

Auditing company
„ZAHARINOVA NEXIA“ EOOD
TRANSPARENCY REPORT
2023



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

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1 Legal and organizational form, ownership

Audit company "ZAKARINOVA NEXIA" EOOD is a sole limited liability company, registered in the Commercial Register at the Registry Agency as "ZAHARINOVA AND PARTNERS" OOD under UIC 200876536 since 9 October 2009. Since 08.08.2018 the Company has been renamed "ZAKHARINOVA NEXIA".

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

As at 31.12.2023 the sole owner of the company's capital is:

- Dimitirina Dimitrova Zaharinoва, holding 500 shares with a total value of BGN 5 000.

Certified public accountants - registered auditors who are working in ZAHARINOVA NEXIA EOOD in 2023 are:

- Dimitrina Dimitrova Zaharinoва with diploma № 415 from the Institute of Certified Public Accountants in Bulgaria,
- Grigor Voynov Petrov with diploma № 816 from the Institute of Certified Public Accountants in Bulgaria.
- Stoycho Kirilov Milev with diploma № 860 from the Institute of Certified Public Accountants in Bulgaria.

The firm fully meets the criteria for an audit firm as set out in the Independent Financial Audit Act and is included with registration number 138 in the list of registered auditors maintained by the CPOSA.

The main activity of the company is independent financial audit and consulting.

2 Information on the audit network according to Article 62, paragraph 1, point 2 of the IFA Act

In 2018, ZAHARINOVA NEXIA announced its inclusion in the international audit and consulting network of Nexia International. Nexia International is in the top 10 global audit firms operating in more than 128 countries worldwide. The network has 752 offices, more than 34,500 employees and over 3,000 partners worldwide. Revenues for 2020 are over US\$4.5 billion..

At the beginning of 2018, after an analysis and assessment of the quality of the services offered, the Audit Company was accepted as a member of Nexia International and on 29.05.2018 ZAHARINOVA & PARTNERS OOD signed a contract with Nexia International. As of 08.08.2018 the Company was renamed "ZAHARINOVA NEXIA" in the Commercial Register.

Our world in numbers



Nexia International member companies are of proven quality and are selected based on their experience, quality and existing credibility. All members go through a rigorous selection process applying quality control criteria, experience and professional standards in a strictly defined order.

- Nexia International is a global network of independent audit, accounting and advisory firms. The key to Nexia International's success is: strong member firms in major financial and economic centres around the world.
- The various professional careers of the members in similar companies with international prestige and extensive experience gained over the years lead to high quality auditing, accounting and administrative services, with the main characteristics of flexibility and quick response to client needs.
- All independent members apply strict procedures and standards and are subject to regular quality control reviews which must be met as a condition of continued membership of Nexia International.
- Nexia International Limited (Nexia International) is a company incorporated in the Isle of Man. Nexia International co-ordinates the activities of the international network and does not provide professional services, these are only provided by the individual independent member firms. Neither Nexia International nor any of the individual member companies is responsible for the actions of others or their omissions.



The net sales revenue of the registered auditors, members of the network, from the statutory financial audit of annual financial statements in 2023 is:

- Anda Consulting OOD - 211 thsd BGN.

3 Management structure of the auditing company

During 2023 The company is managed by the sole owner of the capital and manager - Dimitrina Dimitrova Zaharinoва.

Dimitrina Dimitrova Zaharinoва, Grigor Voynov Petrov and Stoycho Kirilov Milev are included in the Board of Auditors of ZAHARINOVA NEXIA EOOD.

The company has the following departments:

- “Auditing” department
- “Business consulting services” department
- “Organizational and Administrative” department

Dimitrina Dimitrova Zaharinoва manages the overall activities of the company, coordinating the Audit Department and the Business Consulting Services Department.



4 Description of the internal quality control system

The quality management system of "ZAHARINOXA NEXIA" EOOD includes the following elements:

- Establish the environment that supports the development, implementation and operation of the quality management system:
 - assigning ultimate responsibility and accountability for the quality management system to the governing body.
 - assigning operational responsibility for the quality management system
- Identification and assessment of quality risks and responses to address those risks. Established policy on compliance with basic ethical rules and requirements. To implement this element, the company team participates in professional special trainings, seminars and workshops.
- Established intake procedures and continued collaboration with clients and specific commitments. The procedure for accepting and continuing relationships with clients and specific engagements is mandatorily implemented prior to each engagement, and annually for recurring engagements.
- Maintaining, utilizing, assigning and directing personnel for the purpose of quality operation of the quality management system. Internal policy and rules for staff recruitment and professional development. The policy for recruitment and subsequent training and qualification of staff is designed to ensure that the Company has sufficient staff competent and capable of carrying out its commitments in all areas.
- Information system and communications that capture, process and maintain relevant and reliable information internally or from external sources. Information is communicated to staff and engagement teams enabling individuals to understand and fulfil their responsibilities.
- The Company has developed a quality management system over the execution of each engagement. A system of ongoing monitoring has been developed to provide a basis for identifying deficiencies, and to give reasonable assurance that the relevant engagement has been completed to the requirements of professional standards and regulatory requirements, The procedures cover all phases of the audit engagements and all other engagements undertaken.
- Understanding the requirements established and developed by Nexia International regarding the quality management system at the network level. the audit firm remains responsible for its quality management system.
- Ongoing monitoring activities carried out by Nexia International on the quality management system.
- Evaluation of the quality management system - those assigned ultimate and operational responsibility provide an evaluation once a year.
- Maintain documentation of the quality management system in order to understand the same by staff, its consistent application and operation , and to provide evidence of its application and operation.

The Company has a policy in place to advise on contentious cases, which are reviewed by the relevant experts or the key engagement auditor.

Designated audit engagement team leaders are required to implement ongoing monitoring procedures to manage the quality of engagement performance, which should be aligned with the individual audit engagement and comply with internal rules.

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

An internal quality management review has been carried out for the past year and compliance with quality management policies and procedures has been identified as follows:

- compliance with professional standards and regulatory and legal requirements;
- the company's quality management system is adequately established and functioning effectively;
- policies and procedures are appropriately implemented so that reports issued by the firm are appropriate to the circumstances.

4.2 The latest CPOSA and ICPA inspection

By Order No. RD-15-138-47-71/13.12.2022 of the Chairman of the Commission for Public Oversight over Registered Auditors, an audit of the quality of the activities of the Audit Company "ZAHARINOVA NEXIA" EOOD, with registration No. 138 from the list of ICPA for the period from 01.01.2022 to 31.12.2022 was assigned. The inspection was concluded with Decision No. 61 dated 04.04.2023 with the opinion that the activity of the company is in compliance with all material aspects of the requirements for the quality of audit services performed in the application of the procedures specified in the professional standards. The Commission's assessment of the quality of the registered auditor's professional activities is "A".



5 List of public interest entities audited by the audit firm in 2023:

"ZAHARINOVA NEXIA" EOOD has carried out an independent financial audit for the financial year 2023 of the following companies carrying out activities of a public nature:

- | | |
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| • Pension Assurance Company Budeshte AD | • The State Bank for Foreign Economic Affairs of Turkmenistan |
| • Voluntary Pension Fund – Budeshte | • Turkmen-Turkish Joint-Stock Commercial Bank |
| • Professional Pension Fund – Budeshte | • "Utex Holding" AD – individual |
| • Universal Pension Fund – Budeshte | • "Utex Holding" AD – consolidated |
| • Deferred Payment Fund – Budeshte | • TPP Maritsa East 2 EAD – interim condensed and annual individual |
| • Life Pension Fund – Budeshte | • TPP Maritsa East 2 EAD – annual consolidated |
| • Pension Insurance Company Toplia AD | • Bulgarian Energy Holding EAD – interim condensed and annual individual |
| • Voluntary Pension Fund Toplina | • Bulgarian Energy Holding EAD – interim condensed and annual consolidated |
| • Professional Pension Fund Toplina | • Natsionalna Elektricheska Kompania – interim condensed and annual |
| • Universal Pension Fund Toplina | • Kozloduy NPP EAD – interim condensed and annual individual |
| • Deferred Payment Fund Toplina | |
| • Life Pension Fund Toplina | |
| • Starcom Holding JSC – individual | |
| • Starcom Holding JSC - consolidated | |
| • Vodosnabdyavane i Kanalizatsiya EAD, Bourgas | |

- Kozloduy NPP EAD– interim condensed and annual consolidated
- Bulgargaz EAD – interim condensed and annual

6 Independence practices of the audit company

The independence policy of ZAHARINOVA NEXIA EOOD is based on the Independent Financial Audit Act, the International Code of Ethics for Professional Accountants adopted by the International Federation of Accountants (IFAC), the International Standards on Auditing applicable in Bulgaria and the Standards on Auditing and Related Professional Practices issued by the Public Company Accounting Oversight Board (PCAOB), where applicable.

The independence policy is mandatory for all partners and employees of the firm.

All employees of the company are required to familiarise themselves with the rules and independence policy applied by the company. Prior to the start of the audit season, each employee shall declare circumstances in order to confirm compliance with the independence principles and any circumstances relating to compliance with this policy. In the event of a change of circumstances, each employee shall promptly declare that change. The Company's management shall annually verify the declared circumstances.

Prior to entering into a contract for an audit engagement, a pre-engagement acceptance check shall be carried out. The review shall include an analysis of the nature and terms of the engagement, confirming the absence of threats arising from the existence of self-interest, review of own work, protection, close relationships and other threats.

An internal review of compliance with independence requirements has been carried out over the last year and no breaches of the requirements have been identified.

7 Participation of employees in training

Audit Company "ZAHARINOVA NEXIA" EOOD has developed a policy fully aimed at providing the best conditions and opportunities for the professional development and growth of each employee. To this end, the company stimulates all forms of professional qualification and expansion of knowledge and skills of its employees.

The objective of the audit company "ZAHARINOVA NEXIA" EOOD is to develop an annual training program for all employees of the firm. The training includes:

- organizing in-house training on current professional issues in the field of audit, accounting, tax, commercial, labour and social security law, etc;

During 2023, the audit company's staff participated in external seminar training as follows:

Theme	Organizer	Lecturer	Date	Hours
Quality Management - New and Changed Requirements and Auditor Responsibilities	First RO - ICPA - online	Milena Raykova	16-17.10.2023	8
Common IT controls and IT application controls in the context of ISA 315	ICPA - online	Vladimir Kavalov, Member of the Board of the Association for Audit and Control of Information Systems	24.10.2023	8



Cryptocurrencies, Financial Instruments and Employee Stock Options (ICPA)	ICPA - online	Georgi Nikolov	2.11.2023	8
Money laundering and terrorism financing	RO Plovdiv - online	Toshko Poptolev	6.11.2023	8
All the latest in tax and social security legislation in 2023 Annual closing 2023. New administrative and case law in 2023 (CIT Act, Accounting Act, VAT Act, Personal Income Tax Act, Social Security Act, Tax and Social Security Procedural Code)	ICPA - online	Velin Filipov, tax consultant and registered auditor. Kalina Zlatanova, tax consultant. Katya Kashimova, consultant. Pavlina Bakalova, tax consultant. Rosen Ivanov, Director of the Tax and Insurance Methodology Directorate at the Central Directorate of the NRA	08-09.11.2023	16
Topic "Developing a common ESG competency for auditors" (related to topics in the new EU Corporate Sustainability Reporting Directive)	First RO - ICPA - online	Milena Raykova	24.11.2023	8
Practical application of IFRS, including changes to IFRS 2023 and their reflection in the financial statements	RO Plovdiv - online	Milena Raykova and Milena Rangelova	5.12.2023	8

8 Information on the basis on which the owner's remuneration is formed

The owner of the capital of the company is directly involved in the activities and has an employment relationship with the audit firm. The remuneration he receives is based on a monthly remuneration under an employment contract and additional remuneration depending on the results achieved. The owner also receives a dividend from the profits after a sole decision to distribute the same.

9 Amount of revenues from services

Generated by "ZAHARINOVA NEXIA" EOOD revenues from services in 2023 are in the total amount of BGN 2 699 thousand, formed by the following types of services:

- Revenue from statutory audit of annual financial statements, individual and consolidated, of public interest entities and entities that are part of a group whose parent entity is a public interest entity: BGN 783 thousand.
- Revenue from statutory audit of annual financial statements - individual and consolidated and other audit services, of other entities: BGN 573 thousand.
- Revenue from permitted non-audit services provided to audited entities: BGN 44 thousand.
- Revenue from permitted non-audit services provided to other clients: BGN 1 299 thousand.

10 Amount of revenue from services of other members of the audit network in Bulgaria

The sales revenues realized by ANDA CONSULTING OOD in 2023 are formed from the following types of services:

- Revenue from statutory audit of annual financial statements, individual and consolidated, of public interest entities and entities that are part of a group whose parent entity is a public interest entity: BGN 0 thousand.
- Revenue from services rendered to other entities audited by the registered auditor: BGN 238 thousand.

11 A description of the audit firm's policy on rotation of responsible auditors and staff in accordance with section 65 of the IFA Act

The audit firm's policy on rotation of auditors and staff complies with the requirements of the IFA Act and Article 16 of Regulation (EU) No 537/2014.

An audit firm that performs a statutory financial audit of a public interest entity's financial statements shall retire after having completed audit engagements for 7 consecutive years from the date of appointment. No statutory audit engagement may be carried out at that undertaking for 4 years from the date of the audit firm's retirement.

The auditor in charge shall be replaced after having performed audit engagements on statutory financial audits for 7 consecutive years from the date of appointment of the audit firm in that entity. That registered auditor may not perform as auditor in charge of statutory financial audit engagements at the firm for 4 years from the date of his or her retirement.

„ZAHARINOVA NEXIA“ EOOD

Sofia, 30.04.2024

Dimitrina Zaharinoва
Manager, registered auditor

