region-specific risks in recent years, Eastern European markets have fallen steadily behind the rest of the region, and as a result, as well as improving corporate performance, in practice the region of developing Europe is the cheapest currently, measured by the P / E ratio. With P / E of 8.8x on the basis of expected results, the region is about 40% cheaper than other emerging markets, and close to 50% compared to developed Europe.

Resulting from the strong economical data, and attractive valuation ratios, the region began to compensate for the lag, and in 2017 the MSCI EFM Europe +CIS ex Ru rose by 22.4%, measured in euro. Despite this increase, the index is still approximately 45% below its peak from 2007. Given the growth we see with other indices, this makes for a significant potential for increase.

Course of MSCI EFM Europe+CIS (E+C) ex RU in 2017, measured in EUR

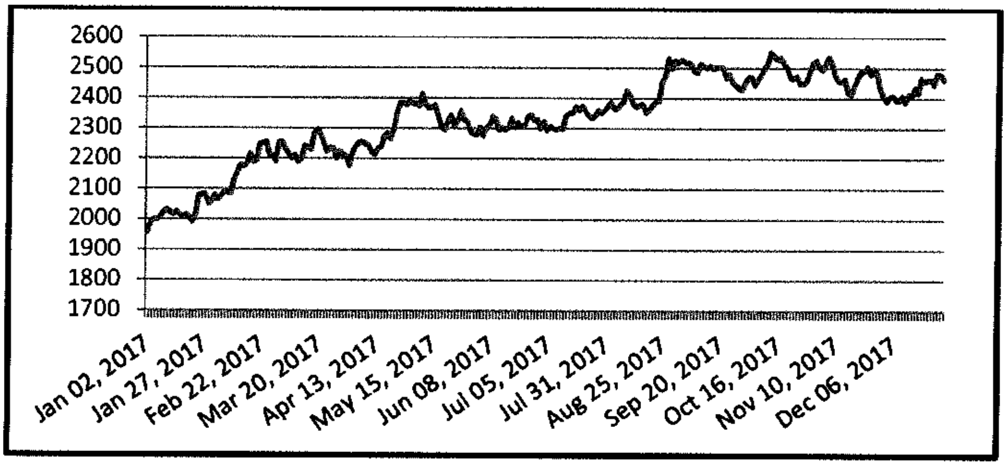


1.2.1 Overview of the markets included in the Fund's portfolio

Poland

After the pressure, the Polish market suffered in 2016, as a result of political risks and fears concerning the pension reform, leading to outflow of investments from pension funds on the Polish market, the past year was very positive for the largest market in Central Europe. The index WIG 20 reported growth of 26.4% in 2017, which made It one of the fastest growing indices in the region for the year. Also, the Polish zloty appreciated by 6% against the euro. The protests agains the judicial reform, that caused investigation by the European Commission, were ignored by the market. Despite that the pension reform was postponed for 2019, indications show that it would not affect the market as significantly as it was considered initially.

Dynamics of WIG 20 in 2017



Investors'attention is mainly focused on the strong economical results of the country, that was the only one in Europe not suffering from recession during the financial crisis. Given that the growth in the Polish economy in 2016 was influenced by the low investment activity, caused by slow absorption of EU funds from the new programming period, 2017 was very sound in macroeconomical terms. After higher than 4% annualized growth rate in Q1 and Q2, Q3 was extremely good (5.2% growth, with 2.6% average for Eurozone). Like the other countries from the region, the growth was fueled by individual consumption, which has been stimulated by tightening of the labour market and increase in the disposable income. Unemployment in the country continues to fall, dropping below 5%, which far below the average level in developed Europe.

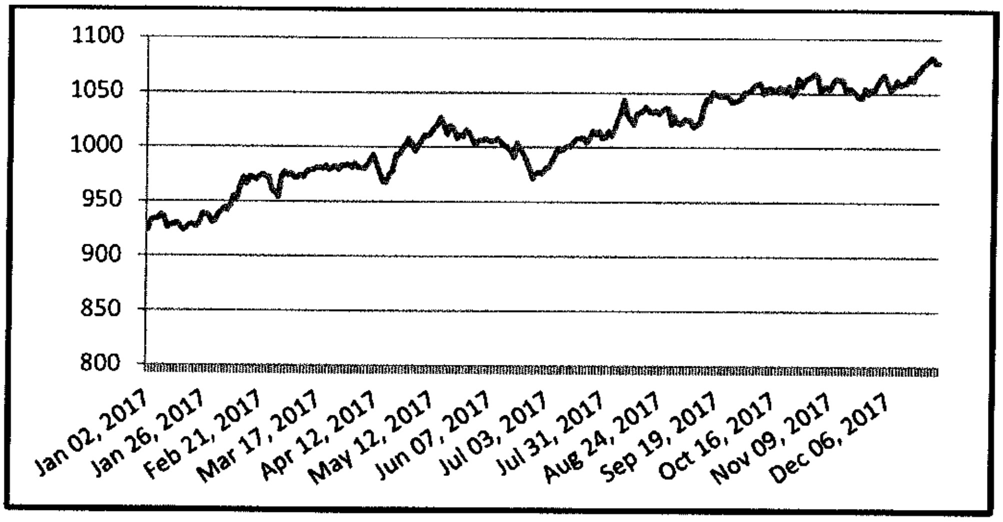
In terms of sectors, the year was positive for bank shares, which outperformed the market for the given period. In 2017 the bank index rose by 35%. Our expectations for the banking sector remain positive, taking in account how well the country is performing macroeconomically and the positive trend in the Polish Stock Exchange. The index on companies from the textile industry reported the highest increase – 45%. After strong H1, when the intex that includes companies from the oil and gas sector has increased by almost 26%, it finished H2 unchanged. Mining companies also reported robust growth (+25%). After poor 2016, when investors feared government interference in the management of state owned energy companies, H1 of 2017 was very good (19.1%), but in H2 they retreated slightly, finishing the year with increase of 17%. IT companies's index finished the year negatively, reporting decline in H2 for an overall 5.3% decrease for 2017. The index on construction companies also finished 2017 in the red zone.

Corporate results' improvement is particularly obvious considering the decline in the average P/E ratio from 15.2x on ttm basis at the end of December 2017, with 16.5 a year earlier, despite market growth of above 26% for the period. Our expectations for the Polish market remain positive, given the dynamic development of the country. We keep our positive views on the banking sector as a continuation of our positive macroeconomic expectations for the country. Our attitudes are also positive for the IT sector, which enjoys a high demand for services, as the increase in the rate of absorption of EU funds will have a beneficial impact on the performance of the companies in the sector.The companies involved in the automotive sector will continue to hold relatively higher share in our portfolio - given the fact that car sales in Europe are at record high levels and the Central and Eastern European region is an important center for automobile auto parts production. Retailers are also expected to perform well in the light of the strong internal demand. On the other hand, increased growth rate in the Eurozone will lead to increased external demand, pointing our looks also to export companies.

Czech Republic

Unlike Poland, which experienced stronger results in the first half of 2017, Czech market reported higher growth in H2, as the PX index ended 2017 with 17% increase. In April the Czech Central Bank removed the ceiling, kept for three and a half years, for the local currency against the euro (27 CZK/EUR). By the end of the year the Czech krona appreciated with 5.8%.

Dynamics of PX in 2017



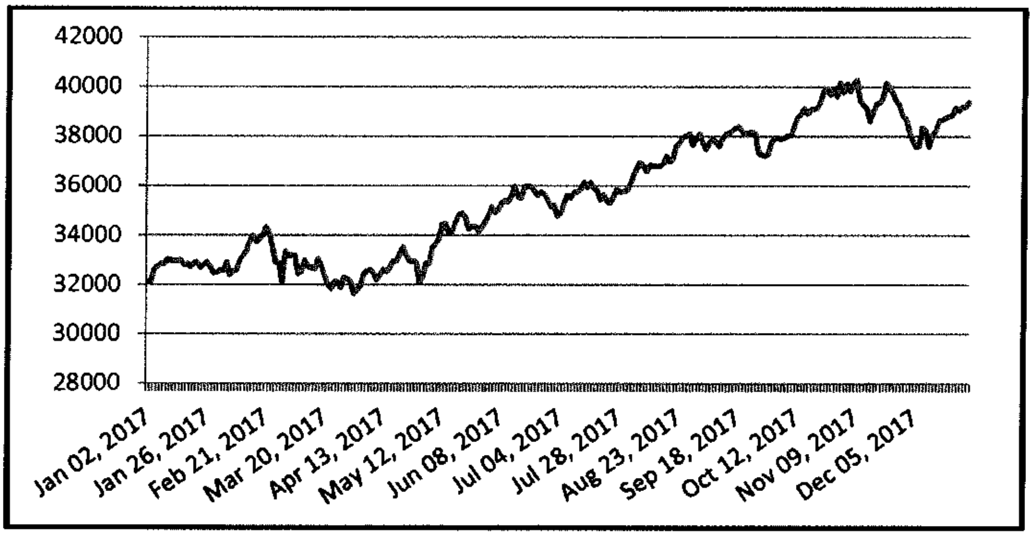
The Czech economy increased its growth rate as GDP increased with 5% annualized in Q3, with considerably lower growth rates in 2016 (2.4% for the whole 2016). The growth as is the case in Poland, is mainly caused by internal consumption, which itself is favoured by the developments in the labour market (with unemployment rate of 2.5% as at year end being the lowest in EU). In the case with Czech Republic, as is with Poland, we expect increased investment activity along with the increased absorption of EU funds. Also, Czech Republic is the country that has the strongest trade reletionships with EU, with 80% of export being for EU. Respectively, increased growth rates in developed Europe caused revision upwards of the expectations for the growth rate of the Czech Republic.

Accordingly, raising the pace of development of a developed Europe, the expectations of which have been revised upwards, will provide an additional channel for boosting the growth of the Czech economy in terms of exports.
The companies traded on the Prague Stock Exchange have been traded at an average P / E on the ttm basis at the end of December from 12.78x.

Hungary

The second half of the year was very positive for the Hungarian market too. It reported increase of 23% for the period, and at the same time the Hungarian forint remained stable.

Dynamics of BUX in 2017



The Hungarian economy also continued to increase its growth rate, with the country's GDP rising by 4% annualized, in the third quarter of 2017. The biggest contribution to growth is the strengthening of investment activity in the country, which can be expected to be further strengthened by the acceleration of the absorption rate of European funds in the new programming period.

Since the beginning of the year, corporate tax in the country has been reduced to 9%, which is the lowest level in the EU at the moment. So the country will strive to attract additional foreign investors. We remain positive for the Hungarian economy in terms of expectations of further strengthening of domestic demand, which, like in the other countries, is stimulated by the labor market and the much lower than the EU average unemployment.

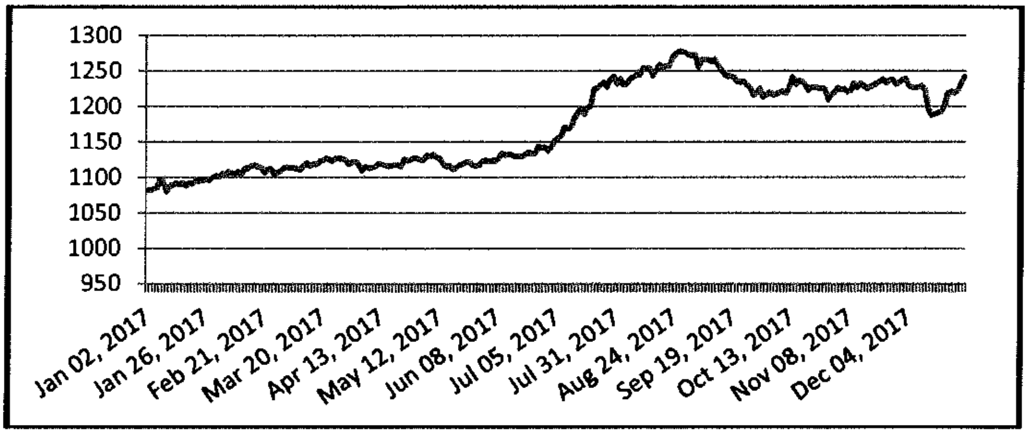
Although the Hungarian market is enjoying the attention of foreign investors, the main problem is the fact that about 95% of the market capitalization is due to 4 companies.

By the end of December, Hungarian shares are traded at an average P / E of 12.8x, well below the levels at the end of 2016, reflecting the improvement in corporate performance.

Estonia

After a strong performance in 2015 and 2016, the Estonian market continued its positive trend in 2017, with the main index rising by 15.5%.

Dynamics of OMX Talinn in 2017



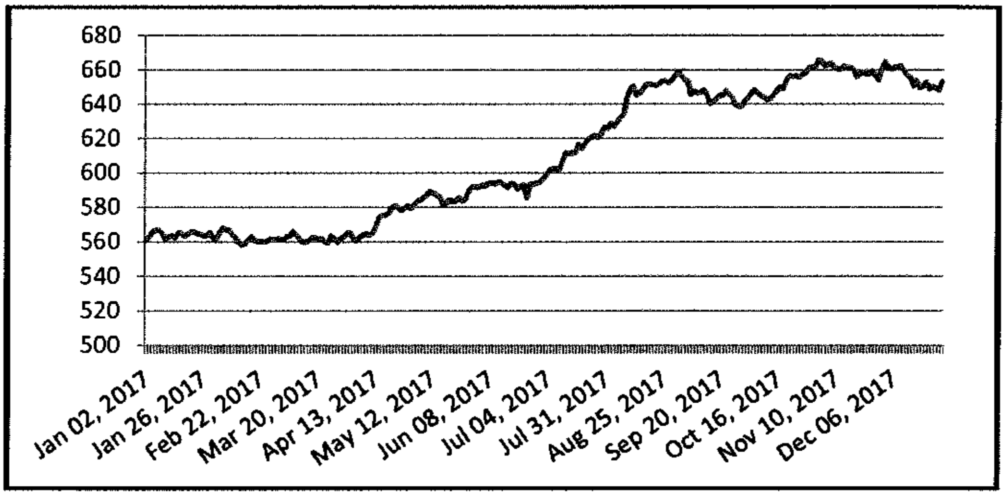
The Estonian economy also boosted its performance last year, with GDP gaining 5% in the second quarter, followed by an impressive growth of 4.2% in the third quarter compared to a year earlier. Reported data are significantly above the 1.6% growth in 2016. The greatest contribution to this growth was the increased investment activity.

At the end of December 2017, Estonian shares traded at an average P / E of 12.29x.

Lithuania

After good performance in 2016, the positive trend continued in 2017 on the Lithuanian market, with the main index rising by 17%.

Dynamics of OMX Vilnius in 2017

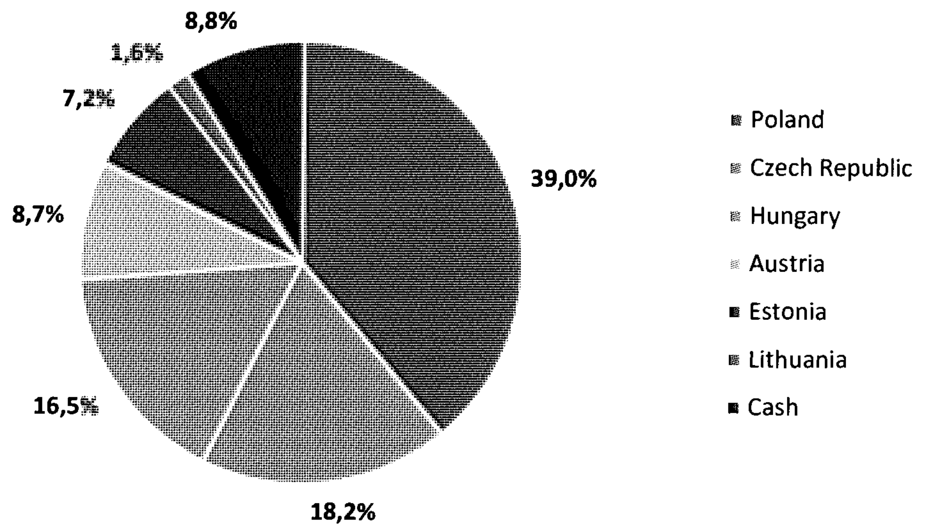


In 2017, the Lithuanian economy also grew faster than the European average, with the country's GDP rising 3.4% annualized in the third quarter of the year and at a rate of over 4% in the first and second quarters. The data showed that the country has managed to overcome the effects of the problems in Russia, which is among its main trading partners and which has had an impact on the economic development of the country the previous two years. Main contributions to growth were driven by both domestic demand and stronger exports. At the end of December, the average P / E for the market was 10.68x.

1.2.2 Changes in the portfolio of MF Advance Emerging Europe Opportunities, and operating results in 2017

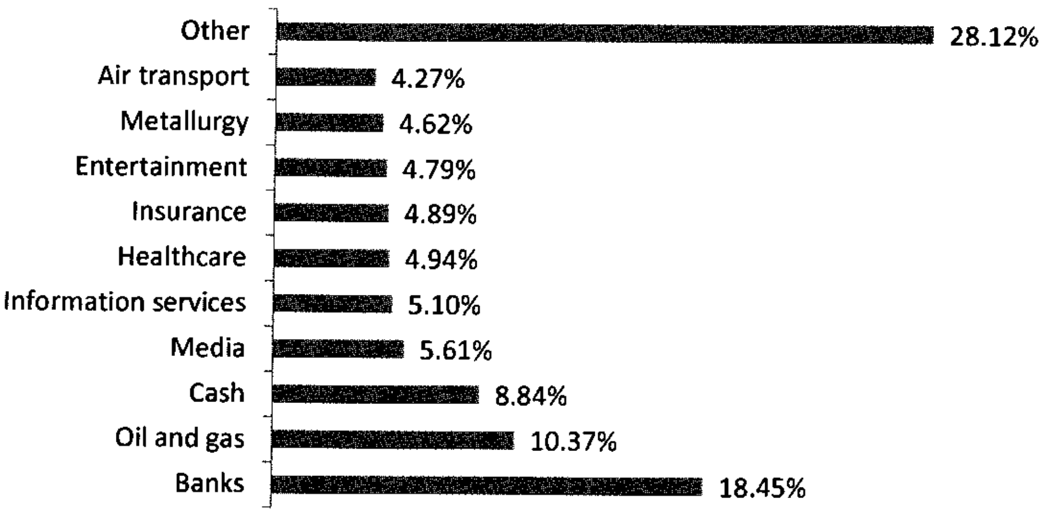
In 2017, Polish equities continued to have the major share in the Fund's portfolio. The share of Czech equities has increased, given the good development of the country, and the appreciation of the Czech krona, that resulted after the ceiling of the exchange rate against the euor has been removed and the subsequent rise in the demand for assets denominated in krona.

Portfolio of MF Advance Emerging Europe Opportunities as at 31.12.2017



Sector distribution of the assets in the portfolio of MC Advance Emerging Europe Opportunities as at 31.12.2017

There were no significant changes in the portfolio in terms of sector distribution. Banks continue to hold the most significant part of the portfolio, and their share was further increased in 2017. The oil sector also remained at the forefront, given the improved conditions on the petrol market.



Main exposures in the portfolio as proportion of total assets as at 31.12.2017

Company	% of total assets
WIZZ AIR HOLDINGS PLC, (Hungary) Air transportation	4.3%
PKOBP (Poland) Banks	3.7%
RICHTER GEDEON NYRT (Hungary) Healthcare	3.6%
Alior Bank S.A. (Poland) Banks	3.4%
OTP BANK (Hungary) Banks	3.4%

1.3. Financial result for 2017

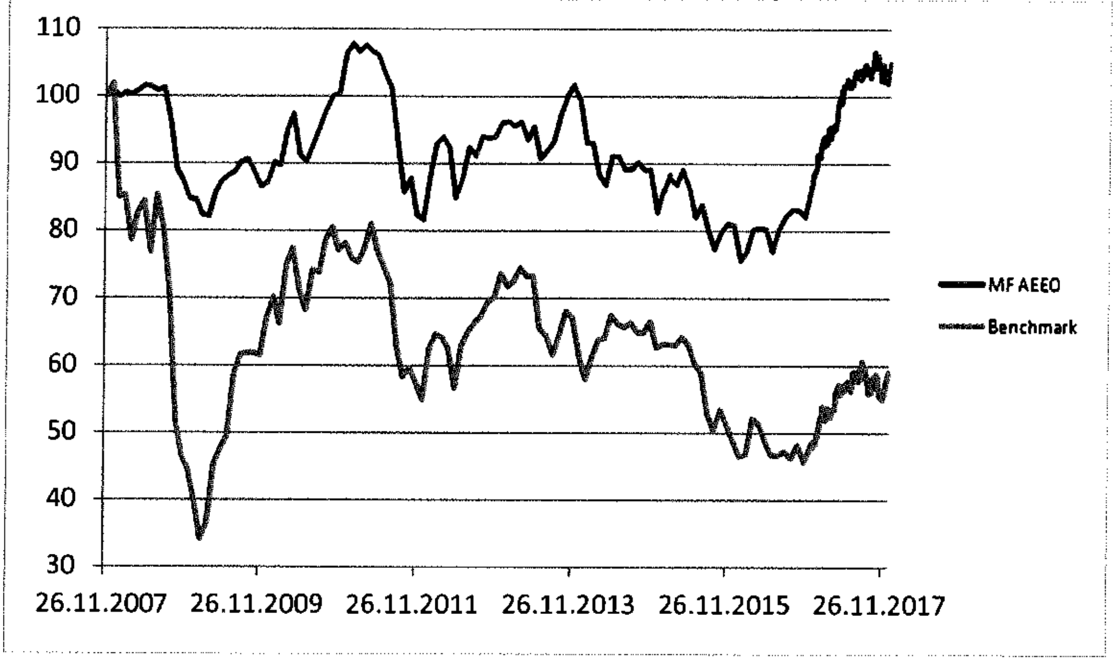
The financial result of MF Advance Emerging Europe Opportunities as at 31 December 2017 is profit at the amount of BGN 587 thousand. It is formed by net gain from financial assets amounting to BGN 692 thousand, and non-financial costs at the amount of BGN 105 thousand.
Net gain from operations with financial assets is comprised of dividend income amounting to BGN 69 thousand, net gain from operations with investments of BGN 550 thosuand and gain from currency exchange differences of BGN 73 thousand.
Non-financial costs consist of expesnes, related to the Fund's operations, being 3.16% of the its average net assets value as at 31.12.2017. The remuneration payable to the management company, according to the Rules of the Fund is BGN 83 thousand.

1.4. Changes in the unit price for the period

Principal indicator of the management effectiveness of MF Advance Emerging Europe Opportunities is the change in the price of the Fund's units, calculated based on the net asset value. Net assets value per share has increased to EUR 1.0491 as at 31 December 2016, compared to EUR 0.8873 as at 31 December 2016.

In 2017 the Fund's performance was close to the benchmark, but for a long-term, the Fund's performance remains considerably better.

Comparison between the performances of MF Advance Emerging Europe Opportunities and the benchmark, since Fund's inception



Benchmark: MSCI EFM Europe + CIS ex RU

Performance as at 31.12.2017	Fund	Benchmark
YTD	20.96%	22.39%
3 y, annualized	8.24%	-2.02%
5 y , annualized	1.80%	-4.36%
Since Fund's inception (annualized)	0.48%	-5.10%

1.5. Financial risks related to the investment portfolio and techniques for their management

The risks associated with the investments of MF Advance Emerging Europe Opportunities are:

Market risk

the possibility of incurring losses due to adverse changes in the prices of securities, market interest rates, exchange rates and others. Components of the market risks are interest risk, associated with stock investments in shares, currency risk, and price risk, associated with investments in shares or other equity securities.

Interest rate risk, associated with investments in shares

The interest rate risk has two manifestations in terms of equity investments. First, interest rate risk is associated with a change in the cost of financing companies if the companies in which the Fund has invested use external financing. And second, interest rates reflect the discount rate used in the valuation using the discounted net cash flow method.

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.

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 two types of credit risk: counterparty risk of OTC counterparty default and settlement risk arising from the possibility that the mutual fund will not receive cash or financial instruments on settlement date after they have fulfilled their obligations to a counterparty under a given deal.

Operational risk
The possibility of incurring losses, associated with 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 of the Fund, 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 the staff and technological risks, while external operation risks include risks of the environment and physical interference. The management company adopts two-layer approach in managing operational risks, namely - a strategy for the management of operational risk in the long and short term. The management company adopts clear and precise rules and procedures for managing the activities of MF Advance Emerging Europe Opportunities. The rules and procedures regulate the organizational structure of the Fund in accordance with the adopted rules for the internal organization of the management company in its management activities, the responsibilities and powers of the persons involved in its management as well as the control mechanisms of the individual units in the organizational structure. The rules and procedures are formulated in accordance with the Fund's objectives and the regulatory framework for management companies and mutual funds. Thus, drafted and executed, these rules and procedures are aligned with the overall environment and delineate the long-term strategy of the Fund, which guarantees relevance, safety and resource support for operating processes – both in terms the human and technological factors.

Liquidity risk
Risk arising from possible losses due to sales of assets in adverse market conditions to meet unexpected short-term obligations. The liquidity risk of the Fund is managed in accordance with the adopted "Rules for Maintenance and Management of Liquidity of Advance Opportunities in New Europe".

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. The management company closely monitors the compliance with the limits for investments of the mutual fund.

2. Important post balance sheet events
No adjusting or significant non-adjusting events occurred between the date of the financial statements and the date of their approval for publication.

3. Expected future development

We remain positive for the Central and Eastern European region, which, despite the growth in stocks last year, remains the cheapest on a global scale. At the same time, the region shows very strong macroeconomic developments, being able to compensate for the decline in external demand due to delays in the main trading partners, with measures to increase domestic demand. In addition, the enchanced development rate of Eurozone, which is the main export destination of the region, will provide another channel for growth. Thus, the region is expected to grow twice as fast as more developed Europe. This will be reflected in further improvements in corporate results.

We remain positive about Poland, which is the largest and most developed market in the portfolio of the Fund, with the largest share in its assets. We expect that the good macroeconomic prospects in the region and the increasing confidence of the business will lead to increased demand for loans and, consequently, stronger performance of banks. We are particularly positive about the IT sector in the region as a whole due to the general trends as well as the expected new funding for European projects. We will also monitor the retail sector companies that we expect to continue to be beneficiaries of the increase in household disposable income. In addition, a number of industrial companies also present interest, as they will benefit from the expected strengthening of external demand. Given lower labor costs and the availability of highly skilled labor force, these companies have strong competitive advantages. We are positive for the automotive industry and the related industries due to the positive development of the economies and the boom of new car registrations in Europe Strengthening the pace of growth in the euro zone will improve the performance of export-oriented companies in the region as a whole, due to their strong competitive advantage given the much lower labor costs and total production costs, compared to companies from developed countries.

We will continue to apply the stock-picking approach, with the Polish market retaining its leading position due to the very wide variety of companies in different sectors traded on it as well as our positive expectations for the Polish economy and market.

Despite the significant growth rates of most of the regional markets, MSCI EFM Europe + CIS (E + C) ex RU is still at levels about 45% lower than the 2007 peak, the positive development of the economies and companies from the region makes them more underdeveloped compared to developed markets and to other emerging markets. Increasingly positive economic data for the region will place it on the radar of investors more often.

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 Act

The Funds equity as at 31 December 2017 is comprised of 1,754,997.2367 units with par value of EUR 1 per unit. In 2017 the Fund issued 825,764.5666 units and redeemed 541,641.7133. The number of shareholders changed during the period, reaching 207 as of the end of 2017, with 194 indviduals and 13 legal entities.

Equity at the amount of BGN 3,601 thousand consists of:
- Share capital: BGN 3,433 thousand;
- Share premium: BGN 885 thousand;
- Accumulated loss from prior periods: BGN (3,289) thousand;
- Retained earnings from prior periods: BGN 1,985 thousand;
- Current period's profit: BGN 587 thousand.

The Fund has not distributed dividends, and does not have registered branches. There are no restrictions on the Board members from the management company to purchase shares of the Fund.

In 2017, the Management Company elects specialized auditing company Grant Thornton OOD, reg. Number 032 to audit the annual financial statements for 2017. The remuneration is BGN 2,625.00 without VAT and is fully paid for independent financial audit.

6. Information pursuant to art. 73 of Ordinance 44 / 22.10.2011 for the requirements for collective investments schemes, management companies, national investment funds, and individuals, managing alternative investment funds

6.1 Changes in net assets and net asset value per share

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR
Net assets	1,841,100.82	1,275,754.75	1,478,220.33
NAV per share	1.0491	0.8673	0.8050

6.2 Remuneration policy of the management company

The management company discloses details for the remuneration policy and all subsequent changes in it to all interested parties, without disclosing any information whose confidentiality might be legally protected.

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 bonuses;
- 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 collective investment schemes, managed by the management company;
- remunerations related to pension or health insurance.

The remuneration policy applies to the remuneration of the following categories of staff:
- management;
- employees whose duties are associated with taking risks;
- employees whose duties are associated with internal control activities;
- all other employees whose total remuneration is comparable to the remuneration of management and those employees whose professional activities have an impact on the risk profile of the collective investment schemes, 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 the company as a whole and a thorough analysis of the results from management of the collective investment schemes, the results from management of an individuals' portfolios as a trustee, results from providing investment advice , and from 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 мanagement цompany has paid annual variable remuneration to the members of the Board of Directors with a total amount per person not exceeding 30 per cent of the total fixed remuneration and not exceeding BGN 30,000. The management company has reviewed and evaluated the current Remuneration Policy and assessed that 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	Average number of employees	Fixed remunerations BGN'000	Variable remunerations BGN'000
Management	5	376	97
Analytical staff	4	59	-
Applied professionals	3	41	-

06.03.2018

Daniel Ganev: __________
Executive Director
MC Karoll Capital Management EAD

Grant Thornton

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MF Advance Emerging Europe Opportunities** (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

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd
Audit firm

Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

19 March 2018
Bulgaria, Sofia

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 at fair value through profit or loss	5	3,289	2,312
Cash and cash equivalents	6	319	188
Current receivables	7	1	1
Total assets		**3,609**	**2,501**
Net assets, belonging to the shareholders			
Share capital	8.1	3,433	2,877
Premium reserve	8.2	885	922
Accumulated loss		(717)	(1,304)
Total net assets, belonging to the shareholders		**3,601**	**2,495**
Liabilities			
Current liabilities			
Related party payables	12.2	7	5
Current payables	9	1	1
Total liabilities		**8**	**6**
Total net assets, belonging to shareholders and liabilities		**3,609**	**2,501**

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 auditor's report, dated 19.03.2018

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

The accompanying notes on pages from 5 to 28 form an integral part of the financial statements

All amounts are presented in bgn'000, unless otherwise stated

	Note	For the year ending 31.12.2017	For the year ending 31.12.2016
Dividend income	10.1	69	76
Profit from operations with investments, net	10.2	550	227
Profit / (loss) from foreign currency exchange differences, net	10.3	73	(40)
Net profit from financial assets		**692**	**263**
Hired services expenses	11	(105)	(89)
Total operating expenses		**(105)**	**(89)**
Profit for the year		**587**	**174**
Total comprehensive		**587**	**174**

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ *ЕАД* СОФИЯ

Daniel Ganev: ______
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: ______
Chief Accountant
MC Karoll Capital Management EAD

Date: 06.03. 2018

Audited, according to auditor's report, dated 19.03.2018

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

ОДИТОРСКО ДРУЖЕСТВО София Рег. №032 ГРАНТ ТОРНТОН ООД

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 activities		
Cash payments for financial assets acquisition	(825)	(489)
Proceeds from sale of financial assets	472	917
Dividends received	68	76
Net cash flow from investing activities	**(285)**	**504**
Cash flows from non-specialized investment activity		
Cash payments related to trade counterparties	(21)	(20)
Cash payments related to the management company	(85)	(69)
Net cash flow from non-specialized investing activities	**(106)**	**(89)**
Cash flows from financing activities		
Proceeds from units issue	1,552	10
Payment for share repurchase	(1,030)	(593)
Net cash flow from financing activities	**522**	**(583)**
Net increase/(decrease) in cash and cash equivalents	**131**	**(168)**
Cash and cash equivalents at the beginning of the year (note 6)	**188**	**356**
Cash and cash equivalents at the end of the year (note 6)	**319**	**188**

Daniel Ganev: ______________
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: ______________
Chief Accountant
MC Karoll Capital Management EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ ЕАД * СОФИЯ

Date: 06.03. 2018

Audited, according to auditor's report, dated 19.03.2018

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

The accompanying notes on pages from 6 to 28 form an integral part of the financial statements

All amounts are presented in bgn'000, unless otherwise stated

	Share capital	Premium reserve	Accumulated loss	Total
Balance as at 1 January 2016	**3,591**	**790**	**(1,478)**	**2,903**
Issue of units	13	(3)	-	10
Repurchase of units	(727)	135	-	(592)
Transactions with unitholders	(714)	132	-	(582)
Profir for the year	-	-	174	174
Total comprehensive income for the year	-	-	174	174
Balance as at 31 December 2016	**2,877**	**922**	**(1,304)**	**2,495**
Issue of units	1,615	(66)	-	1,549
Repurchase of units	(1,059)	29	-	(1,030)
Transactions with unitholders	556	(37)	-	519
Profir for the year	-	-	587	587
Total comprehensive income for the year	-	-	587	587
Balance as at 31 December 2017	**3,433**	**885**	**(717)**	**3,601**

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 auditor's report, dated 19.03.2018

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Notes to the financial statements

1. General information

MF Advance Emerging Europe Opportunities (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 № 1410 – MF/7.11.2007 of FSC to organize and manage MF Advance Emerging Europe Opportunities. The Fund has been registered in the register according to art. 30, para 1, pt. 5 of FSCA. In 2015 the name of MF Advance IPO Fund has changed to MF Advance Emerging Europe Opportunities, with Decision №112-MF/23.02.2015, Decision №113-MF/23.02.2015 and №114-MF/23.02.2015.

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 Emerging Europe Opportunities chooses UniCredit Bulbank AD as a custodian bank that will hold dematerialized securities and cash of the Fund.

The public offering of units of MF Advance Emerging Europe Opportunities started on 23 November 2007. They are denominated in euro, with par value of 1 euro per unit.

The fund capital is a variable and may vary depending on the number of issued and offered for redemption units, but is always equal to the net asset value of the Fund. The number of units in circulation as at 31 December 2017 and 2016 is respectively 1,754,997.2367 and 1,470,874.3834.

1.1. Investment strategy of the Fund

The main goal is to increase the value of investments of the units of the Fund by realizing capital gains by assuming a moderate to high level of risk, and providing investment results through long-term growth in the value of its investments.

The Fund's investment portfolio is structured based on an active approach, on the grounds of investments in companies from the region of Central and Eastern Europe, primarily Poland, Czech Republic, Hungary, Estonia, Lithuania, Latvia. The Fund may also invest in equities of Austrian companies, whose revenues are mainly generated in the mentioned region. The policy of the Fund provides for active management of the portfolio of financial instruments and cash, investing in financial assets that can be purchased or sold, easily and without significant loss of value, as well as achieving sustainable and optimal growth in combination with risk mitigation. The investment strategy involves providing income in the form of capital gains and dividends. The Fund does not target specific industrial sector for its investments, and do not pursue result linked to some those of any market indexes.

Risk management is conducted by diversification of assets, such as the Management Company may apply appropriate strategies to avoid various risks when necessary.

The Fund will pursue an aggressive strategy in the event of more significant market disruptions or the risk of such management company can significantly reduce the weight of shares in the portfolio by maintaining higher balances in cash and bank deposits.

2. Basis for preparation of the financial assets

The financial statements of the Company 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).

The 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.

The 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 the accounting policy

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

The Fund 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 Fund's financial statements for the annual period beginning 1 January 2016:

- IAS 7 „Cash flow statement" (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 IFRSs 2014-2016 - IFRS12 "Disclosure of interest 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

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace 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 not change the classification of its financial assets. Management and experts of the management company are in the process of preparing the impairment models to be applied by the Fund in relation to the new requirements of IFRS 9.

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, 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 associaties and joint ventures" (amended), not yet deterimed date of enforcement, not yet adopted by the EU;
- IAS 14 „Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU;
- IFRS 15 „Revenue from contracts with customers" effective form 1 January 2018, adopted by the EU;
- IFRS 15 „Revenue from contracts with customers" (amended) effective form 1 January 2018, adopted by the EU;
- IFRS 16 „Leases" effective from 1 January 2019, adopted by the EU;
- IAS 28 „Investments in associaties and joint ventures" (amended) – Long-term interests in associaties 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 of IFRSs 2014-2016 – IFRS 1 "First time adoption of IFRS" and IAS 28 "Investments in associaties and joint ventures".

4. Accounting policy

4.1. Overall considerations

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 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:
(i) applies an accounting policy retrospectively,
(ii) makes a retrospective restatement of items in its financial statements, or
(iii) 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 2016, 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 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.

4.5.2 Net income from foreign exchange operations

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 4.00% 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 shareholders, 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 are borne directly by the individual investor / shareholder.

The Fund's units are purchased at their issue price, which is equal to the net asset value per share plus the cost of issuance, calculated as a percentage of net asset value per share as follows:

- 1.5% (1.5 percent) of the net asset value per unit for orders up to EUR 50,000.
- 1% (1.0 per cent) of the net asset value per unit for orders from EUR 50 000.01 to EUR 250 000.
- 0.5% (0.5 per cent) of the net asset value per unit for orders from 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.

Unitholders do not pay expenses for redemption of untis of the Fund.

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.

Subsequent daily valuation of financial instruments is carried out according to the accounting policy for valuation complying with the rules of portfolio valuation and determination of the net assets value of MF Advance Emerging Europe Opportunities, under Regulation №44 from 20 October 2011 for operation requirements for collective investment schemes, and closed-type investment companies and management companies (NIDKISIDZTUD), which are approved by the Financial Supervision Commission. Rules can be found on the website of the Fund - http://www.karollcapital.bg.

In the process of valuation of financial assets, the Fund is guided by the following principles:

- Financial assets held for trading are measured at fair value, which is their market price in all cases where they have such;
- when assets have no market price, fair value is determined using valuation models;
- the main criteria for establishing whether an asset has a market price is its liquidity.

Cash is measured at their 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.

4.8. Cash and cash equivalents

The Fund accounts for cash and cash equivalents available cash on hand 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, belonging to unitholders

The Fund is an open type collective investment scheme 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 16.

The estimation of the net asset value of the Fund shall be under the rules for determining the net asset value of the Fund, approved Resolution № 748 - DF of 30 August 2006 of the Financial Supervision Commission. In 2013 MC "Karoll Capital Management" EAD amended the 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 assets value per unit is the basis for determining the issue price and the repurchase of the untis of MF Advance Emerging Europe Opportunities, calculated every business day. The net assets value of the Fund is obtained by reducing the value of all assets from the value of liabilities. The net assets value of the Fund shall be declared in euro.

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

- the provisions of the accounting legislations;
- the provisions of the Act for the activities of collective investment schemes and other collective investment entities (ZDKISDPKI), published on 4 October 2011;
- Ordinance №44 - 20 October 2011 for the requirement for the activities of collective investment schemes, close-end investment entities and management companies (NIDKISIDZTUD);
- the rules and 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, considering the risks and uncertainties associated with the present obligation. Where there are several 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 an asset. 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 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 of the 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 at fair value through profit or loss

	Note	Fair value As at 31.12.2017	Fair value As at 31.12.2016
Shares in BGN	5.1	-	44
Shares in foreign currency	5.2	3,289	2,268
Total		**3,289**	**2,312**

5.1 Shares in BGN

Type of security	ISIN	As at 31.12.2017	% of total assets	As at 31.12.2016	% of total assets
Alterko AD	BG1100003166	-	-	44	1.77
Total		**-**	**-**	**44**	**1.77**

All amounts are presented in BGN'000, unless otherwise stated

5.2 Shares in foreign currency

Type of security	ISIN	As at 31.12.2017	% of total assets	As at 31.12.2016	% of total assets
Wizz Air Holdings PLC	JE00BN574F90	154	4.27	78	3.11
PKOBP	PLPKO0000016	135	3.74	63	2.50
Richter Gedeon Nyrt	HU0000123096	128	3.55	90	3.61
Alior Bank S.A.	PLALIOR00045	123	3.40	55	2.21
OTP Bank	HU0000061726	122	3.37	93	3.71
Central European Media Enterprises ltd.	BMG200452024	115	3.19	72	2.89
UNIPETROL AS	CZ0009091500	115	3.19	53	2.13
Tallink GRP	EE3100004466	110	3.05	80	3.21
Erste Group Bank AG	AT0000652011	106	2.93	82	3.26
Komercni Banka	CZ0008019106	105	2.91	48	1.92
Uniqa Insurance Group AG	AT0000821103	104	2.87	85	3.38
OMV AG	AT0000743059	103	2.86	85	3.41
Fortuna Entertainment Group. N.V	NL0009604859	102	2.83	62	2.48
Any Security Printing Go	HU0000093257	101	2.80	86	3.44
CD PROJEKT SA	PLOPTTC00011	100	2.77	70	2.78
Emperia Holding SA	PLELDRD00017	93	2.58	78	3.13
Kruk S.A.	PLKRK0000010	92	2.54	105	4.20
Mol Hungarian Oil And Gas PL	HU0000153937	91	2.52	-	-
Cyfrowy Polsat	PLCFRPT00013	87	2.42	55	2.18
LIVECHAT SOFTWARE SA	PLLVTSF00010	84	2.33	66	2.64
Alumetal S.A.	PLALMTL00023	83	2.31	68	2.72
KGHM POLSKA MIEDZ SA	PLKGHM000017	83	2.31	41	1.64
Polski Koncern Naftowy Orlen	PLPKN0000018	79	2.20	-	-
Tallinna Kaubamaja Gruoo As	EE0000001105	77	2.14	88	3.54
Moneta Money Bank	CZ0008040318	76	2.10	-	-
Pfleiderer Grajewo SA	PLZPW0000017	76	2.09	78	3.13
Pegas Nonwovens SA	LU0275164910	76	2.09	67	2.67
Powszechny Zaklad Ubezpieczen Spolka Akcyjna	PLPZU0000011	73	2.02	-	-
Olympic Entertainment Group	EE3100084021	71	1.96	70	2.78
Synthos	PLDWORY00019	69	1.90	-	-
CEZ AS	CZ0005112300	68	1.90	56	2.24
Polskie Gornictwo Naftowe I Gazownictwo Spolka AKC	PLPGNIG00014	65	1.80	-	-
Celon Pharma SA	PLCLNPH00015	60	1.65	-	-
Apranga PVA	LT0000102337	58	1.62	59	2.37
Fabryki Mebli Forte Spolka Akcyjna	PLFORTE00012	55	1.52	79	3.16
Neuca	PLTRFRM00018	50	1.39	69	2.77
Mol Hungarian Oil And Gas PL	HU0000068952	-	-	78	3.11
Amica Wronki SA	PLAMICA00010	-	-	66	2.64
ASSECO POLAND SA	PLSOFTB00016	-	-	43	1.72
Total		**3,289**	**91.12**	**2,268**	**90.68**

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

All amounts are presented in BGN'000, unless otherwise stated

Investments are allocated by countries are follows:

Country	ISIN	As at 31.12.2017	% of total assets	As at 31.12.2016
Poland	1407	38.97	935	37.40
Czech Republic	657	18.21	359	14.33
Hungary	442	12.24	425	16.99
Austria	313	8.66	252	10.06
Estonia	258	7.15	238	9.53
Great Britain	154	4.27	-	-
Lithuania	58	1.62	59	2.37
Bulgaria	-	-	44	1.77
Total	**3,289**	**91.12**	**2,312**	**92.45**

Investments are allocated by sectors are follows:

Sector	As at 31.12.2017	% of total assets	As at 31.12.2016	% of total assets
Banks	666	18.45	341	13.6
Oil and gas	374	10.37	216	8.67
Media	203	5.61	127	5.07
IT services	184	5.10	223	8.91
Healthcare	178	4.94	159	6.38
Insurance	177	4.89	85	3.38
Entertainment	173	4.79	132	5.26
Metallurgy	167	4.62	109	4.36
Air transportation	154	4.27	78	3.11
Chemichal industry	144	3.99	67	2.67
Tradeing	136	3.76	147	5.91
Furniture manufacturing	130	3.61	157	6.29
Sea transportation	110	3.05	80	3.21
Printing industry	101	2.80	86	3.44
Holdings	93	2.58	-	-
Financial services and real estate	92	2.54	105	4.20
Oil	79	2.20	-	-
Energy	68	1.90	56	2.24
Farmacy	60	1.65	-	-
Automotive industry	-	-	78	3.11
Consumer goods	-	-	66	2.64
Total	**3,289**	**91.12**	**2,312**	**92.45**

6 Cash and cash equivalents

	As at 31.12.2017	As at 31.12.2016
Cash on hand and in current accounts in BGN	267	71
Cash on hand and in current accounts in foreign currency	52	117
Total	**319**	**188**

The Fund does not have blocked cash and cash equivalents as at 31.12.2017 and 31.12.2016

7 Current receivables

	As at 31.12.2017	As at 31.12.2016
Dividend receivables	1	1
Total	**1**	**1**

The Fund has receivable for dividend, declared by Action (Poland).

8 Net assets belonging to unitholders

8.1 Number of units issued

Number and values of units issued

	Number of units EUR	Nominal value	Share capital (BGN'000)
As at 01.01.2016	**1,836,255.5678**	**1 EUR/unit**	**3,591**
Issued units 2016	6,488.1158	1 EUR/unit	13
Repurchased own units 2016	(371,869.3002)	1 EUR/unit	(727)
As at 31.12.2016	**1,470,874.3834**	**1 EUR/unit**	**2,877**
Issued units 2017	825,764.5666	1 EUR/unit	1,615
Repurchased own units 2017	(541,641.7133)	1 EUR/unit	(1,059)
As at 31.12.2017	**1,754,997.2367**	**1 EUR/unit**	**3,433**

8.2 Share premium

	2017 BGN'000	2016 BGN'000
Share premium as at 1 January	922	790
Change due to units issued	(66)	(3)
Change due to units repurchased	29	135
Share premium as at 31 December	**885**	**922**

8.3 Net asset value per share

Net asset value per share is the basis for determining the issue price and the repurchase price of units of MF Advance Emerging Europe Opportunities, calculated every work day. Net asset value of the Fund is presented in Bulgarian Lev. The most recent calculation and announced to investors and to the FSC net asset value per share, 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 share, 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 due to the fact that the Fund announces net asset value in EUR, this note is presented in EUR.

	31.12.2017	29.12.2017	31.12.2016	30.12.2016
Net asset value	1,841,100.82	1,836,851.46	1,275,754.75	1,275,928.66
Number of units in circulation	1,754,997.2367	1,754,997.2367	1,470,874.3834	1,470,874.3834
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per share	1.0491	1.0466	0.8673	0.8675
Issue price				
orders up to EUR 50 000 after "issue fee" of 1.5% of the net asset value	1.0648	1.0623	0.8803	0.8805
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	1.0596	1.0571	0.8760	0.8762
orders from EUR 250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	1.0543	1.0512	0.8716	0.8718
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 – no issuance fee.	1.0491	1.0466	0.8673	0.8675
Redemption price	1.0491	1.0466	0.8673	0.8675

9 Current payables

	As at 31.12.2017	As at 31.12.2016
Payables to the custodian bank	1	1
Total	**1**	**1**

All amounts are presented in BGN'000, unless otherwise stated

10 Revenue

10.1 Dividend income

	For the year ended 31.12.2017	For the year ended 31.12.2016
Dividend income from Polish issuers	23	23
Dividend income from Estonian issuers	14	24
Dividend income from Hungarian issuers	11	8
Dividend income from Czech issuers	9	9
Dividend income from Austrian issuers	9	9
Dividend income from Lithuanian issuers	3	2
Dividend income from Ukrainian issuers	-	1
Total	**69**	**76**

10.2 Gain from operations with investments, net

	For the year ended 31.12.2017	For the year ended 31.12.2016
Loss from operations with financial assets at fair value through profit or loss, (net)	(5)	(5)
Profit / (loss) from change in fair value of financial assets, (net)	555	232
Total	**550**	**227**

10.3 Gain / (loss) from exchange rate differences, net

	For the year ended 31.12.2017	For the year ended 31.12.2016
Gain on foreign currency revaluation of financial assets at fair value through profit or loss	615	637
Loss on foreign currency revaluation of financial assets at fair value through profit or loss	(528)	(671)
Foreign exchange operations – expense, net	(14)	(6)
Total	**73**	**(40)**

All amounts are presented in BGN'000, unless otherwise stated

11 Hired services expenses

	For the year ended 31.12.2017	For the year ended 31.12.2016
Remuneration of the management company	(83)	(69)
Remuneration of the custodian bank	(14)	(13)
Audit	(4)	(4)
Advertisement	(2)	(2)
Annual fees	(1)	(1)
Other	(1)	-
Total	**(105)**	**(89)**

Costs related to the Fund's activity represent 3.16% (2016 : 3.25%) of the average annual net asset value, according to the statement of financial position of the Fund.

12 Related parties

The Fund's related parties consist of the Management Company and the other mutual funds, manage by it.

12.1 Transactions for the period

	For the year ended 31.12.2017	For the year ended 31.12.2016
Remuneration to the management company (incl. also in note 11)	(83)	(69)
Transactions related to issued units (amounts payable to the management company)	(3)	-

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 issue of units, the Fund charges an issuing fee that is income for the Management Company and initially originates in the Fund, as part of the issue value. It is subsequently paid to the Management Company without being reflected in the Fund's comprehensive income.

12.2 Related party balances as at year end

	As at 31.12.2017	As at 31.12.2016
Payables to the management company	7	5
Total	**7**	**5**

Payables to the Management Company represent remuneration for the management activities for the month of December 2017 and as at the date of preparation of these financial statements are fully repaid.

All amounts are presented in BGN'000, unless otherwise stated

13 Non-monetary transactions

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

14 Contingent assets and contingent liabilities

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

15 Categories of financial assets and liabilities

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

Financial assets	**Note**	**As at 31.12.2017**	**As at 31.12.2016**
Financial assets at fair value through profit or loss:			
Shares	5	3,289	2,312
		3,289	**2,312**
Loans and receivables:			
Cash and cash equivalents	16	319	188
Current receivables	7	1	1
		3,609	**2,501**

Financial liabilities	**Note**	**As at 31.12.2017**	**As at 31.12.2016**
Financial liabilities at amortized cost			
Current liabilities			
Current payables	9	1	1
Related party payables	12.2	7	5
		8	**6**

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 16.

16 Risks related to financial instruments

Management policy and objectives regarding risk management

To adequately manage financial risk 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 must be conducted on a daily basis from the Risk Management Department of the management company.

Karoll Capital Management applies the 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 issueing units.

Liquidity risk can arise as a consequence from the low liquidity on the capital market as well as when there are unusually large orders for repurchase of shares which can lead to insufficiency of cash.

The Fund invests in equities, traded on an active stock market and when it is necessary it can provide cash and cash equivalents to repurchase own units within the statutory imposed 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 minimum 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 deposits and in current accounts, in order to meet liquidity needs. The portfolio manager monitors on a daily basis 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 to the date they are due.

	Until 1 month
As at 31 December 2017	
Current payables	
Total financial liabilities	8
Own units in circulation, measured at net value of one share as at year end	3,601
As at 31 December 2016	
Current payables	
Total financial liabilities	6
Own units in circulation, measured at net value of one share as at year end	2,495

The Fund's own units in circulation are subject of repurchase according to a decision of their owners.

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 amounts are presented in BGN'000, unless otherwise stated

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 and on a monthly basis by the Board of Directors.

Market risk is concentrated in the following positions:

	As at 31.12.2017		As at 31.12.2016	
	Fair value	% of net assets, valued using market price	Fair value	% of net assets, valued using market price
Financial assets at fair value through profit or loss	3,289	91.12	2,312	92.45
Total amount, exposed to market risk	**3,289**	**91.12**	**2,312**	**92.45**

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 presented in the statement of profit or loss and other comprehensive income. Such exposures are the monetary assets and liabilities of the Fund, denominated in currency other than BGN and EUR.

The investment strategy, that the management company followed 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 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 Emerging Europe Opportunities is exposed, suggesting that long-term exchange rate movements are not bound to each other and largely neutralized.

Given these arguments, in 2017 all currency exposures of the Fund were not hedged against unfavourable change in foreign exchange rates. Despite, the Management Company acknowledges the influence that short term deviations of exchange rates have on the net asset value per share, and with the objective to protect better the shareholders, it will consider the possibility of hedging certain currency positions, but only if hedging costs are not excessive.

Concentration of assets and liabilities in foreign currency, different from euro, and recalculated in BGN as at year end:

	Polish zloty	Czech krona	Hungarian forint	British pound
31 December 2017				
Financial assets	1,407	657	442	154
Total currency risk exposure	**1,407**	**657**	**442**	**154**
31 December 2016				
Financial assets	935	359	347	78
Total currency risk exposure	**935**	**359**	**347**	**78**

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

- Polish zloty (+/- 3.8%)
- Hungarian forint (+/- 4.3%)
- British pound (+/- 2.1%)
- Czech krona (+/- 3.74%)

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	**Increased exchange rate of BGN**		**Decreased exchange rate of BGN**	
	Net financial result	**Net assets**	**Net financial result**	**Net assets**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Polish zloty (+/- 3.8%)	(49)	(49)	49	49
Hungarian forint (+/- 4.3%)	(17)	(17)	17	17
British pound (+/- 2.1 %)	(3)	(3)	3	3
Czech krona (+/- 3.74%)	(23)	(23)	23	23

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.

All amounts are presented in BGN'000, unless otherwise stated

As at 31 December 2017	Until 1 month	Interest free assets and liabilities	Total
ASSETS			
Cash	318	1	319
Financial assets at fair value through profit or loss	-	3,289	3,289
Current receivables	-	1	1
Total assets	**318**	**3,291**	**3,609**
LIABILITIES			
Current payables	-	8	8
Total liabilities	**-**	**8**	**8**
Own units in circulation, measured using net value per share as at year end	-	3,601	3,601
Total amount, exposed to interest rate risk	**318**	**(318)**	**-**

As at 31 December 2017	Until 1 month	Interest free assets and liabilities	Total
ASSETS			
Cash	187	1	188
Financial assets at fair value through profit or loss	-	2,312	2,312
Current receivables	-	1	1
Total assets	**187**	**2,314**	**2,501**
LIABILITIES			
Current payables	-	6	6
Total liabilities	**-**	**6**	**6**
Own units in circulation, measured using net value per share as at year end	-	2,495	2,495
Total amount, exposed to interest rate risk	**187**	**(187)**	**-**

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.

All amounts are presented in BGN'000, unless otherwise stated

The Fund measured general price risk of the investment portfolio through the historic volatility of the net asset value per share, which is measured by the standard deviation. As at 31 December 2017 and 31 December 2016 price risk indicators are calculated as follows:

		2017		2016	
Name	**Currency**	**Average return (annualized)**	**Standard deviation**	**Average return (annualized)**	**Standard deviation**
MF Advance Emerging Europe Opportunities	EUR	7.42%	19.25%	7.92%	11.14%

The asset management company assesses and monitors the price risk of individual positions through the historical volatility of the shares in the Fund's portfolio as measured by the standard deviation.

Credit risk

Exposure of the Fund 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 at fair value through profit or loss		
Shares:	3,289	2,312
	3,289	**2,312**
Loans and receivables:		
Cash and cash equivalents	319	188
Current receivables	1	1
	3,609	**2,501**

The management company believes that all of the above-described financial assets that are not impaired during the presented reporting periods, are financial assets with good credit quality, including those with maturity past due.

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.

All amounts are presented in BGN'000, unless otherwise stated

The management company of the Fund measures and assesses the counterparty risk and the 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 Fund as most of the transactions are concluded under DVP terms of settlement.

During the period no investments have been made in debt securities that could expose it to investment credit risk.

17 Fair value measurement of financial 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.

Financial assets and liabilities measured at fair value in the statement of financial position are grouped in three levels in accordance with the fair value hierarchy based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- 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 level within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement.

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

As at 31.12.2017	**Level 1**
Financial assets at fair value through profit or loss	
- shares	3,289
Total	**3,289**

As at 31.12.2016	**Level 1**
Financial assets at fair value through profit or loss	
- shares	2,312
Total	**2,312**

18 Policies and procedures for management of the net assets belonging to shareholders

The objectives of the management company regarding capital management are

- achieve profitability with minimum risk for investors;
- maintain high liquidity for timely repayment of obligations to investors that could arise when repurchasing shares;
- 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	3,601	2,495
Debt	8	6
- Cash and cash equivalents	(319)	(188)
Net debt	**(311)**	**(182)**
Net assets to net debt ratio	**1:(0.09)**	**1:(0.07)**

19 Post report date events

By decision of Board of directors of the management company from 2 February 2018, the remuneration fee, paid by MF Advance Emerging Europe Opportunities to the management company, is changed from 2.5% to 1.5% from the average net asset value of the Fund.
The Board voted for decision to decrease the costs for independent audit, custodian bank remuneration fees, supervisory fees, membership fees and other expesnes, related to the Fund's activities, to 1% of the average net asset value, according to the adopted Rules.
Changes have been approved by FSC by Decision 197 – DF/26.02.2018.
No adjusting events have occurred brtween the reporting date and the date of authorization of these financial statements.

20 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 6 March 2018.

КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

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