



Annual Management Report
Independent Auditor's Report
Financial Statements

Management Company
Karoll Capital Management EAD

31 December 2016



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ANNUAL MANAGEMENT REPORT

1. 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 a three-member Board of Directors. In 2005 the Company increased its 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 its capital by BGN 300 000 to a total of BGN 550 000, divided into 5 500 ordinary registered shares with voting rights, with a nominal value of BGN 100. In 2008 the Company increased its capital by BGN 450 000 to a total of BGN 1 million with a nominal value of BGN 100.

The Company is subject to regulation by the Financial Supervision Commission (FSC). Karoll Capital Management EAD is authorized by FSC resolution 328 – UD, 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, dated 14 February 2006, 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.

Karoll Capital Management distributes in Bulgaria shares of collective investment schemes, organized and managed by „Schroder Investment Management (Luxemburg)”. As of the end of 2016 Karoll Capital Management manages five mutual funds:

- Advance Invest was initially licensed as an open-type investment company with a 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 started on 10 May 2004. In 2013, the investment company was 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 31.12.2016 amounted to BGN 5.1 million.

- Advance Eastern Europe, organized and managed by Decision № 29-DF, 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 31.12.2016 amounted to BGN 6 million.

- Advance Emerging Europe Opportunities, organized and managed by FSC Decision 1410 - DF, dated 7 November 2007. In 2015, the name of Advance IPO Fund was changed to Advance Emerging Europe Opportunities according to FSC decisions № 112, 113 and 114, dated 23 February 2015. The Fund invests in securities, issued by companies in Central and Eastern Europe, mainly from Poland, Czech Republic, Hungary, Estonia, Lithuania, and Latvia. The fund may invest also in Austrian companies with revenues generated primarily in the region. The public offering of securities of the Fund was launched on 23 November 2007. As of 31.12.2016 the Fund's net assets value amounted to BGN 2.5 million.

- Advance Global Trends 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 31.12.2016 amounted 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 equities in the portfolio is minor. 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 31.12.2016 amounted to BGN 0.9 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 31.12.2016 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 4.40% 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 account portfolios as at 31.12.2015 amounted to BGN 12.5 million.

After the dynamic developments on the capital markets during the first half of 2016, with several major swings in the investors' attitudes, the second half of the year was extremely beneficial for almost all risky assets. The attention of investors was fixated on the FED's interest rate policy, BREXIT referendum, the conflict between Russia and Ukraine, fears about the Chinese economy, refugee crisis and terrorist attacks in Europe, and finally the presidential elections in USA.

For the first time since 2010, emerging markets performed better than the developed ones. In 2016 the Eastern European region was highly dynamic, with some of the markets making it to the top 10 performs globally. The strongest trend was observed in Russia, after the market performed very poorly in the previous years, mainly due to the pressure on crude oil prices and some specific country risks. In 2016 the dollar-measured RTS index rose by more than 50%. The regional MSCI EFM Europe+CIS index rose by over 24% in 2016 (measured in EUR), and the index that includes Russia ended the year with a -1.29% decline, despite the good performance of some of the regional markets. The devaluation of the Turkish lira, caused by geopolitical risks, mainly contributed for the benchmark's decrease. Almost all other regional markets finished the year positively, especially Hungary, whose index ended the year in the top ten best performing markets with arise of 33%.

The performance in terms of realized returns for each Fund in 2016 was the following:

- Advance Invest: +10.6%
- Advance Eastern Europe: +11.9%
- Advance Emerging Europe Opportunities: +7.8%
- Advance Global Trends: +3.7%
- Advance Conservative Fund: -5.4%

There was an increase in the deals volume with clients regarding individual portfolios managed accounts and 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 large number and variety of assets, regions and sectors worldwide.

The year was also dynamic with respect to our distribution services for the funds of our global partner Schroders. An increase in the subscription of shares from institutional and private investors was registered again; there was also an increase in the demand for our saving plans with Schroders funds.

Our key priorities in the past year remained the same - providing excellent services to the clients of Karoll Capital Management EAD, including through technological development, market expansion, effective participation in professional industry organizations, and participation in the development processes of the legislation and market infrastructure.

2. Results for the period

In 2016 Karoll Capital Management EAD had revenues from operating activities amounting to BGN 782 thousand, comprising of:

- Management fees from collective investment schemes under management, amounting to BGN 346 thousand ;
- Fees for wealth management at the amount of BGN 43 thousand;
- Income from distribution of Schroders funds in the amount of BGN 340 thousand

The finance income at the amount of BGN 193 thousand consists of interest income at the amount of BGN 11 thousand and gain from transactions with financial assets at the amount of BGN 182 thousand.

For the respective period, the operating expenses of Karoll Capital Management EAD amounted to BGN 848 thousand. The finance costs at the amount of BGN 267 thousand derive from loss from transactions with financial assets at the amount of BGN 262 thousand and other finance cost at the amount of BGN 5 thousand.

The financial result for the reporting period was a loss at the amount of BGN 125 thousand.

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

3. 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.

4. Post-reporting date events

In December 2016, the Board of Directors decided to dismiss Aleksandar Nikolov from duty as a vice chairman of the BoD and elected Bistra Kotseva to assume this responsibility. The changes are recorded in Trade Register on 25 January 2017. The Company is represented always by two of the members of the Board of Directors – together.

5. Expected future development

In 2017 Karoll Capital Management 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. Our main focus will be on individual customer needs by avoiding the product approach, which limits the investment process and emphasize on the personal expectations of the client. To provide Bulgarian customers with innovative solutions for global investment with maximum flexibility, Karoll Capital Management EAD has deepened its cooperation with the international giant Schrodgers. Our expectations are for the third successive year to attract a number of retail customers as well as institutional investors in the wide product range of Schroder Investment Management.

The sharp drop of interest rates on bank deposits almost to zero percent favours the channeling of savings towards investments in the regional and international markets. Our strategy is precisely in response to this new reality in Bulgaria. Thus the portfolio managers of Karoll Capital Management EAD work more closely to individual clients to provide them with personalized solutions in line with 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 a respectable place in the region as a whole. The company will offer its services in the management of portfolios to 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 broader range

of markets in Eastern Europe. Additionally, our strategy includes offering our regional customers of products managed by our global partners.

6. Research and development activities

The specific the 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.

7. Information pursuant to art. 187d and art. 247 of the Commercial Act

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 2016 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.

The remunerations of the Board of Directors received in 2016 under employment contracts amount to BGN 340 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.

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 2016, 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.

8. Offices and branches

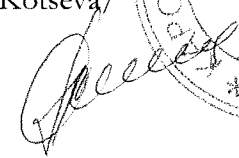
Under the signed agreement for investment brokerage firm, Karoll Capital Management EAD offers the possibility of receiving orders for subscription and repurchase of shares to investors in offices in Sofia, Plovdiv, Varna, Bourgas, Stara Zagora and Rouse.

13 March 2017

Chief Executive Officer:


/Daniel Ganev/

Member of Board:


/Bistra Kotseva/



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INDEPENDENT AUDITOR'S REPORT

To the sole owner of
Management Company Karoll Capital Management EAD
1, Zlatovrah str., Sofia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Management Company Karoll Capital Management EAD** (the Company), which comprise the statement of financial position as at 31 December 2016 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 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the annual management report, prepared in accordance with Bulgarian Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be

materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the 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), issued on 29 November 2016. The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

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

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

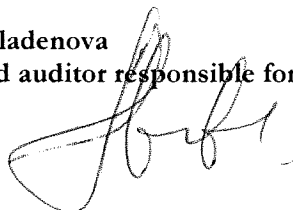
- (a) the information in the management report is consistent with the financial statements for the same reporting period;
- (b) the management report is prepared in accordance with the applicable legal requirements; and
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Mariy Apostolov
Managing partner

Milena Mladenova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit firm

21 March 2017
Bulgaria, Sofia




KAROLL CAPITAL MANAGEMENT EAD
STATEMENT OF FINANCIAL POSITION
31 December 2016

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

	Note	As at 31.12.2016	As at 31.12.2015
Assets			
Non-current assets			
Plant and equipment	5	12	14
Deferred tax assets	7	17	3
Long-term related party receivables	22.2	127	245
Non-current assets		156	262
Current assets			
Financial assets carried at fair value through profit or loss	8	331	490
Trade and other receivables	9	156	108
Related party receivables	22.2	148	147
Income tax receivables		-	5
Cash and cash equivalents	10	237	136
Current assets		872	886
Total assets		1,028	1,148
Equity and liabilities			
Equity			
Share capital	11	1,000	1,000
Reserves	11	100	100
(Accumulated loss) / Retained earnings		(95)	30
Total equity		1,005	1,130
Liabilities			
Current liabilities			
Payables to employees and social security institutions	12	4	2
Tax payables	13	5	1
Short-term related party payables	22.2	14	15
Total liabilities		23	18
Total liabilities and equity		1,028	1,148

Daniel Ganev : 
Executive Director

Stoyka Koritarova: 
Chief Accountant
Karoll Capital Management EAD

Bistra Kotseva: 
Member of Board of Directors
Karoll Capital Management
13 March 2017

Audited, according to audit report,
dated 21 March 2017

Milena Mladenova
Registered auditor, responsible for the
engagement

Mariy Apostolov
Managing partner
Grant Thornton OOD
Audit Firm

The accompanying notes on pages from 5 to 30 form an integral part of the financial statements.

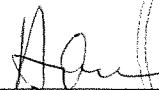
KAROLL CAPITAL MANAGEMENT EAD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2016


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

	Note	As at 31.12.2016	As at 31.12.2015
Revenue	14	782	797
Cost of material	15	(17)	(15)
Hired services expenses	16	(256)	(246)
Employee benefits expense	12	(518)	(461)
Depreciation and amortization of non-financial assets	5	(3)	(1)
Other operating expenses	17	(54)	(46)
Operatin profit		(66)	28
Loss from operations with financial assets carried at fair value through profit or loss,net	18	(80)	(66)
Finance income, net	19	7	6
Loss for the year		(139)	(32)
Income tax	20	14	3
Total loss after tax		(125)	(29)
Total comprehensive income for the year		(125)	(29)

Loss per share:

		BGN	BGN
Loss per share	21	(12.53)	(2.88)

Daniel Ganev : 
Executive Director

Stoyka Koritarova: 
Chief Accountant
Karoll Capital Management EAD

Bistra Kotseva: 
Member of Board of Directors
Karoll Capital Management
13 March 2017

Audited, according to audit report, dated 21
March 2017

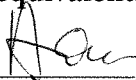
Milena Mladenova
Registered auditor, responsible for the
engagement

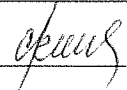
Mariy Apostolov
Managing partner
Grant Thornton OOD
Audit Firm

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KAROLL CAPITAL MANAGEMENT EAD
 STATEMENT OF CASH FLOWS
 31 December 2016
 All amounts are presented in BGN'000, unless otherwise stated

	As at 31.12.2016	As at 31.12.2015
Operating activities		
Cash receipts from managed funds	346	410
Cash receipts from customers	397	373
Cash paid to suppliers	(168)	(156)
Cash paid to employees and social security institutions	(482)	(432)
Income tax proceeds	4	-
Other taxes paid	(45)	(38)
Comissions paid	(5)	(8)
Other proceeds related to the operating activity	1	-
Other payments related to the operating activity	(37)	(30)
Net cash flow from operating activities	11	119
Investing activities		
Purchase of financial assets	-	(196)
Proceeds from non-derivative financial assets	78	20
Interest proceeds	12	12
Net cash flow from investing activities	90	(164)
Cash and cash equivalents, beginning of year	136	181
Cash and cash equivalents, end of year	237	136

Daniel Ganev : 
 Executive Director

Stoyka Koritarova: 
 Chief Accountant
 Karoll Capital Management EAD

Bistra Kotseva: 
 Member of Board of Directors
 Karoll Capital Management
 13 March 2017

Audited, according to audit report, dated 21
 March 2017

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 Registered auditor, responsible for the
 engagement

Mariy Apostolov
 Managing partner
 Grant Thornton OOD
 Audit Firm


The accompanying notes on pages from 5 to 30 form an integral part of the financial statements

KAROLL CAPITAL MANAGEMENT EAD
 NOTES TO THE FINANCIAL STATEMENTS
 31 December 2016

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

	Share capital	Reserves	Retained earnings/ (Accumulated loss)	Total equity
Balance as at 1 January 2015	1,000	100	59	1,159
Loss for the year	-	-	(29)	(29)
Total comprehensive income for the year	-	-	(29)	(29)
Balance as at 31 December 2015	1,000	100	30	1,130
Loss for the year	-	-	(125)	(125)
Total comprehensive income for the year	-	-	(125)	(125)
Balance as at 31 December 2016	1,000	100	(95)	1,005

Daniel Ganev : 
 Executive Director

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 Karoll Capital Management EAD

Bistra Kotseva: 
 Member of Board of Directors
 Karoll Capital Management
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Notes to the financial statement

1. General information

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 BoD, Bistra Kotseva – Vice Chairman of the BoD, and Daniel Ganev – Executive Director. In December 2016, the Board of Directors decided to dismiss Alexander Nikolov from his position as Vice Chairman of BoD, and elected Bistra Kotseva for this duty. Changes are recorded in the Trade Register on 25 January 2017. 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 31.12.2016 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 distributes in Bulgaria shares of collective investment schemes, organized and managed by Schrodgers Investment Management (Luxemburg).

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 pursuant to 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 shares of MF Advance Invest started on 10 May 2004.

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- MF Advance Emerging Europe Opportunities, organized and managed by the Company pursuant to Decision № 1410-DF, dated 7 November 2007 by FSC and subsequent Decision № 112 - DF / 23.02.2015, Decision № 113 - DF / 23.02.2015 and Decision № 114 - DF / 23.02.2015. The fund invests in equities of companies from the region of Central and Eastern Europe, mainly from Poland, Czech Republic, Hungary, Estonia, Latvia and Lithuania. The fund may also invest in Austrian companies with sources of revenue in the mentioned region. The public offering of shares of MF Advance Emerging Europe Opportunities was launched on 23 November 2007.

- Advance Global Trends Fund, organized and managed pursuant to Decision № 353-DF dated 08.06.2011 of the FSC. The fund invests primarily in ETFs (Exchange Traded Funds, ETFs), 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 July 2011.

- Advance Conservative Fund, organizes and managed pursuant to Decision № 779-DF dated 17.07.2012 of the FSC, as basis for the license № 109-DF dated 09.08.2012 of the FSC. The fund 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 July 2012.

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 2016

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 2016:

IAS 1 “Presentation of financial statements” (amended) – Disclosure Initiative, effective from 1 January 2016, adopted by the EU

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. They clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

IAS 16 “Property, plant and equipment” and IAS 38 “Intangible Assets” (amended), effective from 1 January 2016, adopted by the EU

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Annual improvements to IFRSs 2012-2014 Cycle, effective from 1 January 2016, adopted by the EU – the part that impacts IAS 19 “Employee benefits”, regarding discount rates and IFRS 7 “Financial instruments: Disclosures”, regarding contracts for services.

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 2016 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.

A list of the changes in the standards is provided below:

- IFRS 2 “Share Based Payments” (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 9 “Financial Instruments” effective from 1 January 2018, adopted by the EU
- IFRS 9 “Financial Instruments” (amended) – 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” (amended), effective date to be determined, not yet adopted by the EU
- IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not yet adopted by the EU
- IFRS 15 “Revenue from Contracts with Customers” effective from 1 January 2018, adopted by the EU

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

- IFRS 15 “Revenue from Contracts with Customers” (amended) effective from 1 January 2018, adopted by the EU
- IFRS 16 “Leases” effective from 1 January 2019, not yet adopted by the EU
- IAS 7 “Statement of Cash Flows” (amended) effective from 1 January 2017, not yet adopted by the EU
- IAS 12 “Income Taxes” (amended) effective from 1 January 2017, not yet adopted by the EU
- IAS 40 “Investment property” (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” effective from 1 January 2018, not yet adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle

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 material impact on the statement of financial position at the beginning of the preceding period.

In 2016 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 Company's activity is legally restricted. Major sources of revenue are distribution of shares of collective investment schemes managed by Schroder Investment Management (Luxemburg), fees from managing collective investment schemes along with any related fees and transactional charges for issue and redemption of shares, and management of individual customer portfolios.

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 average annual value of the Fund's assets
MF Advance Invest	2,50 %
MF Advance East Europe	2,50 %
MF Advance Emerging Europe Opportunities	2,50 %
MF Advance Global Trends	1,80 %
MF Advance Conservative Fund	0,85 %

4.5.2. Interest income

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

4.6. Operating expenses

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

4.7. 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.

4.8. 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.

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

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.

4.9. Impairment testing of intangible assets and 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.

4.10. 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.

4.10.1. 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.

4.10.2. 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.

4.11. 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 recognized deferred tax assets and liabilities (see note 7).

4.12. Cash and cash equivalents

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

4.13. Share capital, reserves and dividend payments

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

Other reserves include legal reserves under the 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.

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

The Company has no short-term obligations for compensated leaves arising from unused annual leave or amounts related to salaries.

The Company has not developed and does not apply plans for post-employment benefits, nor other long-term remunerations and post-employment plans in the form of compensations with shares or equity interests.

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

4.15. 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).

4.16. 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.

4.17. 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.

4.17.1. 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.

4.17.2. Useful life of depreciable assets

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

At 31 December 2016 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.

4.17.3. 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

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

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 2016	41	8	378	10	437
Additions	1	-	-	-	1
Balance as at 31 December 2016	42	8	378	10	438
Depreciation					
Balance as at 1 January 2016	(37)	(8)	(378)	-	(423)
Depreciation	(3)	-	-	-	(3)
Balance as at 31 December 2016	(40)	(8)	(378)	-	(426)
Carrying amount as at 31 December 2016	2	-	-	10	12

	Computer and server systems	Copy machines and printers	Vehicles	Paintings	Total
	BGN'000	BGN'000	BGN'000	BGN'000	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

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 2016 and 31 December 2015 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 lease as a 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 (2015: BGN 117 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 assets	1 January 2016 BGN'000	Recognized through profit or loss BGN'000	31 December 2016 BGN'000
Unused tax losses	(3)	(14)	(17)
	(3)	(14)	(17)
Recognized as:			
Net deferred tax assets	(3)	(14)	(17)

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

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

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

8. Financial assets at fair value through profit or loss

8.1. Equities in BGN

	ISIN	As at 31.12.2016	As at 31.12.2015
Advance Equity Holding AD	BG1100033064	232	312

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

Issuer	ISIN	Interest rate	Currency	Par amount	As at 31.12.2016	As at 31.12.2015
Micro Credit AD	BG2100002158	8%	EUR	1,000	99	178

In 2015 the Company acquired corporate bond published by Micro Credit AD, with a par value 1 000 EUR and maturity 13.02.2018. Interest payments are made every 3 months, calculated and payable on the outstanding principal balance of the bond. Principal is repaid through ten equal instalments with the last ten interest payments. The bond is registered in the Central Depository AD and is not traded on BSE (Bulgarian Stock Exchange).

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 pledged as a collateral for liabilities of the Company.

9. Trade and other receivables

	As at 31.12.2016	As at 31.12.2015
Trade and other receivables		
Trade receivables	152	100
Financial assets	152	100
Prepaid expense	4	6
Other receivables	-	2
Non-financial assets	4	8
Trade and other receivables	156	108

Trade receivables amounting to BGN 152 thousand include charged commissions for distribution of shares of Funds, managed by Schroders Investment Management (Luxemburg), at the amount of BGN 111 thousand. As of the date of preparation of these financial statements, the amount has been received by the Company.

10. Cash and cash equivalents

	As at 31.12.2016	As at 31.12.2015
Cash on hand and in banks in BGN	101	126
Cash on hand and in banks in foreign currency	136	10
Cash and cash equivalents	237	136

An open overnight deposit with annual interest rate 0.15% amounting to BGN 97 thousand is included in cash on hand and in banks in BGN.

	As at 31.12.2016	As at 31.12.2015
Petty cash receipts from investors in shares, issued by the collective investment schemes, managed by the Company	67	47
Petty cash payments to investors for redemption of shares of collective investment schemes, managed by the Company	(62)	(47)
Total cash on hand of investors in shares of collective investment schemes, managed by the company	5	-

As at the end of the reporting period, the Company held BGN 5 thousand, submitted on hand, on the last business day of the year, for the purchase of shares of the mutual funds, managed by the Company. Karoll Capital Management has obligation to transfer the cash to the bank account of the respective fund, no later than the end of the next business day, without being able to take advantage of the client money. This amount is not recognized in the statement of financial position as an asset and corresponding liability to the mutual funds.

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.

	As at 31.12.2016	As at 31.12.2015
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 comparative period is Stanimir Karolev.

11.2. Reserves

The reserves of the Company amounted to 100 thousand BGN (2015: BGN 100 thousand) represent legal reserves formed pursuant to Art. 246 of the Commercial Act.

12. Employee compensations

12.1 Employee benefits expense

Expenses recognized for employee benefits include:

	2016	2015
Salaries	(475)	(424)
Social and health security costs	(43)	(37)
Employee benefits expense	(518)	(461)

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 31.12.2016	As at 31.12.2015
Payables related to unused paid leaves	3	2
Payables for Social security	1	-
	4	2

Payables related to unused paid leaves are expected to be settled in 2017.

13. Tax payables

Company's tax payables for the period could be summarized as follows:

	As at 31.12.2016	As at 31.12.2015
VAT	5	1
Tax payables	5	1

Tax payables consist of VAT accrued for December 2016 and paid before the preparation of these financial statements.

14. Revenue

Revenue is comprised of:

	2016	2015
Revenue from distribution of Schroders Funds	393	340
Management fee for Advance Invest Fund	108	123
Management fee for Advance Eastern Europe Fund	135	149
Management fee for Advance Emerging Europe Opportunities	69	78
Management fee for Advance Conservative Fund	9	16
Management fee for Advance Global Trends Fund	25	26
Wealth management services	43	45
Revenue from issue of shares of Advance Global Trends	-	10
Revenue from repurchase of shares of Advance Conservative Fund	-	5
Analyses prepared	-	5
Revenue	782	797

15. Cost of material

Cost of materials include:

	2016	2015
Electricity	(10)	(10)
Heating	(3)	(4)
Vehicle supplies	(4)	-
Promotional materials	-	(1)
Cost of material	(17)	(15)

16. Hired services expenses

Hired services expenses include as follows:

	<u>2016</u>	<u>2015</u>
Rent	(117)	(117)
Consulting services	(49)	(48)
Remuneration for administration (servicing of trustees)	(35)	(39)
Annual fees and subscriptions	(32)	(21)
Advertising	(9)	(10)
Communications	(4)	(6)
Vehicle related costs	(4)	-
Audit	(3)	(3)
Other	(3)	(2)
Hired services expenses	<u>(256)</u>	<u>(246)</u>

17. Other operating expenses

Other operating expenses comprise of:

	<u>2016</u>	<u>2015</u>
Business trips	(44)	(28)
Non-deductible tax credit	(8)	(9)
Alternative taxes on expenditure	(2)	(1)
Representation expenses	-	(5)
Donations	-	(1)
Trainings and seminars	-	(2)
Other operating expenses	<u>(54)</u>	<u>(46)</u>

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 2016 amounting to BGN 8 thousand.

18. Loss from operations with financial assets carried at fair value through profit or loss, net

	<u>2016</u>	<u>2015</u>
Gain from revaluation of financial assets at fair value through profit or loss	182	114
Loss from revaluation of financial assets at fair value through profit or loss, net	(262)	(180)
Loss from operations with financial assets, net	<u>(80)</u>	<u>(66)</u>

19. Financial income, net

	<u>2016</u>	<u>2015</u>
Interest income on corporate bonds	12	14
Other finance costs	(5)	(8)
Financial income, net	<u><u>7</u></u>	<u><u>6</u></u>

20. Income tax

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:

	<u>2016</u>	<u>2015</u>
Loss before tax	(139)	(28)
Tax rate	10%	10%
Expected tax expense	-	-
Current tax	<u>-</u>	<u>-</u>
Utilization of unused tax losses	14	3
Income tax income	<u><u>14</u></u>	<u><u>3</u></u>

21. Loss per share

Loss 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:

	<u>2016</u>	<u>2015</u>
Loss, attributable to the shareholder (BGN)	(125 296)	(28 834)
Weighted average number of outstanding shares	10 000	10 000
Loss per share (BGN per share)	<u><u>(12.53)</u></u>	<u><u>(2.88)</u></u>

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 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

	<u>2016</u>	<u>2015</u>
Sale of services		
Revenue from management services		
Management fees for MF Advance Invest	108	123
Management fees for MF Advance Eastern Europe	135	149
Management fees for MF Advance Emerging Europe Opportunities	69	78
Management fees for MF Advance Conservative Fund	9	16
Management fees for MF Advance Global Trends	25	26
Revenue from issuing and repurchase of shares of the funds	-	15
Revenue from management services	<u>346</u>	<u>407</u>
Purchases of services from other related parties:		
Rent to Karoll Finance EOOD	(117)	(117)
Costs for administering clients wealth management	(35)	(39)
Remuneration of key management personnel:	<u>2016</u>	<u>2015</u>
Salaries	(340)	(307)
Social security	(11)	(11)
Remuneration of key management personnel	<u>(351)</u>	<u>(318)</u>

22.2 Related party balances at year-end

	As at <u>31.12.2016</u>	As at <u>31.12. 2015</u>
Non-current receivables from:		
<i>Other related parties</i>		
- Karoll Finance EOOD– advances granted	127	245
Non-current receivables from:	<u>127</u>	<u>245</u>
Current receivables from:		
<i>Mutual funds:</i>		
- MF Advance Invest	10	9
- MF Advance Eastern Europe	13	12
- MF Advance Emerging Europe Opportunities	5	6
- MF Advance Global Trends	2	2
- MF Advance Conservative Fund	1	1
Receivables from mutual funds	<u>31</u>	<u>30</u>
<i>Other related parties:</i>		
- Karoll Finance EOOD– advances granted	117	117
Current receivables from related parties	<u>148</u>	<u>147</u>
Current payables to:		
<i>Other related parties:</i>		
- Karoll Finance EOOD	14	15
Current related party payables	<u>14</u>	<u>15</u>

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

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 2017 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 2017 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.

24. Contingent assets and 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 type	Currency	Market value as at 31.12.2016	Market value as at 31.12.2015
Cash on unsettled deals	BGN	16	16
Mutual funds	EUR	13,248	13,489
Mutual funds	USD	4,171	3,715
Total		17,435	17,220

This disclosure is pursuant to Chapter 6, Section IX, of Ordinance 44 of FSC, about the requirements to the activity of collective investment schemes, managing companies, national investment funds, and the persons managing alternative investment funds.

26. Categories of financial assets and liabilities

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

Financial assets	Note	As at 31.12.2016	As at 31.12.2015
Financial assets at fair value through profit or loss			
Shares	8.1	232	312
Bonds	8.2	99	178
		331	490
Loans and receivables			
Trade and other receivables	Error! Reference source not found.	156	111
Related party receivables	22.2	31	30
Cash and cash equivalents	Error! Reference source not found.	237	136
		423	277
Financial liabilities			
	Note	As at 31.12.2016	As at 31.12.2015
Current liabilities:			
Related party payables	22	14	15
		14	15

See note 4.10 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.

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.

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

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	Fair value
	As at 31.12.2016	As at 31.12.2015
Financial assets at fair value through profit or loss	331	490
Interest receivables and other assets	155	255
Total exposure to market risk	486	745

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 2016 and 2015 the Company has not conducted transactions in foreign currency other than BGN and EUR. As at 31.12.2016 and as at 31.12.2015 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.

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 31.12.2016	As at 31.12.2015
Traded shares	232	312
Corporate bonds	99	178
Trade and other receivables	156	111
Related party receivables	31	30
Cash and cash equivalents	237	136
Carrying amount	755	767

Liquidity risk

In accordance with 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 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.

Pursuant to the provisions of contracts for management of individual portfolios (wealth management) and contracts for distribution of funds of Schrodgers, 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 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. 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 at 31.12.2016	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss:			
-shares	232		232
-bonds		99	99
Total	232	99	331

As at 31.12.2015	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss:			
-shares	312		312
-bonds		178	178
Total	312	178	490

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 Ordinance № 44 dated 20 October 2011 on the requirements to collective investment schemes, closed-type investment companies and management companies of the Financial Supervision Commission.

Data, observed for the period, shows high ratio values and compliance with legal requirements.

Ratios	Legally defined minimum (%)	2016	2015
Equity to minimum capital	100	462.43%	474.23%
Equity to fixed overheads	25	150.36%	26.67%

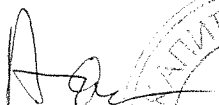
As of 31 December 2016 and 31 December 2015 the Company has complied with externally imposed capital requirements to which it is subject. The Company has not changed its objectives, policies and processes for managing capital, as well as ways of determining capital during the reporting periods.


30. Post reporting date events

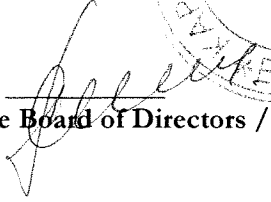
After the balance sheet date and until the authorization of these financial statements, no conditions or events have occurred, that need to be disclosed, despite the recorded in Bulgarian Trade Register in January 2017 change of the Vice Chairman of the Board of Directors of the Company, described in more detail in note 1.

31. Authorization of the financial statements

The financial statements were approved by the Board of Directors on 15 March 2017 and is signed on behalf of Karoll Capital Management EAD by:

Daniel Ganev:  /Executive Director/

Stoyka Koritarova:  /Chief Accountant/

Bistra Kotseva:  /Member of the Board of Directors /

