Grant Thornton

Annual Management Report
Independent Auditor's Report
Financial Statements

Management Company
Karoll Capital Management EAD

31 December 2015

karoll
CAPITAL MANAGEMENT

Contents

ANNUAL MANAGEMENT REPORT

I. HISTORY AND DEVELOPMENT OF THE MANAGEMENT COMPANY

Karoll Capital Management EAD is registered in Bulgaria by Decision № 1 dated 2 September 2003 of the Sofia City Court. The Company is registered in the commercial register with capital of BGN 100 000, divided into 1 000 ordinary registered shares with voting rights, with a nominal value of BGN 100. The Company has three-member Board of Directors. In 2005 the Company increased the share capital by BGN 150 000 through funds received from the sole owner and from the distribution of retained earnings. In 2006 the Company increased the capital by BGN 300 000 to af total of BGN 550 000, divided into 5 500 ordinary registered shares with voting rights, with nominal value of BGN 100. During 2008 the Company increased the capital by BGN 450 000 to a total of BGN 1 million with nominal value of BGN 100.

The Company is subject to regulation by the Financial Supervision Commission. Karoll Capital Management EAD is authorized by resolution 328 - UD dated 21 August 2003 of the FSC to carry out operations within the meaning of the Public Offering of Securities Act. The license was complemented by a decision 115 - UD dated 14 February 2006 of the FSC pursuant to the amended Public Offering of Securities Act with scope of activities management of collective investment schemes and investment companies of closed type, individual portfolios and providing investment advice about securities. Karoll Capital Management EAD 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. At the end of 2015, Karoll Capital Management EAD manages five funds:

- Advance Invest is initially licensed as an open-type investment company with license to perform activities issued by the FSC under Resolution № 561 - ID dated 22.12.2003. 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 launched on 10 May 2004. In 2013, the investment company has been reorganized into a mutual fund - Advance Invest with decision N 736-DF dated 03.10.2013. The net value of the managed assets in the Fund as at 31.12.2015 amounted to BGN 4.5 million.

- Advance Eastern Europe, organized and managed by Decision № 29 dated 31.08.2006 SF of the FSC. It is the first Bulgarian mutual fund investing in emerging markets in six Eastern European countries - Russia, Serbia, Bulgaria, Romania, Croatia and Ukraine. 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 at 31.12.2015 amounts to BGN 5.5 million.

- Advance IPO Fund organized and managed by Decision № 29 dated 31.08.2006 DF of the FSC. It is the first Bulgarian mutual fund investing in shares subject to the IPO in Eastern Europe. The public offering of securities of Advance IPO Fund was launched on 23 November 2007. In 2015, the name of Advance IPO Fund was changed to Advance Opportunities in New Europe. The investment policy of the collective investment scheme is changing, so include: investments in shares of companies from Central and Eastern Europe, mainly from Poland, the Czech Republic, Hungary, Estonia, Lithuania and Latvia. The fund may invest also in Austrian companies which revenues are largely generated in the region. Furthermore, the Fund will seek to actively participate in IPO deals, and at the discretion of the Management Company, it may participate in IPO deals in various countries of Central and Eastern Europe. In cases where transactions are in countries other than those in which the Fund primarily invests, namely Poland, the Czech Republic, Hungary and the Baltic countries, the aim is to take advantage of attractive opportunities and in this case the rule applies to short-term holding of investments (up to few months). Investments are allowed on regulated markets in Romania, Russia, Slovenia, Serbia, Croatia, Bulgaria, Turkey, Kazakhstan, Macedonia, Ukraine. The fund could invest in equities of companies from Central and East Europe, which equities are traded on foreign stock markets.Changes are approved by Decision № 112-DF dated 23.02.2015 of the FSC., Decision № 113-DF dated 23.02.2015 of the FSC and Decision № 114-DF dated 23.02.2015 of the FSC. The net value of the managed assets in the Fund as at 31.12.2015 amount to BGN 2.9 million.

- Advance Global Trends Fund organized and managed by Decision № 353-DF dated 08.06.2011 of the FSC. It invests primarily in ETFs (Exchange Traded Funds), exchange traded commodities (ETC) and exchange traded notes (ETN), using the approach of rotation between asset classes - equities, commodities, fixed income, alternatives and cash. The public offering of securities of Advance Global Trends Fund was launched on 01.07.2011. The net value of the managed assets in the Fund as at 31.12.2015 amount to BGN 1.4 million.

- Advance Conservative Fund, organized and managed by Decision № 779-DF dated 17.07.2012 of the FSC, based on a permit № 109-DF dated 09.08.2012 of FSC. It invests primarily in low-risk and highly liquid assets - deposits, short-term debt securities, bonds and repos, such as the share of stocks in the portfolio is minimal. The objective of the Fund is to preserve and increase the real value of money at low risk. The public offering of shares of Advance Conservative Fund was launched on 30.07.2012. The net value of the managed assets in the Fund as at 31.12.2015 amount to BGN 1.5 million. In 2014 the Management Company acting on behalf of Advance Conservative Fund signed a contract for assignment (cession) of Corporate Commercial Bank AD on open deposit accounts whose license to perform as a bank institution was taken by Decision dated November 2014 SF of the BNB. As of 31.12.2015 the most of the receivables of the Fund are receivables according to a contract for cession. The continuing uncertainty regarding the payments under the contract for cession and the partial risk of uncollectible receivables provoked an impairment of the rest of receivable of Advance Conservative Fund with 10.47% according to a decision of the Board of Directors of the Management Company.

Karoll Capital Management EAD offers management of individual portfolios in compliance with a contract signed with the client (wealth management). The total amount of the managed portfolios as at 31.12.2015 amounts to BGN 12.4 million.

2015 was highly dynamic for the global markets with very high volatility in some regions, drastic declines in markets and local currencies. In the focus of investors were the Greek crisis, the conflict between Russia and Ukraine, slowing economic growth in China, refugee crisis, terroristic acts in Europe and etc.

The region of Central and Eastern Europe, however, continued to perform poor, continuing the trend from the previous year. The index, following the regional markets - MSCI EFM EUROPE+CIS ex Russia – decline over 22% for 2015. The largest contribution to losses was Turkey(-17.6% in local currency). Polish equities lost 19.7% influenced by the political turmoil. The main Ukrainian benchmark collapsed with -31.8%. From the focus markets of Karoll Capital Management EAD the best performance was done by Hungary (+43.8) and Baltic States based on consumer confidence and increased domestic consumption: +45,7 for Latvia, +19,1 for Estonia, and +7.4 for Lithuania. For another year almost all regional currencies were under pressure.

In consequence of this complex situation we have witnessed the negative picture through the raising of funds from the local collective investment schemes with a focus in regional shares. In addition to the international geopolitical problems, unstable domestic political and economic situation and the turmoil in the banking system proved a serious obstacle in attracting funds in all types of local funds.

The performance in terms of realized returns for each Fund in 2015 was the following:

- MF Advance Invest: -6.3%
- MF Advance Eastern Europe: -2.3%
- MF Advance Opportunities in New Europe -2.3%
- MF Advance Global Trends: -3.4%
- MF Advance Conservative Fund: -0.7%

There is strengthening of the client interest regarding management services of individual portfolios and providing investment advice, the so-called 'Wealth Management'. In the past year, customers continued to take an active interest in global portfolios where primarily through exchange traded funds (ETFs), we provide access to a huge number and variety of assets, regions and sectors worldwide.

Current year was dynamic in the direction of the offering of funds of our global partner Schroders. For this period, once again was reported considerable interest in investing in the funds of the British management company, both from the individual and from institutional investors in the country. Bookings in more conservative products predominated and interest launched in started in November saving plan.

Key priorities in the past year remained excellent service to clients of Karoll Capital Management EAD, including through technological development, expansion of the market share of the company, effective participation in professional organizations in the industry, and participation in the development processes of legislation and market infrastructure.

II. PERFORMANCE OF THE THE MANAGEMENT COMPANY IN 2015.

In 2015 Karoll Capital Management EAD has revenues from operating activities amounting to BGN 797 thousand, comprising of:

- Management fees, costs of issued shares and the costs of repurchased shares of the managed collective investment schemes amounting to BGN 407 thousand;
- Fees for wealth management at the amount of BGN 45 thousand;
- Income from distribution of funds of Schroders in the amount of BGN 340 thousand.
- Other services provided, at the amount of BGN 5 thousand.

The finance income at the amount of BGN 129 thousand consists of interest income at the amount of BGN 15 thousand and gain from transactions with financial assets at the amount of BGN 114 thousand.

For the same period, the operating expenses of Karoll Capital Management EAD amount to BGN 769 thousand. The finance costs at the amount of BGN 188 thousand derive from loss from transactions with financial assets at the amount of BGN 180 thousand and other finance cost at the amount of BGN 8 thousand.

The financial result for the reporting period is loss at the amount of BGN 29 thousand.

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

III. MAJOR RISKS FOR THE MANAGEMENT COMPANY

Major risks to the activities of the Management Company are described in detail in the Management Risk Manual of Karoll Capital Management EAD, publicly available on the website of the Company www.karollcapital.bg.

Management Company distinguishes the following types of risks associated with the activities, procedures and systems:

1. Internal - related to the organisation of the Management Company.
Internal risks comprise but are not limited to:
a) Risks related to staff;
b) Risks related to the processes;
c) Risks associated with the systems.

2. External - connected with macroeconomic, political and other factors that influence and / or may impact the operations of the Management Company. External risks comprise but are not limited to:
a) Risk of the ambient environment;
b) Risk of physical interference.

IV. POST-REPORTING DATE EVENTS

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

V. EXPECTED DEVELOPMENT OF THE COMPANY

In 2016, Karoll Capital Management EAD will seek to offer its customers the highest-quality portfolio management and customer service - factors which are a prerequisite for long-term success based on solid experience gained over the years. The main task is to focus the activity on individual customer needs by avoiding limiting investment process product approach and outweigh of the personal expectations of the client. Namely to provide to Bulgarian customers innovative solutions for global investment with maximum flexibility, Karoll Capital Management EAD deepens its cooperation with the international giant Schroders. Our expectations are for the third successive year to attract a number of retail customers as well as institutional investors in the rich product range of Schroder Investment Management.

The sharp drop in interest rates on bank deposits almost to zero percent and the deadlock of the local capital market favour the demand to channel savings towards investments in international markets. Our strategy is precisely in response to this new reality in Bulgaria. The wealth management service in the foreground is again taken in which the portfolio managers of Karoll Capital Management EAD work more closely to individual clients to provide them personalized solutions according to their risk profile and preferences.

In the long run Karoll Capital Management aims to take a leading position among asset management companies in Bulgaria and dignified place in the region as a whole. The company will offer its services in the management of portfolios of different types of institutional and individual investors, including pension funds, insurance companies, individuals and legal entities. The investment focus of the managed products will cover an increasingly broad range of markets in Eastern Europe. Additionally, our strategy includes offering our regional customers products managed by our global partners.

VI. RESEARCH AND DEVELOPMENT

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

VII. INFORMATION UNDER ART. 187D AND ART. 247 OF THE COMMERCIAL LAW

In 2005 the Company increased the share capital by BGN 150 thousand through 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. During 2008 the Company increased the capital by BGN 450 000 to a total of BGN 1 million. As at 31 December 2015 the share capital of the Company is BGN 1 million divided into 10 000 ordinary registered shares with voting rights and nominal value of BGN 100.

According to requirements of the Public Offering of Securities Act Company's shares are registered to the Central Depository dematerialized.

The remunerations of the Board of Directors received in 2015 under employment contracts amount to BGN 307 thousand.

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

Daniel Ganev holds more than 25 percent of the share capital of KP&G OOD and does not participate in the management as a manager or board member of other companies.

Alexander Nikolov owns 100% of the capital of Trend Recognition EOOD, where he participates in the management. Alexander Nikolov owns 25 percent of the share capital of Likora OOD, Likora OS OOD and Likoea Sofia OOD,where he participates in the management.

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 and Karoll AD and Karoll Finance EOOD.

In 2015, the Company has elected specialized auditing company Grant Thornton OOD, reg. Number 032 to audit the annual financial statements for 2015. The remuneration amounts to BGN 2 975 without VAT and is the full remuneration for the independent financial audit.

VIII. COMPANY OFFICES

Under the signed agreement for investment brokerage firm, Karoll Capital Management EAD offers the possibility of receiving orders for subscription and repurchase of stocks / shares to investors in offices in Sofia, Plovdiv, Varna, Bourgas, Stara Zagora and Rousse.

02.03.2016

Executive Director:
/Daniel Ganev/

Member of the Board of Directors:
/Alexander Nikolov/

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

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INDEPENDENT AUDITOR'S REPORT

To the owner of
Management Company
Karoll Capital Management EAD
1 Zlatovryh Str., Sofia, Bulgaria

Report on the Financial Statements

We have audited the accompanying financial statements of Karoll Capital Management EAD, which comprise the statement of financial position as of 31 December 2015, and the statement of profit or loss and other comprehensive income for the year ended 31 December 2015, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Karoll Capital Management EAD as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation.

Report on Other Legal and Regulatory Requirements – Management's report for the year ended 31 December 2015

We have reviewed the management's report for the year ended 31 December 2015 of Karoll Capital Management EAD, which is not part of the financial statements. The historical financial information in the management's report complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation. The preparation of the management's report is responsibility of the management.

Mariy Apostolov

Managing partner

Grant Thornton Ltd.
Auditing Company

Milena Mladenova

Registered Auditor, responsible for the audit

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №032
"Грант - Торнтон" ООД

25 March 2016
Bulgaria, Sofia

MC KAROLL CAPITAL MANAGEMENT EAD
STATEMENT OF FINANCIAL POSITION
31 December 2015
All amounts are presented in BGN'000, unless otherwise stated

	Note	As at 31.12.2015	As at 31.12.2014
Assets			
Non-current assets			
Plant and equipment	5	14	11
Deferred tax assets	7	3	-
Long-term related party receivables	22.2	245	362
Non-current assets		**262**	**373**
Current assets			
Financial assets carried at fair value through profit or loss	7	490	378
Trade and other receivables	9	108	71
Related party receivables	22.2	147	151
Income tax receivables		5	21
Cash and cash equivalents	10	136	181
Current assets		**886**	**802**
Total assets		**1 148**	**1 175**
Equity and liabilities			
Equity			
Share capital	11	1 000	1 000
Reserves	11	100	100
Retained earnings		30	59
Total equity		**1 130**	**1 159**
Liabilities			
Current liabilities			
Payables to employees and social security institutions	12.2	2	4
Trade and other payables	13	1	3
Short-term related party payables	22	15	9
Total liabilities		**18**	**16**
Total equity and liabilities		**1 148**	**1 175**

Daniel Ganev:
Executive Director

Stoyka Koritarova:
Chief Accountant
MC "Karoll Capital Management" EAD

Alexander Nikolov:
Member of Board of Directors
MC "Karoll Capital Management" EAD
Date: 19.02.2016

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
* ЕАД *

Audited, according to audit report, dated 25.03.2016:

Mariy Apostolov
Managing Partner
Grant Thonrnon OOD
Specialized auditing company

Milena Mladenova
Registered Auditor, responsible for the engagement

"Грант Торнтон" ООД
Рег. №032
София

The accompanying notes on pages from 5 to 32 form an integral part of the financial statements.

MC KAROLL CAPITAL MANAGEMENT EAD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
All amounts are presented in BGN'000, unless otherwise stated

	Note	As at 31.12.2015	As at 31.12.2014
Revenue	14	797	743
Cost of materials	15	(15)	(14)
Hired services expenses	16	(246)	(193)
Employee benefits expense	12	(461)	(250)
Depreciation of non-financial assets		(1)	-
Other operating expenses	17	(46)	(25)
Operating profit		**28**	**261**
(Loss)/gain from operations with financial assets carried at fair value through profit or loss, net	18	(66)	57
Finance income/(costs), net	19	6	(7)
(Loss)/ profit before tax		**(32)**	**311**
Income tax income/(expense)	20	3	(20)
(Loss)/ profit for the year		**(29)**	**291**
Total comprehensive (loss)/profit fo the year		**(29)**	**291**
(Loss) /Earnings per share:		**BGN**	**BGN**
(Loss)/earnings per share	21	**(2.88)**	**29.11**

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Daniel Ganev: ____________
Executive Director

Alexander Nikolov: ____________
Member of Board of Directors
MC "Karoll Capital Management" EAD

Stoyka Koritarova: ____________
Chief Accountant
MC "Karoll Capital Management" EAD

Date: 19.02.2016

Audited, according to audit report, dated 25.03.2016:

Mariy Apostolov
Managing Partner
Grant Thonrnon OOD
Specialized auditing company

Milena Mladenova
Registered Auditor, responsible for the engagement

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №032
"Грант - Торнтон" ООД

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

	As at 31.12.2015	As at 31.12.2014
Operating activities		
Cash receipts from managed funds	410	483
Cash receipts from customers	373	220
Cash paid to suppliers	(156)	(160)
Cash paid to employees and social security institutions	(432)	(224)
Income taxes paid	-	(41)
Other taxes paid	(38)	(26)
Comissions paid	(8)	(10)
Other payments related to main activity	(30)	(8)
Receipts from non-specialised investment activity (note 10)	47	290
Payments for non-specialised investment activity (note 10)	(47)	(290)
Net cash flow from operating activities	**119**	**234**
Investing activities		
Purchase of financial assets	(196)	(321)
Proceeds from sale and redemption of non-derivative financial assets	20	-
Interest received	12	4
Net cash flow from investing activities	**(164)**	**(317)**
Cash and cash equivalents, beginning of year	**181**	**264**
Cash and cash equivalents, end of year	**136**	**181**

Daniel Ganev: ____________
Executive Director

Stoyka Koritarova: ____________
Chief Accountant
MC "Karoll Capital Management" EAD

Alexander Nikolov: ____________
Member of Board of Directors
MC "Karoll Capital Management" EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
* ЕАД *

Date: 19.02.2016

Audited, according to audit report, dated 25.03.2016:

Mariy Apostolov
Managing Partner
Grant Thonrnon OOD
Specialized auditing company

Milena Mladenova
Registered Auditor, responsible for the engagement

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №032
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All amounts are presented in BGN'000, unless otherwise stated

	Share capital	Reserves	Retained earnings/ (Accumulated loss)	Total equity
Balance as at 1 January 2014	**1 000**	**100**	**(232)**	**868**
Profit for the year	-	-	291	291
Total comprehensive income for the year	-	-	291	291
Balance as at 31 December 2014	**1 000**	**100**	**59**	**1 159**
Loss for the year	-	-	(29)	(29)
Total comprehensive loss for the year	-	-	(29)	(29)
Balance as at 31 December 2015	**1 000**	**100**	**30**	**1 130**

Daniel Ganev: ____________
Executive Director

Alexander Nikolov: ____________
Member of Board of Directors
MC "Karoll Capital Management" EAD

Stoyka Koritarova: ____________
Chief Accountant
MC "Karoll Capital Management" EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Date: 19.02.2016

Audited, according to audit report, dated 25.03.2016:

Mariy Apostolov
Managing Partner
Grant Thonrnon OOD
Specialized auditing company

Milena Mladenova
Registered Auditor, responsible for the engagement

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

The accompanying notes on pages from 5 to 32 form an integral part of the financial statements.

1. GENERAL INFORMATION

MC Karoll Capital Management EAD (The Company) is registered in Bulgaria by decision No. 1 dated 2 September 2003 of Sofia City Court. The company is registered in the Trade Register with capital of BGN 100 000 distributed in 1000 ordinary registered shares with voting rights with a nominal value of BGN 100 each. In 2005, the company increased its capital by BGN 150 000, which originated from the sole owner and distribution of profit from previous years. In 2006, the company increased its capital with additional BGN 300 000 up to BGN 550 000. In 2008, the company increased its capital by another BGN 450 000. As at 31 December 2015 the capital of the Company is BGN 1 000 000 distributed in 10 000 ordinary registered shares with voting rights with a nominal value of BGN 100.

The Company's registered office is Sofia 1303, Vazrajdane, 57 Hristo Botev Blvd. The corresponding address of the Company is Sofia 1164, Lozenets, 1 Zlatovruh Str.

The company has three members in the Board of Directors: Stanimir Karolev – chairman of the Board of Directors, Alexander Nikolov – vice chairman of the Board of Directors and Daniel Ganev – Executive director. The Company is represented always together by two of three members of the Board of Directors. Sole and ultimate owner of the capital is Stanimir Karolev.

As at 31.12.2015 the employees of the Company are 14, all of whom have been employed with labour contracts.

The company is subject to regulation by the Financial Supervision Commission (FSC). MC Karoll Capital Management EAD received permission by decision No. 328-MC dated 21 August 2003 of the FSC to perform its activity within the meaning of the Public Offering of Securities Act. The license was extended, by decision No. 115-MC dated 14 February 2006 of the FSC as per the amended Public Offering of Securities Act, to include the activity of management of collective investment schemes and of closed-end investment companies, as well as individual portfolio management and providing investment consulting on securities. Karoll Capital Management structures security portfolios according to the investment objectives of its customers by taking sale and purchase decisions of financial instruments and other assets in accordance with contracts with clients. Client's assets are stored in an investment intermediary's subaccount "Karoll" AD which is a party to a tripartite agreement for management of individual portfolio. MC Karoll Capital Management EAD manages five collective investment schemes:

- MF Advance Invest, with a licence to perform its activity by decision No. 561-MF dated 22.12.2003 and subsequent decision No. 736-MF dated 03.10.2013. Advance Invest is the first Bulgarian fund focused on shares from the new European Union Member Countries – Bulgaria and Romania. The public offering of securities of MF Advance Invest started on 10 May 2004.

- MF Advance Easter Europe, organised and managed by the Company by decision No. 29-MF dated 31.08.2006 of the FSC. This is the first Bulgarian mutual fund investing in developing markets of 6 East-European countries – Russia, Serbia, Bulgaria, Romania, Croatia and Ukraine. The public offering of securities of MF Advance Eastern Europe started on 4 October 2006.

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2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information for 2014) unless otherwise stated.

The financial statements are prepared under the going concern principle.

As at the date of preparation of these financial statements, the management has assessed the ability of the Fund to continue as a going concern on the basis of the available information for the foreseeable future.

Following a review of the Company's activity the Board of Directors expects that the Fund has sufficient financial resources to continue its operational activities in the near future and continue to apply the principle of going concern when preparing financial statements.

3. CHANGES IN ACCOUNTING POLICIES

3.1. New and revised standards that are effective for annual periods beginning on or after 1 January 2015

The Company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2015:

- IFRS 13 "Fair Value Measurement";
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets";
- IFRS 9 "Financial Instruments" and Provisions, IAS 37 "Contingent Liabilities and Contingent Assets";
- IAS 39 "Financial Instruments: Recognition and Measurement"

The following new standards, amendments and interpretations to IFRS as issued by the International Accounting standards are mandatory for the annual period beginning on 1 January 2014, but have no effect on the separate financial statements of the Company:

-IAS 19 "Employee Benefits" (changed) – Contributions from employees into force from 1July 2014, adopted by the EU for annual periods beginning on or after 1 February 2015.

Annual improvements 2013 in force form 1 July 2014, adopted by the EU for annual periods beginning on or after 1 February 2015.

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

The following new standards, amendments and interpretations to existing standards which are expected to have an effect on the financial statements of the Company, are published, but are not effective for the financial year beginning 1 January 2015 and have not been early adopted:

IFRS 9 "Financial Instruments" effective from 1 January 2018, not yet adopted by the EU
The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management have yet to assess the impact of IFRS 9 on these consolidated financial statements.

IAS 1 "Presentation of Financial Statements "(changed) effective from 1 January 2016, not yet adopted by the EU

These changes are part of the initiative of the The IASB for improve the presentation and disclosure in financial statements. They explain the guidelines in IAS 1 on materiality, summarizing the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
At present, management is still assessing the possible effects of future implementation of new standards.
The following new standards and interpretations are published, but they are not expected to have an effect on the financial statements of the Company:

-IFRS 9 "Financial Instruments" (changed)- Hedge accounting, effective from 1 January 2018, not yet adopted by the EU

-IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures" (changed) effective from 1 January 2016, not yet adopted by the EU;

-IFRS 10 „Consolidated Financial Statements", IFRS 12 „Disclosure of Interests in Other Entities" and IAS 28 „Investments in Associates and Joint Ventures" (changed) effective from 1 January 2016, not yet adopted by the EU;

-IFRS 11 „Joint Arrangements"(changed) - Acquisition of stake in joint venture, effective from 1 January 2016, not yet adopted by the EU

-IFRS 14 „Regulatory Deferral Accounts", effective from 1 January 2016, not yet adopted by the EU

-IAS 16 „Property, Plant and Equipment" and IAS 38 „Intangible Assets" (changed), effective from 1 January 2016, not yet adopted by the EU

-IAS 16 „Property, Plant and Equipment" and IAS 41 „Agriculture" (changed) - fruit-bearing plants, effective from 1 January 2016, not yet adopted by the EU

-IAS 27 „ Consolidated and Separate Financial Statements" (changed), effective from 1 January 2016, not yet adopted by the EU

- Annual Improvements 2013 effective from 1 July 2014, not yet adopted by the EU

4. SUMMARY OF 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" (revised 2007). 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:

(i) applies an accounting policy retrospectively,

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

(iii) reclassifies items in the financial statements

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

In 2015 none of the above conditions is met and therefore the financial statements of the Company are presented with one comparative period.

4.3. Foreign currency translation

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

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

4.4. Segment reporting

The Company operates in a single economic sector because of legal restrictions and the purpose for which it was created. For these reasons information on various sectors will not be presented.

4.5. Revenue

Revenue includes revenue from rendering of services presented in note 14.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT.

Revenue is recognized, provided all of the following conditions are satisfied:

- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the costs incurred or to be incurred can be measured reliably; and
- when the criteria for each of the Company's different activities have been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

4.5.1. Rendering of services

The activity of the Company is legally restricted. The major revenue of the Company is generated by rendering of services – management of mutual funds and the related taxes and transactional revenue related to the issue of shares.

Revenue is measured by reference to the fair value of consideration received or receivable.

The annual remuneration for management of the funds is as follows:

Name of the mutual fund	**% of the average annual value of the Fund's assets**
MF Advance Invest	2,50 %
MF Advance East Europe	2,50 %
MF Advance Opportunities in New Europe	2,50 %
MF Advance Global Trends	1,80 %
MF Advance Conservative Fund	0,85 %

4.5.2. Interest income

Interest income is reported in accordance with the contractual terms of the opened deposits and bank accounts.

4.5.3. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

4.5.4. Intangible assets

Intangible assets include software necessary for the activity of the Company and the managed mutual funds. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use.

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 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 others 2 years

Amortization has been included within 'Depreciation and amortization of non-financial assets'.

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

4.5.5. Plant and equipment

Plant 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, the plant and equipment are carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized in statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure relating to an item of property, plant 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 the its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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

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

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

4.6. Impairment testing of intangible assets and property, plant 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 individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the 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 reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

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 recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.7. Financial instruments

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

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

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

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

All financial assets are recognized on their settlement date.

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

4.7.1. Financial assets

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

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

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

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'Finance costs', 'Finance income' or 'Other financial items', except for impairment of trade receivables which is presented within 'Other expenses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss.

The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within 'Other expenses'.

Financial assets at fair value through profit or loss

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

If it is impossible to determine the price on the basis of information of regulated markets due to lack of trading as well as financial instruments that are not traded and are not admitted to trading on regulated markets or other venues - the evaluation is done by the method of discounted cash flows for debt instruments or equity method of price-earnings ratios of comparable companies or method of the net book value of assets.

4.7.2. Financial liabilities

The Company's financial liabilities include trade payables.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavourable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Finance costs' or 'Finance income'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Financial liabilities are subsequently measured at fair value through profit or loss.

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

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of shareholders.

4.7.3 Income taxes

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

Current tax assets and / or liabilities comprise those obligations, or claims from tax authorities relating to the current or prior reporting periods, that are unpaid at the date of the financial statements. 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 are in force at the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax basis. 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 not amortized. In their calculation are used tax rates that are expected to be applicable for the period of realization, provided they are enacted or is certain, that they will enter into force at the end of the reporting period.

Deferred tax liabilities are recognized 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.

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 no recognized deferred tax assets and liabilities (see note 7).

4.8. 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.

4.9. Equity, reserves and dividend payments

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

Other reserves include legal reserves under the Commercial Act.

Retained earnings/ Accumulated losses 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.

4.10. 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.

According to Ordinance №48 on the requirements of the FSC for the remuneration of employees, the Company has adopted and applied remuneration policy.

4.11. Provisions, contingent liabilities and contingent assets

Provisions are recognized 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 recognized. 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.

At the reporting date the Company has recognized provisions (note 12.2).

4.12. 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. 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.

4.13.1. Impairment

An impairment loss is recognized 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.

In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

4.13.2. Useful lives of depreciable assets

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

At 31 December 2015 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts of the assets are analysed in note 5.

4.13.3. Provisions

Provisions are recognized when it is probable that present obligations resulting from past events may lead to an outflow of resources of the Company and the amount of the obligation can be estimated reliably. Timing or amount of the outflow may still be uncertain. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as legal disputes. Restructuring provisions are recognized only if 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 recognized.

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

5. PLANT 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 BGN'000	Copy machines and printers BGN'000	Vehicles BGN'000	Paintings BGN'000	Total BGN'000
Gross carrying amount					
Balance as at 1 January 2015	37	8	378	10	433
Additions	4	-	-	-	-
Balance as at 31 December 2015	41	8	378	10	437
Depreciation					
Balance as at 1 January 2015	(36)	(8)	(378)	-	(422)
Depreciation	(1)	-	-	-	(1)
Balance as at 31 December 2015	(36)	(8)	(378)	-	(423)
Carrying amount as at 31 December 2015	**4**	**-**	**-**	**10**	**14**

	Computer and server systems BGN'000	Copy machines and printers BGN'000	Vehicles BGN'000	Paintings BGN'000	Total BGN'000
Gross carrying amount					
Balance as at 1 January 2014	36	8	378	10	432
Additions	1	-	-	-	1
Balance as at 31 December 2014	36	8	378	10	433
Depreciation					
Balance as at 1 January 2014	(36)	(8)	(378)	-	(422)
Balance as at 31 December 2014	(36)	(8)	(378)	-	(422)
Carrying amount as at 31 December 2014	**1**	**-**	**-**	**10**	**11**

Depreciation expense is included in the statement of profit or loss and other comprehensive income within "Depreciation of non-financial assets". For the reporting period 2015 depreciation expense is below BGN 500.

As of 31 December 2015 and 31 December 2014 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.

6. OPERATING LEASES AS LESSEE

The Company is lessee under lease agreement for office building dated 03.05.2007, with Karoll Finance EOOD. The Company has paid in advance the amount of the lease described in detail in Note 22.2.

The lease payments recognized as an expense for the period amount to BGN 117 thousand (2014: BGN 67 thousand). This amount includes minimum lease payments.

The operating lease agreement of the Company does not contain provisions for contingent rent or purchase option or escalation clauses or restrictions on dividends or additional debt.

7. DEFERRED TAX ASSET

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax liabilities (assets)	**1 January 2015 BGN '000**	**Recognized through profit or loss BGN '000**	**31 December 2015 BGN '000**
Unused tax losses	-	(3)	(3)
	-	**(3)**	**(3)**
Recognized as:			
Net deferred tax assets	**-**	**-**	**(3)**

In 2014 The Company did not recognize deferred tax assets or liabilities.

All deferred tax assets are included in the statement of financial position.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

8.1 Shares in BGN

Shares in BGN	**ISIN**	**As at 31.12.2015**	**As at 31.12.2014**
Advance Equity Holding AD	BG1100033064	312	378

The financial assets at fair value through profit or loss as a measure of fair value used current market prices of the last trading session on BSE Sofia. The shares are pledged as collateral for liabilities.

8.2 Bonds in foreign currency

Publisher	**ISIN**	**Interest rate**	**Emission currency**	**Nominal of the emission**	**As a 31.12.2015**	**As a 31.12.2014**
Micro Credit AD	BG2100002158	8%	EUR	1 000	178	-

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

In 2015 the Company acquired corporate stock bonds published by Micro Credit AD, with a nominal value 1 000 EUR and maturity 13.02.2018. Interest payments are payable on every 3 months calculated and payable on the outstanding principal balance of the Issue. Principal is repaid through ten equal instalments with the last ten interest payments. Bond issue was registered in the Central Depository AD and they are not trade on BSE (Bulgarian Stock Exchange). Owned financial assets are reported at fair value through profit or loss. The method of discounted cash flows is used as a measure of value. Financial assets are not down as a collateral for liabilities of the Company.

9. TRADE AND OTHER RECEIVABLES

	As at 31.12.2015	As at 31.12.2014
Trade and other receivables		
Trade receivables	100	66
Financial assets	**100**	**66**
Prepaid expense	6	5
Other receivables	2	-
Non-financial assets	**8**	**5**
Trade and other receivables	**108**	**71**

Trade receivables at the amount of BGN 100 thousand include receivables from the distribution of shares of the Schroders Funds at the amount of BGN 98 thousand.

10. CASH AND CASH EQUIVALENTS

	As at 31.12.2015	As at 31.12.2014
Cash on hand and in banks in BGN	126	23
Cash on hand and in banks in foreign currency	10	48
Bank deposits in BGN	-	110
TOTAL	**136**	**181**

An open overnight deposit with annual interest rate 1.50% amounting to BGN 123 thousand is included in cash on hand and in banks in BGN.

As cash receipts and payments related to non-specialized investment activities in the Statement of cash flows are recorded cash related to adopted and implemented by the Company orders for subscription and repurchase of shares of collective investment schemes amounting to BGN 47 thousand.

11. EQUITY

11.1 Share capital

The registered capital of the Company consists of 10 000 fully paid ordinary shares with a par value of BGN 100 per share. All shares are entitled to receive dividends and liquidation share and provide a voting right at the general meeting of shareholders.

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

	As at 31.12.2015	**As at 31.12.2014**
Number of issued and fully paid shares:		
At the beginning of the year	10 000	10 000
Total number of shares issued and fully paid as at 31 December	**10 000**	**10 000**

The sole owner as at 31 December of both the current and the comperative period is Stanimir Karolev.

11.2 Reserves

The reserves of the Company amounted to 100 thousand BGN (2014: BGN 100 thousand) represent legal reserves formed pursuant to Art. 246 of the Commercial Law.

12. EMPLOYEE REMUNERATIONS

12.1. Employee benefits expense

Expenses recognized for employee benefits include:

	2015	**2014**
Wages, salaries	(424)	(216)
Social security costs	(37)	(34)
	(461)	**(250)**

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 there are no employees close to retirement age.

12.2. Payables to employees and social security institutions

	As at 31.12.2015	**As at 31.12.2014**
Payables related to unused paid leaves	2	-
Payables to Social securities	-	4
	2	**4**

Payables related to unused paid leaves are expected to be settled in 2016.

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

13. TRADE AND OTHER PAYABLES

	As at 31.12.2015	As at 31.12.2014
Trade payables	-	1
Financial liabilities	**-**	**1**
Tax payables	1	2
Non-financial liabilities	**1**	**2**
Trade and other payables	**1**	**3**

The tax liabilities will be repaid in 2016.

14. REVENUE

	2015	2014
Revenue from distribution of Schroders Funds	340	245
Management fee for Advance Invest Fund	123	155
Management fee for Advance Eastern Europe Fund	149	155
Management fee for Advance Opportunities in New Europe	78	93
Management fee for Advance Conservative Fund	16	50
Management fee for Advance Global Trends Fund	26	17
Revenue from wealth management services	45	13
Revenue from expenses on shares issued by Advance Invest Fund	-	7
Revenue from expenses on shares issued by Advance Eastern Europe Fund	-	4
Revenue from expenses on shares issued by Advance Global Trends Fund	10	-
Revenue from expenses on repurchase of shares of Advance Conservative Fund	5	4
Income from prepared analyses	5	-
TOTAL	**797**	**743**

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

15. COST OF MATERIALS

Cost of materials include:

	2015	2014
Electricity	(10)	(7)
Heating	(4)	(2)
Promotional materials	(1)	-
Vehicles supplies	-	(4)
Office supplies	-	(1)
TOTAL	**(15)**	**(14)**

16. HIRED SERVICES EXPENSE

	2015	2014
Rent expense	(117)	(67)
Consulting services	(48)	(57)
Remuneration for administration (servicing of trustees)	(39)	(31)
Annual fees and subscriptions	(21)	(24)
Communication expenses	(6)	(5)
Independent audit	(3)	(2)
Vehicle related costs	-	(4)
Advertising expenses	(10)	(1)
Other	(2)	(2)
TOTAL	**(246)**	**(193)**

These financial statements have been audited by Grant Thornton OOD, a specialized audit firm and its managing partner and registered auditor Milena Mladenova. The remuneration of the registered auditor is for an independent financial audit of the financial statements of the Company. During the year the auditor has provided no other services. This disclosure is made in compliance with the requirements of Art. 38, Paragraph 5 of the Accountancy Act.

17. OTHER OPERATING EXPENSES

	2015	2014
Business trips	(28)	(13)
Costs for unrecognized tax credit	(9)	(9)
Taxes on expenses	(5)	-
Expenses for donations	(1)	-
Trainings and seminars	(2)	(1)
Alternative taxes	(1)	(2)
TOTAL	**(46)**	**(25)**

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

The Company is registered for VAT pursuant to art. 96 para 1 of the law. During the reporting period the Company performs exempt and taxable supply within the meaning of the VAT Act. In these financial statements in other operating expenses are included costs for unrecognized partial tax credit on purchases in 2015 amounting to BGN 9 thousand.

18. GAIN FROM OPERATIONS WITH FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	2015	2014
Gain from revaluation of financial assets at fair value through profit or loss	114	183
Loss from revaluation of financial assets at fair value through profit or loss, net	(180)	(126)
GAIN FROM TRANSACTIONS WITH INVESTMENTS, NET	**(66)**	**57**

19. FINANCE INCOME / (COSTS), NET

	2015	2014
Interest income on corporate bonds	14	-
Income from interest on deposits and current accounts	-	3
Other finance cost	(8)	(10)
TOTAL	**6**	**(7)**

20. INCOME TAX EXPENSE

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

	2015	2014
(Loss)/profit before tax	(28)	311
Tax rate	10%	10%
Expected tax expense	(3)	(31)
Utilization of unused tax losses	-	11
Income tax income/(expense)	**3**	**(20)**

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

21. EARNINGS PER SHARE

Basic earnings per share has been calculated using the profit attributed to shareholders of the Company as the numerator.

The weighted average number of outstanding shares used for basic earnings per share as well as profit attributable to shareholders are as follows:

	2015	2014
(Loss)/Profit attributable to the shareholders (BGN)	(28 834)	291 143
Weighted average number of outstanding shares	10 000	10 000
Basic earnings per share (BGN per share)	**(2.88)**	**29.11**

The Company has not issued any financial instruments that would reduce the value of basic earnings per share and therefore has not calculated diluted earnings per share.

22. RELATED PARTY TRANSACTIONS

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. Transactions with related parties

	2015	2014
Sale of services:		
Revenue from management		
Management fee for Advance Invest Fund	123	155
Management fee for Advance Eastern Europe Fund	149	155
Management fee for Advance Opportunities in New Europe	78	93
Management fee for Advance Conservative Fund	16	50
Management fee for Advance Global Trends Fund	26	17
Revenue from issue and repurchase of shares of the funds	15	8
Total revenue from funds' management	**407**	**478**

Purchases of services from other related parties:		
Karoll Finance EOOD		
Rent	(117)	(67)
Costs for administering clients wealth management	(39)	(31)

Remunerations of key management personnel:	**2015**	**2014**
Wages, salaries	(307)	(89)
Social security	(11)	(7)
Total	**(318)**	**(96)**

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

22.2. Related party balances at year-end

	As at 31.12.2015	As at 31.12. 2014
Non-current receivables from:		
Other related parties		
- Karoll Finance EOOD – advance granted	245	362
Total non-current receivables from related parties	**245**	**362**

	As at 31.12.2015	As at 31.12. 2014
Current receivables from:		
Mutual funds:		
- Advance Invest Fund	9	11
- Advance Eastern Europe Fund	12	12
- Advance Opportunities in New Europe	6	7
- Advance Global Trends Fund	2	1
- Advance Conservative Fund	1	3
Total receivables from mutual funds	**30**	**34**
Other related parties:		
- Karoll Finance EOOD – advance granted	117	117
Total current receivables from related parties	**147**	**151**
Current payables to:		
Other related parties::		
- Karoll Finance EOOD	15	9
Total current payables to related parties:	**15**	**9**

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 Procedure of each Fund.

In 2007, Karoll Capital Management EAD signed a lease with Karoll Finance EOOD for building under construction. By signing the agreement the Company is obliged to prepay an advance rent of the area under contract. The portion of the advance payment amounting to BGN 245 thousand, which is expected to be expensed after 2016 is presented in these report as non-current receivables from advance granted. The portion of the advance payment amounting to BGN 117 thousand, which is expected to be expensed in 2016 is presented in these report as a current receivable on advance granted.

23. NON-CASH TRANSACTIONS

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

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

24. CONTINDENT ASSETS AND CONTINGENT LIABILITIES

The Company has no contingent asset or commitments.

25. OTHER DISCLOSURES

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

Asset	Currency	Market value as at 31.12.2015	Market value as at 31.12.2014
Cash on trades	*BGN*	16	-
Cash on trades	*EUR*	-	28
Mutual funds	*BGN*	4	11
Mutual funds	*EUR*	13 489	11 323
Mutual funds	*USD*	3 715	1 459
TOTAL		**17 224**	**12 821**

26. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

Financial assets	**Note**	**As at 31.12.2015**	**As at 31.12.2014**
Financial assets at fair value through profit or loss			
Shares	8.1	312	378
Bonds	8.2	178	-
		490	**378**
Loans and receivables			
Trade and other receivables	9	111	71
Related party receivables	22.2	147	151
Cash and cash equivalents	10	136	181
		394	**403**

Financial liabilities	**Note**	**As at 31.12.2015**	**As at 31.12.2014**
Current liabilities:			
Trade and other payables	13	1	3
Related party payables	22.2	15	9
		16	**12**

See note 4.7 about information related to the accounting policy for each category financial instruments. Methods which are used for assessment of fair value of financial assets and liabilities measured at fair value are presented in the next note.

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

27. FINANCIAL INSTRUMENTS RISKS

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

The main types of risks are market risk, credit risk and liquidity risk.

Risk management is carried out governed by the principle of centralization 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;
- Analysis and 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 financial instruments. The Company's financial assets and liabilities by category are summarized in note 26.

The most significant financial risks to which the Company is exposed are described below.

Market risk

Market risk is 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 the issuing company and generally cannot be diversified. Market risk consists of foreign exchange, interest rate and other price risk. 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 compliance with the investment policy with the expected dynamics of this environment. All investments in securities may pose a risk of capital loss.

Market risk is concentrated in the following positions:

	Fair value As at 31.12.2015	Fair value As at 31.12.2014
Financail assets at fair value through profit or loss	490	378
Interest receivables and other assets	255	222
Total exposure to market risk	**745**	**600**

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

Foreign currency risk

The Company is exposed to currency risk when conducting transactions with financial instruments denominated in foreign currency. In conducting transactions in foreign currency revenues and expenses arising from foreign currency transactions are recognized 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.

In 2015 and 2014 the Company has not conducted transactions in foreign currency other than BGN and EUR. As at 31.12.2015 and as at 31.12.2014 the Company is not exposed to currencies other than BGN and EUR.

Interest rate risk

The value of assets of the Company depends on the dynamics of interest rates in the economy. Company's activity is subject to the risk of fluctuations in interest rates, as the cost of interest-bearing assets with fixed-rate changes as a result of changes 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 at 31 December 2015 the Company is not exposed to interest rate risk. The Company has not received loans and does not hold debenture investments. Investments in deposits are concluded with fixed interest rates, included in note 10.

Other price risk

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

Company is exposed to other price risk in relation to owned publicly traded shares in Advance Equity Holding. They are classified as financial assets at fair value and are recognized in profit or loss. This investment is constantly monitored and the voting right, it provides is used for the benefit of the Company.

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 to customers, placing deposits, investment in securities etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	As at 31.12.2015	**As at 31.12.2014**
Traded shares	312	378
Corporate bonds	178	-
Trade and other receivables	111	71
Related party receivables	30	34
Cash and cash equivalents	136	181
Carrying amount	**767**	**664**

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

Liquidity risk

In accordance with regulation 44 Management company must maintain at all times minimum liquidity, including cash at hand, on demand and term deposits in the bank, which is not in bankruptcy proceedings, government securities and mortgage and municipal bonds, which have market price, in an amount not less than the amount of its current liabilities with a maturity of three months.

The Company estimates cash flows from management fees for the managed mutual funds owed up to 1 month. Available cash resources and trade receivables do not exceed the current needs of cash outflow.

Under contracts for management of individual portfolios (wealth management) and under contracts for distribution of funds of Schroders all cash flows are due within one month.

28. FAIR VALUE MEASUREMENT

For the financial instruments measures at fair value in the statement of financial position, IFRS 7 requires disclosure of techniques on 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. As observable is defined the data that reflect market data obtained from independent sources, while the data that reflect 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 – Valuation 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 as at 31 December 2015, divided into levels 1 to 3:

As of 31.12.2015	**Level 1**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:			
-shares	312	-	312
-bonds	-	178	178
TOTAL	**312**	**178**	**490**

As of 31.12.2014	**Level 1**	**Total**
Financial assets at fair value through profit or loss:		
- shares	378	378
TOTAL	**378**	**378**

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 an adequate return to shareholders.

The Company monitors capital in accordance with the requirements set in Art. 151-154 of Regulation № 44 dated 20 October 2011 on the requirements to collective investment schemes, closed-type investment companies and management companies of the Financial Supervision Commission.

The observed period data shows high ratios and compliance with regulatory requirements.

Ratios	**Legally defined minimum (%)**	**2015**	**2014**
Equity to minimum capital	100	474.23%	474.23%
Equity to fixed overheads	25	26.67%	322.86%

As of 31 December 2015 and 31 December 2014 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 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.

31. AUTHORIZATION OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 10 March 2016 and is signed on behalf of Karoll Capital Management EAD by:

Daniel Ganev: ______________ **Stoyka Koritarova:** ______________
/Executive director/ **/Chief Accountant/**

Alexander Nikolov: ______________
/member of Board of Directors/

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