Annual Management Report
Independent Auditor's Report
Financial Statements

Management Company
Karoll Capital Management EAD

31 December 2019

karoll
CAPITAL MANAGEMENT

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ANNUAL MANAGEMENT REPORT OF KAROLL CAPITAL MANAGEMENT EAD

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. As at December 31, 2019, the Company's share capital is BGN 900 000, divided into 10,000 ordinary registered shares with voting rights, with a nominal value of BGN 90 The Company has a three-member Board of Directors.

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

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

UD Karoll Capital Management EAD offers individual portfolio management, in accordance with a contract without special orders from the client (trust management). The total value of the portfolios managed as of December 31, 2019 is BGN 42.5 million.

Karoll Capital Management distributes in Bulgaria units of collective investment schemes, organised and managed by „Schroder Investment Management" (Europe). The total value of assets added to CISs organized and managed by „Schroder Investment Management" (Europe) as at December 31, 2019 is BGN 48.9 mln.

As of the end of 2019, Karoll Capital Management EAD manages five mutual funds:

- Advance Invest was initially licensed as an open-type investment company with a licence to perform activities issued by the FSC under Resolution № 561 – ID, dated 22.12.2003. Advance Invest is the first Bulgarian fund with focus on the new Member States of the European Union – Bulgaria and Romania. The public offering of securities of Advance Invest AD was launched on 10 May 2004. In 2013, the investment company was reorganised into a mutual fund - Advance Invest, by a decision № 736-DF dated 03.10.2013. The net value of the managed assets in the Fund as at December 31, 2019 amounts to BGN 8.3 million.

- Advance Eastern Europe, organised and managed by a Decision № 29-DF of the FSC dated 31.08.2006. It is the first Bulgarian mutual fund investing in emerging markets in six Eastern European countries – Bulgaria, Romania, Croatia, Serbia, Russia, Ukraine, Turkey and Greece. 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 December 31, 2019 amounts to BGN 4 million.

- Advance Emerging Europe Opportunities, organised and managed by the Company by virtue of a Decision 1410-DF of the FSC dated 7 November 2007. In 2015, the name of Advance IPO Fund was changed to Advance Emerging Europe Opportunities according to FSC decisions № 112-DF, 113-DF and 114-DF, dated 23 February 2015. The Fund invests in securities issued by companies in Central and Eastern Europe, mainly from Poland, the Czech Republic, Hungary, Estonia, Lithuania and Latvia. The public offering of securities of Advance Emerging Europe Opportunities was launched on 23 November 2007. The net value of the managed assets in the Fund as at December 31, 2019amounts to BGN 21.2 million.

- Advance Global Trends, organised and managed by a Decision № 353-DF of the FSC dated 08.06.2011. 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 was launched on 01.07.2011. The net value of the managed assets in the Fund as at December 31, 2019 amounts to BGN 1.9 million.

-Advance Conservative Fund, organised and managed by Decision № 779-DF dated 17.07.2012 of the FSC, based on which a permit № 109-DF dated 09.08.2012 of FSC is issued. The Board of Directors of the Management Company has decided to terminate the activities of the Fund and carry on a liquidation procedure under the Collective Investment Schemes and other collective investment undertakings Act and Ordinance 44, for which it receives permission from the FSC with Decision №997- DF dated August 29th, 2019. The liquidation procedure has ended with the deregistration of the Fund from the register of the FSC under Art. 30 of the FSC Act, pursuant to Decision 1307-DF, dated December 17, 2019.

In 2019, Karoll Capital Management EAD provided investment advice for Eastern Europe under a contract with Shinhan Investment Corp. and Daishin Asset Management for the Daishin KZ-8 Fund of the Korea Federation of Small and Medium Business (K-Biz). The contract is terminated as of November 19, 2019.

2. Operating results of the Management Company in 2019

In 2019 Karoll Capital Management EAD has revenues from operating activities amounting to BGN 1,549 thousand, comprising of:

- Management fees from collective investment schemes under management, amounting to BGN 474 thousand;
- Fees for wealth management to the amount of BGN 181 thousand;
- Income from distribution of funds of Schroders to the amount of BGN 376 thousand;
- Fees for provided investment advice on financial instruments amounting to BGN 518 thousand.

Finance income amounting to BGN 363 thousand comprises of gains from operations with financial assets – BGN 354 thousand, and currency exchange gains of BGN 9 thousand.

For the respective period, the operating costs of UD Karoll Capital Management amount to BGN 1, 378 thousand. Finance costs amount to BGN 324 thousand and are formed by losses from operations with financial assets – BGN 310 thousand, currency exchange losses of BGN 7 thousand and other finance costs also at the amount of BGN 7 thousand.

The financial result for the reporting period is a profit at the amount of BGN 187 thousand.

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

The past 2019 was extremely positive for the global capital markets - almost all asset classes and sectors - whether pro-cyclical or anti-cyclical - recorded double-digit growth. Trade disputes between the United States and China continued to be a dominant theme, along with BREXIT, tensions with Iran and Syria, and other geopolitical issues. However, the positive macroeconomic data, three key interest rate cuts in the United States, record low unemployment, and stimuli from the central banks led to a positive stock market trend.

The main US index S&P500 rose by 28.9% last year; in Europe the German DAX rose by 25.5% and the Japanese NIKKEI 225 by 18.2%. Emerging markets have also been subject of increased purchases. Specifically for the region of Central and Eastern Europe, MSCI EFM E + C rose by 27.7%, while the benchmark without Russia - only by a modest 6.9%. The record holder in terms of price increase was the Greek ASE with almost + 50%, followed by the Romanian BET with + 35%, and the worst performing benchmark was the Bulgarian SOFIX with a loss of 4.43%.

The performance in terms of generated returns for each fund of Karoll Capital Management in 2019 was the following:

- Advance Invest: +7.6%
- Advance Easter Europe: +30%
- Advance Emerging Europe Opportunities: +11.3%
- Advance Global Trends: +17.8%

Mutual Fund Advance Eastern Europe ranks first in terms of return among all Bulgarian funds, and our global fund - Advance Global Trends was the best performing in the category of mixed balanced funds. Advance Invest with a focus on Bulgaria and Romania won the Investor.bg award for the best fund in emerging markets. Most of our funds managed to beat the benchmarks with which they are compared for a period of 1, 3 and more years ago.

Amid the excellence of funds at the end of the year Karoll Capital Management managed to attract significant funds to them mostly by institutional investors.

We are observing an increase in customer interest of individual portfolio management, the so-called. Trust Management. Over the past year, clients have continued to show an active interest in global portfolios, where mainly through passive exchange traded funds (ETFs) and active mutual funds we provide access to a large number and variety of strategies, assets, regions and sectors around the world.

We continue to service the mandate for Eastern Europe by Korean Federation of SMEs (K-Biz). With the aim of attracting international institutional investors for the products and services for Eastern Europe, Karoll Capital Management works in Canada through a partnership with an exclusive representative - Cheverny Capital. Our marketing efforts also extend to other global financial hubs such as London, Seoul etc.

The year was also dynamic with respect to the distribution of the funds of our global partner Schroders. For yet another period we report interest in investing in the funds of the British asset manager, mainly by individual investors in the country. The saving plans with Schroders funds also enjoys serious interest. In 2019 we managed to introduce the first institutional investor - pension fund from Romania after we previously received a representation mandate from the British asset manager.

Key priorities for the past year were also the excellent quality of service to clients of Karoll Capital Management, our technological development, market expansion, effective participation in the professional organizations in the industry, in the processes of developing the legislation and the market infrastructure, and last but not least – the corporate social responsibility with a focus on a number of educational initiatives.

3. Major risks for the Management Company

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

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

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

a) Personnel risks;

b) Process risks;

c) System risks;

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

a) Environment risks;

b) Risk of physical interference.

The financial instruments of the Company are presented in note 6 of this financial report.

4. Important post reporting date events

No reportable events and circumstances have occurred after the date of the Financial Statements until the date of its drafting, except for the following non-adjusting event.

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors. As the situation and the measures taken by the state authorities are extremely dynamic, the Company's management is not able to assess the impact of the coronavirus epidemic on the future financial condition and results of its activities, but believes that the impact will lead to market and especially price risk volatility, related to the financial assets of the managed mutual funds, and it is possible to have a negative effect on their activity and results, respectively on the revenues of Karoll Capital Management EAD. The management company's forecasts are for negative investment results (over - 20%) to be reported by the mutual funds it manages in the first half of the year, and for a subsequent gradual recovery beginning in the second half of the year. Market turbulence is associated with risks of losing customers for some of the Company's products and services, in the range of approximately 10-15%.

5. Expected future development of the Company

In 2020, 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 key objective is to focus the activity on individual customer needs by avoiding the product approach, which limits the investment process, and putting a focus on the personal expectations of the client. With the intention to provide Bulgarian customers with innovative solutions for global investment with maximum flexibility, Karoll Capital Management EAD deepens its cooperation with the international giant Schroders and strengthens the local team of investment specialists. Our expectations are for another successive year to attract retail customers and new institutional investors and introduce them to the rich product range of our partners from Schroder Investment Management (Europe). During the year we will continue to supply the products of our international partner in Romania – mainly to professional investors.

The interest rates on bank deposits, which are close to zero percent, favour the customers trend for searching ways to channel savings towards investments in regional and global capital markets. Our strategy is precisely in response to this new reality in Bulgaria. The wealth management service remains at the foreground where the portfolio managers of Karoll Capital Management work more closely with individual clients to provide them with personalised global solutions tailored to their risk profile and preferences. To respond adequately to the demand, in 2020 we intend to launch, in the local market, a structured product with secured principal, in partnership with a global investment bank.

In the long run, Karoll Capital Management aims to take a leading position among the asset management companies in Bulgaria and a well-deserved position in the region. The company will offer its services in management of investment portfolios to various types of institutional and individual investors – local and international – including pension funds, insurance companies, universities and foundations, individuals and legal entities. The investment focus of the managed products will cover, as until now, a broad range of markets in Eastern Europe and worldwide. Additionally, our strategy includes also offering products managed by our global partners to our local clients. We will place an accent on attracting international clients – professional investors for our regional strategies, through direct contacts and partnership with specialised companies at the respective markets.

6. Research and developments

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

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

In 2003 the Company Karoll Capital Management EAD is established with share capital of BGN 100 000, divided into 1 000 ordinary registered shares with voting rights and BGN 100 par value. In 2005, the Company increased the share capital by BGN 150 thousand using funds received from the sole owner and from the distribution of retained earnings. In 2006, the Company increased the capital by BGN 300 thousand through distribution of retained earnings and reserves. In 2008, the Company increased the capital by BGN 450 thousand to a total of BGN 1 million. In 2017, the Company decreased the capital by BGN 100 thousand by decreasing the nominal value per share to BGN 90. The reduction of the capital was used to cover a part of the accumulated loss from previous years. As of 31 December 2017, the capital of the Company is BGN 900 thousand divided into 10,000 ordinary registered shares with voting rights and nominal value of BGN 90. Sole owner of the Company's capital is Stanimir Karolev. The Company shares are registered with the Central Depository AD as dematerialised. The Company is entered into the Bulgarian Commercial register with UID 131134055.

The Company has Board of Directors consisting of three directors. The remunerations of the Board of Directors received in 2019 under employment contracts amount to BGN 389 thousand

There are no restrictions on the rights of Board of Directors members 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 a 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, Karoll AD, Karoll Finance EOOD and Karoll Knowledge Foundation .

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

In 2019, the Company has elected the specialised auditing company Grant Thornton OOD, reg. Number 032, to audit the annual financial statements for 2019. The remuneration amounts to BGN 4,000, VAT excl., and it is the full remuneration for the independent financial audit.

8. Company's Offices

Karoll Capital Management EAD offers the possibility of receiving orders for subscription and repurchase of shares by investors in offices in Sofia.

March 12, 2020

Executive Officer:
/Daniel Ganev /

Member of the Board of Directors:
/Bistra Kotseva /

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Karoll Capital Management EAD (the Company), which comprise the statement of financial position as at 31 December 2019 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 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and Bulgarian Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

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

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

(a) the information in the management report is consistent with the financial statements for the same reporting period;

(b) the management report is prepared in accordance with the applicable legal requirements; and

(c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Statement pursuant to art. 33 of Ordinance 38/2007 of the Financial Supervisory Commission (FSC) for the requirements of the activities of investment intermediaries and art.11 of Ordinance 58/2018 of the FSC for the requirements for protection of client cash and financial instruments, management of products and rendering or receiving of remunerations, commissions and other cash or non-cash benefits

Based on the procedures performed and knowledge and understanding gained about the Company's operations, in the course and in the context of our audit of the financial statements as a whole, our opinion is that the established and enforced by the Company process organization, related to client assets custody, is in compliance with the requirements of art. 28-31 of Ordinance 38 and art.3-10 of Ordinance 58 of FSC, concerning the Company's activities in its role as a trustee, safekeeping client assets.

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Grant Thornton Ltd.
Audit firm

March 24, 2020
Bulgaria, Sofia, 26, Cherni Vrah Blvd.

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

	Note	As at 31.12.2019	As at 31.12.2018
Assets			
Non-current assets			
Machinery and equipment	5	15	17
Non-current assets		**15**	**17**
Current assets			
Financial assets carried at fair value through profit or loss	6	994	750
Trade and other finance receivables	7	172	254
Prepayments and other assets	8	31	13
Related party receivables	21.2	46	41
Income tax receivables		-	13
Cash and cash equivalents	9	260	443
Current assets		**1,503**	**1,514**
Total assets		**1,518**	**1,531**
Equity and liabilities			
Equity			
Share capital	10.1	900	900
Reserves	10.2	100	100
Retained earnings		452	504
Total equity		**1,452**	**1,504**
Liabilities			
Current liabilities			
Trade and other payables	13	33	-
Employee and social security obligations	11.2	13	-
Income tax payables		5	12
Related party payables	21.2	15	15
Total liabilities		**66**	**27**
Total equity and liabilities		**1,518**	**1,531**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief accountant

Bistra Kotseva:
Member of the Board of Directors
Karoll Capital Management EAD
Date: March 03, 2020

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Audited according to audit report, dated March 24, 2020:

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

ОДИТОРСКО ДРУЖЕСТВО София Рег. №032 ГРАНТ ТОРНТОН ООД

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

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

	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue	14	1,549	1,727
Cost of material	15	(18)	(19)
Hired services expenses	16	(382)	(406)
Employee benefits expense	11.1	(906)	(851)
Depreciation of non-financial assets		(5)	(5)
Other expenses	17	(67)	(79)
Operating profit		**171**	**367**
Net profit / (loss) from operations with financial assets carried at fair value through profit or loss	18	44	(120)
Financial (costs) / income, net	19	(5)	3
Profit before tax		**210**	**250**
Income tax expense	20	(23)	(26)
Profit for the year		**187**	**224**
Total comprehensive income for the year		**187**	**224**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief accountant

Bistra Kotseva:
Member of the Board of Directors
Karoll Capital Management EAD
Date: March 03, 2020

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Audited according to audit report, dated March 24, 2020:

Silvia Dinova
Registered auditor, responsible for the engagement

Marty Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

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

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

	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Operating activities			
Proceeds from managed funds		457	449
Proceeds from customers		1,197	1,394
Payments to suppliers		(489)	(363)
Payments to employees and social security institutions		(809)	(845)
Income tax		(18)	(51)
Proceeds related to other taxes		10	-
Other taxes paid		(64)	(45)
Proceeds related to operations with foreign currency		8	9
Payments related to operations with foreign currency, commissions and other		(13)	(10)
Other payments related to the operating activity, net		(23)	(38)
Net cash flows from operating activities		**256**	**500**
Investing activities			
Purchase of non-derivative financial assets		(200)	(400)
Proceeds from non-derivative financial assets		-	20
Net cash flows from investing activities		**(200)**	**(380)**
Financing activities			
Dividend payments		(239)	(64)
Net cash flows from financing activities		**(239)**	**(64)**
Net change of cash and cash equivalents		**(183)**	**56**
Cash and cash equivalents, beginning of year	9	443	387
Cash and cash equivalents, end of year		**260**	**443**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief accountant

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Bistra Kotseva:
Member of the Board of Directors
Karoll Capital Management EAD
Date: March 03, 2020

Audited according to audit report,
dated March 24, 2020:

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. №

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

	Share capital	Reserves	Retained earnings	Total Equity
Balance as at January 1, 2018	**900**	**100**	**344**	**1,344**
Dividend	-	-	(64)	(64)
Transactions with the owner	-	-	(64)	(64)
Profit for the year	-	-	224	224
Total comprehensive income for the year	-	-	224	224
Balance as at December 31, 2018	**900**	**100**	**504**	**1,504**
Dividend	-	-	(239)	(239)
Transactions with the owner	-	-	(239)	(239)
Profit for the year	-	-	187	187
Total comprehensive income for the year	-	-	187	187
Balance as at December 31, 2019	**900**	**100**	**452**	**1,452**

Daniel Ganev :
Executive Director
Karoll Capital Management EAD

Stoyka Koritarova:
Chief accountant

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Bistra Kotseva:
Member of the Board of Directors
Karoll Capital Management EAD
Date: March 03, 2020

Audited according to audit report, dated March 24, 2020:

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 0 ГРАНТ ТОРНТОН

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

Notes to the Financial Statements

1. General Information

Karoll Capital Management EAD is registered in Bulgaria by Decision № 1 dated 2 September 2003 of the Sofia City Court. The Company is entered into the Bulgarian Commercial register under UIC 131134055. As at December 31, 2019, the Company's share capital is BGN 900 000, divided into 10,000 ordinary registered shares with voting rights, with a nominal value of BGN 90

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

The Company has a three-member Board of Directors: Stanimir Karolev – Chairman of the BoD, Bistra Kotseva – Vice Chairperson of the BoD, and Daniel Ganev – Executive Director. The Company is represented always by two of the members of the Board of Directors, acting jointly. The sole and ultimate owner of the capital is Stanimir Karolev.

As at 31.12.2018, the employees of the Company are 23, all of whom have been employed under full-time labour contracts.

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

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

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 pursuant to contracts concluded with the clients. In case of tripartite agreements for management of individual portfolios, the clients' assets are stored in sub-accounts of Karoll AD investment intermediary, which is a party to the agreement.

As of the end of 2019, Karoll Capital Management EAD manages five mutual funds:

- Advance Invest was initially licensed as an open-type investment company with a licence to perform activities issued by the FSC under Resolution № 561 – ID, dated 22.12.2003. Advance Invest is the first Bulgarian fund with focus on the new Member States of the European Union – Bulgaria and Romania. The public offering of securities of Advance Invest AD was launched on 10 May 2004. In 2013, the investment company was reorganised into a mutual fund - Advance Invest, by a decision № 736-DF dated 03.10.2013. The net value of the managed assets in the Fund as at December 31, 2019 amounts to BGN 8.3 million.

- Advance Eastern Europe, organised and managed by a Decision № 29-DF of the FSC dated 31.08.2006. It is the first Bulgarian mutual fund investing in emerging markets in six Eastern European countries – Bulgaria, Romania, Croatia, Serbia, Russia, Ukraine, Turkey and Greece. 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 December 31, 2019 amounts to BGN 4 million.

- Advance Emerging Europe Opportunities, organised and managed by the Company by virtue of a Decision 1410-DF of the FSC dated 7 November 2007. In 2015, the name of Advance IPO Fund was changed to Advance Emerging Europe Opportunities according to FSC decisions № 112-DF, 113-DF and 114-DF, dated 23 February 2015. The Fund invests in securities issued by companies in Central and Eastern Europe, mainly from Poland, the Czech Republic, Hungary, Estonia, Lithuania and Latvia.

The public offering of securities of Advance Emerging Europe Opportunities was launched on 23 November 2007. The net value of the managed assets in the Fund as at December 31, 2019amounts to BGN 21.2 million.

- Advance Global Trends, organised and managed by a Decision № 353-DF of the FSC dated 08.06.2011. 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 was launched on 01.07.2011. The net value of the managed assets in the Fund as at December 31, 2019 amounts to BGN 1.9 million.

-Advance Conservative Fund, organised and managed by Decision № 779-DF dated 17.07.2012 of the FSC, based on which a permit № 109-DF dated 09.08.2012 of FSC is issued. The Board of Directors of the Management Company has decided to terminate the activities of the Fund and carry on a liquidation procedure under the Collective Investment Schemes and other collective investment undertakings Act and Ordinance 44, for which it receives permission from the FSC with Decision №997-DF dated August 29th, 2019. The liquidation procedure has ended with the deregistration of the Fund from the register of the FSC under Art. 30 of the FSC Act, pursuant to Decision 1307-DF, dated December 17, 2019.

Karoll Capital Management EAD has been authorised to offer investment advice in Eastern Europe pursuant to a contract with Shinhan Investment Corp. and Daishin Asset Management for the "Daishin KZ-8" Fund of K-Biz - the Korea Federation of Small and Medium Business. The Agreement has been terminated, as of November 19, 2019.

2. Basis for preparation of the financial statements

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

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information for 2018), unless otherwise stated.

The financial statements are prepared according to the going concern principle.

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

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

3. Changes in accounting policies

3.1. New standards, amendments and interpretations of the IFRS effective as of 1 January 2019

The Company has adopted the following new standards, revisions and amendments to IFRS issued and published by the International Accounting Standards Board, which have an effect to the financial report of the Company and which are mandatory for the annual period beginning 1 January 2019:

IFRS 16 "Leases" effective from 1 January 2019, adopted by the EU

IFRS 16 "Leases" replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new standard does not result in the Company recognizing a right-of-use asset with and the related lease obligations in connection with previous operating leases, as the Company is a lessee under one operating lease agreement for a building, which is identified as a contract with a remaining lease term of less than 12 months from the date of initial application, because it contains clauses that allow early termination after one month's notice by either party, without significant penalties.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	IFRS 16 January 1, 2019 BGN'000
Total operating lease commitments disclosed at 31 December 2018	**132**
Recognition exemptions:	
Leases with remaining lease term of less than 12 months	(132)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**-**

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by EU, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2019 but do not have a significant impact on the Company's financial results or position:

- IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation
- IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement
- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs 2015-2017

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 2019 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.

IAS 1 and IAS 8 (amended) - Definition of Material, effective from 1 January 2020, adopted by the EU

The amendments aim to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. The amendments clarify:

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

The following new standards, amendments and interpretations to existing standards, which have also been issued, but are not yet effective, are not expected to have a material impact on the Company's financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards, effective from 1 January 2020, adopted by the EU
- IFRS 3 (amended) - Definition of a Business, effective from 1 January 2020, not yet adopted by the EU
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019), effective from 1 January 2020, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU

4. Significant accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised 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 described in more detail in the accounting policy below accompanying the individual financial statements.

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:

a) applies an accounting policy retrospectively;
b) makes a retrospective restatement of items in its financial statements, or
c) 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 2019, none of the above conditions was 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 of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

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

4.4. Revenue

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

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

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

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

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

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

4.4.1. Revenue recognized over time

Rendering of services

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

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

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

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

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

By decision of the Board of Directors and approval by the FSC, as of 26.02.2018, the annual remuneration for managing the Advance Eastern Europe MF and Advance Emerging Europe Opportunities MF has been decreased from 2.5% to 1.5% of the average annual value of the Fund's assets.

4.4.2. Revenue recognized at point of time

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

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

4.4.3. Interest income

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

4.5. Operating expenses

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

4.6. Intangible assets

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

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

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

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

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

- Software 2 years
- Licenses and other 2 years

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

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

4.7. Machinery and equipment

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

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

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

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

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

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

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

4.8. Impairment testing of intangible assets and machinery and equipment

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

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

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

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

4.9. Leases

4.9.1. Leased assets

As described in note 3, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

4.9.2. Accounting policy applicable from January 1, 2019

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

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

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

Measurement and recognition of leases as a lessee

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

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

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

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

4.9.3. Accounting policy applicable until December 31, 2018

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The finance lease liabilities are reduced by subsequent lease payments, which consist of repayment of principal and finance costs.

Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognized initially.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets".

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.10. Financial instruments

4.10.1. Recognition and derecognition

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

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

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

4.10.2. Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

4.10.3. Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

- **Trade receivables**

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

- **Corporate bonds**

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

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

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

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

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

4.10.4. Impairment of financial assets

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

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

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's financial assets fall into this category, neither Stage 2.

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

Trade and other receivables, contract assets and finance lease receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a customer allocation by industry and time structure of receivables.

4.10.5. Classification and measurement of financial liabilities

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

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

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

4.11. Income taxes

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

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

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

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

Deferred tax liabilities are always provided for in full.

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

4.12. Cash and cash equivalents

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

4.13. Share capital, reserves and dividend payments

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

Other reserves include legal reserves under the Commerce Act.

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

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.

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

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

4.15. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Contingent liabilities are to be measured subsequently at the higher value between the above-described comparable provision and the amount initially recognized less accumulated depreciation.

4.16. Significant management 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. Measurement of expected credit losses

Credit losses are the difference between all contractual cash flows due to the Company and all cash flows that the Company expects to receive. Expected credit losses are a probability-weighted estimate of credit losses that require the Company's judgment. Expected credit losses are discounted at the original effective interest rate. Where the effect of it is immaterial, discounting is omitted.

4.17.2. Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.
At 31 December 2018 management assesses that the useful lives represent the expected utility of the assets to the Company.

4.17.3. Provisions

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

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

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

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

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

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

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

5. Machinery and equipment

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

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

	Computer and server systems	Copy machines and printers	Vehicles	Paintings	Total
Gross carrying amount					
Balance as at 01 January 2018	45	8	378	10	441
Additions	9	-	-	-	9
Balance as at 31 December 2018	54	8	378	10	450
Depreciation					
Balance as at 01 January 2018	(42)	(8)	(378)	-	(428)
Depreciation	(5)	-	-	-	(5)
Balance as at 31 December 2018	(47)	(8)	(378)	-	(433)
Carrying amount as at 31 December 2018	**7**	**-**	**-**	**10**	**17**

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 2019, and 31 December 2018 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.

During the reporting period the Company discarded and wrote off computer and server systems, printers and power supplies. No expenses and revenues have been recognized from this operations.

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

6.1. Shares in BGN

	ISIN	As at December 31, 2019	As at December 31, 2018
Advance Equity Holding AD	BG1100033064	205	238

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

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

6.2. Units of collective investment schemes in foreign currency

	ISIN	Currency	As at December 31, 2019	As at December 31, 2018
Advance Emerging Europe Opportunities	BG9000023077	EUR	686	425
Advance Global Trends	BG9000002113	EUR	103	87
			789	512

The units of collective investment schemes are recognised at fair value through the profit or loss where the measure used for their fair value is the last announced redemption price of the Fund for 2019.

7. Trade and other finance receivables

	2019	2018
Current finance receivables		
Trade receivables	172	254
Financial assets	**172**	**254**

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

The more significant trade receivables as at December 31, are presented as follows:

	2019	2018
Schroder Investment Management (Europe)	77	119
Shinhan Investment corp.	-	113
Receivables from trustees	95	22
TOTAL	**172**	**254**

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

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

8. Prepayments and other assets

	2019	2018
Prepaid expenses	17	-
Other receivables	14	13
TOTAL	**31**	**13**

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

9. Cash and cash equivalents

	2019	2018
Cash on hand and in banks in BGN	45	10
Cash on hand and in banks in foreign currency	215	433
TOTAL	**260**	**443**

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

The Company has no blocked money and cash equivalents.

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

10. Equity

10.1. Share capital

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

	2019	2018
Number of issued and fully paid shares:		
At the beginning of the year	10,000	10,000
Nominal value	BGN 90 /share	BGN 90/share
Total number of shares issued and fully paid as at 31 December	**10,000**	**10,000**
Equity capital as at 31 December	**900**	**900**

The sole owner of the capital as at December 31 both 2019 and 2018 is Stanimir Karolev.

10.2. Reserves

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

11. Employee compensations

11.1. Employee benefits expense

Employee benefits expense includes:

	2019	2018
Salaries	(817)	(775)
Social and health security costs	(88)	(76)
Compensable leaves expense	(1)	-
TOTAL	**(906)**	**(851)**

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.

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

11.2. Employee and social security obligations

Employee obligations as at the reporting periods comprise of :

	2019	2018
Social security contributions	12	-
Compensable leaves	1	-
TOTAL	**13**	**-**

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

12. Lease liabilities

Lease payments not recognised as a liability

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

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

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

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

13. Trade and other payables

	2019	2018
Current:		
Trade payables	11	-
Finance liabilities	**11**	**-**
Tax payables (*other than income tax*)	22	-
Non-finance payables	**22**	**-**
Trade and other payables	**33**	**-**

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

14. Revenue

	2019	2018
Revenue from investment advice provided	518	488
Revenue from distribution of Schroders / Schroders /	376	704
Revenue from trust management	181	87
Management fee for Advance Invest MF	197	196
Management fee for Advance Emerging Europe Opportunities	159	112
Management fee for Advance Eastern Europe	75	94
Management fee for Advance Global Trends	33	28
Management fee for Advance Conservative Fund (liquidated)	4	7
Revenue from the issue of units of the managed mutual funds	6	11
TOTAL	**1,549**	**1,727**

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

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

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

2018	Luxemburg	South Korea	Bulgaria	Total
Revenue from distribution of funds	704	-	-	**704**
Asset Management Income	-	-	535	**535**
Revenue from investment advice provided	-	488	-	**488**
Recognized at a point in time	*31*	-	*11*	**42**
Recognized over time	*673*	*488*	*524*	**1,685**

15. Cost of materials

Cost of materials include

	2019	2018
Electricity	(11)	(11)
Heating	(4)	(4)
Vehicle supplies	(2)	(2)
Promotion materials	(1)	(2)
TOTAL	**(18)**	**(19)**

16. Hired services expense

Hired services expenses include as follows:

	2019	2018
Annual fees and subscriptions	(146)	(78)
Rent	(117)	(117)
Remuneration for administration (servicing of trustees)	(53)	(47)
Consulting services	(29)	(86)
Advertisement	(21)	(62)
Mobile services	(4)	(4)
Audit	(4)	(4)
Other	(8)	(8)
TOTAL	**(382)**	**(406)**

17. Other expenses

Other operating expenses comprise of:

	2019	2018
Business trips	(25)	(48)
Non-deductible tax credit	(18)	(12)
Administrative fines and compensations	(10)	-
Non-tax-deductible expenses	(10)	-
Trainings and seminars	(3)	(5)
Tax on expenses and other	(1)	(1)
Gifts and donations	-	(5)
Representative expenses and sponsorship	-	(8)
TOTAL	**(67)**	**(79)**

The Company is registered for VAT pursuant to art. 96 para 1 of the law. During the reporting period, the Company performed exempt and taxable supplies within the meaning of the VAT Act. In these financial statements, the other operating expenses include costs for unrecognised partial tax credit on purchases in 2019 amounting to BGN 17 thousand.

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

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

	2019	2018
Gain from revaluation of financial assets carried at fair value through profit or loss, net	354	217
Loss from revaluation of financial assets carried at fair value through profit or loss, net	(310)	(337)
TOTAL	**44**	**(120)**

19. Finance income at costs, net

	2019	2018
Currency exchange gains, net	2	5
Other financial costs	(7)	(8)
Other financial income	-	6
TOTAL	**(5)**	**3**

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 income actually in profit or loss can be reconciled as follows:

	2019	2018
Profit/(loss) before tax	210	250
Tax rate	10%	10%
Expected tax expense	(21)	(25)
Tax effect from:		
Adjustments for non-deductible for tax purposes expenses		-
- Expenses not related to the main activity	(1)	(1)
- Fines	(1)	-
Income tax expense	**(23)**	**(26)**

21. 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.

21.1. Related party transactions

	2019	2018
Sales of services:		
Revenue from management of mutual funds:		
Management fee for Advance Invest Mutual Fund	197	196
Management fee for Advance Emerging Europe Opportunities Mutual Fund	159	112
Management fee for Advance Eastern Europe Mutual Fund	75	94
Management fee for Advance Global Trends Mutual Fund	33	28
Management fee for Advance Conservative Mutual Fund	4	7
Revenue from issuing and repurchase of fund shares	6	11
TOTAL	**474**	**448**

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

Purchase of services		
Rent to Karoll Finance EOOD and other complementary expenses	(132)	(132)
Costs for administering trustees	(53)	(47)
TOTAL	**(185)**	**(179)**

	2019	**2018**
Key management personnel remunerations		
Salaries	(442)	(441)
Social security and health insurance	(14)	(12)
TOTAL	**(456)**	**(453)**

21.2. Related party balances at year end

	2019	**2018**
Current receivables from		
Mutual funds		
- Advance Emerging Europe Opportunities	24	8
- Advance Invest	16	14
- Advance Eastern Europe	4	6
- Advance Global Trends	2	2
- Advance Conservative Fund	-	1
Total receivables from mutual funds	**46**	**31**
Other common control related parties		
- Karoll Finance EOOD – advance payment	-	10
Total current related party receivables	**46**	**41**
Current payables to:		
Other common control related parties		
- Karoll Finance EOOD	15	15
Total current related party payables	**15**	**15**

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

22. Non-cash transactions

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

23. Contingent assets and liabilities

The Company has no contingent asset or commitments.

24. Other disclosures

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

Asset type	**Currency**	**Market value as at December 31, 2019**	**Market value as at December 31, 2018**
Cash	BGN	49	42
Cash	EUR	205	4
Cash	USD	20	-
Mutual funds	EUR	37,478	34,385
Mutual funds	USD	11,482	14,059
TOTAL		**49,234**	**48,490**

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

25. Categories financial assets and financial liabilities

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

Financial assets	**Note**	**As at December 31, 2019**	**As at December 31, 2018**
Financial assets carried at fair value through profit or loss			
Shares	6.1	205	238
Units of collective investment schemes:	6.2	789	512
		994	**750**
Financial assets at amortized cost			
Trade and other receivables	7	172	254
Related party receivables	21.2	46	41
Cash and cash equivalents	9	260	443
		478	**735**

Financial liabilities	**Note**	**As at December 31, 2019**	**As at December 31, 2018**
Current liabilities:			
Trade and other payables	13	11	-
Related party payables	21.2	15	15
		26	**15**

See note 4.10 about information related to the accounting policy for each category of financial instruments. A description of the Company's policy and objectives of risk management in relation to the financial instruments is presented in the next note.

26. Financial instruments risk

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

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

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

- Board of Directors - determines the acceptable levels of risk within the adopted development strategy;
- Executive directors - control the process of approval and implementation of adequate policies and procedures within the accepted strategy for risk management.
- 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 its financial instruments. more information about the financial assets and liabilities by category, please see note 25.

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

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

Market risk

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

The market risk is concentrated in the financial assets carried at fair value through profit or loss, as presented in note 25.

Currency risk

The Company is exposed to a currency risk when conducting transactions with financial instruments denominated in a foreign currency. In conducting transactions in a foreign currency, revenues and expenses arising from foreign currency transactions are recognised in the statement of comprehensive income. These exposures are monetary assets and liabilities of the Fund denominated in a currency other than BGN and EUR. In 2019 and 2018, the Company realized revenues from provided investment advice, denominated in US dollars, from Shinhan Investment Corp.

Interest rate risk

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

As at 31 December 2019, the Company is not exposed to interest rate risk.

Other price risks

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

	ISIN	Currency	As at December 31, 2019	As at December 31, 2018
Advance Equity Holding AD	BG1100033064	BGN	205	238
Advance Emerging Europe Opportunities	BG9000023077	EUR	686	425
Advance Global Trends	BG9000002113	EUR	103	87

Credit risk

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

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

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

	2019	2018
Listed shares	205	238
Units of collective investment schemes:	789	512
Trade and other finance receivables	172	254
Related party receivables	46	41
Cash and cash equivalents	260	443
Carrying amount	**1,472**	**1,488**

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

All debt instruments of the Company can be classified in phase 1 of the impairment model described in note 4.10.4.

Liquidity risk

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

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

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

27. Fair value measurement

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

Level 1 – Estimation of fair value based directly on price quotations in active markets for identical assets or liabilities;

Level 2 – Estimation of fair value based on observable data other than those in level 1 but based directly or indirectly on it and relevant to the asset or liability;

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

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

As at December 31, 2019	**Level 2**
Financial assets carried at fair value through profit or loss	
- Shares	205
- Units of collective investment schemes	789
TOTAL	**994**

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

As at December 31, 2018	**Level 2**
Financial assets carried at fair value through profit or loss	
- Shares	238
- Units of collective investment schemes	512
TOTAL	**750**

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

28. Capital management policies and procedures

The Company's objectives regarding capital management are:

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

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

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

Ratio	**Legally defined minimum (%)**	**2019**	**2018**
Equity to minimum capital required	100	517.26%	523.69%
Equity to fixed operating expenses	25	96.61%	136.67%

As of December 31, 2019, and December 31, 2018 the Company has complied with externally imposed capital requirements to which it is subject. The Company has not changed its objectives, policies, and processes for managing capital, as well as ways of determining capital during the presented reporting periods.

29. Post-reporting date events

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

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors. As the situation and the measures taken by the state authorities are extremely dynamic, the Company's management is not able to assess the impact of the coronavirus epidemic on the future financial condition and results of its activities, but believes that the impact will lead to market and especially price risk volatility, related to the financial assets of the managed mutual funds, and it is possible to have a negative effect on their activity and results, respectively on the revenues of Karoll Capital Management EAD. The management company's forecasts are for negative investment results (over - 20%) to be reported by the mutual funds it manages in the first half of the year, and for a subsequent gradual recovery beginning in the second half of the year. Market turbulence is associated with risks of losing customers for some of the Company's products and services, in the range of approximately 10-15%.

30. Authorization of the financial statements

The financial statements for the year ended December 31, 2019 (including comparatives) were authorised for issue by the Board of Directors on March 16, 2020 and is signed on behalf of Karoll Capital Management EAD by:

Daniel Ganev: __________
/Executive Officer/

Stoyka Koritarova: __________
/Chief Accountant/

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Bistra Kotseva: __________
/Member of the Board of Directors /