Grant Thornton

Annual Management Report
Independent Auditor's Report
Financial Statements

Management Company
Karoll Capital Management EAD

31 December 2018

karoll
CAPITAL MANAGEMENT

Contents

ANNUAL MANAGEMENT REPORT OF KAROLL CAPITAL MANAGEMENT EAD

1. History and development of the Management Company

Karoll Capital Management EAD is registered in Bulgaria by Decision № 1 dated 2 September 2003 of the Sofia City Court. The Company is registered in the commercial register with capital of BGN 100,000, divided into 1,000 ordinary registered shares with voting rights, with a nominal value of BGN 100. The Company has a three-member Board of Directors. In 2005, the Company increased the share capital by BGN 150,000 using funds received from the sole owner and from the distribution of retained earnings. In 2006, the Company increased the capital by BGN 300,000 to a total of BGN 550,000, divided into 5,500 ordinary registered shares with voting rights, with nominal value of BGN 100. In 2008, the Company increased the capital by BGN 450,000 to a total of BGN 1,000,000 with nominal value of BGN 100. In 2017, the Company decreased the capital by BGN 100,000 by decreasing the nominal value per share. As of 31.12.2017, the capital is BGN 900,000, divided into 10,000 ordinary registered shares with voting rights, with a nominal value of BGN 90.

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, with scope of activities - management of collective investment schemes and investment companies of closed type, individual portfolios and providing investment advice about securities. Karoll Capital Management EAD structures securities portfolios in accordance with the investment objectives of its clients by deciding on the purchase and sale of financial instruments and other assets.

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

As of the end of 2018, 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 31.12.2018 amounts to BGN 7.4 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 – Russia, Serbia, Bulgaria, Romania, Croatia and Ukraine. The public offering of securities of Advance Eastern Europe was launched on 4 October 2006. The net value of the managed assets in the Fund as at 31.12.2018 amounts to BGN 5 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, as well as in Austrian companies with revenues primarily generated in the region. 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 31.12.2018 amounts to BGN 7.2 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 31.12.2018 amounts to BGN 1.8 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. It invests primarily in low-risk and highly liquid assets – deposits, short-term debt securities, bonds and repos, where the share of equities in the portfolio is minor. The public offering of units of Advance Conservative Fund was launched on 30.07.2012. The net value of the managed assets in the Fund as at 31.12.2018 amounts to BGN 0.7 million.

Karoll Capital Management EAD also offers management of individual portfolios, as per contracts signed with the clients (wealth management). The total amount of the managed portfolios as at 31.12.2018 amounts to BGN 50.5 million.

2. Results of the Activity of the Management Company in 2018

In 2018, Karoll Capital Management has revenues from operating activities amounting to BGN 1,727 thousand, comprising of:

- Management fees from collective investment schemes under management, amounting to BGN 448 thousand;
- Fees for wealth management to the amount of BGN 87 thousand;
- Income from distribution of funds of Schroders to the amount of BGN 704 thousand;
- Fees for provided investment advice on financial instruments amounting to BGN 488 thousand.

The finance income to the amount of BGN 232 thousand consists of transactions with financial assets to the amount of BGN 217 thousand, income from currency operations to the amount of BGN 9 thousand and other financial income to the amount of BGN 6 thousand.

For the respective period, the operating expenses of Karoll Capital Management EAD amount to BGN 1,360 thousand. The finance costs to the amount of BGN 349 thousand derive from loss from transactions with financial assets to the amount of BGN 337 thousand, cost from currency operations to the amount of BGN 4 thousand and other finance cost to the amount of BGN 8 thousand.

The financial result for the reporting period is profit to the amount of BGN 224 thousand.

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

Year 2018 was overall negative for the global capital markets, with increased concerns about global growth resulting in higher volatility. The trade disputes between the United States and China were a dominant theme, and concerns about the effects of the trade wars on global economic development led to tangible declines. The political crisis in Italy and the BREXIT also had an impact on investors' reactions and stock prices. The negative sentiment led to capital outflows from both developed and emerging markets. The MSCI World index ended the year with a 6% decline, measured in Euro. The European stocks finished with a sharp drop, while the US market finished with a slight decrease, despite its very poor performance in December. The emerging markets were subject to an intense sell-off so the MSCI Emerging Markets index ended the year with negative 12.4%. The most serious declines were seen in the Asian and Eastern European markets.

The region of Central and Eastern Europe, being highly dependent on the state of the European economies to which a major share of exports is directed, continued to do well on a macroeconomic level. The reason for the higher growth vs. the EU average was strong individual consumption, driven by low unemployment and disposable income growth. The markets of Central and Eastern Europe were moving with different dynamics, but generally were not spared by the negative trends. MSCI EFM Europe + CIS decreased by 11% in Euro terms, while the benchmark without Russia lost nearly 21%. The main driver of the downtrend in both indices was the Turkish market with its extremely high volatility, particularly in terms of local currency. The Russian market was much stronger, but the fall of the Russian rubble wiped out the stocks' appreciation in local currency.

The performance in terms of generated returns for each fund of Karoll Capital Management in 2018 was the following:

- Advance Invest: -8.79%
- Advance Eastern Europe: -12.35%
- Advance Emerging Europe Opportunities: -14.09%
- Advance Global Trends: -12.52%
- Advance Conservative: -4.86%

Karoll Capital Management's fund focused on Bulgaria and Romania - Advance Invests - won the Investor.bg Award for Best Fund in Emerging Markets. Most of the funds managed by Karoll Capital Management succeeded in outperforming their respective benchmarks for a period of 1, 3 or more years ago.
Wealth Management services (individual portfolio management) enjoyed a rising idemand by clients. In the past year, customers continued to be actively interested in global portfolios, where primarily through passive ETFs and active mutual funds we provide access to a wide variety of strategies, assets, regions and sectors worldwide.

Due to the negative development in the regional markets, the assets of funds focused on Eastern Europe were stagnant, despite newly attracted investments from individual and institutional investors. 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.

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 7 and note 8 of this financial report.

4. Post reporting date events

No reportable events and circumstances have occurred after the date of the Financial Statements until the date of its drafting.

5. Expected future development of the Company

In 2019, 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. The main task 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. As a next logical step, during the year we will be launching an activity to offering the products of our partner Schroders in neighbouring Romania - initially in the professional investors segment.

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 2019 we intend to launch, in the local market, a structured products 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 development activities

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

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

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. The Company shares are registered with the Central Depository AD as dematerialised.

The remunerations of the Board of Directors received in 2018 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 2018, the Company has elected the specialised auditing company Grant Thornton OOD, reg. Number 032, to audit the annual financial statements for 2018. The remuneration amounts to BGN 3,975, VAT excl., and it is the full remuneration for the independent financial audit.

8. Offices of the Company

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

14.02.2019

Chief Executive Officer:
/ Daniel Ganev/

Member of the Board of Directors:
/ Bistra Kotseva/

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Grant Thornton

Grant Thornton OOD
A 26, Cherni Vrah Blvd, 1421 Sofia
A 4, Paraskeva Nikolau Str., 9000 Varna
T (+3592) 987 28 79, (+35952) 69 55 44
F (+3592) 980 48 24, (+35952) 69 55 33
E office@bg.gt.com
W www.grantthornton.bg

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 2018 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 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). 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

Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Silvia Dinova
Registered auditor responsible for the audit

19 March 2019
Bulgaria, Sofia, 26, Cherni Vrah Blvd.

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

	Note	As at 31.12.2018	As at 31.12.2017
Assets			
Non-current assets			
Plant and equipment	5	17	13
Long-term related party receivables	20.2	-	10
Non-current assets		**17**	**23**
Current assets			
Financial assets carried at fair value through profit or loss	7,8	750	490
Trade and other receivables	9	280	345
Related party receivables	20	41	150
Cash and cash equivalents	10	443	387
Current assets		**1,514**	**1,372**
Total assets		**1,531**	**1,395**
Equity and liabilities			
Equity			
Share capital	11	900	900
Reserves	11	100	100
Retained earnings		504	344
Total equity		**1,504**	**1,344**
Liabilities			
Current liabilities			
Tax payables		-	37
Current liabilities	20.2	12	-
Short-term related party payables		15	14
Total liabilities		**27**	**51**
Total equity and liabilities		**1,531**	**1,395**

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: 14.02.2019

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*

Audited according to audit report, dated 19.03.2019:

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD Audit Firm

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

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

	Note	As at 31.12.2018	As at 31.12.2017
Revenue	13	1,727	1,297
Cost of material	14	(19)	(15)
Cost of hired services	15	(406)	(260)
Wages and other remuneration	12	(851)	(621)
Depreciation of non-financial assets	5,	(5)	(2)
Other operating expenses	16	(79)	(57)
Operating profit		**367**	**342**
Net loss from operations with financial assets carried at fair value through profit or loss	17	(120)	38
Financial income / (expenses), net	18	3	(1)
Profit before tax		**250**	**379**
Income tax	19	(26)	(40)
Profit for the year		**224**	**339**
Total comprehensive income for the year		**224**	**339**

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: 14.02.2019

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Audited according to audit report, dated 19 March 2019:

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	As at 31.12.2018	As at 31.12.2017
Operating activities			
Cash receipts from managed funds		449	442
Cash receipts from customers		1,394	708
Cash paid to suppliers		(363)	(170)
Cash paid to employees and social security institutions		(845)	(637)
Income tax		(51)	(10)
Proceeds related to other taxes		-	1
Other taxes paid		(45)	(19)
Proceeds related to operations with foreign currency		9	-
Cash paid related to operations with foreign currency, commissions and other		(10)	(6)
Other payments related to the operating activity		(38)	(43)
Net cash flows from operating activities		**500**	**266**
Investing activities			
Purchase of non-derivative financial assets		(400)	(200)
Proceeds from non-derivative financial assets		20	78
Interest proceeds		-	6
Net cash flows from investing activities		**(380)**	**(116)**
Financing activities			
Dividend payments		(64)	-
Net cash flows from financing activities		**(64)**	**-**
Net change of cash and cash equivalents during the period		**56**	**150**
Cash and cash equivalents, beginning of year	10	387	237
Cash and cash equivalents, end of year		**443**	**387**

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: 14.02.2019

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Audited according to audit report, dated 19 March 2019:

Silvia Dinova
Registered auditor, responsible for the engagement

Mariy Apostolov
Managing partner, Grant Thornton OOD
Audit Firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

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

	Share capital	Reserves	(Accumulated loss) / retained earnings	Total Equity
Balance as at 01 January 2017	**1,000**	**100**	**(95)**	**1,005**
Reduction of the nominal value of the shares to cover the accumulated loss	(100)	-	100	-
Profit for the year	-	-	339	339
Total comprehensive income for the year	-	-	339	339
Balance as at 31 December 2017	**900**	**100**	**344**	**1,344**
Dividends	-	-	(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 31 December 2018	**900**	**100**	**504**	**1,504**

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: 14.02.2019

Audited according to audit report, dated 19.03.2019:

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 (the Company) is registered in Bulgaria by Decision № 1 dated 2 September 2003 of the Sofia City Court. The Company is registered with the Commercial Register under UIC 131134055 with capital of BGN 100,000, divided into 1,000 ordinary registered shares with voting rights, with a nominal value of BGN 100. In 2005, the Company increased the share capital by BGN 150,000 using funds received from the sole owner and from the distribution of retained earnings. In 2006, the Company increased the capital by BGN 300,000 to a total of BGN 550,000. In 2008, the Company increased the capital by BGN 450,000. In 2017, the Company decreased the capital by BGN 100 thousand by decreasing the nominal value per share to BGN 90. As of 31 December 2018, the capital of the Company is BGN 900,000 divided into 10,000 ordinary registered shares with voting rights and 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 21, all of whom have been employed under full-time labour contracts.

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

Karoll Capital Management 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.

Karoll Capital Management EAD manages five collective investment schemes:

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

- Advance Eastern Europe, organised and managed by the Company pursuant to 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 – Russia, Serbia, Bulgaria, Romania, Croatia and Ukraine. The public offering of securities of Advance Eastern Europe started on 04 October 2006.

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

- 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 started on 01.07.2011.

- Advance Conservative Fund, organised and managed by a 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. It invests primarily in low-risk and highly liquid assets – deposits, short-term debt securities, bonds and repos, where the share of equities in the portfolio is minor. The objective of the fund is to preserve and increase the real value of money at low risk. The public offering of units of Advance Conservative Fund was launched on 30 July 2012.

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.

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 2017), 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 2018.

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 2018:

IFRS 9 "Financial Instruments" in force as of 1 January 2018, adopted by the EU
IFRS 9 "Financial instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.
When adopting IFRS 9, the Company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Company applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

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

The adoption of IFRS 9 has impacted the following areas:

- Classification and measurement of the Company's financial assets

There is no change in the subsequent reporting related to IAS 39.

The Company holds investments in equity instruments and units of collective investment schemes. The latter require to be measured at fair value through profit or loss. The equity instruments of the Company are also measured at fair value through profit or loss.

For the bonds held as of December 31, 2017, the management of the Company has determined that they will behave in order to collect the contractual cash flows, which in turn represent only interest and principal payments. Thus, the classification of the bonds has been changed from the "fair value through profit or loss" category to bonds which are accounted as financial assets at amortised cost.

The remaining financial assets of the Company (trade and other receivables, receivables from related parties) are stated at amortised cost.

	Measurement category			
	Financial assets according to IAS 39	**Financial assets according to IFRS 9**	**Carrying amount 31 December 2017 IAS 39**	**Carrying amount 1 January 2018 IFRS 9**
Corporate bonds	Fair value through profit or loss	Amortised cost	20	20
Equity instruments traded on the stock exchange	Fair value through profit or loss	Fair value through profit or loss	268	268
Investments in shares of mutual funds	Fair value through profit or loss	Fair value through profit or loss	202	202
Trade receivables and related party receivables	Credits and receivables	Amortised cost	491	491
			981	**981**

- Impairment of financial assets applying the expected credit loss model

The expected credit loss model affects the Company's trade receivables and debt instruments previously classified as HTM or AFS. For contract assets arising from IFRS 15 and trade receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

Part of the trade receivables of the Company result asset management; these receivables are secured by assets of the trustees on client accounts of the Company or an investment intermediary, therefore the expected credit loss for them is insignificant.

For the receivables of the Company from the managed mutual funds as well as for the receivables from other clients, an impairment is calculated on the basis of the expected credit loss, which is less than 0.1% of the gross value of the receivable and also not accounted for by the Company.

IFRS 15 "Revenue from Contracts with Customers" effective from January 1, 2018, adopted by the EU

IFRS 15 "Revenue from Contracts with Customers" and the related Clarifications to IFRS 15 "Revenue from Contracts with Customers" (hereinafter referred to as IFRS 15) replace IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The implementation of IFRS 15 has mainly affected the following areas:

- *Revenue from managed mutual funds*

Revenue from the managed funds is: income from management fee that is recognized over time and income from issue / redemption of shares which are recognized at a certain point in time - at issue/redemption of shares by a fund to the final investors, the fee, defined as a percentage above / below the net asset value per share, is received as income in Karoll Capital Management EAD. Revenue from management fee is calculated daily, based on the net asset value of each mutual fund managed by the Company.

- *Asset management revenue*

Asset management revenue includes revenue from wealth management, which represents a percentage of the realized return on the managed assets. Revenue is recognized over time, proportionally to the performance obligation.
Asset management revenue also includes revenue from custody fee / management of trustee's assets, calculated as a percentage of the average monthly amount of client assets. Revenue from custody fee / management fee is recognized over time, proportionally to the time of custody of the assets.

- *Revenue from distribution of shares of funds organized and managed by the management company Schroder Investment Management (Europe)*

Revenue from the distribution of shares in Schroders funds comprise of revenue, based on a management fee, revenue based on a distribution fee and revenue based on share sales. Revenue based on share sales is formed by an input fee from the amounts received by the customers, invested in Schroders. The client receives shares for the invested amount, reduced by the input fee. Revenue based on a management fee and a distribution fee is formed by rebates that the Company receives as a distributor of Schroders funds. Revenues are calculated as a percentage of specified fees for distribution in the prospectus of the respective fund and/or for management fee through the period of investment in shares.

- *Investment consulting services revenue*

Revenue is formed as a percentage of the net assets of the Daishin KZ-8 Fund, by virtue of a received mandate for providing investment consulting services. Revenue is recognized over time, proportionally to net assets and after provided consulting to the customer.

The Company has applied the following new standards, amendments and interpretations to IFRSs developed and published by the International Accounting Standards Board, which are mandatory for the annual period beginning on 1 January 2018 but have no material effect on their application to the financial result and the financial position of the Company:

- IFRS 2 "Share-based Payments" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 4 "Insurance contracts" (amended) effective from 1 January 2018, adopted by the EU
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, adopted by the EU
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, adopted by the EU
- Annual Improvements to IFRSs 2014-2016 effective from 1 January 2018, adopted by the EU

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2018 and have not been adopted early by the Company. These are not expected to have a material effect on the Company's financial statements. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.
The amendments concern the following standards:

- IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation, effective from 1 January 2019, adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 16 "Leases" effective from 1 January 2019, adopted by the EU

- IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU
- IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement - effective from 1 January 2019, not yet adopted by the EU
- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures effective from 1 January 2019, not yet adopted by the EU
- IFRIC 23 "Uncertainty over income tax treatments" effective from 1 January 2019, not yet adopted by the EU
- Annual Improvements to IFRSs 2015-2017 effective from 1 January 2019, not yet adopted by the EU

Although the Company is a lessee under an office rental agreement, the Management does not expect IFRS 16 to have an effect on its financial position, since the agreement contains clauses under which it may be terminated earlier on either side after a short notice and without substantial penalties.

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are 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 2018, 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).

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

1 Identifying the contract with a customer

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

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 others 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. Plant and equipment

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

After initial recognition, an intangible asset is carried at its 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 property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of the its originally assessed standard of performance. All other subsequent 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
- Others 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 plant and equipment

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

All 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. Financial instruments under IFRS 9, effective since 1 January 2018

4.9.1. 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.

4.9.2. 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.

4.9.3. 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.

4.9.4. Impairment of financial assets

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" (ECL) model. This replaces IAS 39's "incurred loss model".

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.

4.9.5. 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.

4.10. Financial instruments under IAS 39, effective until 31 December 2017

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

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

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

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

All financial assets are recognized on their transaction date.

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

4.10.1. Financial assets

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

loans and receivables;

financial assets at fair value through profit or loss;

held-to-maturity investments;

available-for-sale financial assets.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

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

Financial assets at fair value through profit or loss

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

In case of impossibility to set price based on information from regulated markets due to lack of trading as well as for financial instruments that are not traded and not admitted to trading on regulated markets or other trading venues - the valuation is done using the discounted cash flow method for debt instruments or for shares method of the cost-benefit ratio of analogue companies or the method of net carrying amount of assets.

4.10.2. Financial liabilities

The Company's financial liabilities include trade payables.

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

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

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

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

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 no deferred tax assets and liabilities.

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/ (Accumulated losses) include all current and prior period retained profits and uncovered losses.

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

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

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

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

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

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

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

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 life 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.

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

5. Plant and equipment

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

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

	Computer and server systems	Copy machines and printers	Vehicles	Paintings	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Balance as at 01 January 2017	42	8	378	10	438
Additions	3	-	-	-	3
Balance as at 31 December 2017	45	8	378	10	441
Depreciation					
Balance as at 01 January 2017	(40)	(8)	(378)	-	(426)
Depreciation	(2)	-	-	-	(2)
Balance as at 31 December 2017	(42)	(8)	(378)	-	(428)
Carrying amount as at 31 December 2017	**3**	**-**	**-**	**10**	**13**

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 2018, and 31 December 2017 there were no contractual obligations concerning the purchase of property, plant and equipment.

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

6. Operating lease as a lessee

The Company is lessee under lease agreement for office building dated 03.05.2007, with Karoll Finance EOOD. The Company has paid in advance the amount of the lease described in detail in note 20.

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

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

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

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

7. Financial assets carried at fair value through profit or loss under IFRS 9

7.1. Equities in BGN

	ISIN	As at 31.12.2018	As at 31.12.2017
Advance Equity Holding AD	BG1100033064	238	268

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

7.2. Units of collective investment schemes in foreign currency

	ISIN	Currency	As at 31.12.2018	As at 31.12.2017
Advance Emerging Europe Opportunities MF	BG9000023077	EUR	425	202
Advance Global Trends MF	BG9000002113	EUR	87	-
			512	202

The held 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 2018.

8. Corporate bonds at amortized cost under IFRS 9

Issuer	ISIN	Interest rate	Currency	Par amount	As at 31.12.2018	As at 1.1.2018 (recalculated)	As at 31.12.2017
Micro Credit AD	BG2100002158	8%	EUR	1,000	-	20	-

As at 31 December 2017, the bonds held by the Company are measured at fair value through profit or loss in accordance with IAS 39. With the entry into force of IFRS 9, the Company has reviewed their classification and started to recognize them at amortized cost, with effect from 1 January 2018.

The bonds issue of Micro Credit AD matured in 2018 As at the date of the financial statements, all principal and interest liabilities have been entirely repaid.

9. Trade and other receivables

	As at 31.12.2018	As at 31.12.2017
Trade and other receivables		
Trade receivables	254	341
Tax receivables	13	-
Financial assets	**267**	**341**
Pre-paid expense	13	4
Other receivables	-	-
Non-financial assets	**13**	**4**
Trade and other receivables	**280**	**345**

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

The most significant trade receivables as at 31 December 2018 are presented as follows:

	2018 BGN '000	2017 BGN '000
SCHRODER INVESTMENT MANAGEMENT (EUROPE)	119	138
SHINHAN INVESTMENT CORP.	113	55
Others	22	148
TOTAL	**254**	**341**

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.

Receivables from Schroder Investment Management (Europe) and Shinan Investment Corp. were collected prior to the preparation of the financial statements and no impairment was calculated on the basis of the expected credit loss.

10. Cash and cash equivalents

	As at 31.12.2018	As at 31.12.2017
Cash on hand and in banks in BGN	10	365
Cash on hand and in banks in foreign currency	433	22
TOTAL	**443**	**387**

The Company has no blocked money and cash equivalents.

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

11. Equity

11.1. Share capital

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

	As at 31.12.2018	As at 31.12.2017
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 31 December of both the current and the comparative period is Stanimir Karolev.

11.2. Reserves

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

12. Employee compensations

12.1. Employee benefits expense

Expenses recognised as employee benefits include:

	2018	2017
Salaries	(775)	(577)
Social and health security costs	(76)	(44)
TOTAL	**(851)**	**(621)**

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.

13. Revenue from sale of services

	2018	2017
Revenue from distribution of Schroders / Schroders /	704	519
Revenue from investment advice provided	488	146
Management fee for Advance Invest MF	196	156
Management fee for Advance Emerging Europe Opportunities MF	112	83
Management fee for Advance Eastern Europe MF	94	157
Revenue from wealth management	87	189
Management fee for Advance Global Trends MF	28	25
Management fee for Advance Conservative Fund MF	7	8
Revenue from the issue of shares in the managed mutual funds	11	14
TOTAL	**1,727**	**1,297**

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

	Luxemburg BGN'000	South Korea BGN'000	Bulgaria BGN'000	Total BGN'000
Revenue from distribution of funds	704	-	-	**704**
Asset Management Income	-	-	535	**535**
Revenue from investment advice provided	-	488	-	**488**
Recognized at a certain time	*31*	-	*11*	**42**
Recognized over time	*673*	*488*	*524*	**1,685**

14. Cost of material

Cost of material includes:

	2018	2017
Electricity	(11)	(10)
Heating	(4)	(3)
Vehicle supplies	(2)	(1)
Promotion materials	(2)	(1)
Cost of material	**(19)**	**(15)**

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

15. Cost of hired services

Hired services expenses include as follows:

	2018	2017
Rent	(117)	(117)
Consulting services	(86)	(52)
Annual fees and subscriptions	(78)	(41)
Advertising Costs	(62)	(2)
Remuneration for administration (servicing of trustees)	(47)	(37)
Communications	(4)	(4)
Audit expenses	(4)	(3)
Other	(8)	(4)
Cost of hired services	**(406)**	**(260)**

16. Other operating expenses

Other operating expenses comprise of:

	2018	2017
Business trips	(48)	(26)
Non-deductible tax credit	(12)	(7)
Donations	(5)	(3)
Trainings and seminars	(5)	(1)
Representative costs and sponsorship	(8)	-
Expense tax and others	(1)	-
Supplementary pension insurance costs	-	(20)
operating expenses	**(79)**	**(57)**

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 2018 amounting to BGN 12 thousand.

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

	2018	2017
Gain from revaluation of financial assets carried at fair value through profit or loss, net	217	90
Loss from revaluation of financial assets carried at fair value through profit or loss, net	(337)	(52)
Profit/(Loss) from operations with financial assets, net	**(120)**	**38**

18. Financial income / (loss), net

	2018	2017
Currency exchange operating income, net	5	-
Interest income on corporate bonds	-	5
Other financial income	6	-
Other financial costs	(8)	(6)
TOTAL	**3**	**(1)**

19. Income tax

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

	2018	2017
Profit/(loss) before tax	256	379
Tax rate	10%	10%
Expected tax expense	(26)	(38)
Current tax	**(26)**	**(23)**
Utilisation of unused tax losses	-	(17)
Income tax income/expenses	**(26)**	**(40)**

20. 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.

20.1. Related party transactions

	2018	2017
Sales of services:	**BGN'000**	**BGN'000**
Revenue from management of mutual funds:		
Management fee for Advance Invest Mutual Fund	196	156
Management fee for Advance Emerging Europe Opportunities Mutual Fund	112	83
Management fee for Advance Eastern Europe Mutual Fund	94	157
Management fee for Advance Global Trends Mutual Fund	28	25
Management fee for Advance Conservative Mutual Fund	7	8
Revenue from issuing and repurchase of fund shares	11	14
Total revenue from management of mutual funds:	**448**	**443**

	2018	2017
	BGN'000	**BGN'000**
Purchase of services from other related parties:		
Rent to Karoll Finance EOOD	(132)	(131)
Costs for administering clients of wealth management	(47)	(37)
Total purchase of services from other related parties	**(179)**	**(168)**

	2018	2017
	BGN'000	**BGN'000**
Remuneration of key management personnel:		
Salaries	(441)	(429)
Social security	(12)	(12)
Total	**(453)**	**(441)**

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

20.2. Related party balances at year end

	As at 31.12.2018	As at 31.12. 2017
Non-current receivables from:		
Other related parties		
- Karoll Finance EOOD– advances granted	-	10
Total non-current receivables from related parties	**-**	**10**
Current receivables from:		
Mutual funds;		
- Advance Invest MF	14	12
- Advance Eastern Europe MF	6	11
- Advance Emerging Europe Opportunities MF	8	7
- Advance Global Trends MF	2	2
- Advance Conservative MF	1	1
Total receivables from mutual funds	**31**	**33**
Other related parties:		
- Karoll Finance EOOD– advances granted	10	117
Total current receivables from related parties	**41**	**150**
Current payables to:		
Other related parties:		
- Karoll Finance EOOD	15	14
Total current receivables from related parties	**15**	**14**

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.

21. 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.

22. Contingent assets and liabilities

The Company has no contingent asset or commitments.

23. Other disclosures

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

Asset type	Currency	Market value as at 31.12.2018	Market value as at 31.12.2017
Cash	BGN	42	111
Cash	EUR	4	65
Mutual funds	EUR	34,385	28,846
Mutual funds	USD	14,059	26,070
TOTAL		**48,490**	**55,092**

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

24. Categories of financial assets and liabilities

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

Financial assets	**Note**	**As at 31.12.2018**	**As at 31.12.2017**
Financial assets carried at fair value through profit or loss			
Shares	7.1	238	268
Bonds	8	-	20
Units of collective investment schemes:	7.2	512	202
		750	**490**
Loans and receivables			
Trade and other receivables	9	280	345
Related party receivables	20.2	41	150
Cash and cash equivalents	10	443	387
		764	**882**

Financial liabilities	**Note**	**As at 31.12.2018**	**As at 31.12.2017**
Current liabilities			
Related party payables	20.2	15	14
		15	**14**

See note 4.8 and 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.

25. Financial instruments risks

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 24.

With a view to the main Company activity and the use of financial instruments the Company is exposed to the following risks:

Market risk

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

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 following positions:

	Fair value As at 31.12.2018	Fair value As at 31.12.2017
Financial assets carried at fair value through profit or loss	750	490
Interest receivables and other assets	267	341
Total exposure to market risk	**1,017**	**831**

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 2018 and 2017, the Company has not conducted transactions in a foreign currency other than BGN and EUR. s at 31 December 2018, the Company has receivables in US dollars amounting to 66 thousand dollars in relation to the investment advice provided. At the date of preparation of the financial statements, the receivables are fully discharged.

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 2018, 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 31.12.2018**	**As at 31.12.2017**
Advance Equity Holding AD	BG1100033064	BGN	238	268
Advance Emerging Europe Opportunities MF	BG9000023077	EUR	425	202
Advance Global Trends MF	BG9000002113	EUR	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:

	As at 31.12.2018	As at 31.12.2017
Traded shares	238	268
Units of collective investment schemes:	512	202
Corporate Bonds	-	20
Trade and other receivables	280	345
Related party receivables	41	150
Cash and cash equivalents	443	387
Carrying amount	**1,514**	**1,372**

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.

26. 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 distributed in the levels 1 to 3:

As at 31 December 2018	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through profit or loss:			
- shares	-	238	238
- units of collective investment schemes	512	-	512
TOTAL	**512**	**238**	**750**

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

As at 31 December 2017	**Level 1**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:			
- shares	268	-	268
- bonds	-	20	20
- units of collective investment schemes	202	-	202
TOTAL	**470**	**20**	**490**

During the reporting periods, the shares in Advance Equity Holding were transferred from Level 1 to Level 2, because according to the Company, the alternative securities market in Bulgaria does not meet the criteria for active market. The shares of Advance Equity Holding are ranked in Level 2 of the fair value hierarchy since for their valuation at the end of 2018 a directly observable market quote from an inactive market.

2017, the valuation of the bonds held by the Company was carried out using the discounted cash flow method.

27. 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.

Ratios	**Legally defined minimum (%)**	**2018**	**2017**
Equity to minimum capital	100	523.69%	411.18%
Equity to fixed overheads	25	136.67%	119.41%

As of 31 December 2018, and 31 December 2017, 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.

28. Post reporting date events

No reportable events and circumstances have occurred after the date of the Financial Statements until the date of its drafting.

29. Authorisation of the financial statements

The financial statements were approved by the Board of Directors on 15 February 2019 and were signed on behalf of Karoll Capital Management EAD by:

Daniel Ganev: ______
/Managing Director/

Stoyka Koritarova: ______
/Chief Accountant/

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

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ СОФИЯ *ЕАД*