



**UBB
ASSET
MANAGEMENT**

PORTFOLIO MANAGEMENT AND INVESTMENTS

MF „UBB GLOBAL CHILD FUND”

***ANNUAL MANAGEMENT REPORT
INDEPENDENT AUDITOR’S REPORT
AND ANNUAL FINANCIAL REPORT***

December 31, 2016

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

	Clarifications	2016	2015
Assets			
Cash and cash equivalents	3	680	-
Fixed term deposits	4	111	-
Financial assets reported at fair value in the profit or the loss	5	408	-
Other assets	6	11	-
Total assets		1,210	-
Liabilities			
Current liabilities	8	29	-
Total liabilities		29	-
Net assets, owned by the investors in units		1,181	-
Net asset value per unit, approved by the depositary bank by the last business day of the reporting period		9.7713lv.	-

This financial report was approved by the Board of Directors on March, 2017 г.

Prepared by:
Elena Kyoseva
Chief Accountant

Katina Peycheva
Executive Director

Stefan Tamnev
Procurator

Application notes are an integral part of this financial report.

Silvia Peneva
Registered auditor
Date: March, 2017

MUTUAL FUND „UBB GLOBAL CHILD FUND“
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	Clarifications	from 31.03.2016 to 31.12.2016	2015
Net positive/(negative) differences from operations with financial assets reported at fair value in the profit or the loss, incl.:		(16)	-
<i>From subsequent assessment</i>		(16)	-
Interest incomes	9	5	-
Other financial expenses	10	(1)	-
Expenses on external services	11	(16)	-
NET PROFIT/(LOSS) BEFORE TAXATION		(28)	-
Tax expenses		-	-
NET PROFIT/(LOSS) AFTER TAXATION		(28)	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		(28)	-

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	Clarifications	From 31.03.2016 to 31.12.2016	2015
Cash flows from operating activity			
Money payments, related to financial assets reported at fair value in the profit or the loss		(521)	-
Money proceeds, related to financial assets reported at fair value in the profit or the loss		98	-
Money payments, related to fixed term deposits		(110)	-
Interest proceeds		3	-
Money payments, related to the depositary bank		(1)	-
Money payments, related to currency operations		(3)	-
Money proceeds, related to currency operations		4	-
Commission payments to investment firms on transactions for the Fund's portfolio		(1)	-
Cash payments related to other counterparties		(1)	-
Net cash flows (for) operating activity		(532)	-
Cash flows from financial activity			
Cash proceeds from issuance of units		1,272	-
Cash payments for redemption of units		(60)	-
Net cash flow from financial activities		1,212	-
Net change of cash and cash equivalents		680	-
Cash funds and cash equivalents at the beginning of the period	3	-	-
Cash funds and cash equivalents at the end of the period	3	680	-

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In thousands lev unless otherwise stated

	Clarifications	from 31.03.2016 to 31.12.2016	2015
Net assets owned by the investors in units at the beginning of the period by 01 January		-	-
Net profit/(loss) for the period		(28)	-
Issuance of units during the period	7	1,269	-
Redemption of units during the period	7	(60)	-
Net assets owned by the investors in units at the end of the period by December 31		1,181	-

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MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016

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1 Организация и дейност

Mutual Fund „UBB Global Child Fund“ („The Fund“) is a collective investment scheme.

The scope of activity of MF „UBB GLOBAL CHILD FUND“ is collective investment in transferrable securities or other provided in law liquid financial instruments and money funds, raised through public offering of units, subject to the principle of risk spreading. The main capital of MF „UBB GLOBAL CHILD FUND“ by the date of registration is zero. The number of units is unlimited and is constantly changing, depending on the issue (issuing) and the redemption of its units. The nominal value per unit is 10 (ten) lev, ISIN code BG9000004168.

No restrictions on the duration of the fund are provided. The mutual fund is not a legal entity and therefore has no management bodies. Organization and management of MF „UBB Global Child Fund“ is performed by the Management Company "UBB Asset Management" ("Management Company"), which takes all decisions on its establishment, operation, reorganization and dissolution. In carrying out management operations of MF „UBB Global Child Fund“, the Management Company acts on its own behalf and on behalf of the Fund.

The mutual fund is considered established from the moment of entry in the register maintained by the Financial Supervision Commission, which is performed with permission № 145-MF from 12.03.2016. The public offering of its units began on 31 March 2016 and conducted through the branch network of „United Bulgarian Bank“ JSC. The management company at the expense of MF "UBB GLOBAL PHARM INVEST" has signed a contract for depository services with "Eurobank Bulgaria" JSC, which was selected for Depository Bank by the Fund's Board of Directors.

The Fund issues/sells units at the request of investors. Cash resources raised from issuing of units of MF „UBB Global Child Fund“, are invested by the Management Company in transferable securities - primarily in equity securities of companies operating in the health sector, mainly in the pharmaceutical industry, biotechnology and segment medical equipment admitted to trading on regulated markets at home and abroad that have high growth potential - in order to ensure profits for investors. Each investor is entitled to a corresponding portion of the assets of MF „UBB Global Child Fund“, including liquidation, and participates in proportion to the holdings of shares in the profits and losses. One of the most essential rights of unitholders is at their request, such units to be repurchased by Mutual Fund „UBB Global Child Fund“ by the Management Company at a price which is based on net asset value and reflects realized gains or losses.

The headquarters and registered office of MF „UBB GLOBAL PHARM INVEST“ is in Sofia, municipality Vazrazhdane, 5 St.Sofia str., where is the headquarters of the Management Company "UBB Asset Management", which organizes and manages the fund. The address for correspondence is Sofia, 9 Todor Aleksandrov blvd.

The annual financial statements is approved by the Board of Directors of the Management Company "UBB Asset Management" with Minutes № from03.2017.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016

In thousands lev unless otherwise stated

2 Significant elements of the accounting policy

2.1 Basis for preparation and presentation of financial reports

Mutual Fund „UBB Global Child Fund“ organizes its current accounting records in accordance with the requirements of the Bulgarian accounting, tax and trade legislation and approved by the management of the Management Company accounting policy.

This financial report has been prepared in all significant aspects, in compliance with International Financial Reporting Standards (IFRS) and the interpretations issued by the Committee Interpretations (IFRIC) as adopted by the European Union (EU) and applicable in Republic of Bulgaria. IFRS adopted by the EU do not differ from IFRS as issued by the IASB, and are effective for reporting periods ending on December 31, 2016.

The financial report includes statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes to them.

Accounting of the Fund is kept separately from the accounting of the Management Company.

2.2 Changes in IFRS

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
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2 Significant elements of the accounting policy (continued)

2.2 Changes in IFRS (continued)

- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Company’s financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 “Financial Instruments”** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);

2 Significant elements of the accounting policy (continued)

2.2 Changes in IFRS (continued)

- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the reporting date.

2.3 Operating concern

The financial report of the Company have been prepared on the going concern principle.

2.4 Functional currency and presentation currency

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

The Company functional currency is the currency of the Republic of Bulgaria - lev ("Levs"). The financial report has been prepared and presented in thousands lev (thousand Lev).

2.5 Accounting convention

The financial statements are prepared under the historical cost convention, except for financial assets at fair value through profit or loss are stated at fair value.

The preparation of financial statements in conformity with IFRS requires management to make accounting estimates and reasonable assumptions that affect the carrying amounts of assets and liabilities, income and expenses for the period. These estimates and assumptions are based on information available at the date of preparation of the financial statements and future actual results may differ from these estimates.

2.6 Foreign currency

Transactions in foreign currencies, i.e. transactions denominated in currencies other than lev, which is the functional currency of the Fund, are recorded at the exchange rate applicable on the date of the transaction. Gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities, denominated in foreign currencies, are included in the result for the period.

Monetary assets and liabilities, denominated in foreign currencies, are evaluated in lev on the official rates of exchange as follows:

Currency	31-12-2016	31-12-2015
EUR*	1.95583	1.95583
USD	1.85545	1.79007
CAD	1.37851	1.28919

* Fixed exchange rate in accordance with the Law on the Bulgarian National Bank

2.7 Cash and cash equivalents

The Fund accounted for as cash and cash equivalents balances on current accounts, which are measured at their nominal value or deposits with original maturity up to three months.

The management company is obliged to pay the received cash funds for the issuance of shares of the Fund's bank account at the custodian bank at the latest by the end of the next working day.

Cash resources denominated in foreign currencies are translated to BGN equivalent using the exchange rate of the Bulgarian National Bank valid for the day of the valuation.

2.8 Fixed Term Deposits

For the purposes of the financial report, the Fund accounts as deposits these with genuine maturity of more than three months. The Fund evaluates deposits at their nominal value with accrued interest.

The management company at the expense of the Fund may not enter into bank deposits for a period longer than 12 months.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

2 Significant elements of the accounting policy (continued)

2.8 Fixed Term Deposits (continued)

MF „UBB GLOBAL PHARM INVEST” may not invest more than 20 percent of its assets in deposits in one bank. The restriction does not apply to the total amount of term deposits and cash in current accounts with depository bank, which at December 31, 2016 amounts to 56.20% of the total assets of the Fund, and is formed solely of cash in current accounts.

THE FUND supports the following currency structure of bank deposits:

- Bank deposits in lev - up to 100% of bank deposits;
- Bank deposits in another currency - up to 50% of bank deposits.

Deposits denominated in foreign currencies are translated to BGN equivalent using the exchange rate of the Bulgarian National Bank valid for the day of the valuation.

2.9 Financial assets and liabilities

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) all financial assets and liabilities, including derivative financial instruments must be recognized and valued in the statement of financial position according to the category to which they are classified.

Financial assets

Financial assets are classified in accordance with IAS 39 in four categories: financial assets at fair value through profit or loss investments held to maturity, loans and receivables and financial assets available for sale. Management determines the classification of its investments at initial recognition.

Financial assets and liabilities held for trading

Financial assets and liabilities at fair value through profit or loss include trading instruments that The Fund acquires and holds mainly to sell or acquire back in the short term or keep them as part of a portfolio that is managed as a whole term profit.

Financial assets and liabilities at fair value through profit or loss include trading instruments that The Fund acquires and holds mainly to sell or acquire back in the short term or keep them as part of a portfolio that is managed as a whole term profit. All changes in fair value are recognized as part of net trading income in the statement of comprehensive income. Financial assets and liabilities are not reclassified subsequent to initial recognition except The Fund considers that it would not hold them for trading in the near future following conditions are met: if the financial asset meets the definition of loans and receivables it could be reclassified if The Fund has the intent and ability to hold the asset for the foreseeable future or until maturity; if the financial asset does not meet the definition of loans and receivables, then it may be reclassified outside the category of "trading" only "unusual circumstances".

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
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2 Significant elements of the accounting policy (continued)

2.9 Financial assets and liabilities (continued)

Financial assets (continued)

Financial assets initially designated at fair value through profit or loss

Financial assets reported at fair value through profit or loss are securities that upon initial recognition are designated at fair value through profit or loss. Securities at fair value through profit or loss are subsequently remeasured at fair value.

The differences between the book value of sold securities and their selling price are reflected net in the income statement as a gain or loss from operations with financial assets at fair value through profit or loss. Any changes in the fair value of securities is reflected in the statement of comprehensive income. Interest income on securities held for the period in which they are kept are recorded as interest income from financial assets at fair value through profit or loss. Dividend income is recognized when the right to receive.

By December, 31 2016 and December, 31 2015 the financial assets, reported on fair value in the profit or the loss, consist from foreign shares and units of CIS.

By December, 31 2016 and December, 31 2015 has not concluded deals with derivative financial instruments.

Purchase and sale of financial assets reported at fair value in the profit and the loss are recognized on the date of conclusion of the deal.

Receivables

The Fund's receivables are current in nature and are expected to be collected within the next reporting period. The receivables are stated at their nominal value, net of depreciation.

Financial liabilities

Financial liabilities which are not derivatives or are not defined at their acquisition at fair value through profit or loss, are measured at amortized cost. They are initially recognized at "cost", i.e. the fair value of incoming cash flows upon occurrence of liability, decreased by transaction costs. Subsequently any difference between net proceeds and the redemption value is recognized in net income for the period using the effective interest rate for the term of the liability.

Depreciation and netting of financial assets and liabilities

A financial asset is derecognized on the value date after The Fund has no more control over the contractual rights and has transferred substantially the risks of ownership. This occurs when the rights are realized, expire or are redeemed. A financial liability is derecognised when it is extinguished.

Financial assets and liabilities are offset and the net amount is reported in the income statement only when The Fund has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016

In thousands lev unless otherwise stated

2 Significant elements of the accounting policy (continued)

2.9 Financial assets and liabilities (continued)

Financial liabilities (continued)

Impairment of financial assets

Currently and at the end of each reporting period, the Company determines whether there are objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the asset / group assets and these events have an effect on the expected cash flows of the asset / group assets.

2.10 Short-term liabilities

Short-term liabilities include trade marks and other liabilities. They are recognized when there is a contractual obligation to pay cash to another company or individual. Lev obligations are valued at cost incurred.

2.11. Provisions, contingent assets and liabilities

As of the date of the report, The Fund has no recognized provisions, contingent liabilities and contingent assets.

2.12. Net assets belonging to the investors in units

Net assets belonging to the investors in units of the Fund include the subscribed capital, share premium, general reserves and retained earnings.

The subscribed capital of the Fund is variable, depending on the issued and redeemed units. The Fund issues / sells units at the request of investors.

MF „UBB GLOBAL CHILD FUND” account subscribed capital at nominal value of issued and registered units.

Share premium at issuance / redemption of units of the Fund are the difference derived from the net asset value per share and the nominal value multiplied by the corresponding number of units issued / redeemed on the day of settlement.

Net assets belonging to investors of the Fund are the basis for determining the issue price and redemption price of its units for each business day.

2.13. Taxation

According to Art. 174 of the Law on Corporate Income Tax (CIT), collective investment schemes that are admitted to public offering in the Republic of Bulgaria under the Law on the activities of collective investment schemes and other collective investment undertakings (CISOCIU act) are not subject to corporation taxation.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

2 Significant elements of the accounting policy (continued)

2.14. Incomes

The main incomes of MF „UBB GLOBAL PHARM INVEST” are:

- positive difference from operations with financial assets (positive difference between the revalued amount and the purchase price of the financial instrument);
- ex-post evaluation of assets (Gains from changes in valuation of financial instruments);
- dividend incomes;
- interest income on term and demand deposits;
- revenues related to foreign currency revaluation (gains from foreign exchange).

Interest income is recognized on an accrual basis. The net result of differences from valuation changes of financial assets at fair value through profit or loss are reported as current income or expense from revaluation. The difference between the revalued amount and the purchase price of financial assets at fair value through profit and loss on transactions are recognized as current revenue or expenses from investment operations.

2.15. Expenses

All expenses are recognized when incurred in the statement of comprehensive income.

Financial expenses are:

- Expenses from operations with financial assets (negative difference between the revalued amount and the purchase price of the financial instrument);
- costs of subsequent measurement of financial assets (Losses from changes in valuation of financial instruments);
- commissions paid on securities transactions;
- expenses related to foreign currency revaluation;
- bank charges for money transfers.

Non-financial expenses are:

- outsourced services, including fees of the custodian bank and the management company, the Financial Supervision Commission (FSC), Central Depository (CD) remuneration of the auditor and costs for setting up the Fund;

2.16. Fair value of financial assets and liabilities

The Fund determines the fair value of financial assets and liabilities in accordance with IFRS 13 "Fair Value Measurement". IFRS 13 applies when another IFRS requires or permits fair value measurement or disclosure of valuation at fair value as financial instruments and non-financial assets. The standard is not applicable to transactions with payment based on shares falling within the scope of IFRS 2 "Share-based Payment Shares", leasing transactions within the scope of IAS 17 "Leases"; as well as assessments that have some similarities to fair value measurement, but do not constitute such - as assessment at net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
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2 Significant elements of the accounting policy (continued)

2.16. Fair value of financial assets and liabilities (continued)

IFRS 13 defines fair value as the price for the sale of an asset or transfer a liability in an orderly transaction between market participants at the measurement date fixed (or most advantageous) market at current market conditions. The fair value under IFRS 13 is the selling price, whether that price is directly available or determined by another method of valuation.

Fair Value Disclosure

IFRS 7 "Financial Instruments: Disclosures" requires disclosure in the notes to the financial statements of information about fair value of financial assets and liabilities. The Fund's policy is to disclose the fair value of these assets and liabilities for which there is available market information, and whose fair value is materially different from reading.

Determining the fair value method of valuation

Some of the assets and liabilities of the Fund are valued at fair value for financial reporting purposes. For those assets and liabilities as well as assets and liabilities, which require disclosure of the estimated fair value The Fund discloses the level in the fair value hierarchy to which fair value measurements are categorized in their entirety, any significant transfers between Level 1 and level 2 of the fair value hierarchy and the reasons for it, as well as a reconciliation of opening to closing balances of assessments subject to level 3.

Financial instruments of the Fund that are not carried at fair value include cash and bank accounts, term deposits, receivables and payables. In order to assess the fair value of each class of financial instruments, the following methods and assumptions:

Cash in hand and at banks - due to liquidity nature of these instruments, their carrying amount corresponds to fair value.

Term deposits are initially recognized at fair value. After initial recognition, they are recorded at par with accrued interest. Since term deposits with maturity up to one year, The Fund believes that the carrying value of term deposits does not differ significantly from their fair value.

Other receivables and payables are stated at nominal value, such receivables are reduced by the impairment loss. The carrying value of these instruments is the best estimate of their expected fair value.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

2 Significant elements of the accounting policy (continued)

2.16. Fair value of financial assets and liabilities (continued)

Hierarchy of fair value

MF “UBB GLOBAL PHARM INVEST” carries out daily revaluation of portfolio securities, including securities which are in the process of settlement. The difference of revaluation is reflected in the current financial result.

The Fund uses the following hierarchy for determining and disclosing the fair value:

- Level 1: announced (unadjusted) prices in active markets for identical assets or liabilities to which the entity can access at the measurement date;
- Level 2: other assumptions than those included in Level 1 quoted prices for the asset or liability that are observable either directly or indirectly;
- Level 3: Unobservable assumptions for the asset or liability.

In the process of determining the fair value of assets and liabilities, The Fund uses market information as far as it is available. Where information from Level 1 in the fair value hierarchy is not available, The Fund applies valuation methods using maximum observable hypotheses and minimizes the use of unobservable such. The methods of valuation used to estimate the fair value, consistently applied.

The following table summarizes the assets at fair value in the statement of financial position as at December 31, 2016:

2016	Balanced Value	Level 1 - quoted market price	Level 2 - Valuation technique - observable market levels	Level 3 - Valuation technique - no observed market levels	Not available fair value
Assets measured at fair value					
Foreign shares	204	204	-	-	-
Foreign units of UCITS	204	204	-	-	-
Total	408	408	-	-	-

Subsequent measurement of Bulgarian and foreign transferable securities and money market instruments admitted to or traded on a regularly functioning, recognized and publicly accessible active regulated markets abroad is carried out:

Securities traded on regulated markets and official markets of stock exchanges:

a) on the last price of a transaction concluded with them on the market on the day to which the assessment takes place.

b) failing to apply the valuation method under letter "a" assessment is carried out "bid" price at market close on the day to which assessment takes place, announced in an electronic system for price information of securities.

c) failing to apply the valuation method under letter "b" of the evaluation is done on the last price of a transaction concluded with them within the last 30-day period preceding the day on which the assessment is done.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016

In thousands lev unless otherwise stated

Subsequent measurement of financial instruments admitted to trading on more than one active regulated market is done at prices made public by the regulated market on which the management company has provided access and the financial instrument is initially purchased. If the financial instrument has bought more than one active regulated market, the valuation shall be carried out at prices made public by the regulated market on which the same day is traded the highest volume (number of shares traded) of the financial instrument.

Subsequent evaluation issued by the Republic of Bulgaria securities and money market instruments as well as issued by another Member State securities and money market instruments traded on trading venues in active markets abroad is carried out:

- a) as "buy" at market close on the date of the valuation, announced in an electronic system for price information (Reuters, Bloomberg or other systems for pricing information);
- b) if the foreign market is not working on the day to which the assessment takes place - on the "bid" price at market close on the last business day announced in an electronic system for price information.
- c) if the price calculated according to letters "a" and "b" is gross, it is used directly. Provided that it is clear, on the basis of interest characteristics and frequency of coupon payments, it is converted to gross and then used for revaluation.

In cases where the market price can not be determined, the revaluation of securities is carried out in a defined fair value. Mutual Fund has adopted a methodology for determining fair value of financial instruments, which describes the principles of determining the fair value of financial instruments set out in the approved by the FSC Rules for valuation and determination of the net asset value of the fund (such as "method of discounted net cash flows" and "method of net asset value").

Financial assets denominated in foreign currencies are translated to BGN equivalent using the exchange rate of the Bulgarian National Bank valid for the day of the valuation.

2.17. Investment portfolio

In managing the investment portfolio of the Fund Management Company maintains structure and composition of the Fund's assets as follows:

Type of assets	Proportion of the total assets of the Fund
Equity securities of companies operating in the health sector, mainly in the pharmaceutical industry, biotechnology and segment medical equipment, admitted to or traded on a regulated market; securities recently issued in terms of whose issue included a commitment admission and within a period not exceeding one year from their issue, to be admitted to trading on the official market of a stock exchange or on another regulated market functioning regularly, recognized and open to the public, included in the list approved by the Vice-President; units of collective investment schemes whose investment policy corresponds to the risk focus of the Fund; derivative financial instruments	Up to 95 %
Debt securities admitted to or traded on regulated markets; debt securities recently issued in terms of whose issue included a commitment admission, and within a period not exceeding one year from their issue, to be admitted to trading on the official market of the stock exchange or another regulated market functioning regularly, recognized and open to the public, included in the list approved by the Deputy Chairperson of the Financial Supervision Commission; units of collective investment schemes that have a conservative investment policy.	Up to 50 %
Bank deposits and liquid funds	Not less than 5%

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

Securities and money market instruments	Up to 10%
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Some of the key regulatory investment restrictions, which The Fund is respected:

- The Fund may not invest more than 5 per percent of its assets in transferable securities or money market instruments issued by a single person.
- The Fund may invest up to 10 per cent of its assets in transferable securities or money market instruments issued by one person only, provided that the total value of investment in people, in each of which it invests more than 5 per cent of its assets must not exceed 40 percent of the assets of the collective investment scheme. The restriction under the first sentence does not apply to deposits with credit institutions that are implemented prudential supervision and to transactions with OTC derivative financial instruments with these institutions.

2.18. Comparative information

The presentation and classification of items in the financial statements are kept in different reporting periods to ensure comparability of comparative information. Data for previous years adjusted where necessary for the purpose of comparability with the current year presentation.

3. Cash and cash equivalents

	31.12.2016	% of the assets	31.12.2015	% of the assets
Cash amounts on current accounts	680	56.20%	-	-
<i>In Lev</i>	542	44.81%	-	-
<i>In Euro</i>	68	5.58%	-	-
<i>In USD</i>	70	5.81%	-	-
Total:	680	56.20%	-	-

The Fund has three current accounts in the Depositary Bank – in lev, in euro and in US dollar.

4. Fixed term deposits

	31.12.2016	% of the assets	31.12.2015	% of the assets
Deposits	111	9.13%	-	-
<i>with maturity up to 1 year in Lev</i>	111	9.13%	-	-
Total:	111	9.13%	-	-

5. Financial assets, reported at fair value in the profit or the loss

	31.12.2016	31.12.2015
Foreign shares	204	-
Foreign units in CIS	204	-
Total:	408	-

Financial assets, reported at fair value in the profit or the loss, are classified as held for trading.

Financial assets held for trading are presented according to the hierarchy for determining and disclosing the fair value as follows:

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

Financial assets, held for trading	31.12.2016	% of the asset	31.12.2015	% of the asset
Assessed at fair value level 1 – closing price	408	33.75%	-	-
Total:	408	33.75%	-	-

6. Other assets

	2016	2015
Expenses for future periods	11	-
Total:	11	-

7. Net assets belonging to the investors in units

The subscribed capital of MF „UBB GLOBAL PHARM INVEST” to December, 31 2016 is distributed in 120,848.2329 units, with nominal value 10 lv. each. The capital is fully paid.

	Number of units	Nominal value	Number of units	Nominal value
	To 31.12.2016		To 31.12.2015	
Number of units in circulation at the beginning of the reporting period	-	-	-	-
Issued units	126,853.0397	10 lv	-	-
Redeemed units	6,004.8068	10 lv	-	-
Total number of units in circulation at the end of the reporting period	120,848.2329	10 lv	-	-
Net asset value per share was confirmed by the Custodian of the last working day of the reporting period	30.12.2016		-	
Net worth per unit	9.7713 lv.		-	

	Subscribed capital	Premiums from issues	Total
Change in net assets belonging to the investors in units in connection with the issuance and redemption	1,209	-	1,209
- issuance of units	1,269	-	1,269
- redemption of units	(60)	-	(60)

The net asset value per unit, issue price and redemption price shall be determined each business day under the Rules for valuation and determination of the net asset value, current legislation and the Prospectus for Public Offering of Units of the Fund, based on valuation of assets and liabilities of the Fund for the preceding business day.

The net asset value per unit (NAV 1 / unit) is calculated by the following formula:

$$\text{NAV 1/unit} = \frac{\text{The net asset value of the Fund}}{\text{number of units in circulation}}$$

Emission price (EP) is equal to the net asset value per unit, increased with the issuance costs. Issuance costs depend on the amount of the investment, as follows:

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016

In thousands lev unless otherwise stated

- For order and first installment under Contract for Systemtic Investment Plan (SIP) up to 25 000 Lev (including) – 2 (two) percent of the net asset value per unit;
EP = 1 NAV / unit + 2% * NAV 1 unit
- For order and first installment under Contract for Systemtic Investment Plan (SIP) from 25 000 Lev to 100 000 Lev (including) – 1.5 (one point five) percent of the net asset value per unit;
EP = 1 NAV / unit + 1.5% * NAV 1 unit
- For order and first installment under Contract for Systemtic Investment Plan (SIP) from 100 000 Lev to 200 000 Lev (including) – 1 (one) percent of the net asset value per unit;
EP = 1 NAV / unit + 1% * NAV 1 unit
- For order for over 200 000 Lev and on every next installment under Contract for Systemtic Investment Plan (SIP) – the emission value is equal to net asset value per unit.
EP = 1 NAV / unit

Until the net asset value of the fund reach the amount of 1 000 000 Lev (one million Lev), the emission value (EV) is equal to the net asset value per unit.

The Fund reached net asset value amounting to 1 million Lev on 15.07.2016.

The redemption price (CEI) is determined based on the NAV per unit of the Fund.

RP of units = NAV 1/unit

8. Current liabilities

	2016	2015
Liabilities to the Management Company	13	-
Liabilities related to the establishment of the Fund, paid to the management company	12	-
Liabilities related to fees for issuing paid to the management company	3	-
Liabilities to other counterparties	1	-
Total:	29	-

9. Interest incomes

	2016	2015
Interests on current accounts	3	
Interests on fixed term deposits	1	-
Interests on GS	1	-
Total:	5	-

10. Other financial expenses

	2016	2015
Commissions paid to investment firms under contracts for investment orders	(1)	-
Total:	(1)	-

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

11. Expenses for external services

	<u>2016</u>	<u>2015</u>
Remuneration of the management company	(13)	-
Remuneration of the Custodian	(1)	-
Annual fee for general supervision of the FSC and the annual fee for maintaining the register of Central Depository	(1)	-
Establishment expenses	(1)	-
Total:	<u>(16)</u>	<u>-</u>

The management fee of the Management Company is defined as 2.50% of average annual net asset value of the Fund, calculated daily and is adjusted at the end of the year.

With minutes of the Board of Directors of the Management Company on 25.11.2015 was decided until the net asset value of the Fund reach the amount of 1 000 000 (one million) Lev,

- annual remuneration of the Management Company and any other expenses not to be charged.
- the management company to recover the initially made to the Fund establishment expenses.
- The fund to pay the Management Company remuneration for initial preparation of all necessary documents for obtaining permission from the Financial Supervision Commission in the amount of 5000 (five thousand) lev VAT excluded.

The Fund достигна нетна стойност на активите в размер на 1 млн. лева на 15.07.2016г., когато започва да се начисляв разходите.

The costs of the Fund, including the remuneration of the management company are maintained throughout 2016 less than 5% of the average net asset value.

12. Related parties and related party transactions

Parties are considered to be related if one party has the ability to exercise control or significant influence over the other in making financial or operational decisions, or under joint control of a third party.

The Fund considered related parties:

- The Management Company "UBB Asset Management" - management control; and
- funds managed by it - under common control.

To December 31, 2016 holders of units in the Fund are:

- Katina Peycheva (member of the Board of Directors of the Management Company and its Executive Director), who owns 59.5000 units by the end of the reporting period, which she has acquired during the reporting period;

Members of the Board of Directors of "UBB Asset Management" and related persons, and other persons working under contract for the management company may not be a party to transactions with the Fund, except in their capacity as shareholders in „UBB Global Child Fund“.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016

In thousands lev unless otherwise stated

Balances on deals with related parties and related costs and revenues at December 31, 2016 and 2015 are as follows:

Transactions and balances	Related party	2016	2015
Accrued costs for the management fee of the Management Company	„UBB Asset Management“ JSC	(13)	-
Accrued costs for establishment	„UBB Asset Management“ JSC	(1)	-
Fees for issuing paid to the management company	„UBB Asset Management“ JSC	(3)	-
Liabilities at the end of the period to the Management Company for management fees for the period	„UBB Asset Management“ JSC	13	-
Liabilities at the end of the period to the Management Company for issuance fees	„UBB Asset Management“ JSC	3	-
Fees for issuing paid to the management company	„UBB Asset Management“ JSC	12	-
Purchase of units	Katina Peycheva	1	-

To December 31, 2016 and December 31, 2015 The Fund reports the following transactions and balances with United Bulgarian Bank JSC (UBB) - which is a related party to the Management Company:

Transactions and balances		2016	2015
Deposits provided in lev	UBB JSC	110	-
Receivables on interests	UBB JSC	1	-
Interest incomes	UBB JSC	1	-

14. Risk management

Cash resources raised in the Fund are managed by the Management Company in accordance with approved investment policy and rules for risk management. Holdings in the portfolio of financial instruments determine its condition and performance. The main risks arising from financial instruments can be divided into credit, market and liquidity.

14.1. Credit risk

Credit risk is the possibility of reducing the value of the position in a financial instrument at unexpected credit events related to issuers of financial instruments, the counterparty in exchange and OTC transactions, as well as the countries in which they operate. The Fund identifies three types of credit risk:

14.1.1. Counterparty risk is the risk of default by the counterparty to the OTC transactions.

14.1.2. Settlement risk is the risk arising from the possibility Mutual Fund "UBB GLOBAL PHARM INVEST" not receiving cash or financial instruments from the counterparty on the settlement date after they have fulfilled their obligations arising from that trade. The MC measures this risk through the value of all trades with a counterparty as a percentage of the managed portfolio. Do not include transactions concluded on condition of DVP (delivery versus payment) and on markets with functioning clearing mechanism.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

14.1.3. Investment credit risk is the risk of reducing the value of an investment in a debt security because of credit event with the issuer of this instrument.

Credit event includes bankruptcy, insolvency, a significant change in the capital structure, reduced credit rating, etc.

In 2016 were not implemented direct losses as a result of manifestation of credit risk.

Exposure of the Fund to credit risk is limited to the carrying amount of these financial assets:

Financial asset	Balanced value	Minimal Risk	Balanced value	Maximal Risk
	31.12.2016		31.12.2015	
Cash and cash equivalents	680	680	-	-
Deposits	111	111	-	-
Financial assets at fair value through profit or loss	408	408	-	-

The Fund has not used derivatives to manage credit risk.

Analysis of the quality of the deposits, based on the assessment of credit institutions ratings agency "BCRA - Bulgarian credit rating agency" JSC

Type of investment and rating	2016	2015
Fixed term Deposits	111	-
<i>Long-term rating BB and short-term rating B</i>	<i>111</i>	<i>-</i>
Total:	111	-

14.2. Market risk

The main components of market risk are interest rate risk, currency risk and price risk. Interest rate risk is the risk of reducing the value of an investment in a financial instrument due to changes in the level of interest rates affecting the value of this tool. Duration is a measure of the sensitivity of a security to change interest rates. The MC uses the method of modified duration to measure interest rate risk associated with each security based on the interest rate. Interest rate risk has two main varieties:

I) Risk of change in the market price of interest-bearing financial instruments (incl. Derivatives based on interest rates) in connection with the change in market interest rates;

II) Risk reduction / increase in interest payments on interest-bearing assets / liabilities in connection with changes in market interest rates;

The Fund does not use credit financing activities and has no interest-bearing liabilities, which could expose its activities to interest rate risk.

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

14. Risk management (continued)

14.2. Market risk (continued)

Financial assets held by the Fund may determine categories for the analysis of interest rate risk:

31.12.2016	Interest-free	with floating interest %	with fixed interest %	Total
Current assets				
Cash amounts and cash equivalents	-	680	-	680
Fixed term deposits	-	-	111	111
Financial assets, reported at fair value in the profit or the loss	204	-	204	408
Current liabilities				
Current liabilities	29	-	-	29
Exposure to short-term risk				
Total financial assets	204	680	315	1,199
Total financial liabilities	29	-	-	29
Total exposure to interest rate risk	175	680	315	1,170

Currency risk is the risk of reducing the value of an investment in a security or deposit denominated in a currency other than the lev and the euro, due to changes in the exchange rate between that currency and in lev or euro. Currency risk is measured using the historical volatility of the exchange rate of the currency against the lev to the net currency exposure.

„UBB Global Child Fund“ holds assets denominated in currencies other than the euro or lev, namely in Canadian dollars.

Structure of financial assets and liabilities in currencies at December 31, 2016:

Assets	Levs	Euro	USD	Canadian Dollar	Total
Парични средства	542	68	70	-	680
Fixed term deposits	111	-	-	-	111
Shares	-	67	110	27	204
GS	-	204	-	-	204
Total (thousand Lev)	653	339	180	27	1,199
Total (in %)	55%	28%	15%	2%	

Liabilities	Lev	Total
Current liabilities	29	29
Total (thousand Lev)	29	29
Total (in %)	100%	

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

14. Risk management (continued)

14.2. Market risk (continued)

The price risk associated with investments in shares or other equity securities - the risk that the value of the investment in a security due to adverse changes in market prices. The management company estimates the market risk based on the concept of value at risk. VaR is defined as the expected maximum loss for a given time horizon with a given level of confidence. The management company is developing a system for determining the value at risk, which is an integral part of daily management process Risk of Mutual Fund „UBB Global Child Fund“ and serves as the basis for reporting risk exposures. In order to reduce price risk The Fund diversifies its portfolio of financial instruments, observing the investment restrictions.

14.3. Liquidity risk

Liquidity risk is the possibility of loss due to asset sales under adverse market conditions to meet unexpected short-term liabilities. Liquidity risk for the Fund may arise in the event that the majority of investors submitted orders for redemption, which will reduce the cash resources of the Fund. Asset structure should allow a smooth running of operations. To reduce this risk, the Fund seeks to invest in securities with relatively good rate of liquidity with which to achieve two effects - correct assessment of the state of assets and providing a possible "exit" from the investment, and easy implementation of accumulated income.

There are no realized losses due to the manifestation of liquidity risk. MF „UBB GLOBAL CHILD FUND“ calculates the "average number of days to sell shares portfolio" based on the method of sliding average for a 20-day period.

The maturity structure by remaining within the carrying amount of financial assets and liabilities was prepared according to expectations for their repayment or recovery:

to 31.12.2016	Up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total sum
Cash funds and cash equivalents	680	-	-	-	680
Fixed term deposits	-	111	-	-	111
Shares	204	-	-	-	204
GS	204	-	-	-	204
Total assets	1,088	111	-	-	1,199
Liabilities	1	28	-	-	29
Total liabilities	1	28	-	-	29
Discrepancy in the maturity structure	1,087	83	-	-	1,170

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

14. Risk management (continued)

14.4. Concentration risk

Concentration risk is the possibility of losses due to inadequate diversification of exposures to clients, groups of connected clients, clients from the same industry, geographic area or arising from the same activity that can cause significant losses and the risk associated with large indirect credit exposures.

The structure of the current financial instruments of MF "UBB GLOBAL PHARM INVEST" is as follows:

Structure of investments in securities by sector		31.12.2016		31.12.2015	
Industry	Amount	Proportion of the asset	Amount	Proportion of the asset	
Government securities	204	16.86%	-	-	-
Toys and children's products	99	8.16%	-	-	-
Entertainment industry	38	3.15%	-	-	-
Pharmaceutics (production)	34	2.85%	-	-	-
Food industry	33	2.73%	-	-	-
Total:	408	33.75%	-	-	-

14.5. Operational risk

Operational risk is the possibility of incurring losses, related to errors or flaws in the organization, inadequately trained staff, unfavorable external non-financial events, including legal risk.

Operational risks can be:

- Internal - the organization of the work of the management company in the management of Mutual Fund „UBB Global Child Fund“.
- External - related to macroeconomic, political and other factors that have and / or may impact the operations of the Management Company in connection with the management of the Mutual Fund „UBB Global Child Fund“.

In 2016 were not implemented losses resulting from the occurrence of operational risk.

15. Events following the reporting period

On 08.02.2017 was registered in the Commercial Register change in the representation of the Management Company "UBB Asset Management" related to the appointment of a new Procurator.

After the balance sheet date there have been no events of correction and/or uncorrected nature, which should be reported or made public in the present financial report.