

**Exchange-traded fund**

**Expat Slovenia SBITOP UCITS ETF, ISIN BGSLOBI02187**

**Interim condensed financial statements**

**for the six-month period ended 30 June 2019**

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# Report on Review of Interim Financial Information

## To the unit holders

### In Exchange-traded fund

### Expat Slovenia SBITOP UCITS ETF

#### **Introduction**

We have reviewed the accompanying condensed statement of financial position of Exchange-traded Expat Slovenia SBITOP UCITS ETF ("The Fund") as of June 30<sup>th</sup>, 2019 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended.

#### **Responsibility of Management for the interim financial information**

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

#### **Auditor's responsibility**

Our responsibility is to express a conclusion on this interim financial information based on our review.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Audit Firm Ernst & Young Audit OOD:



Nikolay Garnev  
Legal Representative and  
Registered Auditor

Sofia, Bulgaria

30 July 2019



**Interim Management report of  
exchange-traded fund  
Expat Slovenia SBITOP UCITS ETF  
for the six-month period ended 30 June 2019**

Expat Slovenia SBITOP UCITS ETF ("the Fund") is a collective open-ended investment scheme for investing in securities and other liquid financial assets established and operating in accordance with the Collective Investment Schemes and Other Undertakings for Collective Investment Act (CISOUCIA), the Public Offering of Securities Act (POSA) and the regulations for its implementation, the Markets in Financial Instruments Act (MFIA), the Obligations and Contracts Act (OCA) and the other applicable laws of the Republic of Bulgaria.

The Fund is organized and managed by the management company "Expat Asset Management" EAD (hereinafter referred to as the Management Company, or MC) under CISOUCIA and the regulations for its implementation, the Obligations and Contracts Act and the other applicable laws of the Republic of Bulgaria.

The Management Company is authorized to organize and manage the Fund by the Financial Supervision Commission as of 4 January 2018. The Fund is fully compliant with the European directives for UCITS.

The sole shareholder of the MC Expat Asset Management EAD is Expat Capital AD. During the reporting period there have been changes in the management and the members of the Board of Directors of the MC Expat Asset Management EAD. In April 2019, Lachezar Dimov was dismissed from the Board of Directors. As of 30.06.2019 the Board of Directors is composed of Nikolay Vassilev, Nikola Yankov, Nikola Veselinov and Maria Boychinova.

There are no internal events that might have affected the operations or performance of the ETF or of the Management Company during the reporting period.

There are no significant events between the end of the reporting period and the date that the financial statements are authorized for issue which require disclosure.

Expat Slovenia SBITOP UCITS ETF is a passively managed exchange-traded fund which follows the model of full physical replication of the SBI TOP index calculated by the Ljubljana Stock Exchange. The Fund is listed on the Bulgarian Stock Exchange – Sofia as well as on the Frankfurt Stock Exchange (XETRA) with the ticker SLQX.

*Risk Profile and Risk Management*

The risk profile of the fund could be amended only following an authorization from the Financial Supervision Commission as disclosed in the Prospectus and the Rules of the Fund. During the reporting period the risk profile of the Fund has not been subject to changes. The main risks of investing in shares of "Expat Slovenia SBITOP UCITS ETF" have been outlined in detail in the Fund's Prospectus and can be found on the website of the MC Expat Asset Management EAD. The management of the Fund does not foresee further risks or sources of uncertainties, other than those disclosed in the Prospectus of the Fund, that could affect the performance of the Fund during the rest of the financial year.

In compliance with the requirements of the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUCIA), as a collective investment scheme the Fund may not enter into transactions with related parties.

During the reporting period the Fund has not executed any repo transactions.

**Interim report on activity of  
exchange-traded fund  
Expat Slovenia SBITOP UCITS ETF  
for the six-month period ended 30 June 2019  
(continued)**

*Tracking error report in compliance with Article 82e of Ordinance 44, 20th October 2011, on the Requirements on the Activity of Collective Investment Schemes, Their Management Companies, National Investment Funds and Managers of Alternative Investment Funds.*

| <b>ISIN</b>  | <b>Name of the exchange-traded fund</b> | <b>Expected tracking error for 2019</b> | <b>Tracking error as of 30.06.2019</b> |  |
|--------------|---|---|--|--|
| BGSLOBI02187 | Expat Slovenia SBI TOP UCITS ETF        | up to 10%                               | 3.71%*                                 |  |

| <b>ISIN</b>  | <b>Name of the exchange-traded fund</b> | <b>ETF Return for the first half of 2019</b> | <b>ETF Return for the first half of 2019 including dividends</b> | <b>Tracking difference for the first half of 2019</b> |
|--------------|---|--|--|---|
| BGSLOBI02187 | Expat Slovenia SBI TOP UCITS ETF        | 5.94%  | 12.36%   | (6.40)%   |

\*The realized tracking error was calculated based on weekly values for the 52 weeks prior to 30.06.2019.

The tracking error represents the volatility (measured through the annual standard deviation) of the return of the Fund and the one of the corresponding index for a defined period. A lower tracking error would mean a closer index tracking. The tracking error differentiates from the tracking difference which measures to what percentage extent the Fund performed better or worse than the corresponding index, while the tracking error represents the consistency in the different performance of the Fund and the corresponding Index.

Date: 30.07.2019

Nikola Yankov  
Chairman of the Board of Directors

Nikola Veselinov  
Member of the Board of Directors



## Condensed Statement of Comprehensive Income

For the six-month period ended 30 June

| <i>In thousands of BGN</i>   | <i>Notes</i> | <b>2019</b>  | <b>2018</b>    |
|--|--------------|--------------|----------------|
| Income   | 3            | 104          | 2              |
| Net gain/(loss) on financial assets at fair value through profit or loss | 6            | 158          | 10             |
| Operating expenses   | 4            | (33)         | (15)           |
| <b>Operating profit/(loss) for the period</b>                            |              | <u>229</u>   | <u>(3)</u>     |
| Tax expenses   | 10           |              | -              |
| <b>Profit/(Loss) for the period</b>                                      |              | <u>229</u>   | <u>(3)</u>     |
| Other comprehensive income   |              |              | -              |
| <b>Total comprehensive income for the period</b>                         |              | <u>229</u>   | <u>(3)</u>     |
| <b>Basic earnings/(losses) per share</b>                                 |              |              |                |
| Basic earnings/(losses) per share (in BGN)                               | 8            | <u>0.117</u> | <u>(0.049)</u> |

Date: 30.07.2019 r.

Approved by: Nikola Yankov  
Chairman of the Board of Directors

Prepared by: Tatyana Lazarova  
Head of Accounting


Approved by: Nikola Veselinov  
Member of the Board of Directors


The notes from page 7 to page 19 are an integral part of the interim condensed financial statements.

## Condensed Statement of Financial Position

| <i>In thousands of BGN</i>                               | <b>Notes</b> | <b>At 30 June<br/>2019</b> | <b>At 31<br/>December<br/>2018</b> |
|--|--------------|----------------------------|------------------------------------|
| <b>Assets</b>  |              |                            |                                    |
| Cash and cash equivalents                                | 5            | 313                        | 17                                 |
| Financial assets at fair value<br>through profit or loss | 6            | 3 954                      | 150                                |
| <b>Total assets</b>                                      |              | <u>4 267</u>               | <u>167</u>                         |
| <b>Equity</b>  |              |                            |                                    |
| Share capital  |              | 4 714                      | 196                                |
| Share premium  |              | (656)                      | (3)                                |
| Accumulated losses                                       |              | 203                        | (26)                               |
| <b>Total equity</b>                                      | 7            | <u>4 261</u>               | <u>167</u>                         |
| <b>Liabilities</b>                                       |              |                            |                                    |
| Trade and other payables                                 |              | 6                          | -                                  |
| <b>Total equity and liabilities</b>                      |              | <u>4 267</u>               | <u>167</u>                         |

Date: 30.07.2019

Approved by:   
Chairman of the Board of Directors

Prepared by: Tatyana Lazarova  
Head of Accounting 

Approved by:   
Member of the Board of Directors

The notes on page 7 to page 19 are an integral part of the interim condensed financial statements.

## Condensed Statement of Changes in Equity

In thousands of BGN

|   | Notes | Share capital | Share premium | Accumulated losses | Total capital |
|---|-------|---------------|---------------|--------------------|---------------|
| <b>Balance at 4 January 2018</b>                            |       | -             |               | -                  | -             |
| <b>Comprehensive income</b>                                 |       |               |               |                    |               |
| Loss for the period   |       | -             | -             | (3)                | (3)           |
| <b>Total comprehensive income</b>                           |       | -             | -             | (3)                | (3)           |
| <b>Issue and redemption of own shares by equity holders</b> |       |               |               |                    |               |
| Issue of shares   |       |               |               |                    |               |
| Redemption of own shares                                    |       | 137           |               | -                  | 137           |
| <b>Issue and redemption of own shares by equity holders</b> |       | 137           |               | -                  | 137           |
| <b>Balance at 30 June 2018</b>                              | 7     | 137           |               | (3)                | 134           |
| <b>Balance at 1 January 2019</b>                            |       | 196           | (3)           | (26)               | 167           |
| <b>Comprehensive income</b>                                 |       |               |               |                    |               |
| Loss for the period   |       | -             |               | 229                | 229           |
| <b>Total comprehensive income</b>                           |       | -             |               | 229                | 229           |
| <b>Issue and redemption of own shares by equity holders</b> |       |               |               |                    |               |
| Issue of shares   |       | 4 577         | (661)         | -                  | 3 916         |
| Redemption of own shares                                    |       | (59)          | 8             | -                  | (51)          |
| <b>Issue and redemption of own shares by equity holders</b> |       | 4 518         | (653)         | -                  | 3 865         |
| <b>Balance at 30 June 2019</b>                              | 7     | 4 714         | (656)         | 203                | 4 261         |

Date: 30.07.2019 r.

Approved by: Nikola Yankov  
Chairman of the Board of Directors

Prepared by: Tatyana Lazarova  
Head of Accounting

Approved by: Nikola Veselinov  
Member of the Board of Directors

The notes on page 7 to page 19 are an integral part of the interim condensed financial statements.

## Condensed Statement of Cash Flows

For the six-months period ended 30 June 2018

In thousands of BGN

|   | Notes | 1 януари<br>2019 – 30<br>юни 2019 | 4 януари<br>2018 - 30<br>юни 2018 |
|---|-------|-----------------------------------|-----------------------------------|
| <b>Cash flows from operating activities</b>                               |       |                                   |                                   |
| Received dividends  |       | 104                               | 2                                 |
| Receipts related to financial assets at fair value through profit or loss |       | -                                 | 7                                 |
| Payments related to financial assets at fair value through profit or loss |       | (3 646)                           | (122)                             |
| Payment to suppliers  |       | (24)                              | (15)                              |
| <b>Net cash flows used in operating activities</b>                        |       | <b>(3 566)</b>                    | <b>(128)</b>                      |
| <b>Cash flows from financing activities</b>                               |       |                                   |                                   |
| Proceeds from issue of shares   |       | 3 916                             | 138                               |
| Payments for redemption of shares   |       | (51)                              | -                                 |
| Payment to suppliers for financing activities                             |       | (3)                               | (1)                               |
| <b>Net cash flows used in operating activities</b>                        |       | <b>3 862</b>                      | <b>137</b>                        |
| <b>Net change in cash and cash equivalents</b>                            |       | <b>296</b>                        | <b>9</b>                          |
| Cash and cash equivalents at 1/4 January                                  |       | 17                                | -                                 |
| <b>Cash and cash equivalents at 30 June</b>                               | 5     | <b>313</b>                        | <b>9</b>                          |

Date: 30.07.2019 г.

Approved by: Nikola Yankov  
Chairman of the Board of Directors

Prepared by: Tatyana Lazarova  
Head of Accounting

Approved by: Nikola Veselinov  
Member of the Board of Directors

The notes on page 7 to page 19 are an integral part of the interim condensed financial statements.

## Notes to the Interim condensed financial statements

### 1. Corporate information

Expat Slovenia SBITOP UCITS ETF (the Fund) is an exchange-traded fund organized and managed by the Management Company "Expat Asset Management" EAD (hereinafter referred to as the Management Company, or MC). The Fund is registered on 4 January 2018 in the Bulstat Register with code 177241132.

The address of the management of the Fund and the Management Company is Sofia, zip code 1000, 96A Georgi S. Rakovski Str.

Expat Slovenia SBITOP UCITS ETF is a passively-managed exchange-traded fund which follows the model of full physical replication of the 'SBI TOP' index. The Fund is listed on the Bulgarian Stock Exchange – Sofia as well as on the Frankfurt Stock Exchange (XETRA) with the ticker SLQX. The Fund's activities include issue and sale of shares which provide the same rights to their holders. The number of shares of the Fund changes depending on the volume of sales and redemptions of shares.

### 2. Basis of preparation of the financial statements

#### (a) Statement of compliance

These interim financial statements for the six-month period ended 30 June 2019 are prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting. The interim financial statements do not include all information and disclosures required for the preparation of the annual financial statements and should be considered along with the Fund's annual financial statements at 31 December 2018.

As Expat Slovenia SBITOP UCITS ETF was registered on 4 January 2018, was registered on 4 January 2018, the Interim financial statements contain comparative information for the six-month period 4 January 2018 – 30 June 2018. The line items in the statement of financial position are presented in order of their liquidity..

#### (b) Measurement base

The financial statements have been prepared on a historical-cost basis except for the financial assets held at fair value through profit or loss (FVPL) that have been measured at fair value.

#### (c) Functional currency and presentation currency

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

These financial statements presented in Bulgarian levs (BGN), which is the presentation currency of the Fund. All financial information in BGN is rounded to the nearest 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.

#### (d) Use of judgements and estimates

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 recognized in the period in which the review has been made, when it affects that period and in future periods if the review has an effect on future periods.

## 2. Basis of preparation of the financial statements (continued)

### (d) Use of judgements and estimates (continued)

#### **Judgements**

Information about significant judgements made in applying the accounting policies which have the most significant effect on the amounts presented in the financial statements is presented in the following notes:

- Note 7 Equity - classification of the Fund's units 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 rather than consolidate them. The criteria that define an Investment Entity are:

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

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

The Management Company has determined that the Fund meets the criteria and characteristics above and falls within the definition of an investment entity. The judgment is reviewed regularly on a change in circumstances.

The Management Company has assessed that the Fund does not exercise control over its investments in shares and therefore does not consolidate them.

#### **Fair Value Measurement**

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

When assessing the fair value of an asset or liability, the Fund uses observable data as far as possible. Fair values are categorized at different levels in the fair value hierarchy based on incoming data in valuation 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 available (i.e. as prices) or indirectly (i.e. derived from prices) for observation of the asset or liability.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable incoming data).

If the input data 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 categorized in its entirety at that level from the fair value hierarchy whose input is relevant for the overall assessment.

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

### 3. Income

*In thousands of BGN*

|                    | 1 January 2019<br>- 30 June 2019 | 4 January 2018<br>- 30 June 2018 |
|--------------------|----------------------------------|----------------------------------|
| Dividends received | 104                              | 2                                |
|                    | 104                              | 2                                |

### 4. Operating expenses

*In thousands of BGN*

|  | 1 January 2019<br>- 30 June 2019 | 4 January 2018<br>- 30 June 2018 |
|--|----------------------------------|----------------------------------|
| Fees for stock registration and stock brokers  | 2                                | 12                               |
| Fees and commissions to the custodian bank     | 14                               | 2                                |
| Fees and commissions to the management company | 17                               | 1                                |
|  | 33                               | 15                               |

### 5. Cash and cash equivalents

*In thousands of BGN*

|   | 30 June 2019 | 31 December<br>2018 |
|---|--------------|---------------------|
| Cash at bank accounts   | 313          | 17                  |
| <b>Cash and cash equivalents</b>                                | 313          | 17                  |
| <b>Cash and cash equivalents in the Statement of Cash Flows</b> | 313          | 17                  |

The cash of the Fund is kept in the depository bank "Eurobank EFG Bulgaria" AD.

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

Expat Slovenia SBITOP UCITS ETF is a passively-managed fund and adheres to the full physical replication method of the SBI TOP index. The reference index SBI TOP composes of shares denominated and traded in euro.

The value of the financial assets in the statement of financial position at the date of the reporting period is determined as the close price quote of the respective asset on the Ljubljana Stock Exchange on the last business day of the relevant reporting period.

The structure of the Fund's financial assets measured at fair value through profit and loss as of 30 June 2019 and 31 December 2018 is, as follows:

**6. Financial assets at fair value through profit or loss (continued)**

At 30 June 2019

In BGN

| Type of financial instrument                | Shares                   |  |  |
|---|--------------------------|--|--|
| Regulated market on which shares are traded | Ljubljana Stock Exchange |  |  |
| Issuer                                      | Number                   | Value at the end of the reporting period | Percentage of the total financial assets |
| <i>In BGN</i>                               |                          |  |  |
| Cinkarna Celje                              | 355                      | 129 143                                  | 3.03%                                    |
| Intereuropa DD Koper                        | 7 000                    | 34 775                                   | 0.82%                                    |
| Kmecka Druzba Holding DD                    | 582                      | 98 462                                   | 2.31%                                    |
| Unior DD                                    | 1 102                    | 33 407                                   | 0.78%                                    |
| Petrol DD Ljubljana                         | 1 177                    | 821 818                                  | 19.26%                                   |
| Zavarovalnica Triglav DD                    | 10 673                   | 659 637                                  | 15.46%                                   |
| Luka Koper                                  | 5 923                    | 333 630                                  | 7.82%                                    |
| Telekom Slovenije DD                        | 3 085                    | 372 885                                  | 8.74%                                    |
| Pozavarovalnica Sava DD                     | 11 801                   | 385 449                                  | 9.03%                                    |
| KRKA  | 6 804                    | 835 709                                  | 19.59%                                   |
| Nova Ljubljanska Banka DD                   | 2 160                    | 249 251                                  | 5.84%                                    |
|   | 50 662                   | 3 954 166                                | 92.67%                                   |

At 31 December 2018

In BGN

| Type of financial instrument                | Shares                   |  |  |
|---|--------------------------|--|--|
| Regulated market on which shares are traded | Ljubljana Stock Exchange |  |  |
| Issuer                                      | Number                   | Value at the end of the reporting period | Percentage of the total financial assets |
| Cincarna Celje                              | 20                       | 7 080                                    | 4.23%                                    |
| KRKA  | 319                      | 36 062                                   | 21.56%                                   |
| Luka Koper                                  | 265                      | 13 476                                   | 8.06%                                    |
| Nova Ljubljanska Banka DD                   | 80                       | 9 701                                    | 5.80%                                    |
| Petrol DD Ljubljana                         | 50                       | 30 316                                   | 18.12%                                   |
| Pozavarovalnica Sava DD                     | 445                      | 13 316                                   | 7.96%                                    |
| Telekom Slovenije DD                        | 125                      | 14 424                                   | 8.62%                                    |
| Zavarovalnica Triglav DD                    | 432                      | 25 601                                   | 15.30%                                   |
|   | 1 736                    | 149 976                                  | 89.65%                                   |



## 6. Financial assets at fair value through profit or loss (continued)

### Net profit / (loss) on financial assets at fair value through profit or loss

In thousands of BGN

|   | 1 January 2019<br>– 30 June 2019 | 4 January 2018<br>– 30 June 2018 |
|---|----------------------------------|----------------------------------|
| Gain from valuation of financial assets at fair value through profit and loss | 158                              | 10                               |
| <b>Net gain on financial assets at fair value through profit or loss</b>      | <b>158</b>                       | <b>10</b>                        |

## 7. Equity

The Fund's equity is equal to the net asset value (NAV). The movement in units and in the NAV of the Fund at the beginning and at the end of the reporting period is, as follows:

| <i>In thousands of BGN</i>   | Number of<br>shares | Value        | Number of<br>shares | Value      |
|------------------------------|---------------------|--------------|---------------------|------------|
|                              | 30 June 2019        |              | 30 June 2018        |            |
| <b>At 1 January 2019</b>     | 100 000             | 167          | -                   | -          |
| Issue of new shares          | 2 340 000           | 3 916        | 70 000              | 137        |
| Redemption of shares         | (30 000)            | (51)         | -                   | -          |
| Gain / (loss) for the period | -                   | 229          | -                   | (3)        |
| <b>At 30 June 2019</b>       | <b>2 410 000</b>    | <b>4 261</b> | <b>70 000</b>       | <b>134</b> |

*In BGN*

|                          | 30 June 2019 | 30 June 2018 |
|--------------------------|--------------|--------------|
| Net asset value per unit | 1.7683       | 1.9056       |

### Equity

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

- The shares entitle the holder to a proportionate share of the Fund's net assets at any time and in the event of the Fund's liquidation;
- The units issued by the Fund are in the class of instruments that is subordinate to all other classes of instruments in the event of the Fund liquidation;
- Apart from the contractual obligation of the Fund for redemption, the share issued by the Fund do not incur any other contractual obligation to the Fund to provide cash or other financial assets or to exchange financial assets or financial liabilities;
- The total expected cash flows attributable to the shares issued by the Fund over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund;
- The Fund does not issue financial instruments other than shares.

## 7. Equity (continued)

### Premium reserve

The Fund's equity is divided into shares. The nominal value of the shares is 1 (one) euro. The shares of the Fund are acquired at issue value. The number of shares of the Fund changes because of their sale or redemption. The difference between the issue and the nominal value of the shares on sale or redemption is recorded as a premium reserve.

### Capital management

The Fund's equity is equal to the net asset value of the assets (NAV), which may not be less than BGN 500,000, or their equivalence. This minimum threshold must be reached within two years from the date of receipt of the authorization from the Financial Supervision Commission for the organization and management of the Fund.

For the Fund's admission to trading on a regulated market, the minimum net asset value may not be less than BGN 100,000 or the euro equivalent.

### Dividend policy

The policy of the Fund is not to pay dividends. The dividends received from the shares in which the Fund has invested, as well as the capital gains realized on trading of the shares are reinvested.

## 8. Basic earnings per share

|  |          | 01 January<br>2019 – 30<br>June 2019 | 04 January<br>2018 - 30<br>June 2018 |
|--|----------|--------------------------------------|--------------------------------------|
| Net profit / (loss) per share for the period | (in BGN) | 0.117                                | (0.049)                              |

The basic earnings per share is calculated by dividing the profit or loss for the period to be distributed among the equity holders (numerator) to the weighted average number of shares issued for the period (denominator).

The weighted average number of issued shares for the reporting period is 1 960 000 (2018 - 69 310). The weighted average number is calculated by taking the arithmetic mean of the issued shares for each day of the period.

## 9. Income taxes

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

## 10. Related parties

The Fund is a separate entity without management body and its management is carried out by the Management Company "Expat Asset Management" EAD. The sole shareholder of MC is "Expat Capital" AD. As of 30 June 2018, related parties of the Fund are the MC Expat Asset Management EAD and Expat Capital AD. Related party transactions are performed on contractual terms and no guarantees are provided or received.

The expenses accrued to the MC "Expat Asset Management" EAD (note 4) incurred during the reporting period under contracts include:

## 10. Related parties (continued)

- Remuneration under a management contract;
- Expenditures for issue and redemption of shares.

## 11. Financial instruments

### **Fair value measurements**

The fair value of the Fund's financial instruments is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used in measuring the fair value:

- Quoted shares use the close market price on the date of the reporting period
- 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 respective carrying amount.

### **Risk profile and risk management**

#### **Risk profile**

The Fund's risk profile represents the amount and type of risk the Management Company undertakes by investing the Fund's assets with the aim of replicating the Reference Index, which at the date of this Prospectus is an index of shares traded on the Ljubljana Stock Exchange. In that context, investing in units of "Expat Slovenia SBITOP UCITS ETF" is associated with taking high risk, given that the Reference Index is composed of shares.

As regards its operations, "Expat Slovenia SBITOP UCITS ETF" is exposed to various types of risks affecting its performance.

#### **Credit risk**

The Fund owns cash and quoted shares, and the level of exposure to credit risk is mainly related to cash held in current accounts with banks. The credit risk associated with the quoted shares is part of the total investment risk of unit-holders in the fund.

The main risks that investors will incur when investing in units of "Expat Slovenia SBITOP UCITS ETF" are presented below.

#### **Market risk**

Possibility of losses due to unfavorable changes in securities prices, market interest rates, exchange rates, etc. This market risk affects the net asset value of the Fund, which will also fluctuate as a result of changes in the market prices of the shares and other securities in which the Fund has invested.

The Fund is not exposed to the risk of a change in market interest rates as financial assets represent quoted shares.

#### **Currency risk**

The Fund has been set up and traded in EUR, and the reference index SBI TOP is composed of shares denominated and traded in euro and therefore the value of the Fund's financial assets is not subject to currency risk.

## 11. Financial instruments (continued)

### Risk profile and risk management (continued)

#### **Extreme market movements**

The market price of the financial instruments in which the Fund has invested may vary due to changes in the economic and market environment, central bank monetary policy, business activity of issuers, the sector in which the issuer operates and the demand and supply of the securities market. At certain times, stock market prices (stock market) may vary considerably. In case of large movements of the Index, including large daily movements, the Fund's performance may deviate from its investment objectives. The revaluation of the Fund will vary as a result of a change in the value of the Fund's assets and the Reference Index.

A change of 5% in market prices of assets would have the following effect on the Fund's profit / (loss), based on the Fund's portfolio:

|                              | <b>At 30 June 2019</b><br><i>(Effect in thousands<br/>of BGN)</i> | <b>At 31 December 2018</b><br><i>(Effect in thousands<br/>of BGN)</i> |
|------------------------------|---|---|
| 5% increase in market prices | 213   | 8   |
| 5% decrease in market prices | (213)   | (8)   |

#### **Inability of the Management Company to adapt to market changes**

The Fund follows a passive strategy, i.e. is not actively managed. Accordingly, the Management Company shall not change the composition of the portfolio except to follow closely the overall profitability of the Reference Index. The fund does not try to "beat" the market and does not take defensive positions when the market falls or is considered overvalued. Therefore, a decline in the Reference Index may result in a fall in the value of the Fund's assets.

#### **Liquidity risk**

Risk related to the possibility of losses or lost profits from urgent or forced sales of assets under unfavorable market conditions (such as low demand in the presence of oversupply). Liquidity risk exists also when the Fund may need to redeem the shares of the investors. The Fund invests in quoted shares which, under normal market conditions, are quickly and easily sellable, which substantially reduces the exposure to this risk.

#### **Purchase and redemptions**

If orders for the purchase and redemption of units are received late or do not comply with the requirements of the Prospectus and the Fund Rules, there will be a delay between the time of the order submission and the actual date of purchase or redemption. Such postponements or delays may result in a reduction in the number of units or the amount of redemptions.

#### **Trading on regulated market**

There is no certainty that the Fund will receive approval for trading on a regulated market and/or that the Fund's units will be traded or that the conditions for admission to trading will not change. Furthermore, trading units on a stock exchange may be suspended according to the rules of the relevant stock market due to market conditions and investors may not be able to sell their units until the trade is restored

## 11. Financial instruments (continued)

### Risk profile and risk management (continued)

#### *Regulatory risk*

The prospectus has been prepared in accordance with 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 may prevent or significantly limit the ability of the Fund to invest in certain instruments. They may also impede the conclusion of Agreements with certain third parties. This may impair the ability of the Fund to comply with the relevant investment objectives and policies. The implementation of such new or amended laws, rules and regulations may result in an increase in all or some of the Fund's costs and may require a restructuring of the Fund in order to comply with the new rules. Such possible restructuring may involve restructuring costs. Where restructuring is not possible, the Fund may be terminated. Fund assets and the Reference Index are subject to change in laws or regulations and/or such a change may affect their value and/or their liquidity.

#### *Operational risk*

It is related to the possibility of incurring losses due to errors or inadequacies in the system of organization, insufficiently qualified personnel, unfavourable external events of a non-financial nature, including legal risk.

#### *Risk of tracking the Reference Index error*

Tracking the Reference Index by investing in all index positions may be costly and difficult to implement. The Portfolio Manager may use optimization techniques such as selecting individual items in the Index in proportions that are different from those in the Index. The use of such optimization techniques may increase the tracking error and lead to a different performance of the Fund compared to that of the Index. Also, existing restrictions or future amendments to the law and Fund's regulations regarding but not limited, the composition, concentration, and way of asset valuation may lead to the Fund's inability to replicate the index entirely. Moreover, exchange traded funds in markets with low liquidity are at greater risk of tracking error.

#### *Reference Index*

In the event of an event that affects the Index, the Fund may have to discontinue the purchase and redemption of shares. The revaluation of the Fund may also be affected. In case of ongoing problems with the Index, the Fund will take appropriate actions that may reduce the net asset value of the Fund.

#### *Systemic risks*

Systemic risks depend on general fluctuations in the economy and the markets. The Fund may not influence systemic risks but takes them into account and comply therewith. The risks posed by the political and economic conjuncture are the possible instability or military action in the region. Disasters and accidents are factors that complicate any risk management system.

Consequences are difficult to predict, but access to information and the implementation of a forecasting and action system in extreme situations are possible ways to minimize the negative effect.

## 12. Events after the reporting date

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

## 13. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Interim financial statements are in accordance with those applied to the preparation of the Fund's annual financial statements for the year that ended on 31 December 2018 with the exception of the acceptance of new standards which entered into force on 1 January 2019. The Fund has not previously adopted other standards, interpretations or corrections, which have been published, but are not yet in 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.

This standard has no effect on the Fund's financial position or performance.

### 13. Changes in accounting policies and disclosures (continued)

#### IFRS 16: Leases (continued)

##### ***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 amendments do not have an effect on the Fund's 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 amendments do not have an effect on the Fund's financial position or performance.

##### ***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 amendments do not have an effect on the Fund's financial position or performance.

##### ***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 changes do not have an effect on the Fund's financial position or performance.

### 13. Changes in accounting policies and disclosures (continued)

IFRS 16: Leases (continued)

#### **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.

The amendments described above do not have an effect on the Fund's financial position or performance.

### 14. 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 Interim 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.

- ***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.

- ***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.***



## **15. Contingent Liabilities and Assets**

The Fund does not recognize 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 them as current liabilities or their possible recognition may lead to recognition of income that may never be realized.

