Annual Activity Report
Independent Auditor's Report
Financial Statements

Management Company
Karoll Capital Management EAD

31 December 2022

karoll
CAPITAL MANAGEMENT

Contents

ANNUAL MANAGEMENT REPORT OF KAROLL CAPITAL MANAGEMENT EAD

1. History and development of the Management company

Karoll Capital Management EAD is registered in Bulgaria with Decision № 1 dated 2 Sep 2003 of the Sofia City Court. As of 31 Dec 2022, the Company's share capital is BGN 900 000, divided into 10,000 ordinary registered shares with voting rights, with a nominal value of BGN 90. The Company has a three-member Board of Directors.

The Company is subject to regulation by the Financial Supervision Commission (FSC). Karoll Capital Management EAD is authorised by a resolution 328-UD of the FSC, dated 21 Aug 2003, to carry out operations within the meaning of the Public Offering of Securities Act. The license was complemented by a decision 115-UD of the FSC, dated 14 Feb 2006, pursuant to the amended Public Offering of Securities Act. In 2019, the Company renewed its license pursuant to the last amendments of art. 86 of the Collective Investment Schemes and Other Collective Investment Enterprises Activity Act and now holds license № 63-UD/25.09.2019 which covers:

- Management of the activities of collective investment schemes, including:
    - Managing the investments;
    - Administration of funds' own units, legal services, bookkeeping services related to asset management, handling information requests from investors, asset revaluation, calculation of NAV and issuance price, controls over compliance with laws and regulations, risk management, keeping the book of unit-holders, in the case of managing a collective investment scheme originating in another Member State, distribution of dividends and other payments, issuance, sale and redemption of units, satisfying performance obligations for agreed contracts, record keeping;
    - Marketing services.
- Complementary services:
    - Managing the activities of national investment funds (NIFs);
    - Management in accordance with a portfolio contract concluded with a client, including the portfolio of a collective investment undertaking, comprising of financial instruments, at its own discretion, without special orders from the client.
    - Investment consulting regarding financial instruments.
    - Safeguarding and administration of units of other collective investment undertakings.

In 2022, by Decision No. 226-AIFM/29.03.2022 of the Financial Supervision Commission, the management company was entered in the register maintained by the same as a person managing alternative investment funds.

Karoll Capital Management EAD offers individual portfolio management, in accordance with a contract, without special orders from the client (discretionary management). The total value of the portfolios managed as of 31 December 2022 is BGN 43.5 million.

Karoll Capital Management distributes in Bulgaria units of collective investment schemes, organised and managed by „Schroder Investment Management" (Europe). The total value of assets in CISs organized and managed by „Schroder Investment Management" (Europe) as of 31 December 2022 is BGN 79.1 million.

In 2022, Karoll Capital Management EAD manages four collective investment schemes:

- Advance Invest Mutual Fund, licensed with a permit to operate by the FSC with decision N 561 - ID of 22.12.2003 and subsequent decision N 736 - DF of 03.10.2013. The Fund invests in shares of companies from the Balkan countries - EU members - Bulgaria and Romania. The public offering of securities of Advance Invest started on May 10, 2004. The net value of the managed assets in the Fund as of 31 December 2022 amounts to BGN 10.7 million.

- Mutual Fund Advance Eastern Europe, organized and managed by the Company with decision № 29-DF of 31.08.2006 of the FSC. The fund invests in the capital markets of Eastern Europe: Bulgaria, Romania, Croatia, Russia, Turkey and Greece. The public offering of securities of Advance Eastern

Europe started on October 4, 2006. The net value of the managed assets in the Fund as of 31 December 2022 amounts to BGN 2.6 million.

- Mutual Fund Advance Emerging Europe Opportunities, organized and managed by the Company with decision № 1410-SF of November 7, 2007 of the FSC and subsequent Decision № 112 - SF / 23.02.2015, Decision № 113 - SF / 23.02. 2015 and Decision № 114 - SF / 23.02.2015. The Fund invests in shares of companies from the region of Central and Eastern Europe, mainly in Poland, the Czech Republic, Hungary, Austria, Lithuania and Estonia. The public offering of securities of the Advance Emerging Europe Opportunities started on November 23, 2007. The net value of the managed assets in the Fund as of 31 December 2022 amounts to BGN 21.4 million.

- Mutual Fund Advance Global Trends, organized and managed by the Company with decision № 353-DF of 08.06.2011 of the FSC. The fund has a global focus and invests in exchange-traded funds, mainly in the United States and Europe, and in collective investment schemes admitted to public offering in the EU. The public offering of securities of Advance Global Trends started on 01.07.2011. The net value of the managed assets in the Fund as of 31 December 2022 amounts to BGN 2.7 million.

In 2022 Karoll Capital Management obtained permission to organize and manage the National closed-end mutual fund Advance Alternative Fund by decision No. 225-NIF/29.03.2022 of the FSC. Simultaneously with the issuance of the authorisation and the entry of the Fund in the FSC register, the management company was registered as an alternative investment fund manager. The designated focus of the Fund was investments in fast growing private companies and private equity funds in Bulgaria and Eastern Europe. The public offering (subscription) to subscribe for 41,000,000 units of the initial capital raising of NDF Advance Alternative Fund carried out by the management company was unsuccessful. Within the subscription period, the minimum number of units - 10 000 000 ordinary, dematerialised, registered, freely transferable units with a nominal and issue value of EUR 1 - was not subscribed in order for the subscription to be considered successful. In 2023, by decision No. 197 - NIF/14.02.2023, the Financial Supervision Commission revoked the authorization to organize and manage a national closed-end mutual fund, Advance Alternative Fund, due to the refusal of Carol Capital Management from the same, and by the same decision the FSC removed the Fund from the register maintained by it.

2. Operating result of the Company in 2022

In 2022 Karoll Capital Management EAD realized revenues from operating activities in the amount of BGN 1,768 thousand (2021: 1,961 thousand), formed by:

- remuneration for management of collective investment schemes at the amount of BGN 724 thousand;
- remuneration under management contracts at the amount of BGN 226 thousand;
- distribution of Schroders Funds in the amount of BGN 818 thousand;

Financial revenues at the amount of BGN 428 thousand are formed by profits from operations with financial assets at the amount of BGN 413 thousand, revenues from foreign exchange operations - BGN 3 thousand, and revenues from financing – BGN 12 thousand. Financial costs at the amount of BGN 401 thousand are formed by losses from operations with financial assets at the amount of BGN 390 thousand, expenses from foreign exchange operations - BGN 3 thousand, and other financial expenses - BGN 8 thousand. For the same period the operating expenses of Karoll Capital Management EAD amount to BGN 1,805 thousand. The final financial result for the reporting period is a loss of BGN 9 thousand.

The company meets all regulatory requirements for liquidity and capital adequacy.

Indicator	Statutory minimum (%)	Reported (%)
Equity to minimum capital	100	746.70%
Minimum liquid assets to current liabilities	100	497,30%

The past year 2022 turned out to be the worst for global capital markets in decades. Equities lost more than $33 trillion in market capitalisation and bonds had their worst year in a century. The insidious combination of a bear market in stocks and in bonds dealt a heavy blow to investors' portfolios. The waning Covid-19 pandemic has been replaced by a host of geopolitical and economic problems - roiling inflation and interest rate hikes by central banks, Russia's invasion of Ukraine, the looming global recession, and more. One of the few asset classes with positive returns was commodities.

After the Russian Federation launched a military offensive against Ukraine on 24 February 2022, a large part of the international community, including the European Union, the UK, the US, Japan and others, imposed sanctions on the Russian Federation. Prior to the invasion, one of the mutual funds managed by the Company, Advance Eastern Europe Mutual Fund, had exposures to Russian securities issuers, which represented 48.95% of its total assets. By resolution of the Board of Directors of the Management Company, as of 28.02.2022 MF Advance Eastern Europe stopped accepting orders for and executing transactions in units due to lack of access to a market on which a substantial part of the Fund's assets are traded.

In addition to the direct effect of the situation in Ukraine, the Company is also exposed to its impact through the appreciation of raw materials and energy sources, which has led to significant inflation in the Eurozone and the U.S. As a result, the Federal Reserve, the European Central Bank and the Bulgarian National Bank have repeatedly increased their key interest rates through 2022 in an attempt to contain rising consumer prices.

Global equities, as represented by the MSCI ACWI Index, ended 2022 with a decline of 14.5% (in euros). The broad US S&P 500 index lost 19.44% over the same period. In Europe, the German DAX index posted an annual return of -12.35%. Amid double-digit losses for most emerging markets over the year, Turkey (BIST30) stood out as the champion with an astonishing appreciation of +109.7% in dollar terms. In the Balkans, Greece also finished in positive territory (+4.08% for the ASE index), while Bulgaria (SOFIX) lost 5.38% and Romania (BET) - 10.70%.

In terms of realized return by Karoll Capital Management's funds in 2022, the performance was as follows:

- MF Advance Invest: +2.84%
- MF Advance Eastern Europe: -28.77%
- MF Advance Emerging Europe Opportunities: -16.20%
- MF Advance Global Trends: -13.28%

For another year, almost all funds managed by Karoll Capital Management managed to beat the benchmark indices they are compared to. The traditional top performer among local funds, Advance Invest, a fund focusing on Bulgaria and Romania, came in second. The Trust portfolios also outperformed the benchmark indices in all risk categories.

There continues to be strong client interest in individual portfolio management services, where we provide access to a large number and variety of strategies, assets, regions and sectors around the world through exchange traded funds (ETFs) and active mutual funds. It has also been a dynamic year in the Karoll Capital Management offering of the funds of our global partner Schroders, where we celebrated 10 years of cooperation. Once again, we reported strong interest in investing in the funds of the British management company, mainly from individual investors. The savings plans with Schroders funds are also enjoying interest.

The main priorities over the past year have been the excellent customer service of Karoll Capital Management, technological development, effective participation in professional organizations in the industry, in the development of legislation and market infrastructure, and last but not least - corporate social responsibility with a focus on educational initiatives.

3. Main risks for the Management Company

The main risks to the activity of the management company are described in detail in the Risk Management Rules of Karoll Capital Management EAD.

The management company distinguishes the following types of risks, related to activities, procedures and systems:

1. Internal - related to the organization of work of the Management Company, which consists not limited to:

a) Risks related to the staff.
b) Risks related to the processes.
c) Risks associated with the systems.

2. External - related to macroeconomic, political, and other factors that affect or may affect the activities of the Management Company. They consist of, but are not limited to:

a) Risk related to the surrounding environment.
b) Risk of physical interference.

4. Financial instruments used by the Company

Categories of financial instruments

The book values of the financial assets and liabilities of the Company can be presented in the following categories:

Financial assets	**As of 31.12.2022**	**As of 31.12.2021**
Financial assets at fair value through profit or loss		
Shares	205	41
Units of collective investment schemes	754	894
	959	**935**
Financial assets at amortized cost:		
Trade and other financial receivables	295	290
Receivables from related parties	61	65
Cash and cash equivalents	535	583
Total	**891**	**938**

Financial liabilities	**As of 31.12.2022**	**As of 31.12.2021**
Current liabilities:		
Trade and other payables	24	59
Liabilities to related parties	22	18
	46	**77**

Objectives and policy for financial risk management

The main financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

Risk management is carried out on the principle of centralization and is structured according to the levels of competence as follows:

- Board of Directors - determines the acceptable levels of risk within the Company's strategy, as well as adopts and approves adequate rules and procedures for risk management.
- Executive director - controls adherence to accepted limits, as well as organizes the proper channelling of adopted risk management rules and procedures in the day-to-day operations.
- Risk Management Department - measures, monitors, manages, and controls the risks in the process of portfolio management for the Company.

Market risk

Market risk is a systemic (total) risk that affects the value of all assets. It arises from the characteristics of the macroeconomic environment and the state of the capital market in the country, operates outside the company - issuer and in principle cannot be diversified. Market risk consists of currency, interest rate and other price risk. The main methods for limiting systemic risk and its individual components are the collection and processing of information on the macroeconomic environment, and on this basis forecasting and compliance of investment policy with the expected dynamics of this environment. All investments in securities can create a risk of capital loss.

Currency risk

The Company is exposed to currency risk when it conducts transactions with financial instruments denominated in foreign currency. When making transactions in foreign currency, income and expenses arise from foreign exchange transactions, which are reported in the statement of comprehensive income. Such exposures are the monetary assets and liabilities of the Company denominated in currencies other than BGN and EUR. During the presented reporting periods the Company has not been directly exposed to currency risk, as it has not had monetary assets denominated in currencies other than BGN and EUR. To the extent that a large part of the Company's investments in financial assets measured at fair value are exposed to currency risk due to their own investments denominated in currencies other than EUR and BGN, the Company is indirectly exposed to currency risk.

Interest rate risk

The activity of the Company is subject to risk of fluctuations in interest rates to an insignificant extent. The value of interest-bearing assets with a fixed interest rate changes as a result of changes in market interest rates. For assets with floating interest rates, the Company is exposed to interest rate risk as a result of a change in the interest rate index to which the respective financial instrument is linked.

As of 31 December 2022, the Company is not exposed to the risk of changes in market interest rates.

Other price risk

The Company defines price risk as the risk of a decline 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. These investments are constantly monitored. The equities held by the Company give voting rights in the issuers' General Meetings of the Shareholders.

	ISIN	**Issue currency**	**As of 31.12.2022**	**As of 31.12.2021**
Advance Equity Holding AD	BG1100033064	BGN	205	41
MF Advance Opportunities in New Europe	BG9000023077	EUR	647	771
MF Advance Global Trends	BG9000002113	EUR	107	123

Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligation to the Company. The company is exposed to this risk in connection with various financial instruments, such as receivables from customers, deposit of funds, investments in securities and others.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as follows:

	As of 31.12.2022	**As of 31.12.2021**
Marketable equities	205	41
Units of collective investment schemes	754	894
Trade and other financial receivables	295	290
Receivables from related parties	61	65
Cash and cash equivalents	535	583
Book value	**1,850**	**1,873**

As of the date of the financial statements, none of the trade and other financial receivables or other assets of the Company have expired.

Liquidity risk

According to the requirements of Ordinance 44 of the FSC, the Management Company must maintain at all times minimum liquid assets, including cash on hand, in current accounts and on deposit in a bank, which is not in insolvency proceedings, government securities and mortgage and municipal bonds that have market price, not less than the amount of its current liabilities with maturity of up to 3 months.

The company estimates cash flows from remuneration for management of managed mutual funds for up to 1 month. Available cash resources and trade receivables do not exceed current cash flow needs.

According to the concluded individual portfolio management contracts (trust management) and according to the concluded contracts for distribution of Schroders funds, all cash flows are due within one month.

5. Significant events that occurred after the annual accounting closing

No adjusting events or significant non- adjusting events have occurred between the date of the financial statement and the date of its approval, except for the following non- adjusting event.

By resolution of the Board of Directors of the Management Company dated 4 November 2022, following the approval by the FSC of the amended fund rules, the Advance Eastern Europe Mutual Fund was transformed through the separation of share classes, creating a new share class - Class B, to which assets affected by restrictions on the functioning of and access to the market on which the securities of issuers from Russia are traded are attributed, dividend receivables thereon, blocked cash from dividends paid by Russian issuers, and unrestricted cash required to meet projected expenses inherent in the new Class B for its lifetime. The demerger of the classes was effectively made on 03.01.2023. The existing issue of units has been converted into Class A units of the Fund. Units of the new Class B have been distributed ex officio and gratuitously to investors in the ratio of 1:1 to the existing units of the unitholders of the Fund prior to the transformation. As a result, each Unitholder in the Fund received ex officio as many Class B Units as Class A Units they already held.

The Management Company has resumed the issuance and redemption of Class A Units with effect from 05.01.2023 when it resumed accepting orders for and executing transactions in Class A Units of Advance Eastern Europe. The Management Company has resumed the calculation of the NAV, NAV per unit, issue value and redemption price of the Class A units of the Fund with effect from 04.01.2023.

6. Expected future development of the Company

The investment community is once again facing a challenging environment and risk factors in the context of the year-long war in Ukraine, runaway inflation and interest rate hikes by central banks that are poised to drive economies into recession. On the other hand, for the first time in years, capital market dynamics also offer a number of opportunities such as attractive yields on bond instruments.

In 2023, Karoll Capital Management aims to offer to its clients the best possible portfolio management and client service - factors that are a prerequisite for long-term success based on the accumulated solid experience over the years. The main task is to focus the activity on the individual expectations and needs of the client. Our expectation is to attract a number of new customers for the products and services offered. The broad product palette of our partners Schroder Investment Management, to which we periodically add new strategies, will be a focus of our marketing strategy. We will also focus on the technological development of the Company in terms of adding online functionalities for remote service to individual customers.

The still zero interest rates on bank deposits and the improving financial culture in the society favour the demand of households and companies for ways to channel their savings to investments in the capital markets. Our strategy is precisely in response to this new reality in the country. At the forefront is the managed accounts service, where the investment specialists of Karoll Capital Management work more closely with individual clients to provide them with personal global solutions according to their risk profile and preferences.

In the long run, Karoll Capital Management aims to take a leading position among the management companies in Bulgaria, and a worthy place in the region. The Company will offer its portfolio management services to various types of institutional and individual investors - local and international, including pension funds, universities and foundations, individuals, and legal entities. The investment focus of the managed products, as before, will cover a wide range of markets in Eastern Europe and around the world. In addition, the strategy includes offering local clients an increasingly rich palette of investment products, managed by our global partners.

7. Research and development activities

The specificity of the subject of activity of the Management Company does not imply the development of research and development in the traditional sense of the term. The innovations in the activity of Karoll Capital Management EAD will be related mainly to the development and improvement of the processes and methods for asset management and customer service, including through the implementation of modern software solutions in these areas. The company is currently developing an online module through which remote clients will be able to enter into contracts with the management company to invest in Schroders managed funds and fund of funds, place subscription and redemption orders for the funds and monitor their investment portfolio, activity and performance.

8. Information pursuant to Art. 187d and art. 247 of the Commerce Act

In 2003, Karoll Capital Management EAD was established with a capital of BGN 100,000, divided into 1,000 ordinary registered voting shares with a nominal value of BGN 100. In 2005 the Company increased its capital by BGN 150,000 with funds from the sole owner and distribution of the profit from previous years. In 2006 the Company increased its capital by BGN 300,000 by distributing the profit from previous years and general reserves. In 2008 the Company increased its capital by another BGN 450,000 to a total of BGN 1 million. In 2017, the Company reduced its capital by BGN 100,000, reducing the nominal value of one share to BGN 90. With the reduction of the capital, part of the accumulated losses from previous years are covered. As of 31 December 2022, the capital of the Company is BGN 900 thousand, distributed in 10,000 ordinary registered voting shares, with a nominal value of BGN 90. The sole and ultimate owner of the capital is Stanimir Karolev. The Company's shares are registered in Central Depository AD as dematerialized. The Company is entered in the Commercial Register with UIC 131134055. It has a three-member Board of Directors. The Company is represented jointly by the executive director and the procurator. As of 31 December 2022, the members of the Board of Directors are: Stanimir Karolev - Chairman of the Board of Directors, Konstantin Prodanov - Deputy Chairman of the Board of Directors and Daniel Ganev - Executive Director.

Remuneration of the Board of Directors and procurator, received in 2021 under employment contracts amount to BGN 395 thousand.

There are no restrictions on the rights of the members of the Board of Directors to acquire shares of the Company.

Stanimir Karolev owns more than 25 percent of the capital of Karoll AD, Drakar OOD, Mebelor OOD, Karoll Finance EOOD, Nettelkom EOOD, Karoll Standard EOOD, and Karoll Investment EAD and participates in the management of Karoll Investment EAD, Karoll AD, Karoll Finance EOOD and Karoll Knowledge Foundation.

Bistra Kotseva participates in the management of the "Everything for Personal Finance Foundation and Gradus AD.

Konstantin Prodanov participates in the management of "Bravo Property Fund" REIT.

In 2022 The company chooses the auditing company Grant Thornton Ltd. with registration number 032 to audit the annual financial statements for 2022. The agreed remuneration amounts to BGN 4 thousand without VAT and is entirely for independent financial audit for statutory purposes.

9. Announcement regarding the Remuneration Policy of the Management Company

The Management Company discloses to all interested parties, details of the applied remuneration policy and any subsequent changes in it, without disclosing information that is a secret protected by law.

The remuneration policy covers all forms of remuneration paid by the management company, as well as all amounts paid directly by the managed collective investment schemes, including:

- wages.
- any financial incentives, incl. fees for achieved results.
- other material incentives, incl. any transfer of units or shares of collective investment schemes for the benefit of employees, as well as for the benefit of any other employee, whose total remuneration is comparable to the remuneration of those employees and whose professional activities affect the risk profile of the collective investment undertakings managed by the management company.
- benefits related to pension and health insurance.

The remuneration policy applies to the remuneration of the following categories of staff:

- executives.
- employees whose activities are related to risk-taking.
- employees performing control functions.
- all other employees whose remuneration is commensurate with the remuneration of executives and employees whose activities involve risk-taking and whose professional activities affect the risk profile of the collective investment schemes, managed by the Company.

Remuneration is formed in such a way that it does not impair the independence of employees, and they are not placed in a situation where the approval of a transaction, decision-making or advice on issues, affecting risk and financial control, are directly related to the increase of the remuneration. Remunerations are formed so that there is no direct relationship between the remuneration of the persons, performing mainly one activity, and the remuneration of the persons, performing mainly another activity for the Management Company, or the income realized by the latter.

In cases, where the remuneration is linked to the results of the activity, its total amount is based on a combination of the assessment of the results of the individual and the organizational unit in which the employee works, or the relevant collective investment scheme or other investment product, taking into account their risk profile, as well as the overall results of the Management Company.

The Management Company, in order to determine the variable remuneration of its employees, has evaluated the results of the company as a whole and a thorough analysis of the results of the management of collective investment schemes, the results of trust management of individual portfolios, and the distribution of collective investment schemes, managed by other management companies. The quantitative and qualitative criteria set out in the Company's Remuneration Policy have been used to assess performance and the Company's financial position has been determined by reference to the indicators set out in the Policy.

There are no remunerations paid directly by a collective investment scheme itself, including a performance fee. The Management Company has paid annual variable remuneration to employees on managerial positions with a total amount per the respective person, not exceeding 30 percent of its total permanent remuneration and not exceeding BGN 30,000.
The Remuneration Policy was reviewed on 28 January 2022 by two members of the Board of Directors who have not been assigned management responsibilities and who have experience in risk and remuneration management. As a result of the review, it has been determined, that the applied rules, provided for in the Remuneration Policy, comply with the requirements of the law. A periodic review has also been performed by the Head of the Regulatory Compliance Department, during which it has been determined, that the rules set out in the Remuneration Policy are adhered to and applied by the responsible employees. No amendments to the Remuneration Policy were adopted in 2022.

Total gross remuneration for the financial year 2022 paid by the management company to its employees:

Staff category	Average number of employees	Permanent remuneration thousand BGN	Variable remuneration thousand BGN	Pension and health insurance thousand BGN
Executives	11	565	76	5
Employees, whose activities involve risk-taking	4	212	55	3
Employees performing control functions	3	97	10	3
Employees whose remuneration is commensurate with the remuneration of executives and employees whose activities involve risk-taking and whose professional activities affect the risk profile of the collective investment schemes managed by the management company	-	-	-	-
All other employees outside the above categories	6	183	42	4

10. Disclosure for sustainable investments under Article 6 of Regulation 2019/2088

Karoll Capital Management EAD has adopted a policy of integrating sustainability risks into its investment decision-making process in order to invest responsibly both on behalf of and for the account of the managed collective investment schemes and in carrying out the activities of fiduciary management of individual portfolios and distribution of financial instruments. The management company shall take sustainability risks into account in its investment decision-making process as these risks affect the risk of investments and therefore their return. The Management Company applies the principles of responsible investment and sustainability in the management of assets, using sustainable finance assessments and indicators from external providers in screening and identifying the main adverse sustainability impacts as part of the investment process. Where such external assessments are not available, the Management Company applies an internal assessment of factors based on a proprietary model that takes into account both the criteria themselves and the specifics of the sectors in which companies operate and their ability to collect and disclose information about their sustainability and social responsibility actions.
Although a significant proportion of the investments made on behalf of and for the account of managed collective investment schemes and/or trustees, and a significant proportion of the products distributed, could comply with the sustainable investment principles, the financial products offered and/or distributed by the management company are not fully compliant with the EU criteria for environmentally sustainable economic activities. Therefore, the management company does not have any environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 29 November 2019 on sustainability disclosures in the financial services sector.

11. Company's Offices

Karoll Capital Management EAD offers the possibility of receiving orders for subscription and redemption of managed and distributed shares of collective investment schemes of investors in the office in Sofia, 1 Zlatovrah Str.

20.03.2023

Executive Officer: / Daniel Ganev /

Procurator: / Bistra Kotseva /

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

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INDEPENDENT AUDITOR'S REPORT

To the sole shareholder of
Karoll Capital Management EAD
57 Hristo Botev Str., Sofia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Karoll Capital Management EAD (the Company), which comprise the statement of financial position as at 31 December 2022 and 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 2022 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 Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for 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 EU 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;
(b) the management report is prepared in accordance with the applicable legal requirements; and
(c) 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

23 March 2023
Bulgaria, Sofia, 26, Cherni Vrah Blvd.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

	Note	As at 31.12.2022	As at 31.12.2021
Assets			
Non-current assets			
Machinery and equipment	5	25	18
Intangible assets	6	29	-
Deferred tax assets	7	1	-
Non-current assets		**55**	**18**
Current assets			
Financial assets at fair value through profit or loss	8	959	935
Trade and other finance receivables	9	295	290
Related party receivables	23	61	65
Prepayments and other assets	10	33	40
Cash and cash equivalents	11	535	583
Current assets		**1,883**	**1,913**
Total assets		**1,938**	**1,931**
Equity and liabilities			
Equity			
Share capital	12.1	900	900
Reserves	12.2	100	100
Retained earnings		830	839
Total equity		**1,830**	**1,839**
Liabilities			
Current liabilities			
Trade and other payables	15	56	59
Employee and social security payables	13.2	30	15
Related party payables	23.2	22	18
Total liabilities		**108**	**92**
Total equity and liabilities		**1,938**	**1,931**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Stoyka Koritarova:
Chief Accountant

Bistra Kotseva:
Procurator
Karoll Capital Management EAD
Date: 20 March 2023

With an audit report from 23 March 2023

Silvia Dinova
Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Mariy Apostolov, Managing partner
Grant Thornton Ltd.
Audit firm

All amounts are in thousands of Bulgarian levs, unless otherwise stated

	Note	For the year ending December 31 2022	For the year ending December 31 2021
Revenue	16	1,768	1,961
Cost of material	17	(38)	(20)
Hired services expenses	18	(350)	(338)
Employee benefits expense	13.1	(1,379)	(931)
Depreciation of non-financial assets	5,6	(10)	(3)
Other expenses	19	(28)	(34)
Profit / (loss) from operating activities		**(37)**	**635**
Net gain / (loss) from operations with financial assets at fair value through profit or loss	20	23	7
Financial costs , net	21	4	(8)
Profit / (loss) before taxes		**(10)**	**634**
Income tax income / (expense)	22	1	(65)
(Loss) / profit for the year		**(9)**	**569**
Total comprehensive (loss) / income for the year		**(9)**	**569**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief Accountant

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Bistra Kotseva:
Procurator
Karoll Capital Management EAD
Date: 20 March 2023

With an audit report from 23 March 2023

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov, Managing partner
Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
София
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The notes on pages 5 to 29 form an integral part of these financial statements.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

	Note	For the year ending December 31 2022	For the year ending December 31 2021
Cash flows from operating activities			
Proceeds from managed funds		735	680
Proceeds from customers		1,099	1,335
Payments to suppliers		(489)	(424)
Payments to employees and social security institutions		(1,347)	(937)
Income tax payments		(5)	(53)
Payments for other taxes		(50)	(89)
Proceeds related to operations with foreign currency		2	1
Payments related to operations with foreign currency, commissions and other		(2)	(10)
Other operating proceeds		17	1
Other operating payments		(8)	-
Net cash flows from operating activities		**(48)**	**504**
Net change of cash and cash equivalents		**(48)**	**504**
Cash and cash equivalents, beginning of year	11	583	79
Cash and cash equivalents, end of year		**535**	**583**

Daniel Ganev:
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief Accountant

КАПИТАЛ МЕНИДЖМЪНТ КАРОЛ
СОФИЯ
ЕАД

Bistra Kotseva:
Procurator
Karoll Capital Management EAD

Date: 20 March 2023

With an audit report dated 23 March 2023

Silvia Dinova
Registered auditor responsible for the engagement

Mariy Apostolov, Managing partner
Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
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All amounts are in thousands of Bulgarian levs, unless otherwise stated

	Share capital	Reserves	Retained earnings	Total equity
Balance as of 1 January 2021	**900**	**100**	**270**	**1,270**
Profit for the year	-	-	569	569
Total comprehensive income for the year	-	-	569	569
Balance as of 31 December 2021	**900**	**100**	**839**	**1,839**
Loss for the year	-	-	(9)	(9)
Total comprehensive loss for the year	-	-	(9)	(9)
Balance as of 31 December 2022	**900**	**100**	**830**	**1,830**

Daniel Ganev:
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief Accountant

Bistra Kotseva:
Procurator
Karoll Capital Management EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Date: 20 March 2023

With an audit report dated 23 March 2023

Silvia Dinova
Registered auditor responsible for the engagement

Mariy Apostolov, Managing partner
Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
София
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Notes to the financial statements

1. General information

Karoll Capital Management EAD is registered in Bulgaria by Decision № 1 dated 2 September 2003 of the Sofia City Court. The Company is entered into the Bulgarian Commercial register under UIC 131134055. As of December 31 2022, the Company's share capital is BGN 900 000, divided into 10,000 ordinary registered shares with voting rights, with a nominal value of BGN 90.

The Company's registered office is in Sofia 1303, Vazrajdane District, 57 Hristo Botev Blvd. The correspondence address of the Company is Sofia 1164, Lozenets District, 1 Zlatovrah Str.

The Company has Board of Directors consisting of three directors – Daniel Ganev, Konstantin Prodanov, and Stanimir Karolev. The company is represented jointly by the executive director and the procurator Bistra Kotseva.

As at 31.12.2022, the employees of the Company are 24, all of whom have been employed under labour contracts.

The Company is subject to regulation by the Financial Supervision Commission (FSC). Karoll Capital Management EAD is authorised by a resolution 328-UD of the FSC, dated 21 August 2003, to carry out operations within the meaning of the Public Offering of Securities Act. The license was complemented by a decision 115-UD of the FSC, dated 14 February 2006. In 2019, the Company renewed its license pursuant to the last amendments of art. 86 of the Collective Investment Schemes and Other Collective Investment Enterprises Activity Act and now holds license № 63-UD/25.09.2019. In 2022, by Decision No. 226-AIFM/29.03.2022 of the Financial Supervision Commission, the management company was entered in the register maintained by the same as a person managing alternative investment funds.

Karoll Capital Management distributes in Bulgaria and Romania units of collective investment schemes, organised and managed by „Schroder Investment Management" (Europe)".

Karoll Capital Management structures securities portfolios in accordance with the investment objectives of its clients by deciding on the purchase and sale of financial instruments and other assets pursuant to contracts concluded with the clients.

As of the end of 2022, Karoll Capital Management manages four mutual funds:

- Advance Invest was initially licensed as an open-type investment company with a licence to perform activities issued by the FSC under Resolution № 561 – ID, dated 22.12.2003 and subsequent decision № 736 – DF of 03.10.2013 The Fund invests in securities of companies from Balkan's Member States of the European Union – Bulgaria and Romania.

- Advance Eastern Europe, organised and managed by a Decision № 29-DF of the FSC dated 31.08.2006. It is the first Bulgarian mutual fund investing in emerging markets in six Eastern European countries – Bulgaria, Romania, Croatia, Serbia, Russia, Ukraine, Turkey and Greece.

- Advance Emerging Europe Opportunities, organised and managed by the Company by virtue of a Decision 1410-DF of the FSC dated 7 November 2007 and following FSC decisions № 112-DF, 113-DF and 114-DF, dated 23 February 2015. The Fund invests in securities issued by companies in Central and Eastern Europe, mainly from Poland, the Czech Republic, Hungary, Estonia, Lithuania and Latvia as well as in Austrian companies with main part of their revenue generated in the region.

- Advance Global Trends, organised and managed by a Decision № 353-DF of the FSC dated 08.06.2011. The Fund has global focus. It invests primarily in ETFs (Exchange Traded Funds), exchange traded commodities (ETC) mainly in US and EU, and in collective investment schemes admitted to public offering in the EU.

2. Basis for preparation of financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The financial statements are presented in Bulgarian levs, which is the functional currency of the Company. All amounts are presented in thousands of BGN ('000 BGN), including comparative information for 2021, unless otherwise stated.

Russia's military invasion of Ukraine

After the Russian Federation launched a military offensive against Ukraine on 24 February 2022, a large part of the international community, including the European Union, the UK, the US, Japan and others, imposed sanctions on the Russian Federation. Prior to the invasion, one of the mutual funds managed by the Company, Advance Eastern Europe Mutual Fund, had exposures to Russian securities issuers, which represented 48.95% of its total assets. By resolution of the Board of Directors of the Management Company, as of 28.02.2022. Fund Advance Eastern Europe stopped accepting orders for and executing transactions in units due to lack of access to a market on which a substantial part of the Fund's assets are traded.

In addition to the direct effect of the situation in Ukraine, the Company is also exposed to its impact through the appreciation of commodities and energy sources, which has led to significant inflation in the Eurozone and the U.S. As a result, the Federal Reserve, the European Central Bank and the Bulgarian National Bank have repeatedly raised their key interest rates in 2022 in an attempt to contain rising consumer prices.

Principle-assumption for an operating enterprise

The financial statements have been prepared in accordance with the going concern principle.

At the date of these financial statements the Company's management has analyzed and assessed its ability to continue as a going concern based on available information for the foreseeable future and management expects that the Company has sufficient financial resources to continue its operational activities in the near future and continues. to apply the going concern principle in preparing the financial statements.

3. Changes in accounting policies

3.1. New standards adopted as at 1 January 2022

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's separate financial statements for the annual period beginning 1 January 2022:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU
- Annual Improvements 2018-2020 effective from 1 January 2022 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 2022 and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective not earlier than 1 January 2024 not yet adopted by the EU

The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by EU

The Company is required to disclose its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of a Company's financial statements would need it to understand other material information in the financial statements and if the Company discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments will help companies improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements and distinguish changes in accounting estimates from changes in accounting policies.

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but have not been effective or adopted by the EU for the financial year beginning 1 January 2022 and have not been previously adopted by the Company. They are not expected to have a material impact on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policies in the first period beginning after the effective date. The following is a list of changes in standards:

- IFRS 17 Insurance Contracts effective from 1 January 2023, adopted by the EU.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023, adopted by the EU.
- Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023, adopted by EU.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU.
- IFRS 14 Regulatory deferral accounts effective from 1 January 2016, not adopted by the EU.

4. Significant accounting policies

4.1. General policies

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

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

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

4.2. Presentation of the financial statement

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has elected to present the statement of profit or loss and other comprehensive income as a single statement.

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

a) applies an accounting policy retrospectively,
b) makes a retrospective restatement of items in its financial statements,
c) reclassifies items in the financial statements.

and this has a material impact on the statement of financial position at the beginning of the preceding period.

In 2021, none of the above conditions is met and therefore the financial statements of the Company are presented with a comparable period.

4.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company 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 recognised in profit or loss.

Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4. Revenue

The main revenue generated by the Company is related to management of mutual funds, asset management of trustees, provision of investment consulting services for financial instruments and distribution of shares in funds managed by Schroder Investment Management (Europe).

To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer.

2 Identifying the performance obligations.

3 Determining the transaction price.

4 Allocating the transaction price to the performance obligations.

5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.4.1. Revenue recognized over time

Rendering of services

The Company's activity is legally restricted. Major sources of revenue are distribution of units of collective investment schemes managed by Schroder Investment Management (Europe), fees from managing collective investment schemes along with any related fees and transactional charges for issue and redemption of shares, management of individual customer portfolios and rendering of investment advice on financial instruments.

Revenue from services is recognized when the control over the benefits of the service provided is transferred to the services user. Revenue is recognized over time based on performance of individual obligation to implementation.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

In recognition of the revenue from the provided service "mutual fund management", "wealth management", "distribution of Schroders funds" and "investment advice", the Company uses a method of measuring progress.

The annual remuneration for fund management is as follows:

Mutual Fund Name	**% of the average annual value of the Fund's assets**
MF Advance Invest	2,50 %
MF Advance Eastern Europe	1,50 %
MF Advance Emerging Europe Opportunities	1,50 %
MF Advance Global Trends	1,80 %

By resolutions of the Board of Directors, the Management Company reduces the management fee to 0.9% of the average annual net asset value of the Advance Eastern Europe Fund for the period from 10 June 2022 to 13 September 2022 inclusive.

4.4.2. Revenue recognized at point in time

Sale of units from the Company-managed funds and shares of funds managed by Schroder Investment Management (Europe)

Revenue represents the remuneration of the Company for the intermediation between the funds and the investors. Revenue is recognized when the Company has transferred the control over the shares to the buyer. It is considered that the control is transferred to the buyer when the investor has accepted to subscribe shares of the relevant fund.

4.4.3. Interest income

Interest income is reported on an ongoing basis in accordance with the contractual terms.

4.5. Operating expenses

Operating expenses are recognized in profit or loss on the use of the services or on the date of their occurrence.

4.6. Intangible assets

Intangible assets include mainly software products required for the activities of the Company and its managed mutual funds. Intangible assets are stated at cost, including all import duties, non-refundable taxes and direct costs associated with preparing the asset for exploitation.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed by the management at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 2 years
- Licenses and other 2 years

Amortisation has been included in the statement of profit or loss and other comprehensive income within 'Depreciation and amortisation of non-financial assets.

The recognition threshold adopted by the Company for the intangible assets amounts to BGN 700.

4.7. Machinery and equipment

Machinery and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, fixed assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognised in statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure relating to an item of machinery and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance. All other subsequent expenditures are recognised as incurred.

Residual value estimates and estimates of useful life of property, plant and equipment are updated by the Management as of each reporting date.

Amortisation is calculated using the straight-line method over the estimated useful life of individual asset types, as follows:

- Vehicles 4 years
- Computers and servers 2 years
- Other 4 years

The recognition threshold adopted by the Company for property, plant and equipment amounts to BGN 700.

4.8. Impairment testing of intangible assets and machinery and equipment

In calculating the amount of impairment, the Company defines the smallest identifiable group of assets for which separate cash flows (cash-generating unit) can be determined. As a result, some assets are tested for impairment on an individual basis and others on a cash-generating unit basis.

All cash-generating assets and units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. To determine the value in use, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of these cash flows. The data used in the impairment testing are based on the latest approved budget of the Company, adjusted, if necessary, in order to eliminate the effect of future reorganizations and significant improvements in assets. The discount factors are determined for each individual cash-generating unit and reflect their respective risk profile, assessed by the Company's management.

Impairment losses on a cash-generating unit are stated in the reduction of the carrying amount of the assets of that unit. For all of the Company's assets, management subsequently assesses whether there is any indication that an impairment loss recognized in prior years may no longer exist or be reduced. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

4.9. Lease

4.9.1. The Company as a lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, which conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.
When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

4.10. Financial instruments

4.10.1. Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are written off when the obligation specified in the contract is fulfilled, cancelled or its term has expired.

4.10.2. Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost.
- Financial assets at fair value through profit or loss (FVTPL).

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Net loss from operations with financial assets at fair value through profit or loss". During the period, the Company did not recognize income and expenses in relation to its financial assets at amortized cost.

4.10.3. Subsequent measurement of financial assets

Debt instruments at amortized cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

- **Trade receivables**

Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognized at amortized cost unless they contain significant financial components. The Company holds trade receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than "hold to collect" or "hold to collect and sell", and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

This category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in Advance Equity Holding at FVOCI.

Investments in shares of collective investment schemes are necessarily reported at fair value through profit or loss.

4.10.4. Impairment on financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's financial assets fall into this category, neither Stage 2.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

4.10.5. Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Financial liabilities are measured at amortised cost using the effective interest method.

4.11. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

At the reporting date the Company has deferred tax assets arisen on compensated leaves.

4.12. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts, demand deposits and short-term deposit, that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

4.13. Share capital, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other reserves include legal reserves under the Commerce Act.

Retained earnings include all current and prior period retained profits and uncovered losses.

At the reporting date no dividends are distributed to the sole owner.

All transactions with owners of the Company are recorded separately within equity.

4.14. Post-employment benefits and short-term employee benefits

The Company has no short-term obligations for compensated leaves arising from unused annual leave or amounts related to salaries. The Company has not developed and does not apply plans for post-employment benefits, nor other long-term remunerations and post-employment plans in the form of compensations with shares or equity interests.

The Company has adopted and implemented a Remuneration Policy pursuant to Collective Investment Schemes and Other Undertakings for Collective Investments Act.

At the end of the reporting period the Company has short-term liabilities for compensable leave, which arose on the basis of unused paid annual leave.

4.15. Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, granted product warranties, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised. Contingent liabilities are to be measured subsequently at the higher value between the above-described comparable provision and the amount initially recognized less accumulated depreciation.

4.16. Significant management judgments in applying accounting policies

Significant management judgments in applying accounting policies of the Company that have the most significant impact on the financial statements are described below. The main sources of uncertainty in the use of accounting estimates are described below.

4.16.1. Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.16.2. Expected credit losses

The company uses an individual model for valuation of ECL for financial assets measured at amortized cost. Provisioning percentages are based on historical past-due data for individual counterparties, adjusted with supportable and reasonable expectations for future events.

4.16.3. Measuring fair value

Significant judgments of the Company's management regarding fair value measurement include an assessment of the activity of the market in which the Company's financial assets are traded, as well as the appropriateness of data inputs other than market-observable inputs for assets for which there are no observable quotations from active markets (level 1 according to the fair value hierarchy of IFRS 13).

4.17. Uncertainty of accounting estimates

In preparing the financial statements, management makes a number of assumptions, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates and assumptions and, in rare cases, may be consistent with estimates.

Information about the significant assumptions, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is presented below.

4.17.1. Measurement of expected credit losses

Credit losses represent the difference between all contractual cash flows due to the Company and all cash flows that the Company expects to receive. Expected credit losses are probabilistic weighted estimates of credit losses that require the Company's judgment. Expected credit losses are discounted at the original effective interest rate.

4.17.2. Useful live of depreciable assets

Management reviews the useful lives of depreciable assets at the end of each reporting period.

As of 31 December 2022, the management has determined the useful life of the assets, which is the expected useful life of the assets of the Company.

4.17.3. Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, such as legal disputes. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.17.4. Fair value measurement

Management uses techniques to measure the fair value of financial instruments (in the absence of quoted prices in an active market) and non-financial assets. When applying valuation techniques, market data and assumptions that market participants would adopt when evaluating an instrument are used to the maximum extent possible. In the absence of relevant market data, management uses its best assessment of the assumptions that market participants would make. These estimates may differ from the actual prices that would have been determined in a fair market transaction between informed and willing parties at the end of the reporting period (see Note 28).

5. Machinery and equipment

Equipment includes computer and server systems, copiers and printers. The carrying amount of this group can be analysed as follows:

All amounts are in thousands of Bulgarian levs, unless otherwise stated

	Computer and server systems	Printers and copiers	Vehicles	Paintings	Expenses for acquisition of fixed assets	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Gross Carrying amount						
Balance as at 1 January 2022	31	8	378	10	1	428
Newly acquired assets	18	-	-	-	2	20
Disposals	-	-	-	-	(3)	(3)
Balance as at 31 December 2022	49	8	378	10	-	445
Depreciation						
Balance as at 1 January 2022	(24)	(8)	(378)	-	-	(410)
Depreciation	(10)	-	-	-	-	(10)
Balance as at 31 December 2022	(34)	(8)	(378)	-	-	(420)
Carrying amount 31 December 2022	**15**	**-**	**-**	**10**	**-**	**25**

	Computer and server systems	Printers and copiers	Vehicles	Paintings	Expenses for acquisition of fixed assets	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Gross Carrying amount						
Balance as at 1 January 2021	24	8	378	10	-	420
Newly acquired assets	7	-	-	-	1	8
Balance as at 31 December 2021	31	8	378	10	1	428
Depreciation						
Balance as at 1 January 2021	(22)	(7)	(378)	-	-	(407)
Depreciation	(2)	(1)	-	-	-	(3)
Balance as at 31 December 2021	(24)	(8)	(378)	-	-	(410)
Carrying amount 31 December 2021	**7**	**-**	**-**	**10**	**1**	**18**

6. Intangible assets

The Company's intangible assets include software products. The carrying amounts for the periods presented can be analysed as follows:

	Software	Acquisition costs	Total
	'000 BGN.	'000 BGN.	'000 BGN.
Gross Carrying amount			
Balance as at 1 January 2022	68	-	68
Newly acquired assets	5	24	29
Balance as at 31 December 2022	73	24	97
Amortisation			
Balance as at 1 January 2022	(68)	-	(68)
Amortisation	-	-	-
Balance as at 31 December 2022	(68)	-	(68)
Carrying amount 31 December 2022	**5**	**24**	**29**

All amounts are in thousands of Bulgarian levs, unless otherwise stated

Intangible asset acquisition costs relate entirely to software products required to support the management company's operations.

As of December 31, 2022, there are no contractual obligations related to the purchase of intangible assets.

7. Deferred tax assets

In 2022 the Company recognizes deferred tax assets in the amount of BGN 19 thousand, formed on the tax loss for 2022.

8. Financial assets measured at fair value through profit or loss

	Note	As of 31.12.2022	As of 31.12.2021
Shares	8.1	205	41
Unites of collective investment schemes	8.2	754	894
TOTAL		**959**	**935**

8.1. Shares

	ISIN	Issue currency	As of 31.12.2022	As of 31.12.2021
Advance Equity Holding AD	BG1100033064	BGN	205	41

The financial assets are recognised at fair value through profit or loss where the current market prices of the last trading session on BSE Sofia are used to measure their fair value. The shares are not pledged as collateral for liabilities of the Company.

8.2. Units of collective investment schemes in foreign currency

	ISIN	Issue currency	As of 31.12.2022	As of 31.12.2021
DF Advance Emerging Europe Opportunities	BG9000023077	EUR	647	771
DF Advance Global Trends	BG9000002113	EUR	107	123
TOTAL			**754**	**894**

The holdings of collective investment schemes are reported at fair value through profit or loss, and the last announced redemption price for 2022 years of the respective collective investment scheme is used to determine their fair value.

9. Trade and other financial receivables

	As of 31.12.2022	As of 31.12.2021
Current financial receivables		
Schroder Investment Management (Europe)	186	202
Receivables from trust management contracts	109	84
Other financial receivables	-	4
TOTAL	**295**	**290**

All receivables are short-term. The net carrying amount of trade and other receivables is considered a reasonable estimate of their fair value.

All trade and other financial receivables of the Company have been reviewed for indications of impairment, for which a simplified approach has been applied to determine the expected credit losses for the period. All trade receivables have been collected prior to the preparation of the financial statements and no impairment has been accrued based on the expected credit loss.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

10. Prepayments and other assets

	As of 31.12.2022	As of 31.12.2021
Prepaid expenses	19	19
Other receivables	14	21
TOTAL	**33**	**40**

Prepaid expenses are related to annual platform subscriptions, annual membership fees and contributions for additional voluntary health insurance for employees. Other receivables include mainly advance payments, incl. for the purchase of software and overpaid income taxes.

11. Cash and cash equivalents

	As of 31.12.2022	As of 31.12.2021
Cash on hand and in banks in BGN	208	106
Cash in banks in foreign currency	327	477
TOTAL	**535**	**583**

The company has no blocked money and cash equivalents.

The Company has estimated the expected credit losses on cash and cash equivalents. The estimated value is less than 0.1% of the gross value of cash deposited with financial institutions, therefore it is determined as insignificant and is not accrued in the financial statements of the Company.

12. Equity

12.1. Share capital

The registered capital of the Company consists of 10,000 fully paid ordinary registered shares with a nominal value of BGN 90 per share. All shares are entitled to receive dividends and liquidation shares and provide one vote by the general meeting of shareholders of the Company.

	As of 31.12.2022	As of 31.12.2021
Number of issued and fully paid shares:		
In the beginning of the year	10,000 pcs.	10,000 pcs.
Nominal value	BGN 90 / share	BGN 90 / share
Total number of shares issued and fully paid	**10,000 pcs.**	**10,000 pcs.**
Share capital as of December 31	**900**	**900**

The sole owner of the capital as of December 31 of both previous reporting periods is Stanimir Karolev.

12.2. Reserves

The reserves of the Company amounted to BGN 100 thousand represent legal reserves formed pursuant to Art. 246 of the Commerce Act.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

13. Employee compensation

13.1. Employee benefit expense

Employee benefits expense include:

	As of 31.12.2022	As of 31.12.2021
Salaries	(1,240)	(840)
Social and health security costs	(141)	(91)
Paid leaves	2	-
TOTAL	**(1,379)**	**(931)**

Employee benefits expenses include the monthly salaries and benefits of employees under employment contracts. The Company has not charged a provision for retirement benefits, because the amount is insignificant. At the end of the reporting period, expenses for remuneration and social insurance for paid leaves have been accrued.

13.2. Employee and social security obligations

Employee obligations as at the reporting periods comprise of:

	As of 31.12.2022	As of 31.12.2021
Social security contributions	20	13
Payroll liabilities	10	-
Paid leaves	-	2
TOTAL	**30**	**15**

The obligations were repaid in January 2023.

14. Liabilities under lease contracts

Lease payments that are not recognized as a liability

The Company has chosen not to recognize a liability under leases if they are short-term (leases with an expected term of 12 months or less) or if they lease low-value assets. Payments made under these leases are recognized as an expense on a straight-line basis. In addition, some variable lease payments cannot be recognized as a lease liability and are recognized as an expense when incurred.

The company is a lessee under a lease agreement for an office building with Karoll Finance EOOD. Lease payments recognized as an expense for the period amount to BGN 117 thousand. This amount includes the minimum lease payments.

The contract contains clauses that allow early termination after one month's notice from either party, without significant penalties.

15. Trade and other payables

	As of 31.12.2022	As of 31.12.2021
Current:		
Trade payables	20	10
Other financial liabilities	4	22
Financial liabilities	**24**	**32**
Tax payables	18	27
Other non-financial liabilities	14	-
Non-financial liabilities	**32**	**27**
Current trade and other payables	**56**	**59**

The net carrying amount of current trade and other payables is considered a reasonable estimate of their fair value.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

16. Revenues from sales of services

	For the year ending 31.12.2022	For the year ending 31.12.2021
Revenue from distribution of Schroders' Funds	818	802
Revenue from trust management	226	463
Management fee for MF Advance Emerging Europe Opportunities	324	337
Management fee for MF Advance Invest	267	224
Management fee for MF Advance Eastern Europe	46	63
Management fee for MF Advance Global Trends	45	40
Revenue arising on the issue and repurchase of units of the managed mutual funds	6	17
Revenues from marketing services of managed mutual funds	36	15
TOTAL	**1,768**	**1,961**

The company presents revenues from the transfer of services over time in the following main product lines and geographical regions:

2022	**Luxembourg**	**Bulgaria**	**Total**
Revenues from distribution of funds	765	-	**765**
Revenues from asset management	-	944	**944**
Recognized at a point in time	53	6	**59**
Recognized over time	818	950	**1,768**

2021	**Luxembourg**	**Bulgaria**	**Total**
Revenues from distribution of funds	715	-	**715**
Revenues from asset management	-	1,142	**1,142**
Recognized at a point in time	87	17	**104**
Recognized over time	802	1,159	**1,961**

17. Cost of materials

Material costs include:

	For the year ending 31.12.2022	For the year ending 31.12.2021
Electricity	(28)	(14)
Heat	(5)	(4)
Vehicle supplies	(5)	(2)
TOTAL	**(38)**	**(20)**

All amounts are in thousands of Bulgarian levs, unless otherwise stated

18. Hired services expenses

Hired services expenses are as follows:

	For the year ending 31.12.2022	For the year ending 31.12.2021
Rent	(117)	(117)
Annual fees and subscriptions	(100)	(104)
Distribution costs	(40)	(29)
Advertising	(38)	(32)
Recruitment costs	(26)	-
Cost of setting up a national common fund	(15)	-
Audit	(4)	(4)
Custody fees	(3)	(2)
Expenditure related to cars	(2)	-
Consulting services	(1)	(6)
Mobile services	(1)	(3)
Others	(3)	(7)
Remuneration for administration of client's assets	-	(34)
TOTAL	**(350)**	**(338)**

19. Other expenses

Other operating expenses comprise of:

	For the year ending 31.12.2022	For the year ending 31.12.2021
Non-deductible tax credit	(25)	(21)
Expenditure on administrative sanctions	(10)	(10)
Provision of administrative sanctions	-	(10)
Administrative fines and compensations	10	8
Business trips	(2)	-
Tax on expenses and other	(1)	(1)
TOTAL	**(28)**	**(34)**

The company is registered under the VAT Act on the grounds of Art. 96 para 1 of the law. During the reporting period the Company makes exempt and taxable supplies within the meaning of the VAT Act. In the present financial statement in other expenses for the activity is included the unrecognized partial tax credit from the purchases in 2022 in the amount of BGN 25 thousand.

20. Net gain / (loss) from revaluation of financial assets at fair value

	For the year ending 31.12.2022	For the year ending 31.12.2021
Gain from revaluation of financial assets at fair value through profit or loss	413	418
Loss from revaluation of financial assets at fair value through profit or loss	(390)	(411)
TOTAL	**23**	**7**

All amounts are in thousands of Bulgarian levs, unless otherwise stated

21. Financial income / (costs), net

	For the year ending 31.12.2022	For the year ending 31.12.2021
Proceeds from the financing of the compensation programme for non-domestic final electricity customers	12	-
Other financial costs	(8)	(8)
TOTAL	**4**	**(8)**

In 2022. The Company receives compensation under the Non-Residential Electricity End-User Compensation Program. A revenue of BGN 12 thousand has been recognized from the funding of the program.

22. Income tax

The expected tax expense based on the effective tax rate of 10% and the actually recognized tax expense in profit or loss can be equated as follows:

	For the year ending 31.12.2022	For the year ending 31.12.2021
Profit / (Loss) before tax	(10)	634
Tax rate	10%	10%
Expected income tax expense	-	**(63)**
Tax effect of:		
Expenses not recognized for tax purposes	-	(4)
Revenue not recognized for tax purposes	-	21
Current tax expense	-	**(46)**
Deferred tax (expenses) / income:		
Deferred tax asset in relation with tax losses	1	-
Recognized deferred tax asset in respect of recognized tax losses	-	(19)
Income tax (expense) / revenue	**1**	**(65)**

23. Related parties

The Company's related parties include managed mutual funds, Karoll Group companies, the owner and key management personnel. Unless explicitly stated, related party transactions are not conducted under special conditions and no guarantees have been provided or received. Amounts due to and from related parties are settled only to through wire transfers.

23.1. Related party transactions

Accrued income:	For the year ending 31.12.2022	For the year ending 31.12.2021
Revenues from management of mutual funds:		
Management fee for MF Advance Emerging Europe Opportunities	324	337
Management fee for MF Advance Invest Mutual Fund	267	224
Management fee for MF Advance Eastern Europe	46	63
Management fee for MF Advance Global Trends	45	40
Revenue from issuing and repurchase of fund shares	6	17
Revenues from marketing services of managed mutual funds	36	15
TOTAL	**724**	**696**

All amounts are in thousands of Bulgarian levs, unless otherwise stated

Purchases of services from other related parties under common control	**For the year ending 31.12.2022**	**For the year ending 31.12.2021**
Rent to Karoll Finance EOOD and other complementary expenses	(150)	(135)
Costs for administering trustees	-	(36)
TOTAL	**(150)**	**(171)**

Remuneration of key management personnel:	**For the year ending 31.12.2022**	**For the year ending 31.12.2021**
Salaries	(456)	(480)
Social security	(21)	(20)
TOTAL	**(477)**	**(500)**

23.2. Balances with related parties at the end of the year

	As of 31.12.2022	**As of 31.12.2021**
Current receivables from:		
Mutual funds:		
- MF Advance Emerging Europe Opportunities	29	33
- MF Advance Invest	24	22
- MF Advance Eastern Europe	5	4
- MF Advance Global Trends	3	6
Total receivables from mutual funds	**61**	**65**

	As of 31.12.2022	**As of 31.12.2021**
Current liabilities to:		
Other related parties:		
- Karoll Finance EOOD	22	18

The Company's receivables from the managed mutual funds are short term and are calculated and settled in accordance with the terms specified in the approved Rules of each Fund.

24. Contingent assets and liabilities

The Company has administrative penalties imposed by the FSC - financial penalties for the 2022 submissions by Karoll Capital Management EAD of the KID of Advance Invest, Advance Eastern Europe, Advance Opportunities in New Europe and Advance Global Trends. The Company has appealed to the Sofia District Court against the penalty decrees and they have been annulled by decisions of the SDC of 2023.
The Company has also appealed to the Sofia District Court against an administrative penalty imposed in 2022 by the FSC - a pecuniary sanction for the temporary suspension of the issuance and redemption of Advance Eastern Europe MF due to the hostilities in Ukraine, which is still pending before the court.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

25. Other disclosures

Cash of clients of Karoll Capital Management EAD and held securities invested in the funds of Schroder Investment Management (Europe).

Asset	**Currency**	**Market value as of 31.12.2022**	**Market value as of 31.12.2021**
Cash	BGN	1,229	573
Cash	EUR	1,668	1,423
Cash	USD	240	75
Mutual Funds Schroders	EUR	67,800	71,849
Mutual Funds Schroders	USD	11,328	15,697
TOTAL		**82,265**	**89,617**

26. Categories financial assets and financial liabilities

The carrying amounts of financial assets and liabilities of the Company can be presented in the following categories:

Financial assets	**Note**	**As of 31.12.2022**	**As of 31.12.2021**
Financial assets at fair value through profit or loss			
Shares	8.1	205	41
Units of collective investment schemes	8.2	754	894
		959	**935**
Financial assets at amortized cost:			
Trade and other finance receivables	9	295	290
Related party receivables	23.2	61	65
Cash and cash equivalents	11	535	583
		891	**938**

Financial liabilities	**Note**	**As of 31.12.2022**	**As of 31.12.2021**
Current liabilities:			
Trade and other payables	15	24	32
Related party payables	23.2	22	18
		46	**50**

See Note 4.10 for information on the accounting policy for each category of financial instruments. A description of the Company's risk management policy and objectives regarding financial instruments is presented in the following note.

27. Risks associated with financial instruments

The specific activity of Karoll Capital Management EAD as a management company determines some risks inherent in the activity of the company's managing collective investment schemes. The management of mutual fund portfolios highlights the need to implement adequate systems for timely identification and management of various types of risk, and of particular importance are risk management procedures, mechanisms for keeping them within acceptable limits, optimal liquidity and portfolio diversification.

The most significant financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

Risk management is carried out on the principle of centralization and is structured according to the levels of competence as follows:

- Board of Directors - determines the acceptable levels of risk within the Company's strategy, as well as adopts and approves adequate rules and procedures for risk management.

- Executive director - controls adherence to accepted limits, as well as organizes the proper channelling of adopted risk management rules and procedures in the day-to-day operations.
- Risk Management Department - measures, monitors, manages, and controls the risks in the process of portfolio management for the Company.

Risk management objectives and policies

The Company is exposed to various risks in relation to its financial instruments. For more information about the financial assets and liabilities by category, please see note 26.

Considering its main activity and the use of financial instruments, the Company is exposed to the following risks:

Market risk

Market risk is a systemic (overall) risk affecting the value of all assets. It arises from the characteristics of the macroeconomic environment and the state of the capital market. It is external to the issuing company and generally cannot be diversified. Market risk consists of foreign exchange, interest rate and other price risks. The main methods to contain systemic risk and its individual components are collecting and processing information about the macroeconomic environment and on this basis – forecasting and ensuring compliance of the investment policy with the expected dynamics of this environment. All investments in securities may pose a risk of capital loss.

The market risk is concentrated in the financial assets carried at fair value through profit or loss, as presented in note 26.

Currency risk

The Company is exposed to currency risk when conducting transactions with financial instruments denominated in foreign currency. When making transactions in foreign currency, income and expenses arise from foreign exchange transactions, which are reported in the statement of comprehensive income. Such exposures are the monetary assets and liabilities of the Company denominated in currencies other than BGN and EUR. During the presented reporting periods the Company was not directly exposed to currency risk, as it did not have monetary assets denominated in currencies other than BGN and EUR. To the extent that a large part of the Company's investments in financial assets measured at fair value are exposed to currency risk due to their own investments denominated in currencies other than EUR and BGN, the Company is indirectly exposed to currency risk.

Interest rate risk

The activity of the Company is subject to risk of fluctuations in interest rates to an insignificant extent. The value of interest-bearing assets with a fixed interest rate changes as a result of changes in market interest rates. On the other hand, for assets with floating interest rates, the Company is exposed to interest rate risk as a result of a change in the interest rate index to which the respective financial instrument is linked.

As of 31 December 2022, the Company is not exposed to the risk of changes in market interest rates.

Another price risk

The Company defines price risk as the risk of a decline 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. This investment is constantly monitored. The shares carry the right to vote at general meetings of the issuers' shareholders.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

	ISIN	Currency	As of 31.12.2022	As of 31.12.2021
Advance Equity Holding AD	BG1100033064	BGN	205	41
MF Advance Emerging Europe Opportunities	BG9000023077	EUR	647	771
MF Advance Global Trends	BG9000002113	EUR	107	123

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example receivables from customers, placing deposits, investment in securities, etc.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	As of 31.12.2022	As of 31.12.2021
Marketable equities	205	41
Units of collective investment schemes:	754	894
Trade and other finance receivables	295	290
Related party receivables	61	65
Cash and cash equivalents	535	583
Carrying amount	**1,850**	**1,873**

As of the date of the financial statements, none of the trade and other financial receivables or other assets of the Company have expired.

Liquidity risk

Pursuant to the provisions of Ordinance 44, the Management company must maintain at any time minimum liquidity, including cash on hand, deposits in bank, which is not in bankruptcy proceedings, government securities and mortgage and municipal bonds, which have a market price, in an amount not less than the amount of its current liabilities with a maturity of three months.

The Company has determined the cash flows from management fees for the managed mutual funds as payable within 1 month. Available cash resources and trade receivables do not exceed the current needs of cash outflow.

Pursuant to the provisions of contracts for management of individual portfolios (wealth management), contracts for distribution of funds of Schroders and contracts for provision of financial advice on financial instruments, all cash flows are due within one month.

28. Fair value measurement of financial instruments

For the financial instruments measured at fair value in the statement of financial position, IFRS 7 requires disclosure of techniques for determining the fair value. The standard introduces the fair value hierarchy, as determined by the degree of observability of the data used to estimate the fair value. Data is defined as observable if it reflects market data obtained from independent sources, while the data that reflects market assumptions of the company are defined as unobservable. Both types of data set the following three levels of the fair value hierarchy:

Level 1 – Estimation of fair value based directly on price quotations in active markets for identical assets or liabilities.
Level 2 – Estimation of fair value based on observable data other than those in level 1 but based directly or indirectly on it and relevant to the asset or liability.

All amounts are in thousands of Bulgarian levs, unless otherwise stated

Level 3 – Estimation of fair value through valuation techniques, including data for the asset or liability that are not based on observable market data (unobservable data).

The following table provides information on financial instruments at fair value in the levels 1 to 3:

As of 31.12.2022	**Level 2**
Financial assets reported at fair value value in profit or loss:	
- Shares	205
- Units of collective investment schemes	754
TOTAL	**959**

As of 31.12.2021	**Level 2**
Financial assets reported at fair value value in profit or loss:	
- Shares	41
- Units of collective investment schemes	894
TOTAL	**935**

The shares of Advance Equity Holding and the shares of collective investment schemes are classified in level 2 of the fair value hierarchy, as a directly observable market quotation from an inactive market is used for their valuation.

29. Capital management policies and procedures

The objectives of the Company in connection with capital management are:

- to ensure the ability of the Company to continue to exist as a going concern and
- to ensure adequate profitability for the shareholder.

The company monitors the capital in accordance with the requirements set out in CISOUCIA and Ordinance № 44 on the requirements for the activity of collective investment schemes, management companies, national investment funds, alternative investment funds and persons managing alternative investment funds. The Management Company shall at all times maintain minimum liquid funds, including cash on hand, in perpetual and time deposits with a bank that is not in bankruptcy proceedings, government securities and mortgage and municipal bonds that have a market price of not less than the amount of its current liabilities maturing within 3 months. At least 90 percent of the Company's cash must be in perpetual and time deposits in a bank.

The observed data for the period show high values of the ratios and compliance with regulatory requirements. According to the requirements of Art. 90, para. 1 of the CISOUCIA, the Company must maintain at all times equity equal to or over EUR 125,000.

Ratios	**Statutory minimum (%)**	**As of 31.12.2022**	**As of 31.12.2021**
Equity to minimum capital required	100	746.70%	519.43%
Minimum liquidity to current liabilities	100	497.30%	839.56%

As of 31 December 2022, and 31 December 2021, the Company has complied with the externally imposed capital requirements to which it is subject. The Company has not changed the objectives, policies and processes for capital management, as well as the method of determining the capital during the presented reporting periods.

19. Post-reporting date events

No adjusting events or significant non- adjusting events have occurred between the date of the financial statement and the date of its approval, except for the following non- adjusting event.

By resolution of the Board of Directors of the Management Company dated 4 November 2022, following the approval by the FSC of the amended fund rules, the Advance Eastern Europe Mutual Fund was transformed through the separation of share classes, creating a new share class - Class B, to which assets affected by the restrictions on the functioning of and access to the market on which the securities of issuers from Russia are traded are attributed, dividend receivables thereon, blocked cash from dividends paid by Russian issuers, and unrestricted cash required to meet projected expenses inherent in the new Class B for its lifetime. The demerger of the classes was effectively made on 03.01.2023. The existing issue of units has been converted into Class A units of the Fund. Units of the new Class B have been distributed ex officio and gratuitously to investors in the ratio of 1:1 to the existing units of the unitholders of the Fund prior to the transformation. As a result, each Unitholder in the Fund received ex officio as many Class B Units as Class A Units it already held.

The Management Company has resumed the issuance and redemption of Class A Units with effect from 05.01.2023 when it resumed accepting orders for and executing transactions in Class A Units of Advance Eastern Europe. The Management Company has resumed the calculation of the NAV, NAV per unit, issue value and redemption price of the Class A units of the Fund with effect from 04.01.2023.

30. Approval of financial statements

The financial statements were approved on 22 March 2023 by the Board of Directors and signed on behalf of Karoll Capital Management EAD by:

Daniel Ganev: ______
/Executive Director/

Stoyka Koritarova: ______
/ Chief Accountant /

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Bistra Kotseva: ______
/ Procurator /