Annual Management Report
Independent Auditor's Report
Financial Statements

Management Company
Karoll Capital Management EAD

31 December 2020

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 September 2003 of the Sofia City Court. As of December 31, 2020, 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 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, 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.

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 December 31, 2020 is BGN 40.5 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 at December 31, 2020 is BGN 68.1 million.

As of the end of 2020, Karoll Capital Management EAD 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 Resolution N 736 dated 03.10.2013. Advance Invest is the first Bulgarian fund with focus on the new Member States of the European Union – Bulgaria and Romania. The public offering of securities of Advance Invest AD was launched on 10 May 2004. The net value of the managed assets in the Fund as of December 31, 2020 amounts to BGN 7.7 million.

- Advance Eastern Europe, organised and managed with a Decision № 29-DF of the FSC dated 31.08.2006. It is the first Bulgarian mutual fund investing in emerging markets in Eastern European countries – Bulgaria, Romania, Croatia, Serbia, Russia, Ukraine, Turkey and Greece. The public offering of securities of Advance Eastern Europe was launched on 4 October 2006. The net value of the managed assets in the Fund as of December 31, 2020 amounts to BGN 3.5 million.

- Advance Emerging Europe Opportunities, organised and managed by the Company by virtue of Decision 1410-DF of the FSC dated 7 November 2007. In 2015, the name of Advance IPO Fund was changed to Advance Emerging Europe Opportunities according to 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, as well as Baltic countries. The public offering of securities of Advance Emerging Europe Opportunities was launched on 23 November 2007. The net value of the managed assets in the Fund as of December 31, 2020 amounts to BGN 19.1 million.

- Advance Global Trends, organised and managed by a Decision № 353-DF of the FSC dated 08.06.2011. The fund has a global focus. It invests mainly in ETFs (Exchange Traded Funds) and mutual funds (MFs), mainly in the USA and Europe. The public offering of securities of Advance Global Trends was launched on 01.07.2011. The net value of the managed assets in the Fund as of December 31, 2020 amounts to BGN 2 million.

2. Operating results of the Management Company in 2020

In 2020 Karoll Capital Management EAD has revenues from operating activities amounting to BGN 1,104 thousand, comprising of:

- Management fees from collective investment schemes under management, amounting to BGN 537 thousand;
- Fees from wealth management in the amount of BGN 154 thousand;
- Income from distribution of funds of Schroders in the amount of BGN 413 thousand;

Finance income amounting to BGN 431 thousand comprises of gains from operations with financial assets – BGN 412 thousand, and currency exchange gains of BGN 19 thousand.

For the respective period, the operating costs of UD Karoll Capital Management amount to BGN 1, 223 thousand. Finance costs amount to BGN 505 thousand and are formed by losses from operations with financial assets – BGN 479 thousand, currency exchange losses of BGN 20 thousand and other finance costs also at the amount of BGN 6 thousand.

The financial result for the reporting period is a loss in the amount of BGN 182 thousand.

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

Year 2020 was extremely challenging for global capital markets - one of the most volatile in financial markets in decades. It started optimistically, but everything changed in February, when the spread of COVID-19 and quarantine measures led to panic selloff of all major asset classes - the fastest and steepest decline in history. The failure of negotiations between the OPEC countries and Russia had an additional negative effect, which led to a serious decline in oil and stock prices. Soon after, a stabilisation of the markets occurred, and then a serious rebound from the bottom. In the following quarter, the indices managed to compensate for a large part of the losses led by the technology sector. The turnaround was due mainly to the rapid and large-scale response of central banks and governments. A €750 billion recovery package was adopted in the EU; part of it will be financed through common COVID-19 bonds, backed by the entire EU, to counteract the concerns about the individual indebtedness of certain countries such as Italy, for example. In addition to fiscal support, central banks have initiated unprecedented monetary incentives to provide sufficient liquidity in the financial system.

These trends continued in the second semester. In November, markets received a new impetus following the news of the development of effective vaccines against COVID-19, as well as the results of the US presidential election, which brought optimism to brighten US-China trade relations and new fiscal measures to support the economy. The MSCI World Index ended the year with a rise of 4.64% (in EUR), led by the US market, which reported a new historic high, gaining 8.6% (in EUR). MSCI Emerging Markets almost overcame the lag and finished up by 6.28% (in EUR), mainly due to China's good performance, where early strict pandemic mitigation measures and government support for the economy had a positive effect. At the same time, other emerging markets continued to suffer from lower liquidity, weak local currencies, and the overall risk attitude of the global investment community.

For this reason, the region of Central and Eastern Europe lagged significantly in its annual performance and ended the year with a decline of almost 22.3% in euro, despite a significant rebound in the last quarter. In the region of developing Europe, the strongest performers for the year were Turkey (+ 29%) thanks to government initiatives and the support of local investors, and Russia (+ 8%), because of the technology sector and the recovery of energy companies. However, the other countries in the region failed to climb into positive territory. Greece was among the most affected (-11.7%) due to the large share of tourism, which suffered the most serious disturbances.

The realized return for the individual funds of Karoll Capital Management in 2020 was the following:

- Advance Invest: -5.6%
- Advance Easter Europe: -8.3%
- Advance Emerging Europe Opportunities: -9.3%
- Advance Global Trends: -1.7%

For a third consecutive year, Advance Invest with a focus on Bulgaria and Romania won the Investor.bg award for the best fund in emerging markets. Most of the funds of Karoll Capital Management managed to beat their benchmarks for a period of 1, 3 and more years.

There is an increase in client demand for individual portfolio management services, so-called Discretionary managed accounts. Last year, clients continued to take an active interest in global portfolios, where we provide access to a large number and variety of strategies, assets, regions and sectors around the world, mainly through passive Exchange Traded Funds (ETFs) and active Mutual Funds.

To attract international investors for Eastern European products and services, Karoll Capital Management continued its efforts in South Korea, with the registration of MF Advance Emerging Europe Opportunities in the local regulator in the first half of the year. The effective launch of distribution was hampered by the global pandemic. For the same reason, no further development took place towards expansion in Canada and other western markets targeted by the Company.

The year was much more dynamic with respect to the distribution of the funds of our global partner Schroders. For yet another period we observe great interest, both from individual and institutional investors, in the investment opportunities, provided by the British asset manager. The savings plans with Schroders funds also enjoyed serious interest. In 2020 we also attracted additional investments from the pension funds segment in Romania for Schroders.

Key priorities for the past year were also the excellent quality of service to clients of Karoll Capital Management, our technological development, market expansion, effective participation in the professional organizations in the industry, in the processes of developing the legislation and the market infrastructure, and finally – the corporate social responsibility with a focus on a number of educational initiatives.

3. Effects of COVID - 19 pandemic in 2020

State of emergency in Bulgaria from March 13, 2020 to May 13, 2020

During the reporting period, the Company's activities were affected by the global Covid-19 pandemic. In early 2020, due to the spread of the novel coronavirus (COVID-19), difficulties appeared worldwide in the business and economic activity of large number of enterprises and entire industries. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus (COVID-19) pandemic. On 13.03.2020 the Bulgarian government declared a state of emergency for one month and introduced strict measures for people and business. On March 24, 2020, the Parliament adopted the Law on Measures and Actions during the State of Emergency, announced by a decision of the National Assembly of March 13, 2020, and on overcoming the consequences (SP No. 44 of 2020, effective from 14.05.2020)". Subsequently, the state of emergency was extended for another month and remained in force until 13 May 2020.

Epidemic emergency in Bulgaria from 14 May 2020 until 30 April 2021.

On 13 May 2020, the Council of Ministers declared an epidemic emergency as of 14 May 2020, which was extended periodically before its expiry. As of the date of preparation of these financial statements, the period of the epidemic emergency has been extended by the government until 30 April 2021.

The COVID 19 pandemic, unfolded in early 2020 and the subsequent mass restrictions caused problems for the functioning of the real economy on a global and regional scale. Financial markets declined sharply in March 2020, with stock exchanges in Sofia and Bucharest following these upheavals. This led to an impairment of the investments of the funds and the individual portfolios managed by Karoll Capital Management EAD. There was also an impairment of assets in most of the Schroders funds, distributed by the Company.

The investment strategies of Advance funds, as well as the trust management portfolios managed by Karoll Capital Management were reviewed by the investment specialists of the Company. The possibilities for limiting the negative consequences of the impact of coronavirus on investment portfolios, as well as maintaining a stable level of liquidity were analysed in detail. Given the uncertainty, we have taken measures including a sector rotation into more defensive investments and increased the proportion of cash by reducing the proportion of affected companies as well as other protecting measures. In the second half of 2020, the recovery of the capital markets has had a positive effect on the returns on investment portfolios and the size of assets under management, which somewhat offset the negative effects.

Management of Karoll Capital Management has taken measures to improve the efficiency of the work process, in compliance with the prescriptions of the health authorities, focusing on the goal of retaining staff. The remote work process was initially a challenge for employees, but in the process of work the difficulties were largely overcome and there was no cessation of activities and services of the Company. Another effect of the pandemic on the Company's activity was the difficult communication and physical access to the clients. This has to some extent been overcome through modern technological solutions for audio and video communication, including digital communication platforms such as skype, zoom, etc.

Measures were also taken for the optimisation of the Company's costs. As a result of the measures taken, the Company and the mutual funds, managed by it, have sufficient liquid assets to service their operational activities and obligations. The company did not rely on funding under special anti-impact programs from Covid-19.

The Company's management is closely monitoring the pandemic situation and is ready to take all possible steps to mitigate potential future negative effects.

4. Major risks for the Company

Major risks for the activities of the Company are described in detail in the Risk Management Manual of Karoll Capital Management EAD.

The Management Company distinguishes the following risk types related to the activities, procedures and systems:

1. Internal – related to the organisation of work of the Management Company, which comprise but are not limited to:

a) Personnel risks;
b) Process risks;
c) System risks;

2. External – related to macro-economic, political and other factors, which influence and/or may influence the activity of the Management Company. They include, but are not limited to:

a) Environmental risks;
b) Risk of physical interference.

The financial instruments of the Company are presented in note 26 of the financial statements.

5. Important post reporting date events

No adjusting or non-adjusting events have occurred after the date of the financial statements until the date of its drafting, except for the following non-adjusting event:

In relation to the continuing global pandemic of Covid-19, with a Decision of the Council of Ministers № 72 of 26.01.2021, the term of the emergency epidemic situation in Bulgaria was extended until 30 April 2021.

The legislative, economic and medical measures taken by the government, incl. the started process of vaccination of the population lays the foundations of expected normalisation in the economic and other sectors of life and reaching the pre-crisis levels by the end of 2021. The management believes that based on the current development of the crisis in the country and worldwide, the peak has been overcome and the economy will return to normal functioning. The effect of the COVID-19 crisis will reduce its impact and the volatility of market and price risk associated with managed and distributed assets will decrease, but adverse developments may have a negative effect on its performance and results.

6. Expected future development of the Company

The investment community still faces challenges and several risk factors in the context of the ongoing second year of the pandemic. The stability of the capital markets is fragile, and it is possible that we may again see turbulence in economic activity and the movements of stock indices in a new wave of restrictive measures. The spread of COVID-19 has significantly affected the Bulgarian economy, which according to international financial institutions contracted by more than 4% in 2020. However, the economy is expected to recover in 2021 - according to the IMF, the economy will expand by 4.1% in 2021, before slowing to 2.5% in 2022. The IT, construction and real estate sectors are expected to remain the drivers of growth. The coronavirus seriously affected many businesses - tourism, hotels and restaurants, cultural and entertainment activities. This inevitably affects the financial condition and behaviour of the management company's customers.

In 2021, Karoll Capital Management will strive to offer its clients the best possible portfolio management and service - factors that are a prerequisite for long-term success based on the solid experience gained over the years. The main task is to focus the activity on the individual expectations and needs of the client. To provide Bulgarian consumers with innovative solutions for global investments with maximum flexibility, Karoll Capital Management deepens its cooperation with the international giant Schroders by adding new investment strategies to the range of offered funds. Our expectations are for another year to attract large number of retail clients, as well as new institutional investors in the wide product range of our partners Schroder Investment Management (Europe). We will continue to offer the products of our partner Schroders in neighbouring Romania - mainly in the segment of professional investors.

Negative interest rates on bank deposits and the improving financial literacy in society, facilitate the demand of households and companies for ways to direct their savings to investments in the capital markets - both regional and global. Our strategy is precisely in response to this new reality in the country.

In the foreground is the trust management service, in which the portfolio managers 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 asset management companies in Bulgaria and a well-deserved position in the region. The company will offer its services in management of investment portfolios to various types of institutional and individual investors – local and international – including pension funds, insurance companies, universities and foundations, individuals and legal entities. The investment focus of the managed products will cover, as until now, a broad range of markets in Eastern Europe and worldwide. Additionally, our strategy includes also offering products managed by our global partners to our local clients.

7. Research and developments activities

The specifics of the activities of the management company does not imply research and development in the traditional sense of the term. Innovation activities of Karoll Capital Management EAD are mainly related to development and improvement of processes and methods for asset management and customer service, including through introduction of modern software solutions in these areas.

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

In 2003 the Company Karoll Capital Management EAD was established with share capital of BGN 100 000, divided into 1 000 ordinary registered shares with voting rights and BGN 100 par value. In 2005, the Company increased the share capital by BGN 150 thousand using funds received from the sole owner and from the distribution of retained earnings. In 2006, the Company increased the capital by BGN 300 thousand through distribution of retained earnings and reserves. In 2008, the Company increased the capital by BGN 450 thousand to a total of BGN 1 million. In 2017, the Company decreased the capital by BGN 100 thousand by decreasing the nominal value per share to BGN 90. The reduction of the capital was used to cover a part of the accumulated loss from previous years. As of 31 December 2017, the capital of the Company is BGN 900 thousand divided into 10,000 ordinary registered shares with voting rights and nominal value of BGN 90. Sole owner of the Company's capital is Stanimir Karolev. The Company shares are registered with the Central Depository AD as dematerialised. The Company is entered into the Bulgarian Commercial register with UID 131134055. The Company has Board of Directors consisting of three directors. In 2020, the Company replaced the Deputy Chairman of the Board of Directors, electing Nadia Nedelcheva and appointing Bistra Kotseva as Procurator. The changes are approved by the FSC and are entered in the Commercial Register. The company is represented jointly by the Executive Director and the Procurator. As of 31.12.2020 The members of the Board of Directors are: Stanimir Karolev - Chairman of the Board of Directors, Nadia Nedelcheva - Deputy Chairman of the Board of Directors and Daniel Ganev - Executive Director. Sole owner of the Company's capital is Stanimir Karolev. On March 12, 2021, the sole owner of the management company decided to replace the Deputy Chairman of the Board of Directors with Konstantin Prodanov, as he will not have executive functions and will not represent the Company. The decision shall enter into force as of the date of receipt of approval by the FSC of the newly elected member of the management body.

The remunerations of the Board of Directors and the Procurator received in 2020 under employment contracts amount to BGN 317 thousand.

There are no restrictions on the rights of Board of Directors members 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 participates in the management of Karoll Investment EAD, Karoll AD, Karoll Finance EOOD and Karoll Knowledge Foundation.

Bistra Kotseva participates in the management of All About Personal Finance Foundation.

In 2020, the Company has elected the specialised auditing company Grant Thornton OOD, reg. Number 032, to audit the annual financial statements for 2020. The remuneration amounts to BGN 3,500 VAT excl., and it is the full remuneration for the independent financial audit.

9. Announcement regarding the Remuneration Policy of the Management Company

The Management Company has adopted a Remuneration Policy, which in 2020 was amended by decisions of its management body on 04.02.2020, on 27.05.2020 and 29.09.2020. The decision-making process in determining the Management Company's Remuneration Policy includes periodic reviews by both the head of the Regulatory Compliance Department and two members of the Board of Directors who are not assigned management and who have experience in risk and remuneration management. Changes in the Remuneration Policy are discussed and made by the management body of the Management Company upon ascertainment of the need for such because of performing the specified reviews, in case of change in the legal framework, on instructions of the supervisory body or at the suggestion of the persons assigned management.

For the implementation of the Remuneration Policy in 2020 on 20.01.2021 a review was performed by two members of the Board of Directors, who are not assigned the management and who have experience in risk and remuneration management. As a result of the review, it was found that the applied rules provided for in the Remuneration Policy comply with the requirements of the law. On 24 February 2021, a periodic review was performed by the head of the Regulatory Compliance Department, during which it was established that the rules set out in the Remuneration Policy are observed and applied by the responsible employees.

The Management Company shall disclose 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 applies to the remuneration of the following categories of staff:

- employees in managerial positions;
- employees whose activity is related to taking risks;
- 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 influence the risk profile of the collective investment schemes managed by the management company.

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 schemes;
- benefits related to pension and health insurance.

Remuneration is constant and variable, and both components of remuneration may include monetary and non-monetary incentives.
The amount of the permanent remuneration is determined in the individual contract of each employee of the Company in accordance with the applicable labour and/or insurance legislation. The amount of the fixed remuneration constitutes a sufficiently high share of the total remuneration of the employee concerned to allow the application of a flexible policy regarding the variable elements of remuneration, including the possibility that the variable remuneration may not be paid in certain cases.

The amount and payment of the variable remuneration is related to the results of the activity, and its total amount is based on a combination of the assessment of the results of the individual to whom the Remuneration Policy applies, the respective investment product to which the employment or the functions of the person of the respective collective investment scheme or other investment product, as well as of the organizational unit in which the person works, taking into account their risk profile, as well as the overall results of the Management Company.

The Company does not guarantee its employees payment of variable remuneration, but it is determined by applying criteria set in the Remuneration Policy and after evaluating the performance of the Management company as a whole and a thorough analysis of the results of management of collective investment schemes, of the results of the trust management of an individual portfolio, of the activity of providing investment consultations, of the activity of marketing and distribution of collective investment schemes managed by other management companies, as well as of the results of other activities performed by the Company.

As a result of the analysis and after assessment of the management body, the Management Company determines the amount of variable remuneration, initially allocating a maximum total amount of variable remuneration, which is then distributed at the level of senior management, at the level of department/unit, as and at the individual employee level.

The total amount of the variable remuneration determined for the company is distributed among the departments/units based on performed evaluation of their work and results.
In determining the variable remuneration, if necessary, the Management Company applies a mechanism for adjustments in view of all current and future risks to which the Management Company is or may be exposed in the course of its activities, for which an opinion may be requested by the Risk management department at the Company.

The valuation of the activity covers a period of several years, consistent with the holding period recommended to investors in an investment product offered by the Company (e.g. collective investment scheme, trust management, etc.) in order to ensure that the valuation is based on longer-term results from the implementation of the respective activity in compliance with the risk profile, as well as that the actual payment of the elements of the remuneration, linked to the results, is rescheduled in the same period. The evaluation of the Company's activity includes its overall results, based on quantitative and qualitative criteria.

The quantitative criteria that the company uses when evaluating the performance of departments and employees are:

- contribution and efficiency to the activity and financial stability of the company;
- realised return on investment portfolios compared to a generally accepted benchmark;
- average annual revenue growth for a certain period;
- amount of attracted assets for a certain period;
- number of attracted clients.

The qualitative criteria that the company uses in evaluating the performance of departments and employees are:

- competence, ability and motivation;
- the achievement of the strategic goals;
- achieving customer satisfaction;
- knowledge and observance of the relevant normative acts in connection with the performed activity and of the internal rules and policies of the Company;
- teamwork and cooperation with other structural units.

Based on the performed analyses and considering the evaluation of the results of its activity, due to the total amount of paid variable remunerations, which are permanently below the thresholds provided in the Remuneration Policy, the Management Company currently has no practice to allocate shares, stakes, options and similar. variable elements of the remuneration of its employees. Therefore, the Management Company does not apply performance criteria on which to base such an allocation.
The Management Company does not currently apply a scheme and/or practice to distribute to its employees benefits other than cash.

The Management Company applies a scheme for payment of financial incentives for achieved results, which have the character of one-time annual cash bonuses/awards for employees in managerial positions.
This practice aims to encourage the relevant employees to achieve significant business success and/or to achieve management positions, employees whose activities involve risk-taking and/or employees performing control functions, placed/and annual target (s) (KPIs), which are expected to contribute to increasing the company's financial results in future periods. The Management Company considers such achievements as:

- signing a contract with a strategic partner(s);
- Attracting significant customer size(s) or reputation;

- entering a new market/segment;
- developing and/or launching a new product or service;
- development of an important strategic decision or idea, with potential to contribute to future results for the Company.

During the financial 2020, the Company has paid annual variable remuneration to employees in managerial positions at a total amount of the respective person not exceeding 30 percent of his total permanent remuneration and not exceeding BGN 30,000. For the purposes of determining the variable remuneration of its employees, the Company has performed an assessment of the results of the Company's activities as a whole and a thorough analysis of the results of the management of collective investment schemes, the results of the trust management of individual portfolios, the activity of providing investment advice and the distribution of collective investment schemes managed by other management companies.

10. 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.

March 15, 2021

Executive Officer: /Daniel Ganev/

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Procurator: /Bistra Kotseva/

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INDEPENDENT AUDITOR'S REPORT

To the sole shareholder of
Karoll Capital Management EAD
1, Zlatovrah 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 2020 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 2020 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.

Emphasis of matter

We draw attention to notes 2, 4.4 and 4.17 of the financial statements, which describe the effect of the coronavirus pandemic (Covid-19) on the financial condition and performance of the Company during the reporting period and the uncertainty that the ongoing pandemic creates on financial market volatility and future results of the Company, including through the volatility of the performance of the managed mutual funds. The management of the company closely monitors the situation and is constantly looking for ways to reduce its impact on the performance of the collective investment schemes it manages, but a downturn in stock exchanges could affect the fair value of mutual funds' investments and the management fee if the negative macroeconomic trend continues. Our opinion is not modified in respect of this matter.

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.

Additional reporting in relation to Ordinance №58 / 2018 of the Financial Supervision Commission

Statement pursuant to art. 11 of Ordinance 58 / 2018 of the Financial Supervisory Commission (FSC) for the requirements for protection of client cash and financial instruments, management of products and rendering or receiving of remunerations, commissions and other cash or non-cash benefits

Based on the procedures performed and knowledge and understanding gained about the Company's operations, in the course and in the context of our audit of the financial statements as a whole, our opinion is that the established and enforced by the Company process organization, related to client assets custody, is in compliance with the requirements of art.3-10 of Ordinance 58 of FSC and art. 92-95 of the The Law on Markets in Financial Instruments, concerning the Company's activities in its role as a trustee, safekeeping client assets.

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

Grant Thornton Ltd.
Audit firm

March 29, 2021
Bulgaria, Sofia, 26, Cherni Vrah Blvd.

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

	Note	As at 31.12.2020	As at 31.12.2019
Assets			
Non-current assets			
Machinery and equipment	5	13	15
Deferred tax assets	6	19	-
Non-current assets		**32**	**15**
Current assets			
Financial assets carried at fair value through profit or loss	7	927	994
Trade and other finance receivables	8	240	172
Prepayments and other assets	9	27	31
Related party receivables	22.2	45	46
Cash and cash equivalents	10	79	260
Current assets		**1,318**	**1,503**
Total aasets		**1,350**	**1,518**
Equity and liabilities			
Equity			
Share capital	11.1	900	900
Reserves	11.2	100	100
Retained earnings		270	452
Total equity		**1,270**	**1,452**
Liabilities			
Current liabilities			
Trade and other payables	14	55	33
Employee and social security obligations	12.2	13	13
Income tax payables		-	5
Related party payables	22.2	12	15
Total liabilities		**80**	**66**
Total equity and liabilities		**1,350**	**1,518**

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: March 15, 2021

Audited according to audit report, dated March 29, 2021:

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

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

	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue	15	1,104	1,549
Cost of material	16	(13)	(18)
Hired services expenses	17	(351)	(385)
Employee benefits expense	12.1	(818)	(906)
Depreciation of non-financial assets	5	(3)	(5)
Other expenses	18	(46)	(64)
Operating Loss/Profit		**(127)**	**171**
Net (loss) / gain from operations with financial assets carried at fair value through profit or loss	19	(67)	44
Financial costs , net	20	(7)	(5)
Loss/Profit before tax		**(201)**	**210**
Income tax income / (expense)	21	19	(23)
(Loss) / Profit for the year		**(182)**	**187**
Total comprehensive (loss) / comprehensive income for the year		**(182)**	**187**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief accountant

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
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Date: March 15, 2021

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The accompanying notes on pages from 5 to 27 form an integral part of the financial statements.

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

	Note	For the year ended December 31, 31.12.2020	For the year ended December 31, 31.12.2019
Operating activities			
Proceeds from managed funds		538	457
Proceeds from customers		539	1,197
Payments to suppliers		(418)	(489)
Payments to employees and social security institutions		(808)	(809)
Income tax		(5)	(18)
Proceeds related to other taxes		-	10
Other taxes paid		(21)	(64)
Proceeds related to operations with foreign currency		17	8
Payments related to operations with foreign currency, commissions and other		(25)	(13)
Other proceeds related to the operating activity		3	3
Other payments related to the operating activity		(1)	(26)
Net cash flows from operating activities		**(181)**	**256**
Investing activities			
Purchase of non-derivative financial assets		-	(200)
Net cash flows from investing activities		**-**	**(200)**
Financing activities			
Dividend payments	22.1	-	(239)
Net cash flows from financing activities		**-**	**(239)**
Net change of cash and cash equivalents		**(181)**	**(183)**
Cash and cash equivalents, beginning of year		260	443
Cash and cash equivalents, end of year		**79**	**260**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief accountant

Bistra Kotseva:
Procurator
Karoll Capital Management EAD
Date: March 15, 2021

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Audited according to audit report, dated March 29, 2021:

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

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

	Note	Share capital	Reserves	Retained earnings	Total Equity
Balance as at January 1, 2019		**900**	**100**	**504**	**1,504**
Dividend	22.1	-	-	(239)	(239)
Transactions with the owner		-	-	(239)	(239)
Profit for the year		-	-	187	187
Total comprehensive income for the year		-	-	187	187
Balance as at December 31, 2019		**900**	**100**	**452**	**1,452**
Loss for the year		-	-	(182)	(182)
Total comprehensive loss for the year		-	-	(182)	(182)
Balance as at December 31, 2020		**900**	**100**	**270**	**1,270**

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: March 15, 2021

Audited according to audit report,
dated March 29, 2021:

Silvia Dinova
Registered auditor, responsible for the engagement

Mary Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

ОДИТОРСКО ДРУЖЕСТВО
СОФИЯ
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ГРАНТ ТОРНТОН ООД

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, 2020, 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. In 2020, the Company replaces the Deputy Chairman of the Board of Directors, electing Nadia Nedelcheva and appointing Bistra Kotseva as Procurator. The changes are approved by the FSC and are entered in the Commercial Register. The company is represented jointly by the Executive Director and the Procurator. As of 31.12.2020 The members of the Board of Directors are: Stanimir Karolev - Chairman of the Board of Directors, Nadia Nedelcheva - Deputy Chairman of the Board of Directors and Daniel Ganev - Executive Director. Sole owner of the Company's capital is Stanimir Karolev. On March 12, 2021, the sole owner of the management company decided to replace the Deputy Chairman of the Board of Directors with Konstantin Prodanov, as he will not have executive functions and will not represent the Company. The decision shall enter into force as of the date of receipt of approval by the FSC of the newly elected member of the management body.

As at 31.12.2020, the employees of the Company are 21, all of whom have been employed under full-time 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.

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 2020, 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. 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 the financial statements

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as developed and issued by the International Accounting Standards Board (IASB) and approved by the European Union (IFRS approved by EU). Within the meaning of Paragraph 1, item 8 of the Supplementary Provisions of the Accountancy Act, in force in Bulgaria, the term "IFRS approved by EU" means the International Accounting Standards (IAS) adopted pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information for 2019), unless otherwise stated.

State of emergency in Bulgaria from March 13, 2020 to May 13, 2020

During the reporting period, the Company's activities were affected by the global Covid-19 pandemic. In early 2020, due to the spread of the novel coronavirus (COVID-19), difficulties appeared worldwide in the business and economic activity of large number of enterprises and entire industries. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus (COVID-19) pandemic. On 13.03.2020 the Bulgarian government declared a state of emergency for one month and introduced strict measures for people and business. On March 24, 2020, the Parliament adopted the Law of Measures and Actions during the State of Emergency, announced by a decision of the Parliament of March 13, 2020, and on overcoming the consequences (SP No. 44 of 2020, effective from 14.05.2020)". Subsequently, the state of emergency was extended for another month and remained in force until 13 May 2020.

Emergency epidemic situation in Bulgaria from 14 May 2020 until 30 April 2021.

On 13 May 2020, the Council of Ministers declared an epidemic emergency as of 14 May 2020, which was extended periodically before its expiry. As of the date of preparation of these financial statements, the period of the epidemic emergency has been extended by the government until 30 April 2021.

The COVID-19 pandemic, unfolded in early 2020 and the subsequent mass restrictions caused problems for the functioning of the real economy on a global scale. Global and regional financial markets declined sharply in March 2020, with stock exchanges in Sofia and Bucharest following these upheavals. This led to an impairment of the investments of the funds and the individual portfolios managed by Karoll Capital Management. There was also an impairment of assets in most of the Schroders funds, distributed by the Company.

The investment strategies of Advance funds, as well as the trust management portfolios managed by Karoll Capital Management were reviewed by the investment specialists of the Company. The possibilities for limiting the negative consequences of the impact of coronavirus on investment portfolios, as well as maintaining a stable level of liquidity were analysed in detail. Given the uncertainty, we have taken measures including a sector rotation into more defensive investments and increased the proportion of cash by reducing the proportion of affected companies as well as other protecting measures. In the second half of 2020, the recovery of the capital markets has had a positive effect on the returns on investment portfolios and the size of assets under management, which somewhat offset the negative effects.

Management of Karoll Capital Management has taken measures to improve the efficiency of the work process, in compliance with the prescriptions of the health authorities, focusing on the goal of retaining staff. The remote work process was initially a challenge for employees, but in the process of work the difficulties were largely overcome and there was no cessation of activities and services of the Company. Another effect of the pandemic on the Company's activity was the difficult communication and physical access to the clients. This has to some extent been overcome through modern technological solutions for audio and video communication, including digital communication platforms such as skype, zoom, etc.

Measures were also taken for the optimisation of the Company's costs. As a result of the measures taken, the Company and the mutual funds, managed by it, have sufficient liquid assets to service their operational activities and obligations. The company did not rely on funding under special anti-impact programs from COVID-19.

3. Changes in accounting policies

3.1. New standards, amendments and interpretations of the IFRS effective as of 1 January 2020

The Company has adopted the following new standards, revisions and amendments, which came into force this year and are as follows:

IAS 1 and IAS 8 (amended) - Definition of Material, effective from 1 January 2020, adopted by the EU.
The amendments aim to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. The amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to References to the Conceptual Framework in IFRS Standards, effective from 1 January 2020, adopted by the EU.
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity.
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, effective from 1 January 2020, adopted by the EU.
The proposed update includes elements to reflect the new disclosure requirements introduced by the amendments to IFRS 9, IAS 39 and IFRS 7.

The Company has applied the following new standards, amendments and interpretations to IFRS, developed and published by the International Accounting Standards Board, which are mandatory for application from the annual period beginning on January 1, 2020, but do not have a significant effect of their application on the financial result and the financial condition of the Company:

- IFRS 3 (amended) - Business Definition effective from 1 January 2020, not yet adopted by the EU;
- Amendments to IFRS 16 rent reductions related to Covid-19, effective from 1 June 2020, 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 2020 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.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

The changes are related to the following standards:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from 1 January 2023 not yet adopted by the EU;
- 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 not yet adopted by the EU;
- Annual Improvements 2018-2020 effective from 1 January 2022 not yet adopted by the EU;
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 effective from 1 January 2021 not yet adopted by the EU;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 effective from 1 January 2021 not adopted by the EU;
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not adopted by the EU;
- IFRS 17 "Insurance Contracts" effective from 1 January 2023, not yet adopted by the EU;

4. Significant accounting policies

4.1. Overall considerations

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

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

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

4.2. Presentation of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". 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 2020, 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 translation

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.

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 management of the funds is as follows:

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

4.1.1. Revenue recognized at point of time

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

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.

4.1.2. Interest income

Interest income is recognised under current contractual terms for deposits and current accounts.

4.2. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

4.3. 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.

4.4. 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 assets 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.

4.5. Impairment testing of intangible assets and machinery and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets or cash-generating 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 recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management of the Company.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist or have been reduced. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.6. Leases

4.6.1. The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that 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 recognises 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 recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

4.7. Financial instruments

4.7.1. Recognition and derecognition

Financial assets and financial liabilities are recognised 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 are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

4.7.2. 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.

4.7.3. Subsequent measurement of financial assets

Debt instruments at amortised 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 amortised 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.

- **Corporate bonds**

The management analyses the characteristics of the contractual cash flows on corporate bonds and, if they are only principal and interest payments on the outstanding amount of the principal, the Company assesses the bonds at amortized cost using the effective interest method as the business model for the bonds is holds them for the purpose of collecting the contractual cash flows.

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.

4.7.4. Impairment of 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.

4.7.5. 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.

4.8. 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. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, for more information please see note 6.

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.

4.9. 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.

4.10. 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.

Dividend payables to shareholders are included in 'Related party payables' when the dividends have been approved at the general meeting of shareholders prior to the reporting date.

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

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

4.11. 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.

Pursuant to Ordinance №48 on the requirements of the FSC for the remuneration of employees, the Company has adopted and applies a remuneration policy.

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.

4.12. 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.

4.13. Significant management judgement 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.

4.13.1. 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.

4.14. Estimation uncertainty

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

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

4.14.1. Measurement of expected credit losses

Credit losses are 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 a probability-weighted estimate of credit losses that require the Company's judgment. Expected credit losses are discounted at the original effective interest rate.

4.14.2. Useful lives of depreciable assets

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

At 31 December 2020 management assesses that the useful lives represent the expected utility of the assets to the Company.

4.14.3. 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.

5. Machinery and equipment

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

	Computer and server systems '000 BGN	**Copy machines and printers '000 BGN**	**Vehicles '000 BGN**	**Paintings '000 BGN**	**Total '000 BGN**
Gross carrying amount					
Balance as of January 1, 2020	23	8	378	10	419
Additions	1	-	-	-	1
Balance as of December 31, 2020	24	8	378	10	420
Depreciation					
Balance as of January 1, 2020	(20)	(6)	(378)	-	(404)
Depreciation	(2)	(1)	-	-	(3)
Balance as of December 31, 2020	(22)	(7)	(378)	-	(407)
Carrying amount December 31, 2020	**2**	**1**	**-**	**10**	**13**

	Computer and server systems '000 BGN	**Copy machines and printers '000 BGN**	**Vehicles '000 BGN**	**Paintings '000 BGN**	**Total '000 BGN**
Gross carrying amount					
Balance as of January 1, 2019	52	11	378	10	451
Additions	3	-	-	-	3
Disposals	(32)	(3)	-	-	(35)
Balance as of December 31, 2019	23	8	378	10	419
Depreciation					
Balance as of January 1, 2019	(48)	(8)	(378)	-	(434)
Depreciation	(4)	(1)	-	-	(5)
Disposals	32	3			35
Balance as of December 31, 2019	(20)	(6)	(378)	-	(404)
Carrying amount December 31, 2019	**3**	**2**	**-**	**10**	**15**

Depreciation expense is included in the statement of profit or loss and other comprehensive income within "Depreciation of non-financial assets".

As of 31 December 2020, and 31 December 2019 there were no contractual obligations concerning the purchase of property, plant and equipment.

The Company has not pledged property, plant and equipment as collateral for liabilities.

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

6. Deferred tax assets

Deferred tax assets in the amount of BGN 19 thousand are a result of tax loss incurred during the current period and can be realised in the next 5 (five) tax periods.

7. Financial assets carried at fair value through profit or loss

	Note	As at 31.12.2020	As at 31.12.2019
Shares	7.1	205	205
Unites of collective investment schemes	7.2	722	789
TOTAL		**927**	**994**

7.1. Shares

	ISIN	Currency	As at 31.12.2020	As at 31.12.2019
Advance Equity Holding AD	BG1100033064	BGN	205	205

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.

7.2. Units of collective investment schemes in foreign currency

	ISIN	Currency	As at 31.12.2020	As at 31.12.2019
Advance Emerging Europe Opportunities	BG9000023077	EUR	621	686
Advance Global Trends	BG9000002113	EUR	101	103
TOTAL			**722**	**789**

The units of collective investment schemes are recognised at fair value through the profit or loss where the measure used for their fair value is the last announced redemption price of the Fund for 2020.

8. Trade and other finance receivables

	As at 31.12.2020	As at 31.12.2019
Current finance receivables		
Trade receivables	240	172
Financial assets	**240**	**172**

All receivables are current. Their net realizable value is considered to be reasonable estimation of their fair value.

The more significant trade receivables as of 31.12.2020, are presented as follows:

	As at 31.12.2020	As at 31.12.2019
Schroder Investment Management (Europe)	133	77
Receivables from trustees	107	95
TOTAL	**240**	**172**

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

All trade receivables and other financial receivables of the Company have been reviewed for impairment, they have been given a simplified approach to determine the expected credit losses for the period.

The most significant trade receivables were collected before the preparation of the financial statements and no impairment was accrued on them based on the expected credit loss. For other receivables, representing financial assets, the impairment on the basis of expected credit loss is insignificant and is not accounted for by the Company.

9. Prepayments and other assets

	As at 31.12.2020	As at 31.12.2019
Prepaid expenses	16	17
Other receivables	11	14
TOTAL	**27**	**31**

Prepaid expenses are related to annual subscriptions, membership fees and contributions for additional voluntary health insurance for employees. Other receivables include advance payment related to the purchase of software.

10. Cash and cash equivalents

	As at 31.12.2020	As at 31.12.2019
Cash on hand and in banks in BGN	21	45
Cash on hand and in banks in foreign currency	58	215
TOTAL	**79**	**260**

The Company has no blocked money and cash equivalents.

The Company has assessed the expected credit losses on cash and cash equivalents. The assessed value is less than 0.1% of the gross amount of cash deposited with financial institutions, which is therefore considered to be immaterial and has not been reported for in the financial statements of the Company.

11. Equity

11.1. Share capital

The registered capital of the Company consists of 10,000 fully paid ordinary registered shares with a par value of BGN 90 per share. All shares are entitled to receive dividends and a liquidation share and provide a voting right at the general assembly of the shareholders.

	As at 31.12.2020	As at 31.12.2019
Number of issued and fully paid shares:		
At the beginning of the year	10,000	10,000
Nominal value	BGN 90 /share	BGN 90 /share
Total number of shares issued and fully paid as of 31 December	**10,000**	**10,000**
Equity capital as of 31 December	**900**	**900**

The sole owner of the capital for both periods, presented in the financial statements is Stanimir Karolev.

11.2. 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 presented in BGN'000, unless otherwise stated

12. Employee compensations

12.1. Employee benefits expense

Employee benefits expense include:

	As at 31.12.2020	As at 31.12.2019
Salaries	(729)	(817)
Social and health security costs	(88)	(88)
Compensable leaves expense	(1)	(1)
TOTAL	**(818)**	**(906)**

Employee benefits expenses include the monthly salaries and benefits of employees under employment contracts. The Company is not charging a provision for the cost of benefits on retirement, because the amount is insignificant.

At the end of the reporting period, expenses for remuneration and social insurance for compensable leave were accrued.

12.2. Employee and social security obligations

Employee obligations as at the reporting periods comprise of:

	As at 31.12.2020	As at 31.12.2019
Social security contributions	11	12
Compensable leaves	2	1
TOTAL	**13**	**13**

13. Lease liabilities

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The Company is lessee under lease agreement for office building dated 03.05.2007, with Karoll Finance EOOD.

The lease payments recognised as an expense for the period amounts to BGN 117 thousand. This includes minimum lease payments.

The contract contains clauses allowing for early termination after one month's notice by either party without significant sanctions.

14. Trade and other payables

	As at 31.12.2020	As at 31.12.2019
Current:		
Trade payables	17	11
Other financial payables	8	-
Finance liabilities	**25**	**11**
Tax payables (*other than income tax*)	30	22
Non-finance payables	**30**	**22**
Trade and other payables	**55**	**33**

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

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

15. Revenue

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Revenue from distribution of Schroders / Schroders /	413	376
Revenue from trust management	154	181
Management fee for Advance Invest MF	265	159
Management fee for Advance Emerging Europe Opportunities	184	197
Management fee for Advance Eastern Europe	50	75
Management fee for Advance Global Trends	33	33
Revenue from the issue of units and repurchase of the managed mutual funds	5	6
Revenue from investment advice provided	-	518
Management fee for Advance Conservative Fund (liquidated)	-	4
TOTAL	**1,104**	**1,549**

The Company presents revenue from the transfer of services over time in the following main product lines and geographic regions as follows:

2020	**Luxemburg**	**Bulgaria**	**Total**
Revenue from distribution of funds	413	-	**413**
Asset Management Income	-	691	**691**
Recognised at a point in time	38	5	**43**
Recognised over time	375	686	**1,104**

2019	**Luxemburg**	**South Korea**	**Bulgaria**	**Total**
Revenue from distribution of funds	376	-	-	**376**
Asset Management Income	-	-	655	**655**
Revenue from investment advice provided	-	518	-	**518**
Recognized at a point in time	20	-	6	**26**
Recognized over time	356	518	649	**1,523**

16. Cost of materials

Cost of materials include:

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Electricity	(8)	(11)
Heating	(3)	(4)
Vehicle supplies	(2)	(2)
Promotion materials	-	(1)
TOTAL	**(13)**	**(18)**

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

17. Hired services expense

Hired services expenses include as follows:

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Rent	(117)	(117)
Annual fees and subscriptions	(103)	(146)
Remuneration for administration (servicing of trustees)	(55)	(53)
Consulting services	(30)	(29)
Distribution	(18)	(1)
Advertisement	(15)	(21)
Audit	(5)	(4)
Trainings and seminars	(3)	(3)
Mobile services	(2)	(4)
Other	(3)	(7)
TOTAL	**(351)**	**(385)**

18. Other expenses

Other operating expenses comprise of:

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Non-deductible tax credit	(32)	(18)
Administrative fines and compensations	(8)	(10)
Business trips	(4)	(25)
Tax on expenses and other	(2)	(1)
Non-tax-deductible expenses	-	(10)
TOTAL	**(46)**	**(64)**

The Company is registered for VAT pursuant to art. 96 para 1 of the law. During the reporting period, the Company performed exempt and taxable supplies within the meaning of the VAT Act. In these financial statements, the other operating expenses include costs for unrecognised partial tax credit on purchases in 2020 amounting to BGN 27 thousand.

19. Net (loss) / gain from operations with financial assets carried at fair value through profit or loss

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Gain from revaluation of financial assets carried at fair value through profit or loss, net	412	354
Loss from revaluation of financial assets carried at fair value through profit or loss, net	(479)	(310)
TOTAL	**(67)**	**44**

20. Financial costs, net

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Currency exchange gains, net	(1)	2
Other financial costs	(6)	(7)
TOTAL	**(7)**	**(5)**

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

21. Income tax income / (expense)

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % and the reported tax income actually in profit or loss can be reconciled as follows:

	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
(Loss) / Profit before tax	(201)	210
Tax rate	10%	10%
Expected tax expense	-	(21)
Tax effect from:		
Adjustments for non-deductible for tax purposes expenses		
- Expenses not related to the main activity	-	(1)
- Fines	-	(1)
Deferred tax income:		
Occurrence of a deferred tax asset in relation to tax losses	19	-
Income tax expense	**19**	**(23)**

22. Related parties

The related parties of the Company include: the managed mutual funds, group companies of Karoll, the owner and key management personnel. Unless otherwise stated, transactions with related parties are not performed under special conditions and no guarantees have been given or received. Amounts from and to related parties are transferred only via bank accounts.

22.1. Related party transactions

Sales of services:	For the year ended as of 31.12.2020	For the year ended as of 31.12.2019
Revenue from management of mutual funds:		
Management fee for Advance Invest Mutual Fund	265	159
Management fee for Advance Emerging Europe Opportunities Mutual Fund	184	197
Management fee for Advance Eastern Europe Mutual Fund	50	75
Management fee for Advance Global Trends Mutual Fund	33	33
Management fee for Advance Conservative Mutual Fund (liquidated)	-	4
Revenue from issuing and repurchase of fund shares	5	6
TOTAL	**537**	**474**
Transactions with the owner		
Dividends - accrued and paid	-	(239)
Purchase of services		
Rent to Karoll Finance EOOD and other complementary expenses	(129)	(132)
Costs for administering trustees	(42)	(53)
TOTAL	**(171)**	**(185)**

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

Key management personnel remunerations		
Salaries		
Social security and health insurance	(364)	(442)
TOTAL	(16)	(14)
Key management personnel remunerations	**(380)**	**(456)**

22.2. Related party balances at year end

	As at 31.12.2020	As at 31.12.2019
Current receivables from		
Mutual funds		
- Advance Emerging Europe Opportunities	23	24
- Advance Invest	15	16
- Advance Eastern Europe	4	4
- Advance Global Trends	3	2
Total receivables from mutual funds	**45**	**46**

Related party balances at year end (continued)

	As at 31.12.2020	As at 31.12.2019
Current payables to:		
Other common control related parties		
- Karoll Finance EOOD	12	15

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.

23. Non-cash transactions

During the reporting period the Company has not carried out investment and financial transactions, in which cash or cash equivalents were not used and were not reflected in the statement of cash flows.

24. Contingent assets and liabilities

The company has imposed administrative penalties by the FSC - property sanctions for violations of the ACISCIPA committed in 2020 and Ordinance 44 of Karoll Capital Management EAD as a management company and as a manager of Advance Invest, Advance Eastern Europe, Advance Emerging Europe Opportunities and Advance Global Trends. The Company appealed to the Sofia District Court against the penal decrees issued in 2021.

25. Other disclosures

Securities and cash held by clients of Karoll Capital Management EAD, invested in funds of Schroder Investment Management (Europe).

Asset type	Currency	Market value as of December 31, 2020	Market value as of December 31, 2019
Cash	BGN	336	49
Cash	EUR	235	205
Cash	USD	39	20
Mutual funds	EUR	54,871	37,478
Mutual funds	USD	13,186	11,482
TOTAL		**68,667**	**49,234**

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

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 at 31.12.2020**	**As at 31.12.2019**
Financial assets carried at fair value through profit or loss			
Shares	7.1	205	205
Units of collective investment schemes:	7.2	722	789
		927	**994**
Loans and receivables:			
Trade and other receivables	8	240	172
Related party receivables	22.2	45	46
Cash and cash equivalents	10	79	260
		364	**478**

Financial liabilities	**Note**	**As at 31.12.2020**	**As at 31.12.2019**
Current liabilities:			
Trade and other payables	14	25	11
Related party payables	22.2	12	15
		37	**26**

See note 4.7 about information related to the accounting policy for each category of financial instruments. A description of the Company's policy and objectives of risk management in relation to the financial instruments is presented in the next note.

27. Financial instruments risk

The specific activities of Karoll Capital Management EAD as a management company determine certain risks inherent to the business of the companies managing collective investment schemes. The management of portfolios of mutual funds requires application of adequate systems for timely identification and management of various risks, with emphasis on the procedures for risk management, the mechanisms to keep risks within acceptable limits, optimal liquidity and portfolio diversification.

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

Risk management is carried out governed by the principle of centralisation and is structured according to the level of competence as follows:

- Board of Directors - determines the acceptable levels of risk within the adopted development strategy;
- Executive directors - control the process of approval and implementation of adequate policies and procedures within the accepted strategy for risk management.

Risk Management Department - performs the operating activity of measurement, monitoring, management and control of risks in the portfolio management of the funds and financial assets of 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:

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

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, acting outside of 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 a currency risk when conducting transactions with financial instruments denominated in a foreign currency. In conducting transactions in a foreign currency, revenues and expenses arising from foreign currency transactions are recognised in the statement of comprehensive income. These exposures are monetary assets and liabilities of the Fund denominated in a currency other than BGN and EUR.

Interest risk

The Company activity depends on the dynamics of interest rates only to a negligible degree. The cost of interest-bearing assets with a fixed rate changes because of the fluctuation of market interest rates. On the other hand, regarding assets with floating interest rates, the Company is exposed to interest rate risk due to changes in the interest rate index bound to the respective financial instrument.

As of 31 December 2020, the Company is not exposed to interest rate risk.

Other price risks

The Company determines the price risk as the risk of reduction of the price of a financial asset or a portfolio of financial assets due to factors other than those arising from interest rate or currency risks. Such investments are constantly monitored. The shares give a voting right at General Assemblies of the shareholders of the issuers.

	ISIN	Currency	As at December 31, 2020	As at December 31, 2019
Advance Equity Holding AD	BG1100033064	BGN	205	205
Advance Emerging Europe Opportunities	BG9000023077	EUR	621	686
Advance Global Trends	BG9000002113	EUR	101	103

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 at 31.12.2020	As at 31.12.2019
Listed shares	205	205
Units of collective investment schemes:	722	789
Trade and other finance receivables	240	172
Related party receivables	45	46
Cash and cash equivalents	79	260
Carrying amount	**1,291**	**1,472**

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

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

All debt instruments of the Company can be classified in stage 1 of the impairment model described in note 4.7.4.

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;
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 31.12.2020	**Level 2**
Financial assets carried at fair value through profit or loss	
Shares	205
Units of collective investment schemes	722
TOTAL	**927**

As of 31.12.2019	**Level 2**
Financial assets carried at fair value through profit or loss	
Shares	205
Units of collective investment schemes	789
TOTAL	**994**

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

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

29. Capital management policies and procedures

The Company's objectives regarding capital management are:

- to ensure the Company's ability to continue as a going concern; and
- to provide adequate return to shareholders.

The Company monitors capital in accordance with the provisions laid down in Art. 151-154 of Ordinance № 44 on the requirements for the activity of the collective investment schemes, closed-type investment companies and management companies of the Financial Supervision Commission.

Data reported for the period shows high ratio values and compliance with the legal requirements
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Ratio	Legally defined minimum (%)	2020	2019
Equity to minimum capital required	100	519.43%	517.26%
Equity to fixed operating expenses	25	107.56%	96.61%

As of December 31, 2020, and December 31, 2019 the Company has complied with externally imposed capital requirements to which it is subject. The Company has not changed its objectives, policies, and processes for managing capital, as well as ways of determining capital during the presented reporting periods.

30. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization, except for the following non-adjusting event:

In relation to the continuing global pandemic of Covid-19, with a Decision of the Council of Ministers № 72 of 26.01.2021, the term of the emergency epidemic situation in Bulgaria was extended until 30 April 2021.

The legislative, economic and medical measures taken by the government, including the started process of vaccination of the population gives grounds to expect normalisation of the economic and in other sectors of life and reaching the pre-crisis levels by the end of 2021. The management believes that based on the current development of the crisis in the country and worldwide, the peak has been overcome and the economy will return to normal functioning. The effect of the COVID-19 crisis will reduce its impact and the volatility of market and price risk associated with managed and distributed assets will decrease, but adverse developments may have a negative effect on its performance and results.

31. Authorization of the financial statements

The financial statements were authorised for issue by the Board of Directors on March 16, 2021 and is signed on behalf of Karoll Capital Management EAD by:

Daniel Ganev: ______
/Chief Executive Officer/

Stoyka Koritarova: ______
/Chief Accountant/

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Bistra Kotseva: ______
/Procurator /