

Financial Statements

EF PRINCIPAL

Mutual Fund

31 December 2018



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Statement of Financial Position

| Assets | Note | 2018 BGN '000 | 2017 BGN '000 |
|---|------|------------------|------------------|
| Current assets | | | |
| Financial assets at fair value through profit or loss | 4 | 13 502 | - |
| Financial assets held for trading | 4 | - | 11 209 |
| Receivables under repo transactions | 5 | 614 | 587 |
| Other receivables | 6 | 103 | 149 |
| Cash and cash equivalents | 7 | 1 311 | 1 088 |
| Current assets | | 15 530 | 13 033 |
| Net assets belonging to unitholders | | | |
| Registered capital | 8 | 14 955 | 12 131 |
| Share premium | | 986 | 840 |
| Undistributed profit | | (452) | 60 |
| Result for the current period | | 15 489 | 13 031 |
| Total equity | | 15 530 | 13 033 |
| Liabilities | | | |
| Current liabilities | | | |
| Liabilities to related parties | 13.2 | 38 - | |
| Liabilities to custodian bank | 11 | 3 | 2 |
| Total liabilities | | 41 | 2 |
| Total equity and liabilities | | 15 530 | 13 033 |

Prepared by: _____
 (Ivelina Ivanova)

Executive Director: _____
 (Ivan Ovcharov)

Date: 21 March 2019

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Statement of Profit or Loss and Other Comprehensive Income for the year, ending 31 December

| | Note | 2018 BGN '000 | 2017 BGN '000 |
|--|--------|------------------|------------------|
| Net profit/(loss) from financial assets | 10 | (60) | 457 |
| Revenues from interest | | 199 | 241 |
| Revenues from participation in the equity | | 21 | 56 |
| Profit from financial assets | | 160 | 754 |
| Expenses on remuneration of the management company | 13.1.3 | (532) | (483) |
| Expenses on remuneration of the custodian bank | 11 | (18) | (17) |
| Other expenses | 12 | (46) | (23) |
| Total operating expenses | | (596) | (523) |
| Profit/ (loss) for the year | | (436) | 231 |
| Total comprehensive income/ (loss) for the year | | (436) | 231 |

Prepared by: _____
 (Ivelina Ivanova)

Executive Director: _____
 (Ivan Ovcharov)

Date: 21 March 2019

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Statement of changes in net assets belonging to unitholders

| | Notes | Registered capital BNG '000 | Share premium BNG '000 | Accumulated profit/loss BNG '000 | Total net assets BNG '000 |
|--|-------|--------------------------------|---------------------------|-------------------------------------|------------------------------|
| Balance as at 1 January 2018 | | 12 131 | 840 | 60 | 13 031 |
| Adjustments from the adoption of IFRS 9 | | - | - | (76) | (76) |
| Balance as at 1 January 2018 (restated) | | 12 131 | 840 | (16) | 12 955 |
| Shares issued | 8 | 2 824 | 146 | - | 2 970 |
| Transactions with unitholders | | 2 824 | 146 | - | 2 970 |
| Loss for the year | | - | - | (436) | (436) |
| Total comprehensive loss for the year | | - | - | (436) | (436) |
| Balance as at 31 December 2018 | | 14 955 | 986 | (452) | 15 489 |

Prepared by: _____
 (Ivelina Ivanova)

Executive Director: _____
 (Ivan Ovcharov)

Date: 21 March 2019

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Statement of changes in net assets belonging to unitholders

| | Notes | Registered capital BNG '000 | Share premium BNG '000 | Accumulated profit/ loss BNG '000 | Total equity BNG '000 |
|---|-------|--------------------------------|---------------------------|--------------------------------------|--------------------------|
| Balance as at 1 January 2017 | | 10 986 | 775 | (171) | 11 590 |
| Shares issued | 8 | 1 145 | 65 | - | 1 210 |
| Transactions with unitholders | | 1 145 | 65 | - | 1 210 |
| Profit for the year | | - | - | 231 | 231 |
| Total comprehensive profit for the year | | - | - | 231 | 231 |
| Balance as at 31 December 2017 | | 12 131 | 840 | 60 | 13 031 |

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Statement of Cash Flows for the year, ending 31 December

| | Note | 2018 BNG '000 | 2017 BNG '000 |
|--|------|---------------------|---------------------|
| Cash flow from operating activity | | | |
| Proceeds from operations in financial assets | | 4 531 | 2 247 |
| Payments for acquisition of financial assets | | (6 886) | (2 806) |
| Interest received | | 119 | 185 |
| Dividends received | | 2 | 3 |
| Payments for operating expenses and other expenses | | (513) | (505) |
| Cash flow from operating activity | | <u>(2 747)</u> | <u>(876)</u> |
| Cash flow from financial activity | | | |
| Proceeds from issues of shares | 8 | 2 970 | 1 210 |
| Cash flow from financial activity | | <u>2 970</u> | <u>1 210</u> |
| Net change in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the year | | 1 088 | 754 |
| Cash and cash equivalents at the end of the year | 7 | <u><u>1 311</u></u> | <u><u>1 088</u></u> |

Prepared by: _____
 (Ivelina Ivanova)

Executive Director: _____
 (Ivan Ovcharov)

Date: 21 March 2019

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Explanatory Notes to the Financial Statements

1. General information

The Mutual Fund 'EF Principal' ('the Fund') is organised and managed by the management company 'EF Asset Management' AD, Sofia, 43 Christopher Columbus Blvd., floor 5, on the grounds of a decision of the Board of Directors and the General Meeting of the shareholders of the management company held on 16 June 2005. The Fund has a licence issued by the Financial Supervision Commission under No. 526-DF dated 17 August 2005, the scope of activities under the licence being: 'Collective investment in transferable securities and other liquid financial assets under Art. 38, para. 1 of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) of pecuniary resources raised by way of public offering of shares, which is performed following the principle of distribution of risk'.

MF 'EF Principal' is not a separate legal entity and has neither legal personality, nor governing bodies. The Fund represents property intended for collective investment in securities of the pecuniary resources that have been raised. All the assets acquired for the Fund are under the common ownership of the persons who have invested therein. The profits/losses of the Fund shall be received/covered by the investors in proportion to their part in the property of the Fund.

MF 'EF Principal' issues shares which give rights over the respective part of the property of the Fund, including the event of liquidation, the right to repurchase as well as other rights provided for in the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments and in the Rules of the Fund.

The Mutual Fund does not have any registered initial capital.

The profile of the Fund is a moderate to a high risk one. The Fund invests predominantly in Bulgarian and foreign stocks and shares in collective investment schemes (CIS), corporate bonds and mortgage bonds, which are traded on regulated markets. The objective of the Fund consists in the realisation of capital profits from securities, revenues from dividends/income from share securities as well as current income from debt securities and other financial instruments. For achieving the investment objectives, a strategy of active management of the portfolio of securities, financial assets and pecuniary resources is implemented.

2. Basis for preparation of financial statements

The financial statements of the Fund are drawn up in compliance with the ISFRs, adopted by the EU. As per paragraph 1, subpara. 8 of the Supplementary Provisions of the Accountancy Law, which is applicable in Bulgaria, the term 'ISFRs adopted by the EU' denotes the International Accounting Standards (IASs) adopted in compliance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The financial statements are drawn up in Bulgarian leva (BGN), which is the functional currency of the Fund. All the amounts are represented in thousand BGN (BNG '000) (including the comparative information for the year 2017), unless otherwise specified.

The financial statements are drawn up following the going concern principle.

It is on the basis of the available information regarding the foreseeable future that, as at the date of preparation of these financial statements, the governing body of the management company made an assessment of the capacity of the Fund to continue carrying out its activity as a going concern. Having completed the review of the activity of the Fund, the governing body presumes that the Fund has sufficient financial resources in order to continue its operating activity in the near future and keeps applying the going concern principle when drawing up the financial statements.

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3. Changes in the accounting policy

3.1. New standards, amendments and interpretations to the ISFRs which took effect on 1 January 2018

The Fund shall apply the following new standards, amendments and interpretations to ISFR which are developed and published by the Board of the International Accounting Standards Committee and have their implications on the financial statements of the Fund, and their application is obligatory for the annual period starting on 1 January 2018 :

IFRS 9 "Financial instruments" effective from 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 Fund 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 the accumulated profit.

The adoption of IFRS 9 has impacted the following areas:

- Classification and measurement of the Fund's financial assets

No changes in the classification of the Fund's financial assets have arose from the adoption of IFRS 9. The investment portfolio continues to meet the classification requirements of the standard as 'held for trading', therefore it continues to accounted at fair value through profit or loss. The Fund continues to hold other financial assets (receivables and bank deposits) to collect the associated cash flows. They continue to be measured at amortized cost.

The following table compares the classification and measurement of the different types of financial assets held by the Fund as of 1.1.2018 (the date of initial application of IFRS 9) under IFRS 9 and IAS 39.

| Financial assets under IAS 39 | Measurement category | | Balance 31 December 2017 IAS 39 | Effect of application IFRS 9 | | Balance 1 January 2018 IFRS 9 |
|---|---|-----------------------------------|---------------------------------|------------------------------|----------------------|-------------------------------|
| | Financial assets under IFRS 9 | | | Reclassif ication | Expected credit loss | |
| Current financial assets | | | | | | |
| Receivables under repo transactions | Loans and receivables | Amortized cost | | | | |
| | | | 587 | 587 | - | 587 |
| Receivables from dividends and matured issues | Loans and receivables | Amortized cost | | | | |
| | | | 149 | 149 | (76) | 73 |
| Investments in shares | Held for trading at fair value through profit or loss | Fair value through profit or loss | 6 863 | 6 863 | - | 6 863 |
| Investments in shares in mutual funds | Held for trading at fair value through profit or loss | Fair value through profit or loss | 734 | 734 | - | 734 |
| Investments in bonds | Held for trading at fair value through profit or loss | Fair value through profit or loss | 3 612 | 3 612 | - | 3 612 |
| | | | 11 945 | 11 945 | (76) | 11 869 |

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4. Financial assets at fair value through profit or loss

| | 2018 BNG '000 | 2017 BNG '000 |
|---------------------------------------|------------------|------------------|
| Investments in shares | 9 850 | 6 863 |
| Investments in bonds | 2 964 | 3 612 |
| Investments in shares in mutual funds | 688 | 734 |
| | 13 502 | 11 209 |

There are no blocked investments during the reporting periods.

According to the valuation model used in accordance with the Fund's Valuation Rules, financial assets held for trading are categorized as follows:

| In thousands BGN, to 31.12.2018 | Fair value determined by quotations from active markets | Fair value - determined by other observable market data | Fair value - discounted cash flow method | Net asset value as an approximation of fair value | Total |
|------------------------------------|--|--|---|--|---------------|
| Bulgarian Shares | 3 522 | 4 961 | - | 1 347 | 9 830 |
| Foreign shares | 20 | - | - | - | 20 |
| Shares in mutual funds | - | 688 | - | - | 688 |
| Bulgarian corporative bonds | - | 1 368 | 1 199 | - | 2 567 |
| Foreign corporative bonds | - | - | 397 | - | 397 |
| Total | 3 542 | 7 017 | 1 596 | 1 347 | 13 502 |
| % of assets | 26.23% | 51.97% | 12.02% | 9.98% | 100% |

5. Receivables under repo transactions

| Issuer | Interest percentage | Maturity | Currency | Nominal amount in BGN |
|---------------------|------------------------|------------|----------|--------------------------|
| | | | | 2018 |
| Synthetica AD-Sofia | 4.45665 | 05.04.2019 | BGN | 76 |
| Synthetica AD-Sofia | 4.383858 | 02.05.2019 | BGN | 428 |
| Synthetica AD-Sofia | 4.415857 | 09.05.2019 | BGN | 110 |
| | | | | 614 |
| | | | | 2017 |
| Synthetica AD-Sofia | 4.6716 | 05.04.2018 | BGN | 73 |
| Synthetica AD-Sofia | 4.2823 | 03.05.2018 | BGN | 409 |
| Synthetica AD-Sofia | 4.6358 | 10.05.2018 | BGN | 105 |
| | | | | 587 |

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6. Other receivables

| | 2018 BNG '000 | 2017 BNG '000 |
|--|------------------|------------------|
| Receivables from interest, dividends and matured issues, before impairment | 216 | 149 |
| Expected credit loss and loss from impairment | (113) | - |
| Total | 103 | 149 |

7. Cash and cash equivalents

| | 2018 BNG '000 | 2017 BNG '000 |
|---|------------------|------------------|
| Current account with the depository bank: | | |
| - in BGN | 518 | 308 |
| - in USD | 1 | 1 |
| - in EUR | 92 | 179 |
| Fixed-term bank deposits | 700 | 600 |
| Total | 1 311 | 1 088 |

The Fund does not have any frozen cash or cash equivalents.

8. Net assets, belonging to unitholders

8.1. Outstanding shares

The number of outstanding shares for the year is as follows:

| | 2018 | | 2017 | |
|--------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | Number of shares | Nominal amount per share | Number of shares | Nominal amount per share |
| As at 1 January | 12 130 722.75 | BGN 1 | 10 985 893.75 | BGN 1 |
| Issued shares | 2 824 555.10 | BGN 1 | 1 144 829 | BGN 1 |
| Repurchased shares | - | BGN 1 | - | BGN 1 |
| As at 31 December | 14 955 277.85 | BGN 1 | 12 130 722.75 | BGN 1 |

As at 31 Dec. 2018, MF 'EF Principal' has 14 955 277.8548 outstanding shares. Their total value is BGN 14 955 277.8548 (the nominal value of each share is BGN 1), which is the amount of the outstanding shares in the balance sheet of the Fund.

8.2. Shares issued at net value of the assets per share

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| | 2018 BGN '000 | 2017 BGN '000 |
|--|------------------|------------------|
| Registered capital | 14 955 | 12 131 |
| Premiums related to the issue of capital | 1 098 | 952 |
| Discounts related to the repurchase of capital | (112) | (112) |
| | <u>15 941</u> | <u>12 971</u> |

8.3. Net value of the assets per share

The net value of the assets per share as at 31 December 2018 is BGN 1.0357. It is calculated for the purposes of these financial statements, in compliance with the principles of the IFRSs. As at 31 December 2017 the value of the net assets of the Fund amounts to BGN 15 489 329.

The net value of the assets of the Fund is the basis for determining the issue price and the repurchase price of the shares. It is calculated on a daily basis. The net value of the assets of the Fund is equal to the aggregate of the carrying value of the securities within the portfolio of the Fund, the receivables of interest and dividends from these securities, the financial resources in the bank accounts and cash, and other assets decreased by the carrying value of the payables for management, depository services, loans received and others. The net value per share is calculated by way of dividing the net value of the assets by the number of shares.

9. Other liabilities

| | 2018 '000 лв. | 2017 '000 лв. |
|--------------------------------|------------------|------------------|
| Liabilities to depository bank | 3 | 2 |
| | <u>3</u> | <u>2</u> |

10. Net profit/ (loss) from financial assets at fair value through profit or loss

| | 2018 BNG '000 | 2017 BNG '000 |
|---|------------------|------------------|
| Profit on foreign currency revaluation of financial assets at fair value through profit or loss | 13 | 13 |
| Loss on foreign currency revaluation of financial assets at fair value through profit or loss | (12) | (15) |
| Profit from a change in the fair value of the financial assets at fair value through profit or loss | 5 613 | 4 517 |
| Loss from a change in the fair value of the financial assets at fair value through profit or loss | (5 674) | (4 058) |
| | <u>(60)</u> | <u>457</u> |

11. Remuneration of the custodian bank

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| | 2018 BNG '000 | 2017 BNG '000 |
|------------------------------|------------------|------------------|
| Depository bank remuneration | (18) | (17) |
| | <u>(18)</u> | <u>(17)</u> |

12. Other expenses

| | 2018 BNG '000 | 2017 BNG '000 |
|----------------|------------------|------------------|
| Other expenses | (46) | (23) |
| | <u>(46)</u> | <u>(23)</u> |

13. Related parties

The Fund's related parties include the management company, the owners of the management company and other key management staff.

13.1. Transactions during the year

Unless explicitly specified, the transactions with related parties are not regarded as being carried out under special conditions.

13.1.1. Transactions with the owners of the management company

The owners of the management company have not carried out transactions involving the Fund's shares.

13.1.2. Transactions with key management staff of the management company

The key management staff of the management company consists of the members of the Board of Directors. The said persons have not carried out transactions involving the Fund's shares.

13.1.3. Transactions with the management company

| | 2018 BNG '000 | 2017 BNG '000 |
|----------------|------------------|------------------|
| Management fee | (532) | (483) |
| | <u>(532)</u> | <u>(483)</u> |

The commission of the management company for the management of the Fund is calculated on a daily basis and is in the amount of 3% of the average annual net value of the assets, and by October 11, 2018 was 4% of the net value asset. As for the year 2018, the aggregate of the amount of these commission fees is in the amount of BGN 531 765.

The structure of the annual remuneration payable to the management company can be presented as follows:

- annual management fee:
 - management company remuneration of 3.64 %

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- other operating expenses of 0.18 %

13.2. Accounts receivable from or payable to related parties as at the end of the year

| | 2018 BNG '000 | 2017 BNG '000 |
|---------------------------------------|------------------|------------------|
| Liabilities to the management company | (38) | - |
| | <u>(38)</u> | <u>-</u> |

14. Non-cash transactions

During the accounting period, the Fund did not carry out investment or financial transactions involving cash or cash equivalents that are not accounted for in the statement of cash flows.

15. Contingent assets and contingent liabilities

During the period the Fund has no contingent assets.

During the year no legal claims were brought.

The Fund does not have other liabilities assumed.

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ЕФ Асет Манаджмент АД
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EF Asset management JSC