Expat Greece ASE UCITS ETF,
ISIN BGGRASE06174

ANNUAL REPORT ON THE ACTIVITY AND FINANCIAL STATEMENTS
31 December 2018

Content

ANNUAL REPORT ON THE ACTIVITY

of "Expat Greece ASE UCITS ETF" Exchange Traded Fund

for the year ended 31 December 2018

in accordance with Art. 39 of the Accountancy Act

"Expat Greece ASE UCITS ETF" Exchange Traded Fund ("the Fund") is a collective open-ended investment scheme for security investments and other liquid financial assets, established and operating in accordance with the Collective Investment Schemes and Other Undertakings for Collective Investment Act (ACISOCIVA), the Public Offering of Securities Act and the regulations for its implementation, the Markets in financial instruments Act, the Law on obligations and contracts and the other applicable laws of the Republic of Bulgaria.

The Fund is a designated property for investment in securities and other liquid financial assets in view of achieving its investment objectives.

The Fund is a designated property for the purpose of collective investment in funds raised through public offering of shares in transferable securities and other liquid financial assets under Art. 38, para. 1 of the ACISOCIVA carried out by the management company with the purpose of spreading risk.

The Fund is organised and managed by the management company „Expat Asset Management" EAD.

The management company is authorised to organise and manage the Fund by the Financial Supervision Commission under authorisation dated 4 January 2018. The Fund is organised in full compliance with the European Directives on UCITS.

No research and development activities were carried out during the reporting period. Expat Greece ASE UCITS ETF has no branches.

The Fund is a passively managed exchange traded fund that follows the model of sampling physical replication of ATHEX Composite Share Price Index traded on the Athens Stock Exchange. The Fund is admitted to trading on the Bulgarian Stock Exchange and Frankfurt Stock Exchange (XETRA) having GRX as its ticker code.

In order to achieve the highest possible correlation with the performance of the Reference Index, the Fund invests solely in a basket of balance sheet assets comprised of shares of companies in the Reference Index. As a fund for direct replication, Expat Greece ASE UCITS ETF may not necessarily invest in every company comprising the Reference Index, or with the exact weight of that company in the Reference Index. Successfully achieving the Fund's objective to directly replicate the Reference Index depends on the investment restrictions followed and the market conditions, including the liquidity of the Reference index.

Net asset value of the Fund

Net asset value of the Fund may not be less than BGN 500 000. This minimum amount must be reached within two years after receipt of the authorization to organize and manage the Fund, issued by the Financial Supervision Commission.

As at 31.12.2018 the total value of the assets of Expat Greece ASE UCITS ETF amounts to BGN 305 541. The liabilities amount to BGN 480. The net asset value is BGN 305 061. The number of outstanding shares at the end of 2017 is 60 150 and by the end of 2018 the shares are 220 000. The realized return from the beginning of the public offering is negative 38.31%, and in 2018 it was negative 30.00%.

Risk profile

The risk profile of the Exchange Traded Fund represents the amount and type of risk that the Management company undertakes by investing the assets of the Fund, while seeking to replicate the Reference Index, which at the date of this statement is an index of shares of „ATHEX Composite Share Price Index". In this respect, investing in shares of "Expat Greece ASE UCITS ETF" involves undertaking a high risk, given that the Reference Index comprises of stocks.

In its operation, "Expat Greece ASE UCITS ETF" is exposed to various types of risks affecting its results. The main risks that investors shall face when they invest in shares of "Expat Greece ASE UCITS ETF" are:

Market risk

Probability of loss occurring from adverse changes in the securities prices, market interest rates, exchange rates and other factors. This market risk affects the net asset value of the Fund, which will also vary as a result of changes in market price of shares and other securities in which the Fund has invested.

Extreme market movements

The market price of the financial instruments in which the Fund invests may fluctuate due to changes in the economic and market environment, monetary policy of central banks, business activity of issuers, the sector in which the issuer operates and the demand and supply of securities market. At certain times, the market price of shares (stock exchange) can change substantially. In the event of major movements of the Index, including large daily movements, the performance of the Fund may depart from its investment objectives. The revaluation of the Fund will fluctuate as a result of changes in the value of the Fund's assets and the Reference Index.

Inability of the Management Company to adapt to market changes

The fund follows a passive management strategy, i.e. it is not actively managed. Accordingly, the Management Company will not change the portfolio composition, except to follow closely the total return of the Reference Index. The Fund is not trying to "beat" the market and does not take defensive positions when the market falls or is perceived as overvalued. Therefore, a decline in the Reference Index may lead to a decline in the value of the Fund's assets.

Liquidity risk

The risk associated with the probability of losses or profits by mandatory or forced sale of assets in adverse market conditions (such as lower demand in the presence of over supply).

Issue and redemptions

In case the issue and redemption orders for shares are received late or do not meet the requirements of the Prospectus and the Fund's Rules, there will be a delay between the date of placing the order and the actual date of issue or redemption. Such postponements or delays may lead to a decrease in the number of shares or the amount of redemption.

Trading on a regular market

There can be no assurances that the shares of the Fund will be traded or that the criteria of admission to trading will not be changed. Moreover, trading of the shares on a stock exchange may be suspended under the rules of the respective exchange due to market conditions and investors may not be able to sell their shares until trading resumes.

Regulatory risk

The prospectus of the Fund has been prepared in compliance with the applicable laws and regulations. The Management Company and/ or the Fund and its investment objectives and policies may be affected by future changes in laws and regulations. New or modified laws, rules and regulations in Bulgaria or the European Union could prevent or significantly limit the Fund's ability to invest in certain instruments. They could also impact conclusion of agreements with certain third countries. This may affect the ability of the Fund to perform the relevant investment objectives and policies. Applying such new or modified laws, rules and regulations could lead to an increase of any or all of the Fund's costs and may require restructuring of the Fund, in order to meet the new rules. Such a probable restructuring may include restructuring costs. When restructuring is not possible, the Fund may proceed to termination. The assets of the Fund and the Reference index are subject to change in laws or regulations, and such a change might affect their value and/ or liquidity.

Operational risk

It is associated with the likelihood of loss resulting from errors or system failures in the organisation, insufficiently qualified personnel and unfavourable external events that are not financial in nature, incl. legal risk.

Risk of error in tracking the Reference Index

Tracking the Reference Index by investing in all positions of the index can be costly and difficult to implement. Portfolio managers can use optimisation techniques, such as selection of individual positions in the Index in proportions that differ from those in the Index. The use of such optimisation techniques can increase the error in tracking and lead to a different performance of the Fund towards the Index. Furthermore, existing restrictions or future changes in laws and regulations of the Exchange Traded Fund, related but not limited to the composition, concentration and method of measurement of assets, can lead to inability of the Fund to replicate the index in full. In addition, exchange traded funds on markets characterised by low liquidity are exposed to a greater risk of error in tracking an index.

Reference index

If there is an event that affects the Index, the Fund may be required to suspend the issue and redemption of shares. The revaluation of the Fund may also be affected. In case of continuing problems with the Index, the Fund will take appropriate actions, which may reduce the net asset value of the Fund.

Systemic risks

Systemic risks depend on general fluctuations in the economy and the markets in general. The Fund is unable to influence the systemic risks but will take them into account and will comply with them. Risks arising from political and economic situation are a possible instability or military action in the region. Disasters and accidents are factors complicating any system of risk management. The consequences are hard to predict, but access to information and applying a system of forecasting and actions in extreme situations are possible ways to mitigate the negative effect.

Risk profile and risk management

The Fund's risk profile may be changed only with the approval of the Financial Supervision Commission as reflected in the Prospectus and Fund Rules. The risk profile of the Fund during the reporting period remains unchanged. The main risks associated with the Fund's operations are detailed in the Prospectus published on the Management Company's website. The management does not expect any other type of risks or uncertainties, other than those presented in the Prospectus, to affect the Fund's activities.

Structure and percentage of key activity indicators

Structure of assets and liabilities

The Fund's assets structure is presented in absolute value and as a percentage of total assets by the end of 2018.

Assets	**As of 31.12.2018**	**%**	**As of 31.12.2017**	**%**
Cash	54 261	17,76%	118 774	99,97%
Shares	251 280	82,24%	-	-
Receivables	-	-	35	0,03%
Total assets	**305 541**	**100,00%**	**118 809**	**100,00%**

The Fund's total liabilities at the end of 2018 amounted to BGN 480, representing liabilities to the Custodian Bank (CB), the Management Company (MC) and other liabilities.

Liabilities	**As of 31.12.2018**	**%**	**As of 31.12.2017**	**%**
Liabilities to CB	214	0,07%	60	0,05%
Liability to MC	266	0,09%	1 208	1,02%
Other liabilities	**480**	**0,16%**	1 268	1,07%
Total liabilities	**305 541**	**100,00%**	**118 809**	**100,00%**

The liabilities to Custodian Bank and Management Company are charged on a daily basis in accordance with the Fund's Portfolio Valuation Rules, which are approved by the FSC

Operating results

The operating expenses of the Fund are shown in the following table:

Type of expenses	**2018**	**%**	**2017**	**%**
Loss from operations and remeasurement of financial assets	110 375	88,04%	-	-
Expenses associated with foreign currency operations	26	0,02%	10	9,80%
Other financial expenses	7 118	5,68%	92	90,20%
External services expenses	7 851	6,26%	-	-
Total expenses	**125 370**	**100,00%**	**102**	**100,00%**

The operating income of the Fund is shown on the following table:

Type of income	2018	%	2017	%
Income from dividends	5 860	100,00%	-	-
Income from operations and remeasurement of financial assets	-	-	-	-
Income associated with foreign currency operations	-	-	-	-
Total income	**5 860**	**100,00%**	**-**	**-**

The operating results of the Fund for 2017 and 2018 are shown in the table below:

	2018	2017
Income	5 860	-
Expenses	125 370	102
Net result	**(119 510)**	**(102)**

During the reporting period, there were no internal events affecting the exchange traded fund and the Management Company's operations and results.

After the reporting period until the date of preparation of this report, no material events have occurred that require disclosure.

As a collective investment scheme, the Fund may not carry out and did not carry out transactions with group companies, according to the ACISOCIVA restrictions.

No repo transactions have been carried out by the Fund during the reporting period.

"Expat Capital" AD is the main shareholder in MC "Expat Asset Management" EAD. No changes in the managers and the members of the Board of Directors of the management company have occurred during the reporting period.

Following are the managing representatives and members of the Board of Directors of "Expat Asset Management" EAD:

1. Nicola Simeonov Yankov
2. Nikolay Vassilev Vassilev
3. Lachezar Dimitrov Dimov
4. Maria Dimitrova Boychinova
5. Nikola Emilov Veselinov

The following information required under Art. 39 of the Accountancy Act is not applicable to an exchange-traded fund:

- future development of the undertaking
- information under Art. 247 of the Commerce Act

- actions in the field of research and development
- information about buy-back of own shares
- economic policy scheduled for the following year
- expected investments and staff development
- expected income from investments and company development
- forthcoming transactions that are essential for the Company's operations
- branches of the undertaking
- the Fund is not subject to the requirements of Art. 41 of the Accountancy Act and is not obliged to provide a non-financial statement.

Information on pending court, administrative or arbitration proceedings referring to liabilities or receivables

The management has no information on the existence of such

Events after the reporting date

There are no events after the reporting date requiring adjustments or disclosures in the annual financial statements of the Fund that occurred for the period from the reporting date to the date when these financial statements were approved for issue by the Board of Directors of the Management Company.

Annual report on the activity of "Expat Greece ASE UCITS ETF" Exchange Traded Fund for the year ended 31 December 2018 (continued)

Report on tracking error according to Art. 82f of Ordinance No. 44 of October 20, 2011 on the Requirements to the Activities of Collective Investment Schemes, Management Companies, National Investment Funds and Alternative Investment Fund Managers.

ISIN	Name of the exchange traded fund	Realized tracking error as at 31.12.2018
BGGRASE06174	Expat Greece ASE UCITS ETF	3.26%

The realized tracking error is calculated on a weekly basis for 52 weeks prior to 31.12.2018 from a statistical and economic point of view, minimum of 30 observations. The Fund has been raising capital since 2017 and the above-mentioned tracking error is the first to be calculated since inception, and it concerns the period from January to December 2018.

Tracking error is the volatility (measured by the adjusted standard deviation) of the difference between the annual return of the Fund and the annual return of the Index itself. A lower tracking error means a closer tracking of the Index. This is not the same as a difference in tracking, which is simply the difference between the return of the Fund and that of the Reference Index over a certain period. The difference in tracking shows how the Fund has performed relative to the Index, while the tracking error shows the sustainability of the difference in performance between the Fund and the Reference Index.

Date: 14.03.2019

Nikolay Vassilev
CEO

Nikola Veselinov
Member of the Board of Directors

CORPORATE GOVERNANCE STATEMENT

This declaration is made on the basis of article 40 of the Accountancy Act, according to the requirements of the Public Offering of Securities Act

General
Expat Greece ASE UCITS ETF (Fund)) is a passively managed fund and adheres to the method of optimized physical replication of the ATHEX Composite Share Price index. It is admitted to trading on the Bulgarian Stock Exchange and Frankfurt Stock Exchange (XETRA) with a ticker code GRX. The Fund's activity covers the subscription and redemption of shares entitling their holders to the same rights. The number of shares of the Fund changes depending on the volume of sales and redemption of shares. Under the Additional provisions of the Accountancy Act, the Funds is an entity of public interest. In this capacity the Fund presents the corporate governance statement as part of the annual financial statements.

The Fund is organized and managed by the Management Company Expat Asset Management EAD (the "Management Company"). The Fund is managed by following the Prospectus and the Rules of the Fund, as well as all the Rules, Policies and Internal provisions of the Management Company, and the Corporate governance code approved by the Chairman of the Bulgarian Financial Supervision Commission. The Fund does not possess its own administrative, management and supervisory bodies. The Fund is registered in the Bulstat Register at the Registry Agency under BULSTAT code 177234006. The registered office of the Fund and the Management Company is Sofia, Postal code 1000, 96A "Georgi S. Rakovski" str.

Key features of internal control and risk management systems

The internal control system applied by Expat Asset Management in the management of the Fund includes the following components:

- *Control environment* covers the following elements – organizational structure, conferral of powers and responsibilities, commitments of persons entrusted with general management, commitment to competence, policies and practices related to human resources, philosophy and operational style of leadership, values and ethical behavior

- *Risk assessment* – In managing the Fund, the Management Company uses strictly defined limits described in the Fund's Rules and Prospectus

- *Information system* – The information system related to the financial reporting of the Fund should be seen as a collection of all rules, processes and procedures of the Fund and the anagement Company

- *Control activities* – Effective control over the preparation of the financial statements of the Fund, is one of the priorities of the management of the MC

- *Current monitoring of controls* – At Management company level there is an internal control department and compliance, which conducts reviews of the activities, ongoing and periodic reviews of the system and processes. Checks by the internal control are aimed at establishing compliance with the legal and the internal rules and procedures.

Information under Art. 10 1, (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids

- *Information on B. c)- Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:*

During the reporting period, the Fund did not receive notifications of acquired or sold directly or through intermediary's partitions meeting the criteria specified in art. 89, par. 1 of Directive 2001/34/EC, relating to changes in voting rights held.

- *Information on B. d)- The holders of all securities with special control rights and a description of those rights-* There are no shareholders with special control rights.

- *Information on B. f)- Any restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for exercising the voting rights or systems through which, through Cooperation with the company, the financial rights granted to the securities are separate from the holding of the securities* - There are no restrictions on voting rights on partitions.

- *Information on the B. h)-The rules governing the appointment or replacement of board members and amendments to the Memorandum of Association*

The fund does not have its own management bodies. The fund is organized and operated by the Management Company Expat Asset Management.

- *Information on B. i)-The powers of the members of the Board, and in particular the right to issue or buy back shares.*

- The fund may issue and redeem shares on a daily basis in accordance with the Rules and the Prospectus.

Date: 14.03.2019

Nikolay Vassilev
CEO

Nikola Veselinov
Member of the Board of Directors

Building a better
working world

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Independent auditor's report

To the unit holders

In Exchange-traded fund Expat Greece ASE UCITS ETF

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Exchange-traded Fund Expat Greece ASE UCITS ETF (the Fund), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and 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 Fund 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 European Union (EU).

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 Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Translation in English of the official Auditor's report issued in Bulgarian.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Book value of financial assets at Fair value through profit and loss The Fund's disclosures about the financial assets at fair value through profit and loss are included in Note 6 to the financial statements	
As at 31 December 2018 the Fund reports BGN 251 thousand financial assets at Fair value through profit and loss comprising of non-controlling equity participations in public companies, as disclosed in Note 6 to the financial statements. They are owned by the Fund as a result of replication of the index ASE and the fair value is determined by reference to published price quotations. The book value of the financial assets at Fair value through profit and loss is a main factor in the determination of the Fund's net assets value as at the reporting date and therefore has a significant effect on the financial parameters which are based on its movement. Due to the significant amount of the financial assets at Fair value through profit and loss in relation to the financial statements as a whole, and the fact that the valuation of the	In this area, our audit procedures included, amongst others: • We obtained understanding and performed walk throughs of the process for valuation of financial assets at fair value through profit and loss. • We performed tests of the operating effectiveness of key controls over the process for valuation of financial assets at fair value through profit and loss. • We performed check for the existence of the financial assets through profit and loss by comparison to the obtained confirmation letter from the Bank depositary as at 31 December 2018, as well as by analyzing if the public companies in which the Fund has shares replicate the

assets is the key driver for the Fund's net assets value, and the financial result for the year, we consider this matter as key audit matter.	index ASE as at the end of the reporting period. • We performed check for the valuation of the financial assets through profit and loss by Independent check of the prices in the portfolio as at 31 December 2018 to publicly available market data, as well as by testing of the technical accuracy of the calculations of the fair value and the movements, reported in the profit and loss for the period. • Assessment on the adequacy and relevance of the financial statement disclosures related to the financial assets at fair value through profit and loss.

Other matter

The financial statements of the Fund for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 March 2018.

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

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the 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, unless and to the extent explicitly specified in our report.

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 our knowledge obtained in the audit or otherwise 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 and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and presentation of the financial statements that give a true and fair view in accordance with IFRS, as adopted by the EU, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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 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 an 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 Fund'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 Fund'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 Fund 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 true and 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Financial Statements and Auditor's Report Thereon* section, in relation to the management report, including the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
c) The corporate governance statement referring to the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

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Additional Reporting on the Audit of the Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related party transactions is disclosed in Note 11 to the financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying financial statements for the year ended 31 December 2018, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report include an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves true and fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the financial statements for the year ended 31 December 2018, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRS as adopted by the EU. The results of our audit procedures on Fund's transactions and events significant for the financial statements were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Ernst & Young Audit OOD was appointed as a statutory auditor of the financial statements of Exchange-traded Fund Expat Greece ASE UCITS ETF (the Fund) for the year ended 31 December 2018 by decision of the Sole owner of the capital of Expat Asset Management EAD held on 3 April 2018 for a period of one year.
- The audit of the financial statements of the Fund for the year ended 31 December 2018 represents first total uninterrupted statutory audit engagement for that Fund carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to those charged with governance of the Fund, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Fund.

Audit Firm Ernst & Young Audit OOD:

Milka Natcheva-Ivanova
Legal Representative

Nikolay Garnev
Registered Auditor in charge of the audit

Sofia, Bulgaria

29 March 2019

Translation in English of the official Auditor's report issued in Bulgarian.

Statement of Comprehensive Income

For the year ended 31 December 2018

BGN'000	*Note*	**01.01.2018 – 31.12.2018**	**01.12.2017- 31.12.2017**
Other income	*3*	6	-
Net profit / (loss) from financial assets, held at fair value through profit and loss	*6*	(111)	-
Operating expenses	*4*	(15)	-
Operating profit / (loss) for the period		**(120)**	**-**
Tax expenses	*9*	-	
Profit / (loss) for the period		**(120)**	**-**
Other income		-	-
Total income for the period		**(120)**	**-**
Net income per share			
Net profit / (loss) per share (in BGN)	*8*	(0.598)	-

Date: 14.03.2019 г.

Approved by:

Nikolay Vassilev
CEO

Nikola Veselinov
Member of the Board of Directors

Prepared by:

Tatiana Lazarova
Head of Accounting

The financial statements have been approved for issue by decision of the Board of Directors of the Management Company dated 14.03.2019.
The notes from page 13 to page 31 are integral part of the annual financial statements.

Financial statements
on which our auditors' report was
issued dated:

EY 29-03-2019

Ernst & Young Audit OOD

EY Representative:............ Registred auditor:............

Statement of Financial Position

as at 31.12.2018

BGN'000	***Note***	**31.12.2018**	**31.12.2017**
Assets			
Cash and cash equivalents	*5*	54	119
Financial assets held at fair value through profit and loss	*6*	251	-
Total assets		**305**	**119**
Equity and liabilities			
Equity			
Subscribed capital		430	118
Share premium account		(6)	-
Accumulated loss		(120)	-
Total equity	***7***	**304**	**118**
Liabilities			
Trade and other liabilities		1	1
Total liabilities		1	1
Total equity and liabilities		**305**	**119**

Date: 14.03.2019

Approved by:

Nikolay Vassilev
CEO

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Member of the Board of directors

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Statement of Changes in Equity
for the year ended 31 December 2018

BGN'000	*Note*	Share capital	Share premium account	Profit and Loss	Total
On 1 December 2017 r.		118	-	-	118
Income for the period		-	-	-	-
Other income		-	-	-	-
Total income		-	-	-	-
Balance on 31 December 2017		118	-	-	118
On 1 January 2018		118	-	-	118
Other income					
Loss for the period		-	-	(120)	(120)
Total income		-	-	(120)	(120)
Contributions from and allocations to owners					
Issue of new shares		664	(36)	-	628
Buy back of shares		(352)	30	-	(322)
Total contributions from and allocations to owners		312	(6)	-	306
Balance on 31 December 2018	7	430	(6)	(120)	304

Дата: 14.03.2019 г.

Date: 14.03.2019

Approved by:

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CEO

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Cash Flow Statement

for the year ended 31 December 2018

BGN'000	*Note*	01.01.2018-31.12.2018	01.12.2017 – 31.12.2017
OPERATING CASH FLOW			
Dividends received		6	-
Income associated with financial assets held at fair value through profit and loss		(362)	-
Payments to counterparties		(14)	-
Other operating payments		(1)	-
Net cash flow from operating activity		**(371)**	**-**
CASH FLOW FROM FINANCING ACTIVITY			
Income from issue of shares		628	-
Payments for buy back of shares		(322)	-
Net cash flow from financing activity		**306**	**-**
Net decrease/increase of cash and cash equivalents		**(65)**	**-**
Cash and cash equivalents on 1 January		119	119
Cash and cash equivalent on 1 December	*5*	54	119

Date: 14.03.2019

Approved by:

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CEO

Nikola Veselinov
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Notes to the Annual financial statements

1. Status and scope of activity

Expat Greece ASE UCITS ETF ("the Fund") is an exchange-traded fund organised and managed by the Management Company "Expat Asset Management" EAD (the "Management Company"). The Fund is registered in the Bulstat Register at the Registry Agency under BULSTAT code 177234006. The registered office of the Fund and the Management Company is in Sofia, Postal code 1000, 96A, "Georgi S. Rakovski" St.

Expat Greece ASE UCITS ETF is a passively managed fund and adheres to the method of optimized physical replication of the „ATHEX Composite Share Price Index". It is registered for trading on the Bulgarian Stock Exchange and the Frankfurt Stock Exchange (XETRA) under GRX stock exchange ticker. The Fund's activity covers the issue and sale of shares offering the same rights to their holders. The number of shares in the Fund changes depending on the volume of sales and redemption of shares.

Since the Fund does not have its own management bodies, the persons charged with the governance of the Fund are the members of the Board of Directors of the Management Company.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS, adopted by EU). The IFRS Accounting Framework adopted by the EU is essentially the defined national accounting IAS adopted by the EU, regulated by the Accountancy Act and defined in paragraph 8 of its Additional Provisions.

The Fund was registered on 1 December 2017, therefore these statements contain comparative information for the period 1 December – 31 December 2017. The line items in the statement of financial position are presented in order of their liquidity.

(b) Measurement base

These financial statements are prepared using the historical cost method except for financial assets at fair value through profit or loss that are measured at fair value.

(c) Functional and reporting currency

The shares of the Fund are issued in EUR, the net asset value per share and redemption price are calculated in EUR. For this reason, the functional currency of the Fund is EUR.

These financial statements are presented in Bulgarian leva (BGN), which is the functional currency of the Fund. All financial information in BGN is rounded to one thousand unless otherwise stated.

From 1 January 1999 the exchange rate of the Bulgarian lev (BGN) is pegged to the euro (EUR). For this reason, there are no currency translation differences arising from the use of the BGN as a presentation currency in these financial statements. The exchange rate is BGN 1.95583 / EUR 1.0.

2. Basis of preparation (continued)

(d) Estimates and judgements

The preparation of financial statements under IFRS requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual result may be different from these estimates.

The review of the accounting estimates is recognised in the period in which the measurement is reviewed when the review affects that period, and in future periods if the review affects future periods.

Judgements

Information on significant judgments made in applying the accounting policies that have the most significant effect on the presentation of the amounts in the financial statements is included in the following notes:

Note 7 Equity – classification of the Fund's shares as an equity instrument.

The Fund as an investment entity within the meaning of IFRS 10

Companies that meet the definition of an IFRS 10 Investment entity are required to report investments in subsidiaries at fair value instead of consolidating them. The criteria that define an Investment entity are:

- A company raising funds from one or more investors for the purpose of providing the relevant investment services;
- A company with a business purpose only to increase the value of the capital, investment income or both;
- A company that recognizes and evaluates a significant portion of its investments at fair value.

The Fund invests primarily in shares and investors are not group companies, which is an additional characteristic of an investment entity.

The management company believes that the Fund meets the above criteria and characteristics and falls within the definition of an investment entity. The judgment is reviewed regularly in case of change in circumstances.

The Management Company believes that the Fund does not control the investments in shares and therefore does not consolidate them.

Fair values measurement

Some of the accounting policies and disclosures of the Fund require fair values to be measured for financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Fund uses observable data as far as possible. Fair values are categorised at different levels in the fair value hierarchy based on incoming data in measurement techniques as follows:

- Level 1: quoted prices (uncorrected) in active markets for similar assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are directly (i.e as prices) or indirectly (i.e. derived from prices) available for observation of the asset or liability.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety at the level of the fair value hierarchy whose input is relevant to the overall measurement.

Information on significant items that are affected by estimates and assumptions when applying the accounting policies that have the most significant effect on the amounts recognised in these financial statements is included in Note 11 Financial Instruments.

3. Income

BGN'000	**01.01.2018 – 31.12.2018**	**01.12.2017 - 31.12.2017**
Income from dividends	6	-
Total income	**6**	**-**

4. Operating expenses

BGN'000	**01.01.2018 - 31.12.2018**	**01.12.2017 - 31.12.2017**
Fees and commissions to investment intermediaries	8	-
Fees and commissions to custodian bank	4	-
Fees and commissions to Management Company	3	-
Total operating expenses	**15**	**-**

Operating expenses also include services provided by an independent auditor that include an independent financial audit and a review of an interim financial statement. For the year 2018, the fund has no such expenses.

5. Cash and cash equivalents

BGN'000	**31.12.2018**	**31.12.2017**
Cash in BGN in bank accounts	54	119
Cash and cash equivalents	**54**	**119**
Cash and cash equivalents in Cash flow statement	**54**	**119**

The Fund's cash is kept with the custodian bank – Eurobank Bulgaria AD.

6. Financial assets held at fair value through profit and loss

BGN'000	2018	2017
Financial assets at fair value through profit and loss		
Quoted shares	*251*	-
Financial assets held at fair value in other income		
Unquoted shares	-	-
Quoted debt instruments	-	-
Total financial assets at fair value	**251**	-

Financial assets at fair value through profit or loss in Expat Greece ASE UCITS ETF include non-controlling interests in public companies operating in Greece. The Company is a passively managed fund and adheres to the method of optimized physical replication of the ATHEX Composite Share Price Index.The reference index is ATHEX Composite Share Price Index, consisting of shares denominated and traded in euro. The fair values of those shares in equity are determined by reference to published price quotations in active market.

6. Financial assets held at fair value through profit and loss (continued)

When measuring the fair value of an asset or liability, the Fund uses observable data as far as possible. Fair values are categorised in Level 1 (Quoted Market Prices in Active Markets) in the fair value hierarchy based on inputs in measurement techniques.

The value of the financial assets in the balance sheet at the reporting date is determined as the closing price of the respective asset on the Athens Stock Exchange on the last working day of the respective reporting period.

The structure of the Fund's financial assets measured at fair value through profit and loss as at 31 December 2018 is as follows:

Financial instrument type	Shares
Regulated market on which they are traded	Athens Stock exchange

Issuer	**Number**	**Amount at the end of reporting period, BGN**	**Percentage of the total amount of assets**
Alpha Bank A.E.	12 600	27 108	8.87%
Coca-Cola Hbc AG-DI	800	42 418	13.88%
Eurobank Ergasias S.A.	17 700	18 694	6.12%
FF Group	595	5 586	1.83%
Gek Terna Holding Real Estat	500	4 694	1.54%
Grivalia Properties REIC	300	4 905	1.61%
Hellenic Exchanges - Athens	800	5 789	1.89%
Hellenic Petroleum S.A.	380	5 485	1.80%
Hellenic Telecommun Organiza	2 010	37 425	12.25%
Jumbo S.A.	895	22 266	7.29%
Motor Oil (Hellas) SA	405	16 634	5.44%
Mytilineos Holdings S.A.	1 480	21 102	6.91%
National Bank Of Greece	2 500	5 378	1.76%
Opap SA	770	11 438	3.74%
Piraeus Bank S.A	4 800	7 886	2.58%
Public Power CORP	1 300	3 290	1.08%
Titan Cement Co. S.A.	295	11 182	3.66%
TOTAL	**48 130**	**251 280**	**82.25%**

Net profit/(loss) from financial assets held at fair value through profit and loss

BGN'000	**2018**	**01.12.2017 – 31.12.2017**
Income /(expenses) from remeasurement of financial assets held through profit and loss	(111)	-
Net profit/(loss) from financial assets held at fair value through profit and loss	(111)	-

7. Equity

The Fund's equity is equal to its Net Asset Value (NAV). The movement of shares and NAV of the Fund at the beginning and the end of the reporting period is as follows:

BGN'000	**Number of shares**	**Amount**
As at 1 December 2017	-	-
Issued new shares	-	-
Bought back shares	-	-
Profit for the period	-	-
As at 31 December 2017	-	-
As at 1 January 2018	60 150	118
Issued new shares	339 850	628
Bought back shares	(180 000)	(322)
Loss for the period	-	(120)
As at 31 December 2018	220 000	304

Net asset value per share as at 31 December 2017 (in BGN)	-
Net asset value per share as at 31 December 2018 (in BGN)	1.3681

Equity

The Fund classifies the shares it issues as an equity instrument based on the following criteria:

- Shares entitle its holder to a proportional share of the Fund's net assets at any time and in the event of the Fund being dissolved;
- Shares issued by the Fund would not take precedence over other financial instruments in case of dissolution of the Fund;
- Except for the contractual obligation of the Fund for redemption, the shares issued by the Fund do not impose any other contractual obligation to the Fund to provide cash or other financial assets or to exchange financial assets or financial liabilities;
- The total amount of anticipated cash flow attributable to shares issued by the Fund at any time is based on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and written-off net assets of the Fund;
- The Fund does not issue financial instruments other than shares.

7. Equity (continued)

Share premium account

The Fund's assets are divided into shares. The nominal value of the shares is 1 (one) euro. The shares of the Fund are acquired at issue price. The number of Fund's shares changes as a result of their sale or redemption. The difference between the issue and nominal value of the shares in case of sale or redemption is recorded as share premium account.

Capital management

The Fund's own equity is equal to the net asset value (NAV), which may not be less than BGN 500,000 or their equivalent. This minimum amount must be reached within two years of obtaining the authorisation from the Financial Supervision Commission to organise and manage the Fund. The Fund has already met this requirement.

Admission of the Fund to trading on a regulated market requires the minimum net asset value to be not less than BGN 100 000 or its Euro equivalent.

7Equity (continued)

Dividend policy

The policy of the Fund is not to pay dividends. The dividends paid out of the shares in which the Fund has invested, and the capital gains realised in trading of the shares in the Fund, are reinvested.

8. Net income per share

	01.01.2018 – 31.12.2018	01. 12.2017 - 31.12.2017
Net profit/(loss) per share in BGN	(0.598)	-

Net profit/(loss) per share is calculated by dividing the profit or loss for the period to be distributed among the shareholders (numerator) to the weighted average number of outstanding shares for the period (denominator).

The weighted average number of outstanding shares for the period is 200‘000. The weighted average number is calculated by taking the arithmetic value of the outstanding shares for each day of the period.

9. Trade and other liabilities

BGN,000	31.12.2018	31.12.2017
Liabilities to Management company	1	1
Liabilities to Custodian Bank		

10. Income taxes

The profit of the Fund is not subject to corporate tax.

11. Group companies

The Fund is a designated property without management bodies and the Management Company “Expat Asset Management” EAD carries out its management. The sole shareholder of the MC is "Expat Capital" AD. As at 31.12.2018, the Fund’s group companies are the Management Company Expat Asset Management EAD and Expat Capital AD. Transactions with group companies are based on contractual terms and no guarantees are provided or received.

The expenses charged to the Management Company "Expat Asset Management" EAD (Note 4), accrued under the contracts concluded during the reporting period are:

- Remuneration under Management contract;

12. Financial instruments

Fair values measurement

The fair value of the Fund's financial instruments is determined as the price that would have been received from the sale of a financial asset or paid upon transfer of a financial liability in a regular transaction between market participants as of the measurement date. The following methods and assumptions are used in measuring the fair value:

- Closing price in an active market on the reporting date is used for quoted shares;
- Cash and short-term deposits, trade receivables, trade payables and other current financial assets and liabilities, due to the short-term maturity of these financial instruments, their fair value approximates to the corresponding book value.

12. Financial instruments (continued)

Risk profile and risk management

Risk profile

The risk profile of the Exchange Traded Fund represents the amount and type of risk that the Management Company undertakes by investing the assets of the Fund, while seeking to replicate the Reference Index, which at the date of this Prospectus is the ATHEX Composite Share Price Index. In this respect, investing in shares of Expat Greece ASE UCITS ETF involves undertaking a high risk, given that the Reference Index comprises of stocks.

In its operations, Expat Greece ASE UCITS ETF is exposed to various types of risks, affecting its results.

Credit risk

The Fund owns cash and quoted shares and the level of exposure to credit risk mainly relates to cash held in current bank accounts. The credit risk associated with quoted shares is part of the total investment risk that shareholders of the fund are facing.

The main risks that investors face when they invest in shares Expat Greece ASE UCITS ETF are:

Market risk

Probability of loss occurring from adverse changes in the securities prices, market interest rates, exchange rates and other. This market risk affects the net asset value of the Fund, which also varies due to changes in market prices of shares and other securities in which the Fund has invested. The Fund is not at risk of changes in market interest rates, as its financial assets are quoted shares.

Currency risk

The Fund is created and traded in EUR and the reference index ATHEX Composite Share Price Index" comprises of shares denominated and traded in EUR. For this reason, the Fund is not exposed to a currency risk.

Extreme market movements

The market price of the financial instruments in which the Fund invests may fluctuate due to changes in the economic and market environment, monetary policy of central banks, business activity of issuers, the sector in which the issuer operates and the demand and supply of the securities market. At certain times, the price of the shares on the market (stock exchange) can change substantially. In the event of major movements of the Index incl. large daily movements, the performance of the Fund may depart from its investment objectives. The revaluation of the Fund fluctuates due to changes in the value of the Fund's assets and the Reference Index.

12. Financial instruments (continued)

Extreme market movements (continued)

A 5% change in market prices of assets would have the following effect on the net asset value of the Fund, based on the Fund's portfolio as at 31.12.2018:

	Effect in BGN'000
5% increase of market prices	15
5% decrease of market prices	(15)

Inability of the Management Company to adapt to market changes

The fund follows a passive management strategy, i.e. it is not actively managed. Accordingly, the Management Company will not change the portfolio composition, except to follow closely the total return of the Reference Index. The Fund is not trying to "beat" the market and does not take defensive positions when the market falls or is regarded as overvalued. Therefore, decline in the Reference Index may lead to a decline in the value of the Fund's assets.

Liquidity risk

The risk associated with the probability of losses or profits by mandatory or forced sales of assets in adverse market conditions (such as lower demand in the presence of over supply). Liquidity risk is also in place when the Fund may need to buy back the shares of the investors. The Fund invests in quoted shares, which under normal market conditions are quickly and easily saleable, which substantially reduces the exposure to this risk.

Purchase and redemptions

In case the purchase and redemption orders for shares are received late or do not meet the requirements of the Prospectus and the Fund Rules, there will be a delay between the date of placing the order and the actual date of purchase or redemption. Such postponements or delays may lead to a decrease in the number of shares or the amount of redemptions.

Trading on a regular market

There can be no assurances that trading shares of the Fund will be maintained or that the criteria of admission to trading will not be changed. Moreover, trading of the shares on a stock exchange may be suspended under the rules of the respective exchange due to market conditions and investors may not be able to sell their shares until trading resumes.

Regulatory risk

The prospectus has been prepared in compliance with the applicable laws and regulations. The Management Company and/ or the Fund and its investment objectives and policies may be affected by future changes in laws and regulations. New or modified laws, rules and regulations in Bulgaria or the European Union could prevent or significantly limit the Fund's ability to invest in certain instruments. They could also affect conclusion of agreements with certain third countries. This may affect the ability of the Fund to perform the relevant investment objectives and policies. Applying such new or modified laws, rules and regulations could lead to an increase of any or all of the Fund's costs and may require restructuring of the Fund, in order to meet the new rules. Such a probable restructuring may include restructuring costs. When restructuring is not possible, the Fund may proceed to termination. The assets of the Fund and the Reference Index are subject to change in laws or regulations and such a change might affect their value and/ or liquidity.

12. Financial instruments (continued)

Operational risk

A prospect of loss resulting from errors or system failures in the organisation, insufficiently qualified personnel and unfavourable external events that are not financial in nature (incl. legal risk). The Management Company shall determine a short and long-term strategy in managing the operational risks that arise in managing the business and the portfolio of the Exchange-Traded Fund listed in valuation and risk management Rules of the Fund.

Risk of error in tracking the Reference Index

Tracking the Reference Index by investing in all positions of the index can be costly and difficult to implement. Portfolio managers can use optimisation techniques such as selection of individual positions in the Index in proportions that differ from those in the Index. The use of such optimisation techniques can increase the error in tracking and lead to a different performance of the Fund in contrast to the Index. Furthermore, existing restrictions or future changes in laws and regulations of the Exchange-Traded Fund towards, but not limited to the composition, concentration and method of measurement of assets, can lead to inability of the Fund to replicate the index in full. In addition, exchange traded funds on markets characterised by low liquidity are exposed to a greater risk of error in tracking an index.

Reference index

If there is an event that affects the Index, the Fund may be required to suspend the purchase and redemption of shares. The revaluation of the Fund may also be affected. In case of continuing problems with the Index, the Fund will take appropriate actions, which may reduce the net asset value of the Fund.

Systemic risks

Systemic risks depend on general fluctuations in the economy and the markets in general. The Fund is unable to influence the systemic risks but will take them into account and will comply with them. Risks arising from political and economic situation are a possible instability or military action in the region. Disasters and accidents are factors complicating any system of risk management. The consequences are hard to predict, but access to information and applying a system of forecasting and actions in extreme situations are possible ways to mitigate the negative effect.

13. Events after the reporting date

There are no events after the reporting date that require adjustments or disclosures in the annual financial statements of the Fund that have occurred for the period from the reporting date to the date when these financial statements were approved for issue by the Board of Directors of the Management Company.

14. Accounting policies and disclosures

The Fund has consistently applied the significant accounting policies presented below for the period presented in these annual financial statements. The accounting policies adopted in the preparation of the annual financial statements are in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. The Fund has not previously adopted other standards, interpretations or amendments that have been published but have not yet entered into force.

IFRS 9 Financial Instruments, which enters into force on 1 January 2018, is applied by the Fund.

14.Accounting policies and disclosures (continued)

IFRS 15 Revenue from contracts with customers and several other amendments and interpretations that also enter into force as of 2018 have no impact on the annual financial statement of the Fund.

The Fund recognizes a financial asset or financial liability in its statement of financial position only when it becomes a party to the contractual terms of that instrument

Contracts for the purchase or sale of financial assets that require settlement of transactions within the normal timescales established by the market rules or agreement are recognized in the statement of financial position at the trading date.

Classification and measurement

IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement for the years beginning on or after January 1, 2018, putting together all the three aspects of financial instruments reporting: classification and measurement, impairment and hedge accounting.

The Fund applies IFRS 9 for future periods beginning on 1 January 2018. The Fund has not recalculated comparative information that continues to be reported under IAS 39. There are no differences arising from the adoption of IFRS 9 that are recognised directly in undistributed profit and other components of equity.

Under IFRS 9, after initial recognition, debt instruments are reported at fair value through profit or loss, amortised cost or at fair value in other comprehensive income. The classification is based on two criteria: asset management business model of the fund and whether the contractual cash flows of the instrument represent 'only payments of principal and interest' on the outstanding amount of the principal.

The assessment of the Fund's business model is performed at the date of initial application, i. e. 4 January 2018. The assessment whether contractual cash flows on debt instruments consist only of principal and interest, is made based on the facts and circumstances of the initial recognition of assets.

The requirements for classification and measurement of IFRS 9 do not have a material impact on the Fund and it continues to recognise at fair value all financial assets previously reported at fair value under IAS 39.

In order to determine the classification and measurement category under IFRS 9, all financial assets, except for equity instruments and derivatives, should be valued based on a combination of the asset management business model and the contractual cash flow characteristics of the instruments.

14.1. IFRS 9 Financial instruments

The categories of financial asset valuation are as follows:

- Trade receivables and Other non-current receivables (i.e. receivables from group companies, receivables on credits, etc.) classified as Trade receivables and Trade and other non-current receivables as at 31 December 2017 are held for the purpose of obtaining the contractual cash flows and lead to cash flows representing only principal and interest payments. As of 1 January 2018, they are classified and measured as Debt instruments at amortised cost.
- Quoted capital investments classified as available for sale as at 31 December 2017 are classified and measured as Financial Assets at fair value through profit or loss as of 1 January 2018.

14. Accounting policies and disclosures (continued)

14.1. IFRS 9 Financial instruments

Business Model Assessment

The Fund defines the following business models for the management of financial assets:

- A business model that aims to hold assets to match contractual cash flows. It includes assets that are managed to collect the contractual payments throughout the term of the instrument;
- A business model that aims to realise cash flows by selling the asset. The model includes financial assets, whose current fair value the Fund intends to monitor and the current fair value is the basis of the decisions to execute sale and purchase transactions; there is evidence of active purchase and sale activity; the contractual cash flows from the asset are not composed solely of principal and interest payments; the collection of contractual cash flows from such assets is only in addition to achieving the principal objective of realising cash flows from sales.

Categories of measurement of financial assets and liabilities

The Fund classifies and measures its portfolio at fair value through profit or loss as it is held in a business model within which a fair value measurement is made through profit or loss, and the Fund manages the financial assets for the purpose of realising cash flows through sale of assets.

The Fund classifies its receivables at amortised cost as they are held within a business model whose purpose is to hold assets in order to collect the contractual cash flows.

The Fund classifies its financial liabilities as trade payables measured at amortised cost.

Financial assets and liabilities

Trade receivables and liabilities (amortised cost)

Trade receivables and payables include non-derivative financial assets with fixed or determinable payments that were not quoted in an active market other than those:

- which the Fund intends to sell immediately or in the near future;
- which the Fund has, at initial recognition, determined at fair value through profit or loss or as available for sale;

for which the Fund cannot substantially recover all of its initial investment for reasons unrelated to a deterioration in the exposure designated as available for sale.

Financial assets and financial liabilities at fair value through profit or loss

The classification and measurement of financial assets and financial liabilities at fair value through profit or loss does not change with IFRS 9 entry into force.

Financial assets and financial liabilities in this category are those that are not held for trading or are required to be measured at fair value through profit or loss under IFRS 9. Upon initial recognition, the Management Company determines an instrument at fair value through profit or loss when one of the following criteria is met. This categorisation is defined at instrument level:

- This determination eliminates or significantly reduces inconsistent measurement that would otherwise arise from measuring assets or liabilities, or from recognising gains or losses on a different basis, or;
- Liabilities are part of a group of financial liabilities (or financial assets or both under IAS 39) that are managed and their performance is measured on a fair value basis in accordance with documented risk management or investment strategy, or;
- Liabilities that contain one or more embedded derivatives, unless they significantly change the cash flows that would otherwise be required under contract or it is clear that such a division of the

embedded derivative(s) is prohibited.

Financial assets and financial liabilities at fair value through profit or loss are recognised in the balance sheet at fair value. Changes in fair value are recognised in profit or loss.

Income from dividends from equity instruments at fair value through profit or loss is recognised in profit or loss as income when the payment entitlement is established

Date of recognition

Financial assets and liabilities, with the exception of loans and advances, are initially recognised at the date of transaction, i.e. on the date on which the Fund becomes a party to the contractual provisions of the instrument.

Contracts for purchase or sale of financial assets that require settlement of transactions within the normal timescale established by the market rules or agreement are recognised in the balance sheet on the settlement date.

Initial recognition of financial instruments

Upon initial recognition, the fund's financial assets are classified as such that are subsequently measured at fair value through profit or loss.

The financial asset management business model of the fund refers to the way it replicates the PX Reference index, regardless of its direction. The business model determines whether cash flows will arise as a result of the collection of contractual cash flows, sale of financial assets, or both.

Purchases or sales of financial assets the terms of which require delivery of assets over a period, usually established by a statutory provision or practice on the relevant market (regular purchases), are recognised on the settlement date, ie. on the date the Fund has committed to buy or sell the asset.

Upon initial recognition, the Fund measures the receivables that do not have a significant financing component at the relevant transaction price.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at their initial recognition as such at fair value through profit or loss, or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for sale or re-acquisition within a short period. Financial assets with cash flows that are not only principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the criteria for debt instruments that are to be classified at amortised cost or at fair value in other comprehensive income, as described above, debt instruments may be designated as such at fair value through profit or loss on initial recognition, if the accounting mismatch is eliminated or significantly reduced.

Financial assets at fair value through profit or loss are reported in the balance sheet at fair value, with net changes in fair value being recognised in the profit and loss account.

This category includes derivative instruments and equity instruments listed on stock exchanges that the Fund has not irrevocably chosen to classify as such at fair value in other comprehensive income. Dividends on such equity instruments are also recognised as other income in the profit and loss account when the entitlement of receiving the payment has been established.

14. Accounting policies and disclosures (continued)

14.1. IFRS 9 Financial instruments

Impairment of financial assets

IFRS 9 requires the Fund to report an adjustment for expected credit losses for all financial assets that are not held at fair value through profit or loss. The adjustment is based on the expected losses associated with the probability of default over the next twelve months, unless there has been a significant increase in credit risk after the asset has been acquired.

The Management Company performs periodic review of indications for impairment of the book value of the Fund's assets as follows:

• receivables - at the end of each month when preparing the monthly financial statements for the management;

The Fund applies a simplified impairment approach for trade receivables where the credit loss adjustment is determined based on the anticipated credit loss for the entire duration of the instrument. The choice of the Simplified Approach is a consequence of the specificities of these financial assets and the matrix for determining the anticipated credit loss for these financial assets is mainly based on default arrears in terms of loss in default, including the future development of macroeconomic indicators.

The recoverable amount of the asset is calculated where there is indication of impairment. Impairment loss is determined as a difference between the carrying amount of the financial asset and its estimated recoverable amount and are recognised in profit or loss. When subsequent events result in reduction in previously recognised impairment loss, the adjustment is reported through profit or loss.

Derivatives measured at fair value through profit or loss

The Fund does not enter into derivative transactions.

Financial assets or financial liabilities held for trading

The Fund does not report financial assets or financial liabilities as held for trading.

Reclassification of financial assets

Under certain circumstances, non-derivative financial assets at fair value may be reclassified at amortised cost and vice versa. Such reclassification is only allowed in case of change to the business model in which the assets are managed. The change of the business model is determined by the management of the Fund as a result of external and internal changes that are significant in terms of operating activities. Change may also occur when reorganising the business, as a result of changed business model goals. Changes to the initial classification of financial assets are expected to occur in relatively rare and limited cases.

The new accounting is applied for future periods after the reclassification date when the business model was changed without recalculating the results for previous periods. Reclassification date is the first day of the first reporting period following the change of the business model resulting in the reclassification.

Write-off of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is written-off (i.e. removed from balance sheet of the Company), mainly when:

- the rights to receive cash flows from the asset have expired; or
- the rights to receive cash flows from the asset have been transferred or the Fund is responsible to pay in full received cash flows without significant delay to a third party through a transfer agreement, under which either (a) the Fund has transferred substantially all the risks and benefits of ownership of the asset; or (b) the Fund has neither transferred nor retained substantially all the risks and benefits of ownership of the asset but has not retained the control on it.

14. Accounting policies and disclosures (continued)

14.1. IFRS 9 Financial instruments (continued)

Write-off of financial assets and liabilities (continued)

Where the Fund has transferred its rights to receive cash flows from the asset or has entered into a transfer agreement, it shall assess whether and to what extent it retains the risks and benefits of the ownership. When the Fund has neither transferred, nor retained substantially all the risks and benefits of the ownership of the financial asset, nor transferred control of the financial asset, it continues to recognise the transferred asset to the extent of its continuing involvement in the financial asset. In this case, the Fund also recognises the related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and liabilities that the Fund has retained.

The Fund does not write off financial assets or liabilities in part. The policy for fully impaired financial assets is in line with the requirements of IFRS 9 as outlined above.

Continued interest in the form of a guarantee on the transferred asset is measured at the lower of the initial carrying amount of the asset and the maximum amount of consideration that the Fund may be required to pay.

Compensation of financial assets and liabilities

Financial assets and liabilities are netted and the net amount is recognised in the balance sheet when the Fund has a legally enforceable right to net the recognised amounts and the transactions are intended to be settled on a net basis.

14.2 Transactions in foreign currency

Transactions carried out in foreign currencies are translated into BGN at BNB official exchange rates on the day of transaction. All assets and liabilities denominated in foreign currencies are remeasured on a daily basis.

14.3 Expenses

Expenses are recognised in profit or loss for the period in which they arise, regardless of cash payments. All expenses related to the Fund's activities, including the remuneration of the Management Company and the Custodian Bank, are recognised in profit or loss on an accrual basis.

The direct costs of shareholders related to the purchase and redemption of shares of the Fund are specified in the Prospectus of the Fund.

Fees and commissions

Fees and commissions expenses are recognised in profit or loss when the corresponding services are performed.

14.4 Taxes

The Fund, as a collective investment scheme, admitted to public offering in the Republic of Bulgaria, enjoys preferential tax treatment and its profits are not subject to corporate tax.

14. Accounting policies and disclosures (continued)

14.5 Rules for Determining the Net asset value of the Fund

The net asset value is the total value of all portfolio assets less all liabilities. The Fund applies rules for determining the net asset value, and the developed methodology for determining the net asset value is based on:

- the relevant provisions of the Fund's rules and prospectus;
- the relevant legal provisions and regulations for their implementation;
- the relevant provisions of the accounting legislation;
- the application of generally accepted measurement methods.

The net asset value per share is the basis for determining the subscription and redemption value per share of the Fund. Issued shares are reported at nominal value. The Fund's net asset value per share is calculated as the net asset value divided by the number of shares issued.

14.6 Share capital. Issue and redemption of shares

The share capital is represented at the nominal value of the Fund's issued and paid shares.

The Fund issues shares at issue value every business day. The issue value per share is formed by the net asset value per share plus the issue costs. The difference between the net asset value per share and the nominal value per share is reported as share premium reserves. Depending on whether the Fund issues its share below or above nominal value, the difference to the nominal value is indicated respectively as a discount or a positive share issue premium. The Fund has the obligation to buy back its shares from their unitholders.

14.7 Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash in bank accounts, cash and short-term deposits with an initial maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above.

14.8 Other new standards and interpretations effective from 1 January 2018

The following standards and interpretations effective from 1 January 2018 have no impact on the Fund's annual financial statements.

- IFRS 15 Revenue from contracts with customers

  IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and Related Expenses, and with some limited exceptions, applies to all revenue arising from contracts with customers. IFRS 15 introduces a new, five-step model of accounting for revenue arising from contracts with customers and requires revenue to be recognised at a rate that reflects the consideration which the entity expects to have in return for the goods or services transferred to the customer.

  IFRS 15 requires undertakings to judge, taking into account all relevant facts and circumstances when applying each step of the model to the contracts with their customers. In addition, the Standard also sets out the accounting treatment of contract acquisition costs and costs directly related to the performance of the contract. Moreover, the standard requires enhanced disclosures.

  The Fund does not expect these changes to have an effect on the financial position or performance outcome.

14. Accounting policies and disclosures (continued)

14.8 Other new standards and interpretations effective from 1 January 2018 (continued)

- IFRS 2: Share-based Payment (Amendments): Classification and measurement of share-based payment transactions

The amendments stipulate requirements for: accounting the effects of exercise and non-exercise conditions on the valuation of cash-settled share-based payment transactions; for share-based payment with the option of settling net of the withholding tax and changes in share-based payment arrangements that alters the classification from a cash-settled transaction to a transaction with issuance of an equity instrument. The adoption of the amendments did not have any impact on the financial position or performance of the Fund

- IAS 40: Investment property (Amendments): Transfers of investment property

  The amendments provide clarifications regarding transfers from or to investment property when changing the intentions of the management only when there is a proven change in use. Only a change in the intentions of the management is not enough evidence of a change in use. The adoption of the amendments did not have any impact on the financial position or performance of the Fund.

- IFRIC 22: Foreign currency transactions and advance considerations

  The clarification addresses the issue of determining the transaction date for the purpose of calculating the spot exchange rate to convert the asset, revenue or expense (or part thereof) upon their initial recognition, that is related to the write-off of a non-monetary asset or non-monetary liability arising from a paid or received advance payment under a foreign currency transaction. The adoption of the clarifications did not have an impact on the financial position or performance of the Fund.

- Annual improvements in IFRS - Cycle 2014-2016

  A summary of the amendments to the relevant standards is presented below:

  - IAS 28 Investments in Associates and Joint Ventures - Valuation of an entity in which an investment is made at fair value.
  - The adoption of the amendments did not have an impact on the financial position or performance of the Fund.

15. Published standards that are not yet in force and have not been adopted earlier

Listed below are the published standards that are not yet effective or have not been adopted earlier by the Fund at the date of these financial statements. It is disclosed how, to a reasonable extent, the disclosures, financial position and operating results are expected to be influenced when the Fund adopts these standards for the first time. This is expected to happen when they come into effect.

- IFRS 16: Leases

  IFRS 16 was published in January 2016 and replaces IAS 17 Lease, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating lease incentives and SIC-27 Assessing the content of transactions involving the legal form of a lease. IFRS 16 establishes the principles of recognition, measurement, presentation and disclosure of a lease and requires lessees to recognise all leases under the same pattern of accounting as the accounting for finance lease under IAS 17. The Standard includes two exemptions from recognition for Leases - lease of "low value" assets (i.e. personal computers) and short-term lease (i.e. leases with a term of up to 12 months). Upon the commencement date of the lease, the lessee recognises an obligation to make lease payments (i.e. a lease liability) and an asset that represents the right to use the underlying asset over the lease term (i.e. a right of use). Lessees will be required to recognise a separate expense for interest on the lease and amortisation expense of the asset for the right of use.

  In addition, lessees will be obliged to remeasure the lease liability when certain events occur (i.e. change in the lease term, change in future lease payments resulting from a change in the index or remeasurement used to determine those payments). In principle, the lessee will recognise the amount of the remeasurement of the lease liability as remeasurement of the asset for the right of use.

  Under IFRS 16, the lessor's accounting is substantially unchanged from that applied to date under IAS 17. Lessors will continue to classify the lease agreements in applying the same classification principle as defined in IAS 17 and distinguish between both types of leasing: operating and finance lease.

  IFRS 16, which enters into force for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more enhanced disclosures than those under IAS 17.

  As of the date of approval for the issue of these financial statements for 2018, the Fund is still in the process of finalising the analysis of the effects of the initial application of IFRS 16 and does not expect a material effect.

- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets with parties to the transaction that are an investor and its associate or joint venture.

The amendments address the identified discrepancy between the requirements of IFRS 10 and IAS 28 in the sale or lease of assets with parties to the transaction that are an investor and its associate or joint venture. Full profit or loss is recognised when the transaction concerns a business and a portion of the gain or loss when the transaction relates to non-business assets. The entry into force of this amendment has been postponed for an indefinite period by the IASB, depending on the results of its own research on equity accounting method.

The amendments have not yet been adopted by the EU. The Fund does not expect these changes to have an effect on the financial position or performance.

- IFRS 9: Financial instruments: classification and measurement (Amendments):

  Characteristics of early repayment with negative compensation. The amendments in force for annual periods beginning on or after 1 January 2019, allowing for their earlier application, propose a change to IFRS 9 for specific financial assets that would otherwise have contractual cash flows that are only principal and interest payments but do not meet the eligibility condition, only as a result of the existence of early repayment characteristics with negative compensation. In particular, for financial assets with early repayment characteristics that could result in negative compensation, the amendments require the financial asset to be measured at amortised cost or at fair value through other comprehensive income, depending on the business model's assessment, within which it is held. These changes are not expected to affect the financial position or performance of the Fund.

- IAS 28: Investments in Associates (Amendments):

  Long-term participations in associated and joint ventures. The amendments shall be effective for annual periods beginning on or after 1 January 2019, allowing their earlier application. The amendments clarify that IFRS 9 Financial Instruments is applicable to long-term interests in associates and joint ventures that are, by their nature, part of the net investment in associates or joint ventures but to which the equity method does not apply. An entity applies IFRS 9 to those long-term participations before applying IAS 28. When applying IFRS 9, the entity does not take into account adjustments in the carrying amount of long-term interests that arise from the application of IAS 28. These changes are not expected to affect the financial position or performance of the Fund.

- IFRIC 23: Uncertainty over income tax treatment
- IAS 19: Employee Benefits (Amendments): Amendments, redundancies and arrangements of the plan

  The amendments shall be effective for annual periods beginning on or after 1 January 2019, allowing their earlier application. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remaining period of the annual reporting period after the change in plan, redundancy or arrangement. In addition, the amendments clarify how the accounting for the change in plan, redundancy or arrangement affects the asset ceiling requirements. These amendments have not yet been adopted by the EU. The Fund will analyse and evaluate the effects of the changes on the financial position or performance.

- A conceptual framework in IFRS

  The IASB published the Revised Conceptual Financial Reporting Framework on March 29, 2018, effective for annual periods beginning on or after 1 January 2020. The conceptual framework presents the concepts of financial reporting, development of standards, guidance on the production of consistent accounting policies and guidelines for understanding and interpreting standards. The major changes introduced in the Revised Conceptual Financial Reporting Framework relate to the concept of assessment, including the factors to be taken into account when selecting an assessment basis and the concept of presentation and disclosure, including which income and costs are classified in other comprehensive income. The conceptual framework also provides updated definitions of asset and liability and criteria for their recognition in the financial statements. A conceptual framework for financial reporting has not yet been adopted by the EU. The Fund will analyse and evaluate the effects of the changes on the financial position or performance.

- Annual improvements to IFRS Cycle 2015-2017

  In the 2015-2017 year cycle of the draft IFRS annual improvements, the IASB has published amendments that will enter into force for annual periods beginning on or after 1 January 2019. A summary of the amendments to the relevant standards is presented below:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Clarification of accounting for previously held shares in joint operations;
- IAS 12 Income Taxes – Clarification of the impact of taxes on income from payments in respect of financial instruments classified as equity;
- IAS 23 Borrowing costs – Clarification of borrowing costs eligible for capitalisation.

  Annual improvements to IFRS - Cycle 2015-2017 have not yet been adopted by the EU. The

Fund will analyse and assess the effect of the amendments on its future financial statements.

16. Contingent liabilities and assets

The Fund does not recognise contingent liabilities and contingent assets in its financial statements due to the fact that there are no potential liabilities for which it has not yet been ascertained whether the Fund has any current liabilities or their possible recognition may lead to recognition of income that may never be realised.