

DEFERRED PAYMENTS FUND DOVERIE

ANNUAL ACTIVITY REPORT

FINANCIAL STATEMENTS  
AS OF AND FOR THE PERIOD ENDED

31 DECEMBER 2023

**DEFERRED PAYMENTS FUND DOVERIE**

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**ANNUAL ACTIVITY REPORT**

**1. Organization, business, and performance of the Deferred Payments Fund Doverie**

**1.1. Organization**

Deferred Payments Fund Doverie (The Fund, DPF Doverie, DPF) was established by a decision of the Management Board of Pension Assurance Company Doverie (PAC Doverie, the Company) on September 2, 2021. It is entered in the register under Art. 30, para. 1, item 13 of the Financial Supervision Commission Act (FSC) with Decision № 667 - DPF of 9 September 2021 of the FSC and shall be deemed established by the enactment of that decision. The Fund is entered in the BULSTAT register with a unique identification code 177521928. The headquarters of PAC Doverie AD and the Deferred Payments Fund Doverie is in Sofia, Izgrev district, and the address of management is Sofia, 1113, 13B Tintyava Str., entr. A, 7th floor.

The Fund is established for an indefinite period.

The Fund is an independent legal entity, represented and managed by Pension Assurance Company Doverie (PAC Doverie, the Company), represented jointly by two of its Executive Officers or by an Executive Officer and the Chairman of the Management Board of the Company.

The Deferred Payments Fund is formed by:

- the transferred funds from the individual accounts in the general pension fund of the persons to whom the deferred payment has been determined;
- the transferred funds from the reserve for guaranteeing the gross amount of the contributions to a general pension fund maintained by the pension assurance company, in cases when the amount of the Fund's assets is lower than the amount of liabilities to the to the persons receiving deferred payments and their heirs; and
- the income from investing the Fund's assets.

The Fund pays the deferred payments and the amounts due to the heirs of the deceased who received such payments. The Fund's expenses include: expenses for the payment of deferred payments in the country (but not more than BGN 1 per transaction); expenses for acquisition and sale of its assets, as well as a fee related to the management of the Fund, payable to the Company.

As of 31 December 2023, the Fund pays deferred payments to 6,167 members (2022 – 4,257 members).

**1.2. Persons receiving deferred payments**

As of 31 December 2023, the number of members receiving deferred payments in DPF Doverie is 6,167, which represents 34.22% (according to preliminary data of the FSC) of all members in deferred payment funds in Bulgaria (36.45% share as of 31.12.2022).

	<b>2023</b>	<b>2022</b>	<b>Change</b>
<b>Persons receiving deferred payments</b>	6,167	4,257	44.87%

**1.3. Transferred funds**

In 2023, a total of amount of TBGN 33,853 have been transferred from the In last year's financial statement it was written GPF under concluded contracts for deferred payments to the DPF Doverie (since inception to until 31.12.2022 – transferred TBGN 21,953).

	<b>2023</b>	<b>2022</b>	<b>Change</b>
<b>Transferred funds from GPF Doverie</b>	33,853	21,953	54.21%

**ANNUAL ACTIVITY REPORT, CONTINUED**

**1. Organization, business, and performance of the Deferred Payments Fund Doverie, continued**

**1.4. Funds paid out**

The total amount paid in 2023 are TBGN 24,818, incl. to persons with deferred payments – TBGN 24,726 and to heirs – TBGN 92.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Disbursed funds in TBGN, including:</b>	24,818	9,049	174.26%
of pensioners with deferred payments	24,726	9,010	174.43%
of heirs	92	39	135.90%

**1.5. Risk management**

The managing company PAC Doverie AD manages the risks that the Fund is exposed to, and information about the management of those risk is presented in the Annual activities report part of the financial statements of PAC Doverie AD as of and for the period 31 December 2023.

**2. Financial activity**

**2.1. Income and expenses on operations with financial assets and instruments**

As a result of the transactions made in 2023 with securities and their monthly revaluation at fair value, the Fund has realized income amounting TBGN 3,246 and respectively has incurred expenses totaling TBGN 1,239 (since inception of the Fund 31.12.2022 TBGN – 2,361 income and TBGN – 980 expenses).

**2.2. Fund expenses**

*Net asset management fee*

Doverie Pension Assurance Company AD collects a statutory fee in connection with the management of the Fund, defined in the SSC and the rules of the Fund. In 2023, the fee for the management of net assets amounts to TBGN 113 (since inception of the Fund until 31.12.2022 - TBGN 52)

*Expenses for payment of pensions*

The costs for payment of deferred pensions in the amount of those actually incurred at the expense of the Fund (but not more than BGN 1 per transaction) for 2022 are insignificant due to agreed terms with banks. In 2023 the expense amounts TBGN 15.

**3. Portfolio structure analysis**

**3.1 Current account**

Cash on current accounts as of 31 December 2023 amounts to TBGN 24,116 (31.12.2022 – TBGN 17,092) and represents 82.58% of the total assets of the Fund as of that date. All current accounts are subject to individual cash management contract signed with the custodian bank.

**3.2 Corporate bonds issued by Bulgarian issuers**

The carrying amount of corporate bonds issued by Bulgarian issuers as of 31 December 2023 amounts to TBGN 352 (31.12.2023 – TBGN 428), which represents 1.20% of the total assets of the Fund as of that date (31.12.2022 – 2.41%).

## ANNUAL ACTIVITY REPORT, CONTINUED

## 3. Portfolio structure analysis, continued

## 3.3 Government securities

As of 31 December 2023, the Fund holds investments in securities issued by EU countries in the amount of TBGN 1,166 (31.12.2022 – TBGN 172), representing 3.99% of the total assets of the Fund as of that date (31.12.2022 – 0.97%).

## 3.4 Corporate bonds issued by foreign issuers

The book value of corporate bonds issued by foreign issuers as of 31 December 2023 amounts to TBGN 3,583 (31.12.2022 – TBGN 97), which represents 12.26% of the total assets of the Fund as of that date (31.12.2022 – 0.55%).

## 3.5 Bank deposits

At the end of 2023, the Fund has an exposure to bank deposits of 2.76% of its assets.

## 3.6. Equity financial instruments

As of 31 December 2023, the Fund has no investments in financial instruments.

## 4. Expected liabilities of the Fund to persons with deferred payments and heirs

The responsible actuary of PAC Doverie AD calculates as of the reporting date the expected liabilities to the persons receiving deferred payments arising from the concluded contracts, as well as the liabilities to the heirs of the deceased persons who received deferred payments. These calculations, together with the required amount of funds required to cover them, shall be certified in the Fund's annual actuarial report as at 31 December each year.

According to the report certified by the responsible actuary, as of 31 December 2023 the indicators for DPF are as follows:

	31.12.2023	31.12.2022
	BGN'000	BGN'000
1. Net assets of the Fund	29,204	17,782
2. Liabilities to:		
- Persons with deferred payments, incl.:	26,295	16,631
- <i>with a residual period of up to 1 year</i>	10,960	6,661
- <i>with a residual period from 1 to 3 years</i>	13,756	8,939
- <i>with a residual period more than 3 years</i>	1,579	1,021
- Heirs	22	10
<b>Total Liabilities</b>	<b>26,317</b>	<b>16,631</b>
- <i>Incl. up to 6 months</i>	13,547	8,360
<b>Surplus / (Deficit) (1-2)</b>	<b>2,887</b>	<b>1,151</b>

In addition, the funds set aside in the statement of financial position of PAC Doverie AD from the reserve for guaranteeing gross contributions amount to TBGN 25,424 as of 31 December 2023 (31.12.2022 - TBGN 21,387).

ANNUAL ACTIVITY REPORT, CONTINUED

**5. Regulatory requirements**

According to the requirements of SSC and Ordinance №9/19 November 2003 on the manner and procedure for valuing the assets and liabilities of the pension assurance company and the funds managed by it, the value of the net assets of the funds, for calculating and declaring the value of one unit, for calculation and comparison of the return on investment properties and for the requirements for keeping individual accounts and analytical accounts in a deferred payment fund (Ordinance 9), issued by the FSC Chairman, the valuation of assets and liabilities of a payment fund is carried out by the pension assurance company at the end of each month.

The net assets value of the DPF Doverie as of 31 December 2023 is TBGN 29,204 (31.12.2022 - TBGN 17,782).

Each payment fund should have at its disposal at the end of each month:

- with liquid assets (such as cash on hand, cash on current and deposit accounts and payable on demand in banks, government debt securities with a residual maturity of not more than one year and other low-risk debt securities and shares) not less than the payments due to pensioners and their heirs and his other current liabilities for the next 6 months;
- with highly liquid assets (such as cash on hand and cash on current accounts) in the amount not less than the payments due to pensioners, respectively the persons receiving deferred payments under Art. 167a, para. 1 of SSC, and their heirs and his other current obligations for the next month.

As of 31 December 2023, these requirements have been met by DPF Doverie.

**6. Events after the reporting period**

There are no significant events after the reporting date that influence the financial statements as of December 31, 2023.

**7. Responsibilities of the management**

Under Bulgarian law, management should prepare a financial report for each financial year that gives an accurate and fair view of the Company's status as of the end of the reporting period and its financial results. The management has prepared this financial statement in accordance with International Financial Reporting Standards (IFRS) adopted in the European Union.

The management confirms that it has consistently applied an adequate accounting policy and that the preparation of the financial statements as of 31 December 2023 complies with the precautionary principle. The management also confirms that it has adhered to the current IFRSs and the financial statements are prepared on a going concern basis. The management is responsible for the correct keeping of the accounting registers, for the proper management of the assets and for taking the necessary measures to avoid and detect possible abuses and other irregularities.

These financial statements are approved by the Management Board of the Company on 25 March 2024.

The financial statements have been approved by the Management Board and signed on behalf of the management by:

Miroslav Krumov Marino  
Executive Director



Kiril Konstantinov Georgiev  
Executive Director

25 March 2024

**DEFERRED PAYMENTS FUND DOVERIE**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PAYMENTS  
FOR THE PERIOD ENDED 31 DECEMBER**

	Note	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Investment income</b>			
Interest income	11	645	17
Net gains (losses) from Bulgarian financial instruments designated at fair value through profit or loss	11	93	(20)
Net gains (losses) from foreign financial instruments designated at fair value through profit or loss	11	1,777	1,384
<b>Funds transferred to the Fund</b>			
Funds transferred from the General Pension Fund under pension contracts concluded	1.2	33,853	21,953
Funds transferred from the General Pension Fund for pension recalculation		-	1
<b>Total increase in net assets available for payment of benefits</b>		<b>36,368</b>	<b>23,335</b>
<b>Payments of benefits</b>			
Payments to individuals with deferred payments and their heirs	1.2	(24,818)	(9,049)
<b>Management and transaction expenses</b>			
Net asset management fee expenses	10	(113)	(52)
Transaction expenses for deferred payments		(15)	(7)
<b>Total decrease in net assets available for payment of benefits</b>		<b>(24,946)</b>	<b>(9,108)</b>
<b>Net increase in net assets available for payment of benefits</b>		<b>11,422</b>	<b>14,227</b>
<b>NET ASSETS OF THE FUND AT 01.01.2023</b>		<b>17,782</b>	<b>3,555</b>
<b>NET ASSETS OF THE FUND AT 31.12.2023</b>		<b>29,204</b>	<b>17,782</b>

Notes on pages 3 to 32 are an integral part of the financial statements.

Tatyana Krasimirova Koleva  
Prepared by

Miroslav Krumov Marinov  
Executive Director

Kiril Konstantinov Georgiev  
Executive Director

In accordance with an Independent Auditors' Report:

For PricewaterhouseCoopers Audit OOD

\* For Crowe Bulgaria Audit EOOD

Jock Nunan  
Prosecutor  
27 March 2024

Gyulyay Rahman  
Statutory manager  
27 March 2024

Boryana Dimova  
Registered auditor, responsible for the audit  
27 March 2024  
Per. № 085

Georgi Kaloyanov  
Registered auditor, responsible for the audit  
27 March 2024  
Per. № 167

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.  
Financial statements for the period ending 31 December 2023.

**DEFERRED PAYMENTS FUND DOVERIE**

**STATEMENT OF NET ASSETS AVAILABLE FOR PAYMENT OF BENEFITS**  
for the year ended 31 December

		2023 BGN'000	2022 BGN'000
<b>ASSETS</b>	<b>Note</b>		
Cash and cash equivalents	8.5	23,311	17,092
Bank deposits	8.6	805	-
Securities issued by Bulgarian issuers	8.1 - 8.2	1,332	428
Securities issued by foreign issuers	8.3 - 8.4	3,768	269
<b>TOTAL ASSETS</b>		<b>29,216</b>	<b>17,789</b>
<b>LIABILITIES</b>			
Liabilities to the management company	14	12	7
<b>TOTAL LIABILITIES</b>		<b>12</b>	<b>7</b>
<b>NET ASSETS AVAILABLE FOR PAYMENT OF BENEFITS</b>		<b>29,204</b>	<b>17,782</b>

Notes on pages 8 to 32 are an integral part of the financial statements.

Tatyana Krasimirova Koleva  
Prepared by

Miroslav Krumov Marinov  
Executive Director

Kiril Konstantinov Georgiev  
Executive Director



In accordance with an Independent Auditors' Report:

For PricewaterhouseCoopers Audit OOD

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Prosecutor  
27 March 2024

For Crowe Bulgaria Audit EOOD

Gyulyay Rahman  
Statutory manager  
27 March 2024

Boryana Dimova  
Registered auditor, responsible  
for the audit  
27 March 2024

Georgi Kaloyanov  
Registered auditor, responsible for the  
audit  
27 March 2024





## NOTES TO THE FINANCIAL STATEMENTS

**1. Organization, business, and performance of the Deferred Payments Fund Doverie****1.1. Organization**

Deferred Payments Fund Doverie (The Fund, DPF Doverie, DPF) was established by a decision of the Management Board of Pension Assurance Company Doverie (PAC Doverie, the Company) on September 2, 2021. It is entered in the register under Art. 30, para. 1, item 13 of the Financial Supervision Commission Act (FSC) with Decision № 667 - DPF of 9 September 2021 of the FSC and shall be deemed established by the enactment of that decision. The Fund is entered in the BULSTAT register with a unique identification code 177521928. The seat of PAC Doverie AD and the Deferred Payments Fund Doverie is in Sofia, Izgrev district, and the address of management is Sofia, 1113, 13B Tintyava Str., entr. A, 7th floor. The Fund is established for an indefinite period.

The Fund is an independent legal entity, represented and managed by Pension Assurance Company Doverie (PAC Doverie, the Company), represented jointly by two of its Executive Officers or by an Executive Officer and the Chairman of the Management Board of the Company.

The activity of PAC Doverie on payment of deferred payments from the Deferred Payments Fund Doverie is regulated in Rules (The Rules), which are published on the corporate website of the Company([www.poc-doverie.bg](http://www.poc-doverie.bg)).

**1.2. Business and results***Pension assurance activity*

The pension assurance company, through DPF Doverie, provides deferred payment of the savings accumulated in a universal pension fund.

When the funds under the individual account of the insured person, including after supplementation by the order of art. 131, para. 2 - 5 of the SSC (up to the so-called guaranteed amount of the gross contributions) are insufficient for the granting of an additional lifelong pension in the amount under art. 167, para. 3 of SSC, but exceed three times the amount of the minimum pension for years of service and age under art. 68, para. 1 of the SSC as of the date of determining the value of the funds in the account, the insured person has the right to receive them in installments. By signing a contract for deferred payment, the accumulated funds of the insured person in GPF are transferred to the DPF Doverie created for the purposes of their deferred payment.

Deferred payment is a contractual payment of the transferred amount, in several installments, of equal amount, in equal periods.

At the beginning of 2023, the number of persons receiving deferred payments was 4,257. Persons with newly granted deferred payments in 2023 totaled 5,651. As of 31 December 2023, the number of persons in the Fund is 6,167, distributed as follows:

	<b>Persons with deferred payments as of 31.12.2023</b>	<b>Persons with newly granted deferred payments for the period</b>	<b>Persons with deferred payments as of 31.12.2022</b>
<i>Deferred payments with a residual period of up to 1 year</i>	4,130	3,943	2,776
<i>Deferred payments with a residual period from 1 to 3 years</i>	1,834	1,608	1,338
<i>Deferred payments with a residual period more than 3 years</i>	203	100	143
<b>Total</b>	<b>6,167</b>	<b>5,651</b>	<b>4,257</b>

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**1. Organization, business, and performance of the Deferred Payments Fund Doverie, continued**

*1.2. Business and results, continued*

In 2023, 27 people receiving deferred payments died. There are 3,714 persons with suspended payments.

The Deferred Payments Fund is formed by:

- the transferred funds from the individual accounts in the general pension fund of the persons to whom the deferred payment has been determined;
- the transferred funds from the reserve for guaranteeing the gross contributions to a general pension fund maintained by the pension assurance company, in cases when the amount of the Fund's funds is lower than the amount of liabilities to the persons receiving deferred payments and their heirs; and
- the income from investing the Fund's assets.

The Fund pays the deferred payments and the funds due to the heirs of the deceased who received such payments. The Fund's expenses include: expenses for the payment of deferred payments in the country (but not more than BGN 1 per transaction); expenses for acquisition and sale of its assets, as well as a fee related to the management of the Fund, payable to the Company.

In 2023, a total of amount of TBGN 33,853 have been transferred from the GPF under concluded contracts for deferred payments to the DPF Doverie (since inception to until 31.12.2022 – transferred TBGN 21,953).

The total amount paid in 2023 are TBGN 24,818 (from the creation of the Fund until 31.12.2022 – TBGN 9,049), incl. to persons with deferred payments – TBGN 24,726 and to heirs – TBGN 92 (as of 31.12.2022 – to persons with deferred payments – TBGN 9,010 and to their heirs – TBGN 39).

*Annual update*

The granted deferred payments are updated annually, starting from the first day of April, and their guaranteed amount does not change.

Deferred payments are updated depending on the realized return on investment of the deferred payment fund during the period to which the update relates, on an annual basis. The update of the deferred payments is made with not less than 50 per cent of the realized return from the investment of the Fund's assets during the period to which it refers.

The amount of deferred payment may be reduced as a result of an update only after full disposal of the funds from the analytical account, considering the part of the income with which no update was made, and may not be lower than their guaranteed amount (not lower than the gross amount of social security contributions transferred by the NRA and NSSI per person).

In 2023, the deferred payments were updated with income in the amount of TBGN 651 (For 2022 the update was TBGN 179).

*Investments, investment policy and profitability*

The objectives, requirements, and restrictions in the investment policy of DPF Doverie are presented in their Rules.

The main goal of the investment policy of the deferred payment fund is to maintain and increase, in nominal terms, deferred payments to insured persons and their heirs, in the short and medium term, by achieving a return on investment exceeding the fund's costs at a low to a moderate degree of risk.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 1. Organization, business, and performance of the Deferred Payments Fund Doverie, continued

## 1.2. Business and results, continued

*Investments, investment policy and profitability, continued*

The Deferred Payments Fund achieves its investment objectives by maintaining a conservative investment portfolio at a low, to moderate, level of risk. As the liabilities of the Fund are short-term and medium-term, the time horizon of the portfolio is relatively short - up to 5 years. The short-term nature of the accumulated funds in the DPF leads to significant expected cash outflows and a high current level of liquidity needs. The need for current liquidity is determined on a monthly basis, from the forthcoming outgoing and incoming cash flows related to the investment activity of the Fund, possible changes in the regulations, as well as from forthcoming payments to persons receiving deferred payments and their heirs.

According to SSC and the Rules, the eligible investment instruments are as follows:

Financial instrument	Restrictions	Note
1. Debt securities, issued or guaranteed by:		
1.1. Member States or the central banks thereof	No limits	Up to 20% of the outstanding amount of the bond issue
1.2. the European Central Bank or by the European Investment Bank	No limits	Up to 20% of the outstanding amount of the bond issue
1.3. states, indicated in an ordinance of the Financial Supervision Commission, or by their central banks, admitted to trading on regulated securities markets in Member States or admitted to trading on an official market of a stock exchange, or other organized market in a third state, operating regularly and is, recognized and open to the public	No limits	a) No limits for securities with an investment credit rating from a single issuer b) Up to 5% in the securities without an investment credit rating from a single issuer c) Up to 20% of the outstanding amount of the bond issue
1.4. states or the central banks thereof other than those referred to in point 1.3, admitted to trading on regulated securities markets in Member States	Up to 10%	a) Up to 5% in the securities from a single issuer b) Up to 20% of the outstanding amount of the bond issue
1.5. international financial organizations with investment grade credit	Up to 10%	a) Up to 5% in the securities from a single issuer b) Up to 20% of the outstanding amount of the bond issue
2. Securities traded on regulated markets and ETF's		a) Up to 5% in the securities from a single issuer b) Up to 20% of the outstanding amount of the bond issue
2.1. Corporate Bonds	Up to 15%	a) Up to 5% in the securities (bonds and equity) of a single issuer b) cannot acquire more than 7% of the shares of a single issuer c) Up to 5% in mutual funds managed by a single asset management company
2.2. Shares, Preferred Shares, Rights and Warrants	Up to 20%	d) Up to 15% of the shares/units of a single Mutual fund

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 1. Organization, business, and performance of the Deferred Payments Fund Doverie, continued

## 1.2. Business and results, continued

*Investments, investment policy and profitability, continued*

Financial instrument	Restrictions	Note
		a) Up to 5% in the securities of a single issuer
		b) Up to 5% NAV could be invested in bonds, which are not traded on stock exchange
3. Municipal Bonds	Up to 15%	c) Up to 20% of the outstanding amount of the bond issue
4. Bank deposits	No limits	a) in banks with minimal credit rating; b) Up to 5% in a single bank
5. Infrastructure Bonds	Up to 20%	a) Up to 5% in the securities of a single issuer b) Up to 20% of the outstanding amount of the bond issue
6. Shares and Rights of SIPV	Up to 5%	a) Up to 5% in the securities of a single issuer b) cannot acquire more than 7% of the shares of a single issuer c) Up to 1% in securitisation of receivables SIVP'
7. Assets denominated in currency different than BGN or EUR	Up to 20%	Excluding the assets which are hedged against currency risk
8. Assets from issuers of one group or parties with which they have close links	Up to 10%	

The expenses of the Fund include expenses for the payment of deferred payments in the country (but not more than BGN 1 per transaction); expenses for acquisition and sale of its assets, as well as a fee related to the management of the Fund, payable to the Company.

The income from investments of the Fund for the period is positive, amounting to TBGN 2,515 (2022 – TBGN 1,381).

## 2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU)<sup>1</sup>.

When preparing the financial statements, the special standard IAS 26 “Accounting and Reporting of Pension Insurance Plans” has been applied, insofar as it contains specific requirements for the financial reporting of pension funds. All other standards are applied in the preparation of these financial statements to the extent that they are not superseded by the requirements of IAS 26.

<sup>1</sup> The equivalent term of the applicable financial reporting framework under the Accounting Act is International Accounting Standards. International Accounting Standards (IAS) are adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards and include International Accounting Standards (IAS), International Accounting Standards (IAS), International Accounting Standards (IAS) International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC interpretations), subsequent amendments to these standards and related interpretations, future standards and related interpretations issued or adopted by the International Financial Reporting Standards (IFRS). International Accounting Standards Board (IASB).

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**2. Basis of accounting, continued**

The financial statements have been approved by the Management Board of PAC Doverie on 25 March 2024.

**Going Concern Principle**

The realized yield of DPF Doverie for the period from its establishment to 31 December 2023 is positive. Each payment fund should have at its disposal at the end of each month:

- with liquid assets (such as cash on hand, cash on current and deposit accounts and payable on demand in banks, government debt securities with a residual maturity of not more than one year and other low-risk debt securities and shares) not less than the payments due to pensioners and their heirs and his other current liabilities for the next 12 months;
- with highly liquid assets (such as cash on hand and cash on current accounts) in the amount not less than the payments due to pensioners, respectively the persons receiving deferred payments under Art. 167a, para. 1 of SSC, and their heirs and his other current obligations for the next month.

As of 31 December 2023, these requirements have been met by DPF Doverie. The management is focused on continuing to follow the Fund's strategy and set goals. Based on the above, the going concern principle has been applied in the preparation of these financial statements.

**3. New accounting standards**

**3.1. Changes in significant accounting policies**

The following new and amended standards and interpretations are effective January 1, 2023, but have no material effect on the Fund's financial statements:

**(a) New and amended standards adopted by the Fund**

The Fund has applied the following standards and amendments for the first time for its annual reporting period beginning January 1, 2023:

**Amendments to IAS 1 and Statement of Practice on IFRSs: Disclosure of Accounting Policies 2** (issued 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

**Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

**Amendment to IAS 12 Income Taxes: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction** (issued 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

**IFRS 17 Assurance Contracts** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023), **including Amendment to IFRS 17** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

**Amendment to IFRS 17 Assurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information** (issued 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**3. New accounting standards, continued****3.1. Changes in significant accounting policies, continued**

**Amendment to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules** (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

Any changes in adopted standards listed above have no effect on amounts recognized in prior periods, nor are they expected to have a significant impact on current or future periods.

**(b) New standards and interpretations not yet adopted by the Fund**

Certain new accounting standards and interpretations have been published that are not mandatory for application in the reporting period ended December 31, 2023 and have not been previously adopted by the Fund. They are not expected to have a material impact on the Fund's financial statements.

**Amendment to IFRS 16 Leases: Lease Liability in Sale and Leaseback Transactions** (issued 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

**Amendments to IAS 1 Presentation of Financial Statements:**

**Classification of liabilities as current and non-current** (issued 23 January 2020) **Classification of liabilities as current and non-current - deferral of effective date** (issued 15 July 2020)

**Noncurrent liabilities with contractual provisions** (issued October 31, 2022, effective for annual periods beginning on or after January 1, 2024)

There are no other standards that have not yet been adopted that are expected to have a significant impact on the Company in the current or future reporting period or on transactions in the foreseeable future.

**(c) New standards, clarifications and amendments not yet adopted by the EU**

**Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosures - Vendor Financing Arrangements** (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024)

**Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: No Translation Rate** (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2025).

**4. Basis of measurement**

These financial statements have been prepared on the historical cost basis, except for the Fund's investments, which are reported at fair value.

**5. Functional and presentation currency**

These financial statements are presented in BGN, which is the Fund's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

**6. Use of estimates and assumptions**

In preparing these financial statements management has made judgments, estimates, and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**6. Use of estimates and assumptions, continued**

Significant accounting estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Their authenticity is checked regularly.

Estimates that could lead to a significant adjustment to the carrying amount of assets and liabilities in the next financial year could be seen below.

Items in the financial statements whose presentation requires a higher degree of subjective judgment, as well as those items for which estimates have a significant effect on the financial statements, are disclosed separately in Note 12.

*Assessment of the fair value of investments*

Fund's investments financial instruments are reported based on fair value valuation (see note 12). Fair values are categorized into a different level in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The classification of a certain position in accordance with the above levels is based on the use of primary data that has a significant effect on the determination of fair value. The Fund recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**7. Significant accounting policies**

*7.1. Foreign currency*

Transactions in foreign currencies are translated to the functional currency of the Fund at exchange rates at the dates of the transactions.

Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency at the exchange rate of Bulgarian National Bank (BNB) at the reporting date.

In accordance with Ordinance No 9 of FSC, effective from 1 July 2004 cash and cash equivalents, receivables, and payables denominated in foreign currency are subject to a monthly revaluation at the central exchange rate of BNB at the end of each month.

*7.2. Investments of the Fund in financial instruments*

*(i) Measurement*

The Fund's investments in financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the valuation date. Fair value measurement is based on the assumption that a transaction for the sale of an asset or the transfer of a liability takes place:

- On the main market for the respective asset or liability, or
- In the absence of a main market, the most profitable market for the respective asset or liability.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**7. Significant accounting policies, continued**

*7.2. Investments of the Fund in financial instruments, continued*

*(ii) Recognition and initial measurement*

All financial assets and liabilities are initially recognized when the Fund becomes a party to the contractual terms of the instrument.

A financial asset is initially measured at fair value, which is assumed to be their acquisition cost, net of transaction costs. Expenses directly related to the transaction are recognized in the statement of changes in net assets available for payments. From that moment, the Fund reports all income and expenses related to changes in fair value in the statement of changes in net assets available for payments.

*(iii) Subsequent measurement*

All financial instruments are subsequently measured at fair value.

Net gains and losses, including interest and dividend income, are recognized in the statement of changes in net assets available for payments.

*(iv) Derecognition*

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to receive the contractual cash flows from a transaction are transferred in which substantially all the risks and rewards of ownership of the financial asset are transferred and does not retain substantially all the risks and rewards of ownership, nor does it retain control of the financial asset.

The Fund writes off certain investment securities when they are determined to be uncollectible or when there is information that the debtor is in severe financial difficulty and has no realistic prospect of recovery.

Derecognized financial assets may still be subject to enforcement activities in accordance with the Fund's recovery procedures, taking into account legal advice where appropriate. All amounts recovered are recognized in the statement of changes in available net income assets.

*7.3. Interest income/expenses*

The fund generates income (or expenses) from interest on deposits, current accounts and debt securities. Interest income (or expenses) is accrued on a monthly basis. Negative interest accrued on financial assets is presented as interest payable.

*7.4. Dividend income*

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established.

*7.5. Net gain/(loss) from financial instruments at fair value through profit or loss*

Net gain/(loss) from financial instruments at fair value includes all realized and unrealized fair value changes and foreign exchange differences but excludes interest and dividend income.



NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**7. Significant accounting policies, continued**

*7.6. Derivatives*

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

In compliance with the adopted investment policy the derivative financial instruments are held for risk management of foreign currency positions.

*7.7. Operational expenses*

*Net asset management fee*

PAC Doverie AD collects mandatory fees and charges in connection with its management of the Fund, defined in the Social Security Code.

The fee is charged by the Fund in a reduction of income in the period to which it relates, in the manner and manner determined by Ordinance №52 of the Financial Supervision Commission. It is calculated on the value of the Fund's net assets depending on the period during which it was managed by the Company and amounts to 0.5% per annum.

*Expenses for payment of pensions*

The costs for payment of deferred pensions in the amount of those actually incurred at the expense of the Fund (but not more than BGN 1 per transaction) are accrued as of the date of the transaction in profit or loss.

In case the expense or part of it is at the expense of the pension assurance company or the person receiving the payment, a receivable from the respective party shall be accrued with the amount due for reimbursement.

*7.8. Tax*

Under the current system of taxation in the Republic of Bulgaria, the Fund is exempt from paying income taxes.

However, some dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin.

*7.9. Liabilities*

The liabilities of the Fund, according to Ordinance №9 -19.11.2003 on the manner and procedure for valuation of the assets and liabilities of the supplementary pension insurance funds and of the pension insurance company, of the value of the net assets of the fund, for calculation and declaration of the value of one unit and for the requirements for keeping individual accounts, consist of accrued liabilities to the Company for payment of mandatory fees and deductions (see above), accrued amounts for payment of persons receiving deferred payments and their heirs, as well as from liabilities related to investments in assets.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund

The net assets of DPF Doverie as of 31 December 2023 are as follows:

	NOTE	31.12.2022 BGN'000	31.12.2021 BGN'000
<b>ASSETS</b>			
Securities issued by Bulgarian issuers:		1,332	428
<i>Securities issued or guaranteed by countries and their central banks</i>	8.1	980	-
<i>Corporate bonds issued by Bulgarian issuers</i>	8.2	352	428
Securities issued by foreign issuers:		3,768	269
<i>Securities issued or guaranteed by countries and their central banks</i>	8.3	186	172
<i>Corporate bonds issued by foreign issuers</i>	8.4	3,582	97
Cash and cash equivalents:		24,116	17,092
<i>Current accounts in BGN</i>	8.5	6,737	8,600
<i>Current accounts in foreign currency</i>	8.5	16,574	8,492
Bank deposits	8.6	805	-
<b>TOTAL ASSETS</b>		<b>29,216</b>	<b>17,789</b>
Less: Liability	8.7	(12)	(7)
<b>TOTAL NET ASSETS</b>		<b>29,204</b>	<b>17,782</b>

## 8.1. Government securities issued by the Republic of Bulgaria

The Fund's exposure to Bulgarian government securities as at 31 December 2023 is as follows:

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Republic of Bulgaria	XS1083844503	2.95%	EUR	5,790	03.09.2024	980
<b>Total</b>						<b>980</b>

## 8.2. Corporate bonds issued by Bulgarian issuers

The book value of corporate bonds issued by Bulgarian issuers as of 31 December 2023 amounts to TBGN 352, which represents 1.20% of the total assets of the Fund as of that date (as of 31.12.2022 – TBGN 428 and 2.41%).

These bonds are traded on the bond segment of BSE - Sofia and are secured.

The table below provides detailed information on corporate bonds as of 31 December 2023.

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, not less than 3.00%	EUR	222	20.1.2025	352
						<b>352</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund, continued

## 8.2. Corporate bonds issued by Bulgarian issuers, continued

The table below provides detailed information on corporate bonds as of December 31, 2022.

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, not less than 3.00%	EUR	167	20.1.2025	428
						<b>428</b>

## 8.3. Securities issued or guaranteed by countries and their central banks

As of 31 December 2023, the Fund holds an investment in a security issued by an EU country amounts to TBGN 186, which represents 0.64% of the total assets of the Fund as of that date (as of 31.12.2022 – TBGN 172 and 0.97%).

The table below provides detailed information on investment in a security issued by an EU country as of 31 December 2023.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
Republic of Romania	XS1420357318	2.88%	EUR	100	26.05.2028	186
						<b>186</b>

The table below provides detailed information on investment in a security issued by an EU country as of 31 December 2022.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
Republic of Romania	XS1420357318	2.88%	EUR	100	26.05.2028	172
						<b>172</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund, continued

## 8.4. Corporate bonds issued by foreign issuers

The book value of corporate bonds issued by foreign issuers as of 31 December 2023 amounts to TBGN 3,583, which represents 12.26% of the total assets of the Fund as of that date.

The table below provides detailed information on corporate bonds issued by foreign issuers as of 31 December 2023.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
CESKA SPORITELNA AS RAIFFEISEN BANK	XS2638560156	5.94%	EUR	300	29.6.2027	624
RAIFFEISEN BANK RO	XS2682093526	6.00%	EUR	300	15.9.2028	622
ING BANK N.V.. BANCA	XS2700245561	7.00%	EUR	600	10.12.2027	1,227
TRANSILVANIA	XS2697483118	4.13%	EUR	300	2.10.2026	607
THYSSENKRUPP	XS2724401588	7.25%	EUR	200	7.12.2028	404
	DE000A14J587	2.50%	EUR	50	25.02.2025	98
<b>Общо</b>						<b>3,582</b>

The table below provides detailed information on corporate bonds issued by foreign issuers as of 31 December 2022.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
THYSSENKRUPP	DE000A14J587	2.50%	EUR	50	25.02.2025	97
						<b>97</b>

## 8.5. Current accounts in BGN and foreign currency

The money on current accounts as of 31 December 2023 represents 79.79% of the total assets of the Fund as of that date and is distributed by currencies as follows:

Bank	Currency	Value /BGN'000/	Credit rating	Rating agency
UBB	BGN	6,737	A-	Fitch
UBB	EUR	16,553	A-	Fitch
UBB	USD	21	A-	Fitch
		<b>23,311</b>		

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund, continued

## 8.5. Current accounts in BGN and foreign currency, continued

The money on current accounts as of 31 December 2022 represents 96.08% of the total assets of the Fund as of that date and is distributed by currencies as follows:

Bank	Currency	Value /BGN'000/	Credit rating	Rating agency
UBB	BGN	8,600	A-	Fitch
UBB	EUR	8,490	A-	Fitch
UBB	USD	2	A-	Fitch
		<b>17,092</b>		

## 8.6. Bank deposits

Bank	Currency	Nominal value /BGN'000/	Maturity	Value /BGN'000/	Credit rating	Rating agency
ING BANK N.V.	EUR	200	24.01.2024	403	A+	S&P
ING BANK N.V.	EUR	200	15.02.2024	402	A+	S&P
<b>Total</b>				<b>805</b>		

## 8.7. Liabilities

As of 31 December 2023, DPF Doverie has a current liability to Pension Assurance Company Doverie AD in the total amount of TBGN 12, representing due management fee for December 2023 (31.12.2022 – TBGN 7).

## 8.8. Table of maturity of the securities

The table below presents the contractual maturity structure of the securities by fair value as of 31 December 2023.

## Total contractual cash flows from the securities

Maturity /BGN'000/	Fair value 31.12.2023	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Total
Government securities Bulgaria	980	-	-	1,007	-	-	1,007
Corporate bonds in EUR in Bulgaria	352	178	-	9	281	-	468
Foreign corporate and government bonds in EUR	3,768	-	43	170	4,116	-	4,329
<b>Total</b>	<b>5,100</b>	<b>178</b>	<b>43</b>	<b>1,186</b>	<b>4,397</b>	<b>-</b>	<b>5,804</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**8. Net assets of the pension fund, continued**

*8.8. Table of maturity of the securities, continued*

The table below presents the contractual maturity structure of the securities by fair value as of 31 December 2022.

**Total contractual cash flows from the securities**

Maturity /BGN'000/	Fair value 31.12.2022	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Total
Corporate bonds in EUR	428	94	-	6	361	-	461
Foreign corporate and government bonds in EUR	269	-	8	-	125	201	334
<b>Total</b>	<b>697</b>	<b>94</b>	<b>8</b>	<b>6</b>	<b>486</b>	<b>201</b>	<b>795</b>

**9. Net assets available for payments**

Net assets available for payment include the Fund's investments less liabilities other than amounts due to be paid to installments and their heirs.

The table below presents the net income by type of investment.

	Result	
	31.12.2023	31.12.2022
	BGN'000	BGN'000
Shares	364	1,258
Mutual Funds and ETF's	12	-
Government bonds	1,437	129
Corporate bonds	194	23
Bank deposits	23	-
Currency operations and bank accounts	485	(29)
<b>Total</b>	<b>2,515</b>	<b>1,381</b>

**10. Management fee**

PAC Doverie charges a fee for its management of the net assets of DPF Doverie in the amount of 0.5% on an annual basis of the net assets of the Fund for the period of management.

	31.12.2023	31.12.2022
	BGN'000	BGN'000
Management fee	113	52
<b>Total</b>	<b>113</b>	<b>52</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 11. Net gains / (losses) from financial instruments

	<u>31.12.2023</u>	<u>31.12.2022</u>
	BGN'000	BGN'000
Bonds issued by foreign issuers	1,488	133
Equity financial instruments issued by foreign issuers	376	1,258
Bonds issued by Bulgarian issuers	143	19
<b>Total</b>	<b><u>2,007</u></b>	<b><u>1,410</u></b>

## 11.1. Bonds issued by foreign issuers

	<u>31.12.2023</u>	<u>31.12.2022</u>
	BGN'000	BGN'000
<b>Gains / (losses)</b>		
Government bonds	1,323	129
Corporate bonds	165	4
<b>Net gains / (losses)</b>	<b><u>1,488</u></b>	<b><u>133</u></b>

## 11.2. Bonds issued by Bulgarian issuers

	<u>31.12.2022</u>	<u>31.12.2021</u>
	BGN'000	BGN'000
<b>Gains / (losses)</b>		
Government bonds	115	-
Corporate bonds	28	19
<b>Net gains / (losses)</b>	<b><u>143</u></b>	<b><u>19</u></b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 12. Fair values

Distribution of assets by levels of sensitivity in the fair value hierarchy (according to the source and inputs for determining fair value) is shown in the following table.

31 December 2023

BGN'000

	Book value			Fair value		
	Determined at fair value	Determined at amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>						
Corporate bonds	3,935	-	-	3,583	352	-
Government securities	1,165	-	-	1,165	-	-
<b>Total</b>	<b>5,100</b>	<b>-</b>	<b>-</b>	<b>4,784</b>	<b>352</b>	<b>-</b>
<b>Financial assets that are not measured at fair value</b>						
Cash and cash equivalents	-	23,311	-	-	-	-
Bank deposits	-	805	-	-	-	-
<b>Total</b>	<b>-</b>	<b>24,116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities that are not measured at fair value</b>						
Liabilities	-	-	12	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 December 2022

BGN'000

	Book value			Fair value		
	Determined at fair value	Determined at amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>						
Corporate bonds	525	-	-	97	428	-
Shares	-	-	-	-	-	-
Government bonds	172	-	-	172	-	-
<b>Total</b>	<b>697</b>	<b>-</b>	<b>-</b>	<b>269</b>	<b>428</b>	<b>-</b>
<b>Financial assets that are not measured at fair value</b>						
Cash and cash equivalents	-	17,092	-	-	-	-
<b>Total</b>	<b>-</b>	<b>17,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities that are not measured at fair value</b>						
Liabilities	-	-	7	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>



## **NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

### **13. Financial risk management**

Given the Fund's nature, the portfolio of financial instruments determines the state and the performance of the Fund. The risks arising from financial instruments may be classified as follows:

- Credit risk
- Market risk, incl. change in the market value or cash flow relating to changes in interest rates
  - Foreign exchange risk
  - Other market risk
- Liquidity risk
- Regulatory risk
- Political risk

The Fund is exposed to risks arising from the use of financial instruments. In the following notes, the objectives, policies and processes for managing those risks are described as well as the methods used to measure them. Additional quantitative information relevant to the risks can be found below.

#### **Main financial instruments**

The main financial instruments used by the DPF that form the risk exposure are as follows:

- Cash and cash equivalents
- Government securities
- Bonds (corporate)
- Shares

#### **Objectives, policies, and processes**

The Management Board has overall responsibility for setting objectives and policies regarding risk management in DPF, having delegated the operational management processes to ensure effective achievement of and following the policies within the financial business. Monthly reports and analysis are prepared and reported.

The overall objective and policies are in the direction of risk optimization without unnecessarily to achieve a reduction of competitiveness and flexibility of the fund. Further details regarding the policies can be found below.

#### ***Credit risk***

Credit risk is the risk of a financial loss if the counterparty to a financial instrument fails to meet their contractual commitment.

For DPF, the credit risk mainly arises from the bonds' portfolio, as well as the cash and cash equivalents.

For risk measurement DPF uses external analysis and resources, predominantly internationally recognized agencies. When no such information is available, the Fund uses its own internal credit evaluation methodology which includes data and analysis from the Prospectus and after listing on the stock-exchange, further analysis of the data derived from the quarterly financial statements. The analysis of the credit rating includes an examination of the individual characteristics and competitive advantages of the issuer, the potential of the respective market segment, as well as the performance versus the forecasts in the prospectus.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Credit risk, continued*

Regular meetings are carried out with the managers of the public companies in which the company has invested (both shares and/or bonds), to discuss the financial position of the issuer and the perspectives for the development of the issuer's business.

DPF's investments in Bulgarian and foreign government securities are the most exposed to credit risk, caused by a change in the price of the bonds, caused by the deterioration in the credit status of the issuer. Almost all issuers of government securities, included in the Fund's portfolio possess investment credit rating, assigned by internationally acknowledged rating agencies. The detailed rating distribution is represented below. The investments in government securities of DPF amount to TBGN 5,100, and in a simulative scenario with an assumed decrease of their value with 6%, the total value of the portfolio would decrease with TBGN 306 or 1.05%.

The investment committee manages the concentration in credit risk. Under review are the credit ratings, results for the period and reports of trustee banks.

Credit risk, albeit minimal, exists when it comes to cash in accounts in the trustee bank. Nevertheless, a thorough analysis of the financial condition and evaluation of the credit risk of the custodian/trustee bank is regularly made.

Bank deposits are usually short term and mid-term with maturity up to 2 years. Eligible counterparty bank may be one with rating by an external agency of at least BB or equivalent. Exceptions are allowed only for a transition period of up to six months only when the rating of an already contacted bank is changed below the minimum level.

DPF does not use derivatives to manage credit risk. If such needs occur and in strictly defined circumstances such steps can be taken to reduce the risk if it is substantially concentrated and homogeneous.

Quantitative disclosure of exposure to credit risk related to financial assets is described below:

	<b>31.12.2023</b>	<b>31.12.2022</b>
	<b>Maximum risk</b>	<b>Maximum risk</b>
	BGN'000	BGN'000
Cash and cash equivalents	23,311	17,092
Bank deposits	805	-
Government securities, issued or guaranteed by governments or their central banks	1,165	172
Corporate bonds	3,935	525
<b>Total</b>	<b>29,216</b>	<b>17,789</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Credit risk, continued*

*Rating scale of Risk Methodology of Standard & Poor's or equivalent regarding the fair value of financial instruments as of 31 December 2023*

/BGN'000/	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	Without rating	Total
Corporate bonds, issued by Bulgarian issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	352	352
Government securities, issued or guaranteed by governments on their central banks	-	-	-	-	-	-	-	-	980	185	-	-	-	-	-	1,165
Corporate bonds, issued by foreign issuers	-	-	-	-	607	-	-	625	1,849	-	-	404	98	-	-	3,583
<b>Total</b>	-	-	-	-	<b>607</b>	-	-	<b>625</b>	<b>2,829</b>	<b>185</b>	-	<b>404</b>	<b>98</b>	-	<b>352</b>	<b>5,100</b>

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.  
Financial statements for the period ending 31 December 2023.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Credit risk, continued*

*Rating scale of Risk Methodology of Standard & Poor's or equivalent regarding the fair value of financial instruments as of 31 December 2022*

/BGN'000/	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	Without rating	Total
Corporate bonds, issued by Bulgarian issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	428	428
Government securities, issued or guaranteed by governments on their central banks	-	-	-	-	-	-	-	-	-	172	-	-	-	-	-	172
Corporate bonds, issued by foreign issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	97	-	97
<b>Total</b>	-	-	-	-	-	-	-	-	-	172	-	-	-	97	428	697

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.  
Financial statements for the period ending 31 December 2023.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Credit risk, continued*

**Cash in banks**

Cash in banks is classified as short-term financial asset.

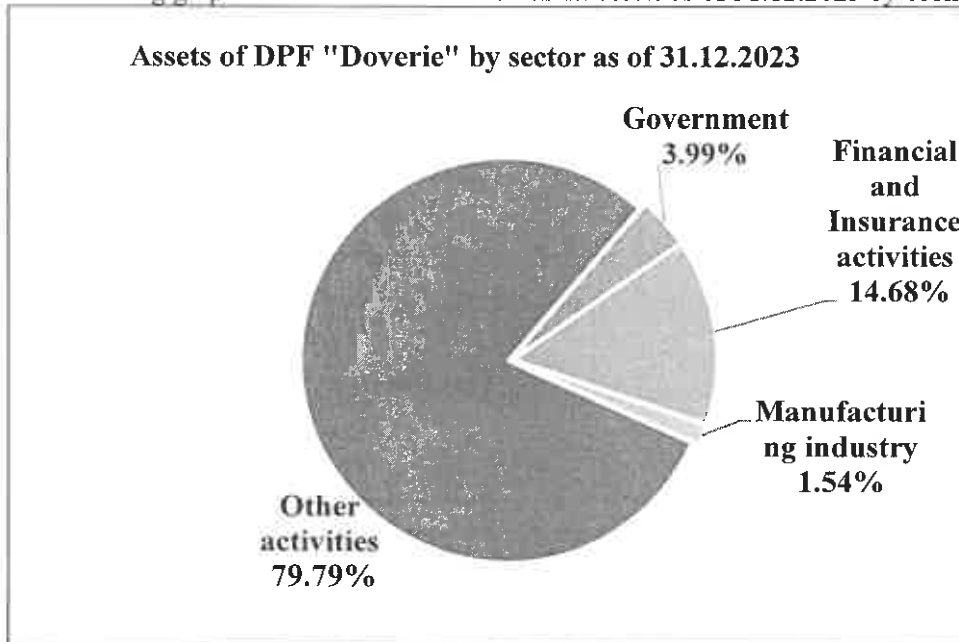
Cash is held at the following trustee bank on 31 December 2023:

	<b>Rating as of 31 December 2023</b>	<b>Balance as of 31 December 2022</b>
		/BGN'000/
UBB AD	A-	23,311

Cash is held at the following trustee bank on 31 December 2022:

	<b>Rating as of 31 December 2022</b>	<b>Balance as of 31 December 2022</b>
		/BGN'000/
UBB AD	A-	17,092

The following graph shows the concentration of the assets as of 31.12.2023 by economic sectors.



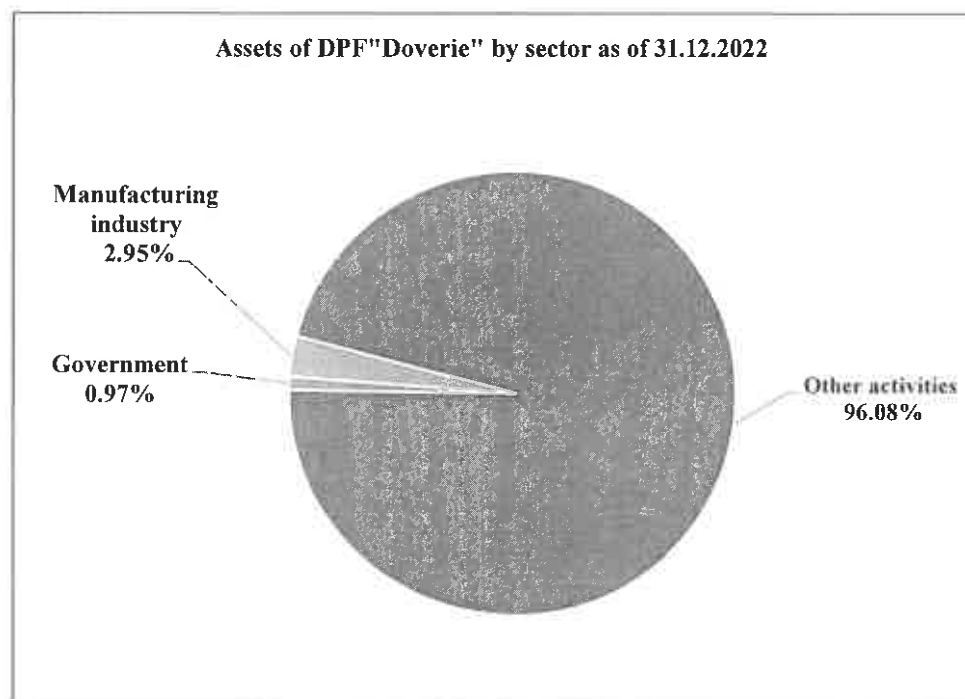
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial risk management, continued

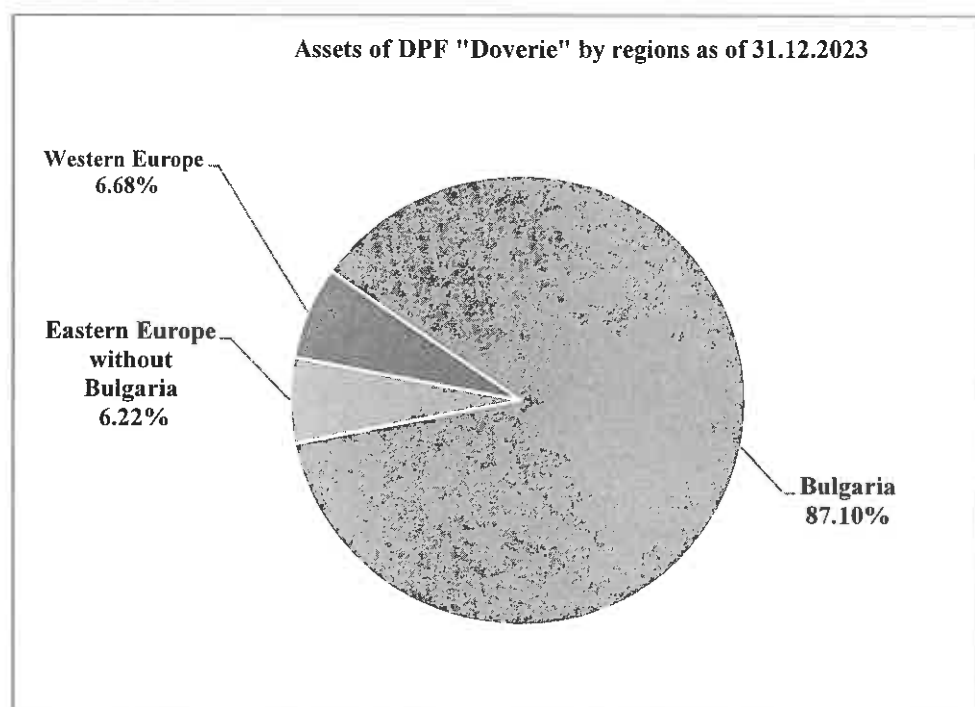
*Credit risk, continued*

**Cash in banks, continued**

The following graph shows the concentration of the assets as of 31.12.2022 by economic sectors.



The following graph shows the concentration of the assets as of 31.12.2023 by geographic regions.

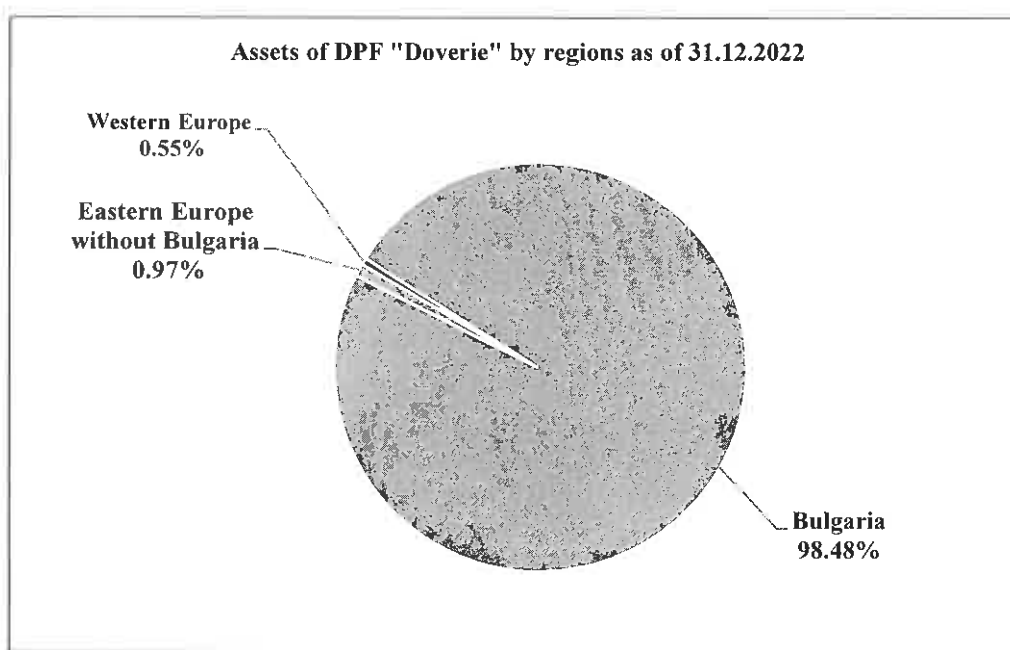


## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Credit risk, continued***Cash in banks, continued**

The following graph shows the concentration of the assets as of 31.12.2022 by geographic regions.

**Market risk**

Market risk arises from the Fund owning interest-bearing, tradable, and foreign currency denominated financial instruments. This is the risk of change in fair value or future cash flows according to changes in interest rates, exchange rates or other market factors

**Interest risk**

In the second half of 2019, the methodology for calculating Eonia has been modified. The replacement of the Index (Eonia) with a new Euro risk-free value was due to (Eonia) was no longer meeting the EU regulation criteria for indicators. According to EU regulations after January 1, 2020 the index cannot be used for new financial contracts. However, (Eonia) continued to be published until the beginning of January 2022, during this period the ECB recommended to the market participants to gradually replace (Eonia) for all its products and contracts, with the new (€STR) standard reference rate. (€STR) is also a banks overnight reference rate within the euro area in accordance with EU regulations. It represents the average of 35 different interest rates that cover five main currencies - US dollars, euros, British pounds, Japanese yen and Swiss franc. (€STR) represents an average of the rates in Europe. These rates are usually used by banks and institutional investors, as well as pension funds. One of the key reasons for switching to (€STR) is that there will be more banks contributing to the average rate than with (Eonia).

The company applies alternative rates, considering the EU regulation.

The company expects that the reform of IBOR will affect its risk management and financial reporting.

The Risk Management Unit monitors and manages the Company's transition to alternative rates and assesses the extent to which contracts relate to IBOR cash flows, whether such contracts will need to be amended as a result of the IBOR reform and how to manage the communication of IBOR reform with the counterparties. The Risk management department periodically reports to the management interest rate risk and risks related to IBOR reform.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Interest risk, continued*

The interest rate risk originates from the bond portfolio with a fixed coupon. That risk is managed by diversification of securities with a fixed and floating rate. The Fund analyses the risk of a change of interest rates periodically. Simulation analysis is applied and as a result of the analysis the management believes that a realistically plausible scenario would be a change (increase) in basic (benchmark) interest rate with 75 basis points, and the effect to the financial result, all other conditions being equal, would be as follows:

№	Indicator	2022
1	Change in the value of the investment portfolio in thousand BGN.	(7.49)
2	Change in the value of the investment portfolio in %	(0.04%)
№	Indicator	2023
1	Change in the value of the investment portfolio in thousand BGN.	(66.73)
2	Change in the value of the investment portfolio in %	(0.23%)

As of 31.12.2023

<b>ASSETS</b>	<b>Financial instruments with floating interest rate</b>	<b>Financial instruments with fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<i>BGN'000</i>				
Cash and cash equivalents	-	23,311	-	23,311
Bank deposits	-	805	-	805
Bonds issued by Bulgarian issuers	352	980	-	1,332
Foreign investments	-	3,768	-	3,768
<b>Total Assets</b>	<b>352</b>	<b>28,864</b>	<b>-</b>	<b>29,216</b>
<b>LIABILITIES</b>	<b>Financial instruments with a floating interest rate</b>	<b>Financial instruments with a fixed interest rate</b>	<b>Non-interest-bearing</b>	<b>Total</b>
<i>BGN'000</i>				
Liabilities to PAC	-	-	12	12
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>12</b>



## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Interest risk, continued*

As of 31.12.2022

<b>ASSETS</b> <i>BGN'000</i>	<b>Financial instruments with floating interest rate</b>	<b>Financial instruments with fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
Cash and cash equivalents	-	17,092	-	17,092
Bank deposits	-	-	-	-
Bonds issued by Bulgarian issuers	428	-	-	428
Foreign investments	-	269	-	269
<b>Total Assets</b>	<b>428</b>	<b>17,361</b>	<b>-</b>	<b>17,789</b>

<b>LIABILITIES</b> <i>BGN'000</i>	<b>Financial instruments with a floating interest rate</b>	<b>Financial instruments with a fixed interest rate</b>	<b>Non-interest- bearing</b>	<b>Total</b>
Liabilities to PAC	-	-	7	7
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>7</b>

*Currency risk*

The Fund is a local entity in Bulgaria. Although the functional currency is the Bulgarian Lev (BGN), the Fund is at risk from changes in exchange rates arising mainly from financial instruments denominated in currencies other than BGN and EUR. The investments of the Fund that are denominated in BGN or EUR, but their value is dependent on changes in the exchange rate between a third currency and BGN or EUR are subject to currency risk. During the reporting period, such financial instruments have been part of the investment portfolio of the Fund. To manage currency risk, forward contracts could be used for a period up to one month and rolled at maturity with a few banks on the local market.

To reduce the risk of any adverse change in the future exchange rate between euro and BGN, the significant part of the Fund's investments is denominated in EUR.

Simulation analysis at 10% depreciation of the EUR against USD as at the date of the report, with other things being equal, would lead to an increase in the financial result by TBGN 2.1 and the opposite – a 10% depreciation of USD against the EUR, will result in decrease of the result by the same amounts.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Currency risk, continued*

The currency position of the Fund as of 31 December 2023 by types of assets and liabilities, categorized by original currency is as follows:

/BGN'000/	<b>BGN</b>	<b>EUR</b>	<b>USD</b>	<b>Total</b>
Cash and cash equivalents	6,737	16,553	21	23,311
Bank deposits	-	805	-	805
Corporate bonds, issued by Bulgarian issuers	-	352	-	352
Government securities, issued or guaranteed by governments or their central banks	-	1,165	-	1,165
Corporate bonds, issued by foreign issuers	-	3,583	-	3,583
Equity financial instruments issued by foreign issuers	-	-	-	-
<b>Total Assets</b>	<b>6,737</b>	<b>22,458</b>	<b>21</b>	<b>29,216</b>
Liabilities to PAC	12	-	-	12
<b>Total Liabilities</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>12</b>

The currency position of the Fund as of 31 December 2022 by types of assets and liabilities, categorized by original currency is as follows:

/BGN'000/	<b>BGN</b>	<b>EUR</b>	<b>USD</b>	<b>Total</b>
Cash and cash equivalents	8,600	8,491	1	17,092
Corporate bonds, issued by Bulgarian issuers	-	428	-	428
Government securities, issued or guaranteed by governments or their central banks	-	172	-	172
Corporate bonds, issued by foreign issuers	-	97	-	97
Equity financial instruments issued by foreign issuers	-	-	-	-
<b>Total Assets</b>	<b>8,600</b>	<b>9,188</b>	<b>1</b>	<b>17,789</b>
Liabilities to PAC	7	-	-	7
<b>Total Liabilities</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>7</b>

The following table summarizes the Fund's exposure to currency risk as of 31 December 2023. It includes assets and liabilities at book value categorized by original currency:

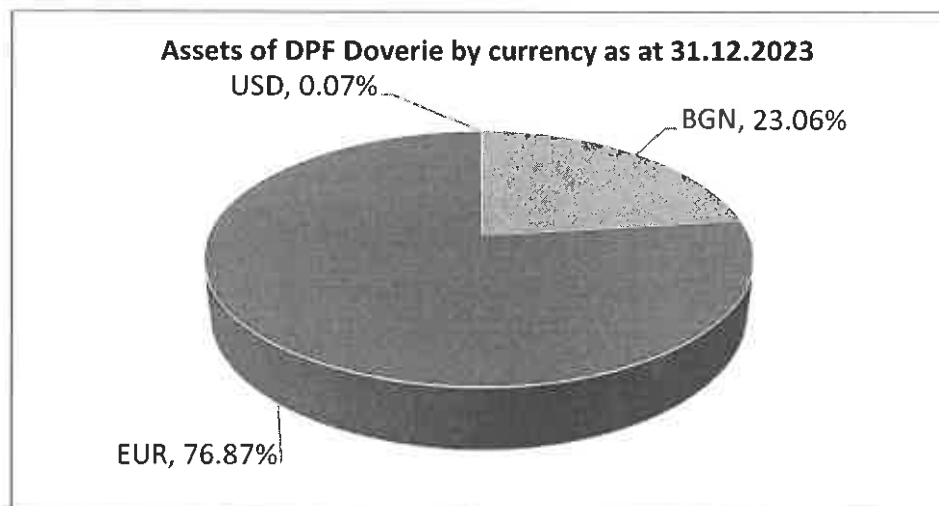
<b>Currency exposure (assets/liabilities)</b>	<b>Functional Currency</b>	
	<b>Bulgarian lev</b>	
	<b>2023</b>	
	BGN'000	
EUR	22,458	
USD	21	
<b>Total</b>	<b>22,479</b>	

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

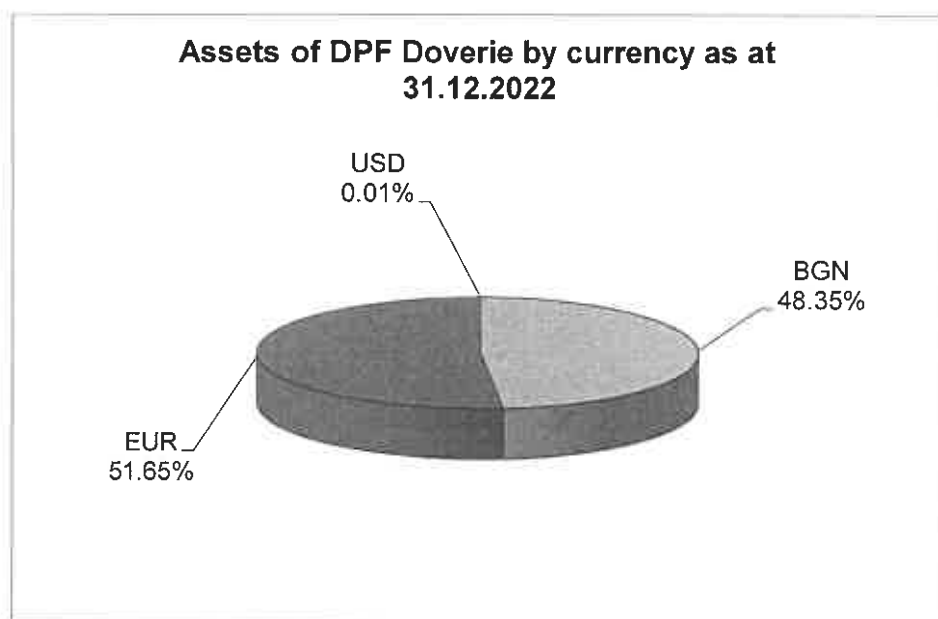
13. Financial risk management, continued

*Currency risk, continued*

The following graph shows the concentration by currency of the assets as of 31.12.2023.



The following graph shows the concentration by currency of the assets as of 31.12.2022.



Exposures in EUR and USD include derivative financial assets and liabilities.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Other market risks*

The fund does not own shares/units from specific issuers.

**Information on collaterals**

Total debt securities represent 17.46% of the assets, 0% of them secured and 17.46% unsecured. External credit rating is assigned to 16.25% of the assets and the remaining 1.20% are rated using internal methodology

*Liquidity risk*

Liquidity risk arises for the Fund if it encounters difficulties to meet its financial commitments in full and on time.

The Fund's policy is to ensure at all times available cash at least sufficient to cover obligations when due. To achieve this goal are maintained cash and cash equivalents in an amount at least equal to the requirements for 30-45 days.

Management monitors daily cash management and with a monthly budget review, a fine-tuning is made where necessary. Given the relatively higher amounts of inflows than outflows, the Fund has not implemented an active policy of long-term synchronization of assets and liabilities. However, maintaining the necessary funds to meet current obligations and the availability of marketable securities in the portfolio would enable it to meet even significant unusual payables. In practice, the possibility of receivables and/or obligations to become required earlier than the date of maturity the Fund is assessed as minimal.

The following table presents an analysis of the liabilities of the Company as at 31 December 2023 grouped by residual term to maturity.

<b>As at 31 December 2023</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>Over 5 years</b>
<b>Financial liabilities</b>			
Related to PAC	12	-	-
<b>Total</b>	<b>12</b>	<b>-</b>	<b>-</b>

The following table presents an analysis of the liabilities of the Company as at 31 December 2022 grouped by residual term to maturity.

<b>As at 31 December 2022</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>Over 5 years</b>
<b>Financial liabilities</b>			
Related to PAC	7	-	-
<b>Total</b>	<b>7</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**13. Financial risk management, continued***Regulatory risk*

The Fund is subject to the regulations set out in the Social Security Code and Regulations issued by the FSC. Regulatory risk arises from the possibility that specific regulations and requirements for investments might be changed, and deadlines for the compliance of operations in accordance with the new requirements might be short. In this particular case, it could be that the Fund would be forced to dispose of assets and their realization may be affected adversely in an unfavorable situation and respectively the sale to be below the fair value. The Fund assesses this risk as being minimal, given the current allocation of financial assets and the likelihood of such change.

*Political risk*

Given that the Fund operates only within the Republic of Bulgaria there is a concentration of political risk. This is a risk of significant political change and significant change in the policies and reforms that would have a negative impact on the Fund.

**14. Related party transactions**

The Fund is in a related party relationship with the following:

PAC Doverie AD, in its capacity of a company managing the assets of the Fund, as well as the companies under the common control of the ultimate parent of PAC Doverie (ultimate controlling entity WIENER STÄDISCHE Versicherungsverein – Vermögensverwaltung) are considered related parties.

*Transactions with related parties*

BGN'000	Type of transaction	31.12.2023	31.12.2022
PAC Doverie AD	Net asset management fee I	113	52
PAC Doverie AD	Fee Liabilities	12	7

The key management personnel of PAC Doverie AD are also considered related parties of the Fund.

**15. Expected liabilities of the Fund to persons with deferred payments and heirs**

	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	BGN'000	BGN'000	BGN'000	BGN'000
	Value before discounting		Value after discounting	
<b>Present value of liabilities as of the previous year end</b>	16,631	3,547	16,631	3,547
Funds received from the GPF for newly allocated pensions	33,853	21,954	33,853	21,953
Payments to pensioners and heirs	(24,818)	(9,049)	(24,818)	(9,049)
Updated pensions during the year	651	179	651	179
Effect of change in the present value Discounting effect	-	-	(1,053)	(394)
<b>Present value of liabilities at the end of the year</b>	<b>26,317</b>	<b>16,631</b>	<b>25,264</b>	<b>16,236</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**15. Expected liabilities of the Fund to persons with deferred payments and heirs, continued**

The discounted present/value is calculated on the basis of the risk-free interest rate announced for Bulgaria (according to the yield curve published on the website of the European Insurance and Occupational Pension Authority (EIOPA) as of 31.12.2023 for the remaining 31.12.2023 deadline for deferred payments.

**16. Contingent assets and contingent liabilities**

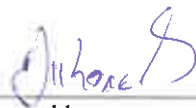
During the period, the Fund has no contingent assets or liabilities and no legal claims against it.

**17. Events after the reporting period**

There are no significant post balance sheet events with effect on the financial statements as of 31 December 2023.

These financial statements were approved for issue by the Management Board dated 25 March 2024.

The financial statements are approved by the Management Board and signed on behalf of the management by:

  
\_\_\_\_\_  
Prepared by:

Tatyana Krasimirova Koleva

25 March 2024

  
\_\_\_\_\_  
Executive Director:

  
\_\_\_\_\_  
Executive Director:

Miroslav Krumov Marinov Kiril Konstantinov Georgiev





## Independent Auditors' Report

To the Shareholders of "Pension Assurance Company Doverie" AD

### Report on the audit of the financial statements

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#### Our opinion

We have audited the financial statements of Deferred Payments Fund Doverie (the "Fund") which comprise the statement of net assets available for payments as at 31 December 2023 and the statement of changes in net assets available for payments for the year then ended, and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Deferred Payments Fund Doverie as at 31 December 2023, and the Fund's financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Independent Financial Audit Act that are relevant to our audit of the financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria  
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Crowe Bulgaria Audit EOOD, 55, 6-ti Septemvri Str., 1142, Sofia, Bulgaria,  
T: +359 2 44 565 91, F: +359 2 42 660 71

## Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying amount of investments at fair value</b></p> <p>Investments at fair value in the statement of net assets available to insured persons as at 31 December 2023: BGN 5,100 thousand (31 December 2022: BGN 697 thousand). See Note 6. Use of estimates and assumptions, Note 7.2. Investments of the Fund in Financial instruments – (iii) Subsequent measurement, Note, 8.1. Government securities issued by Republic of Bulgaria, Note 8.2 Corporate bonds issued by Bulgarian issuers, Note 8.3. Securities issued or guaranteed by countries and their central banks, Note 8.4. Corporate bonds issued by foreign issuers</p> <p>The carrying amount of the Fund's portfolio of investments at fair value as of 31 December 2023 amounts to BGN 5,100 thousand, which represents 17,46 % of the total assets as at that date, and is considered to be the key driver of the Fund's performance and the net asset value.</p> <p>The fair valuation of the Fund's fair value investments, which include mainly government and corporate bonds is based on market prices derived from active markets.</p> <p>Due to the significant amount of the investments measured at fair value as an element of the Fund's financial statements, and the presence of judgments and assumptions that must be made to determine the valuation of investments at fair value, we have identified that this area is associated with a significant risk of material misstatement, and therefore represents a key audit matter.</p>	<p>Our procedures over the valuation of the Fund's portfolio of investments at fair value included, among other things:</p> <ul style="list-style-type: none"> <li>- testing the design, implementation and operating effectiveness of selected key controls within the process of valuation of investments at fair value, including the controls over the valuation inputs and assumptions, and validation of the valuation outcomes;</li> <li>- tracing the recognized fair values of all quoted investments in the Fund's portfolio as at December 31, 2023, to publicly available market quotations;</li> <li>- assisted by our own valuation specialists, challenging the valuations of the investments at fair value not traded on active markets. This included: <ul style="list-style-type: none"> <li>- assessing the compliance of the valuation methods and models applied against the relevant requirements of the financial reporting framework and generally accepted valuation practices. Also, evaluating the internal coherence, logic and mathematical accuracy of the valuation models;</li> <li>- assessment the relevance and reliability of the key data used in the valuations;</li> </ul> </li> <li>- obtaining a confirmation letter from the custodian bank and reconciling the confirmed quantities and nominal value of the investments at fair value to the Fund's investment portfolio records as at the reporting date;</li> <li>- evaluating adequacy, completeness and accuracy of the disclosures with respect to the investments at fair value, including those in respect to the fair value hierarchy, migrations within the hierarchy during the year and the key assumptions used in deriving the fair values.</li> </ul>





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## Information other than the financial statements and auditors' report thereon

Management of Pension Assurance Company Doverie AD is responsible for the other information. The other information comprises the Annual Activity Report, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Additional matters to be reported under the Accountancy Act**

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Annual Activity Report we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines regarding the new and enhanced auditor reporting and communication by the auditor" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

### **Opinion in connection with art. 37, paragraph 6 of the Accountancy Act**

Based on the procedures performed, in our opinion:

- a) the information included in the Annual Activity Report for the financial year for which the financial statements are prepared is consistent with those financial statements.
- b) the Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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## Responsibilities of management and those charged with governance for the financial statements

Management of Pension Assurance Company Doverie AD is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

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## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

We are jointly and severally responsible for the performance of our audit and for the audit opinion expressed by us in accordance with the requirements of the Independent Financial Audit Act, applicable in Bulgaria. In accepting and performing the engagement for the joint audit, in connection to which we report, we have also been guided by the Guidelines for the implementation of joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants, Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

## **Report on other legal and regulatory requirements**

### **Additional reporting on the audit of the financial statements in connection with art. 10 of Regulation (EU) 537/2014 in connection with the requirements of art. 59 of the Independent Financial Audit Act**

In accordance with the requirements of the Independent Financial Audit Act in connection with Art.10 of Regulation (EU) 537/2014, we hereby additionally report the information stated below:

- PricewaterhouseCoopers Audit OOD was appointed as a statutory auditor of the financial statements of the Fund for the year ended 31 December 2023 by the decision of the sole owner on 23 May 2023 for a period of one year. PricewaterhouseCoopers Audit OOD was first appointed as auditors of the Fund on 11 May 2021.
- Crowe Bulgaria Audit EOOD was appointed as a statutory auditor of the financial statements of the Fund for the year ended 31 December 2023 by the decision of the sole owner on 23 May 2023 for a period of one year. Crowe Bulgaria Audit EOOD was first appointed as auditors of the Fund on 20 May 2022.
- The audit of the financial statements of the Fund for the year ended 31 December 2023 represents third consecutive statutory audit engagement for that Fund carried out by PricewaterhouseCoopers Audit OOD.
- The audit of the financial statements of the Fund for the year ended 31 December 2023 represents second consecutive statutory audit engagement for that Fund carried out by Crowe Bulgaria Audit EOOD.

- We hereby confirm that the audit opinion expressed by us is consistent with the additional report dated 27 March 2024 provided to the Audit committee of Pension Assurance Company Dovereie AD in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art.64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Fund.

For PricewaterhouseCoopers Audit OOD:

For Crowe Bulgaria Audit EOOD:



Jock Nunan

Managing Director



Gyulyay Rahman

Statutory Manager

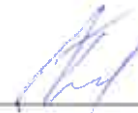


Boryana Dimova

Registered auditor responsible for the audit

9-11, Maria Luiza blvd.

1000 Sofia, Bulgaria



Georgi Kaloyanov

Registered auditor responsible for the audit

55, 6-ti Septemvri str..

1142, Sofia, Bulgaria

27 March 2024

27 March 2024

