



Zaharinoва & Partners
— audit, analysis and consulting —

**Auditing company
ZAHARINOVA & PARTNERS LTD.**

**TRANSPARENCY REPORT
2016**



Pursuant to the requirements of Article 62 of the Independent Financial Audit Act



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1. Legal and organizational form, ownership

The specialized audit firm ZAHARINOVA & PARTNERS is a limited liability company registered in the Commercial Register at the Registry Agency since 9 October 2009 under Unique Identification Code 200876536.

The company has its registered office and business address at Sofia, Vazrazhdane district, 157-159 Konstantin Velichkov Blvd.

The owners of the company's capital are:

- Dimitrina Dimitrova Zaharina, holding 475 shares totaling BGN 4 750,
- Diana Yordanova Deyanova - Rangelova, holding 25 shares totaling BGN 250.

Partners in ZAHARINOVA & PARTNERS Ltd. are certified accountants - registered auditors:

- Dimitrina Dimitrova Zaharina with Diploma No. 415 issued by the Institute of Certified Public Accountants in Bulgaria,
- Diana Yordanova Deyanova-Rangelova with Diploma No. 619 issued by the Institute of Certified Public Accountants in Bulgaria.

The company fully meets the criteria for audit firm, defined in the Independent Financial Audit Act and is included under registration number No. 138 on the list of registered auditors published by the Institute of Certified Public Accountants in Bulgaria ("ICPA").

The main scope of business of the company is to perform independent financial audit and consultancy services.

2. Management structure of the specialized audit firm

The company is managed by a General Meeting of Partners and is represented jointly and separately by the two managers - Dimitrina Dimitrova Zaharina and Diana Yordanova Deyanova-Rangelova.

The Board of auditors of ZAHARINOVA & PARTNERS Ltd. consists of Dimitrina Dimitrina Dimitrova Zaharina and Diana Yordanova Deyanova-Rangelova, and from 01.10.2011 in the Board participated also Marina Hristozova Krasteva - registered auditor with Diploma No. 679.

The company has the following departments:

- Audit Department
- Business Consultancy Services Department
- Administrative Department

Dimitrina Dimitrova Zaharina and Diana Yordanova Deyanova-Rangelova manage the overall activity of the company by coordinating the Audit Department and the Business Consultancy Services Department.

The auditing entity is not part of a network.



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3. Description of the internal quality control system

The internal quality control system of ZAHARINOVA & PARTNERS Ltd. includes the following elements:

- Established policy on the compliance with the basic ethical rules. For the implementation of this element, the team of the company participates in professional special trainings, seminars and workshops.
- Established procedures for acceptance and ongoing cooperation with clients. The procedure for accepting and continuing customer relationships is mandatory before each engagement, and for each year - for recurring engagements.
- Internal policy and rules for recruitment and professional development of staff. The policy for recruitment and subsequent training and qualification of the personnel has been developed in such a way as to provide the company with sufficient staff competent and capable of fulfilling the commitments in all areas.
- The company has developed a system of internal control over the execution of each engagement. It aims to give reasonable assurance that the respective engagement is fulfilled according to the requirements of professional standards and regulatory requirements. The procedures cover all phases of audit engagements and all other commitments.

The Company has a rule of consultation on controversial case studies that is dealt with by the relevant experts or key auditor for the respective engagement.

Designated audit engagement team officers are required to perform procedures for ongoing monitoring of the quality and performance of the engagement that should be tailored to the individual audit engagement and to comply with the internal rules. The control on the quality of audit services under individual engagements is performed by an auditor other than the engagement officer.

3.1. Report of the Managing Authority on the effectiveness of the functioning of the internal quality control system

For the past year, internal quality control has been performed and compliance with quality policies and procedures has been established as follows:

- compliance with professional standards and regulatory and legal requirements;
- the quality control system is properly established and operates effectively;
- policies and procedures are applied appropriately so that reports issued by the firm or associates under audit engagements are appropriate in the circumstances.



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3.2 The latest ICPA inspection

By Order 04-0138-26-12 dated 30.01.2017 of the Chairman of the Commission for Public Oversight of the Registered Auditors an inspection has been assigned on the quality of the activity the specialized audit firm ZAHARINOVA & PARTNERS Ltd. with registration number 138 of the ICPA list for the period from 01.07.2015 until 30.06.2016. The inspection was completed with a Report dated 24.02.2017 with the opinion that the business of the company is in line with all essential aspects of the quality requirements for the audit services performed in applying the procedures defined in the professional standards.

4. List of public interest entities audited by the audit firm during the last 2016 financial year

ZAHARINOVA & PARTNERS Ltd. has carried out an independent financial audit for 2016 financial year of following companies carrying out activities of a public nature:

- Agenor Investment EOOD
- Alfa Energy EOOD
- Alfa Energy MT EOOD
- Green Energy Park EAD
- Nikotiana - BT Holding AD – separate and consolidated
- Bulgaria 2009 EOOD
- Debar Solar EAD
- Green Energy 2010 EOOD
- Solar Rainbow EOOD
- Kozloduy Plant Works AD
- Diana Hunt EOOD
- Evro Beton EOOD
- Eco Stroy Engineering EOOD
- Uler 2009 EOOD
- Real States EOOD

5. Independence practices of the specialized audit firm

The independence policy of ZAHARINOVA & PARTNERS Ltd. is based on the Independent Financial Audit Act, the Code of Ethics of Professional Accountants adopted by the International Federation of Accountants (IFAC), the International Auditing Standards applicable in Bulgaria and Auditing Standards and Related Professional practices issued by the Public Company Accounting Oversight Board (PCAOB) when necessary.

Independence policy is mandatory for all partners and employees of the company.

All partners and employees of the company are required to become familiar with the company's rules and policies of independence. Before the beginning of the audit season, each partner and employee shall declare circumstances to confirm compliance with the principles of independence and any circumstances related to the observance with that policy. When circumstances change,



each partner and employee is required to declare this change immediately. The management of the company shall annually check the declared circumstances.

Prior to entering into a contract for audit engagement, a pre-engagement review is performed. This review includes an analysis of the nature and terms of the engagement, confirming the absence of threats arising from self-interest, review of own work, protection, close relationships, and other threats.

6. Participation of employees in trainings

The specialized audit firm ZAHARINOVA & PARTNERS Ltd. has developed a policy entirely aimed at providing the best conditions and opportunities for the professional development and growth of each employee, and for this purpose, the company stimulates all forms of improving the professional qualification and expanding the knowledge and skills of its employees.

The purpose of the audit firm ZAHARINOVA & PARTNERS Ltd. is to develop an annual training program for all employees of the company. The training includes:

- organizing in-company training on topical professional issues in the fields of auditing, accounting, taxation, commercial, labor and social security law, etc.;
- participation in non-company training in seminars organized by the Institute of Certified Public Accountants in Bulgaria and other professional organizations.

In 2016, the staff of the specialized audit firm took part in in-company and external seminar trainings as follows:

- Training course on Corporate Income Taxation Act and the amendments in the Value Added Tax Act, Lecturer: Velin Filipov, Dates: 19 and 20 January 2015 - 16h.
- ICPA Conference, Date: 16.04.2015 - 8h.
- Changes in IFRS 2014 - 2015, Organizer: Fifth SRO, Lecturers: Assoc. Prof. Dr. Boyka Brezoeva, Date: 29 September 2015 - 8h.
- Training course on Amendments in the Value Added Tax Act for 2015. Methodology and specific features of the Value Added Tax Act for 2015, Transfer Pricing, Lecturers: PWC - PricewaterhouseCoopers, Date: 23 November – 8h.
- Training course on Changes in IFRS in force for 2015, Business Combinations and Consultation - Practical Aspects, Lecturers: PWC - PricewaterhouseCoopers, Date: 24 November – 8h.
- Status and expected future development of the independent financial audit – 15.04.2016. In relation to the 85th anniversary of the Bulgarian financial audit, 25th anniversary from the restoration of the profession, 20th anniversary from the establishment of ICPA. Organized by ICPA. – 4 hours.
- Risk assessment and response to the evaluated risk. Organized by ICPA. Lecturer Lincoln Mails. 07.06.2016 – 8 hours.



- Other professional engagements of the registered auditor, apart from audit of historical information according to ISA, published by the International Federation of Accountants (IFAC). Organized by ICPA. Lecturer – Milena Raykova. 23.06.2016 – 8 hours.
- A course for audit controllers season 2015. Organized by the Audit Quality Control Council. 27.09.2016r. – 8 hours.
- Audit controllers of ICPA. Organized by the Audit Quality Control Council. Lecturer – Milena Raykova. 19.10.2016 – 8 hours.
- Tax treatment on VAT act in 2016 and announce of the change in 2017. Lecturer Kalina Zlatanova. 01.12.2016 – 8 hours.
- Extended audit reports. Organized by ICPA. Lecturer Milena Raykova. 08.12.2016 – 8 hours.

7. Amount of revenues from services

The revenues from services realized by ZAHARINOVA & PARTNERS Ltd. in 2016 amounted to BGN 1,429 thousand, formed by the following types of services:

- independent financial audit on separate and consolidated financial statements of entities of public interest or part of a group of companies with a mother company which is an entity of public interest: BGN 64 thousand
- independent financial audit on separate and consolidated financial statements of other entities – BGN 450 thousand
- other allowed services provided to the audited entities, other than audit – BGN 0
- other allowed services provided to other clients, other than audit – BGN 915 thousand

8. Details of the basis on which the remuneration of partners is formed

The partners owning the company's capital who are directly involved in the business, are in employment relationships with the specialized audit firm. The remuneration they receive is formed on the basis of the monthly remuneration under the employment contract and additional remuneration, determined by the General Meeting of the Partners, depending on the results achieved. They also receive a dividend on profits after a distribution decision has been taken.

9. Description of the audit firm's policy on rotation of the responsible auditors and employees in accordance with art. 65 of Independent Financial Audit Act.

Audit firm's policy on rotation of auditors and employees is in compliance with the requirements of Independent Financial Audit Act and art. 16 or Regulation (EU) 537/2014.

The audit firm, which executes compulsory financial audit of the financial statements of an entity of public interest withdraws after 7 years during which it has been providing audit engagements to the entity. No compulsory financial audit engagements can be undertaken in this entity for a period of 4 years after the withdrawal.

The responsible auditor is being rotated after he has been a statutory auditor of the entity for the last 4 years after the appointment of the audit firm by this entity. This registered auditor cannot be



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a responsible auditor for audit engagements in this entity for a period of three years after the date of withdrawal.

Dimitrina Zaharinoва
Manager, Registered Auditor
Sofia, 24.04.2017

Diana Rangelova
Manager, Registered Auditor