



INDUSTRIAL HOLDING BULGARIA

INDUSTRIAL HOLDING BULGARIA AD

**ANNUAL MANAGEMENT REPORT AND
SEPARATE FINANCIAL STATEMENTS**

As at 31 December 2015

INDUSTRIAL HOLDING BULGARIA AD

Contents

General information.....	i
Annual management report	ii
Independent auditor's report to the shareholders of Industrial Holding Bulgaria AD.....	1
Separate statement of comprehensive income	3
Separate statement of financial position	4
Separate statement of cash flows.....	5
Separate statement of changes in equity	6
Notes to the separate financial statements	
1. Corporate information	7
2.1 Basis of preparation	7
2.2 Summary of significant accounting policies.....	8
2.3 Changes in accounting policy and disclosures	18
3. Significant accounting judgments, estimates, and assumptions	19
4. Standards issued but not yet effective and not early adopted	20
5. Income from interest and dividends	24
6. Other operating income	24
7. Personnel expenses.....	25
8. Other operating expenses.....	25
9. Finance costs	25
10. Income tax	26
11. Tangible and intangible non-current assets	27
12. Investments in subsidiaries.....	28
13. Other long-term receivables	32
14. Other receivables	33
15. Cash and cash equivalents	33
16. Issued capital and reserves	33
16 (a). Earnings per share.....	36
17. Debenture loan.....	37
18. Retirement benefit liability	39
19. Trade and other payables.....	39
20. Related parties disclosures.....	40
21. Commitments and contingencies.....	44
22. Financial instruments.....	45
23. Fair value of financial instruments	51
24. Subsequent events	51

INDUSTRIAL HOLDING BULGARIA AD

General information

Management Board

Daneta Angelova Zheleva
Boyko Nikolov Noev
Borislav Emilov Gavrilov
Emilian Emilov Abadzhiev

Supervisory Board

Konstantin Kuzmov Zografov
DZH AD, represented by Elena Petkova Kircheva
Snezhana Ilieva Hristova

Auditor

Ernst & Young Audit OOD
Polygraphia Office Centre
47 A, Tsarigradsko shose Blvd., fl.4
1124 Sofia
Bulgaria



**ANNUAL ACTIVITY REPORT
OF INDUSTRIAL HOLDING BULGARIA AD
for 2015**

Dear Shareholders,

The unconsolidated financial results of IHB for 2015 are as follows:

The unconsolidated revenue of IHB increased by 78.36% compared to 2014.

The unconsolidated profit increased and amounts to BGN 10,334 thousand compared with BGN 801 thousand in 2014.

The unconsolidated assets of IHB AD marked a 16.21% growth compared to 2014.

The net asset growth is 14.03% compared to 2014.

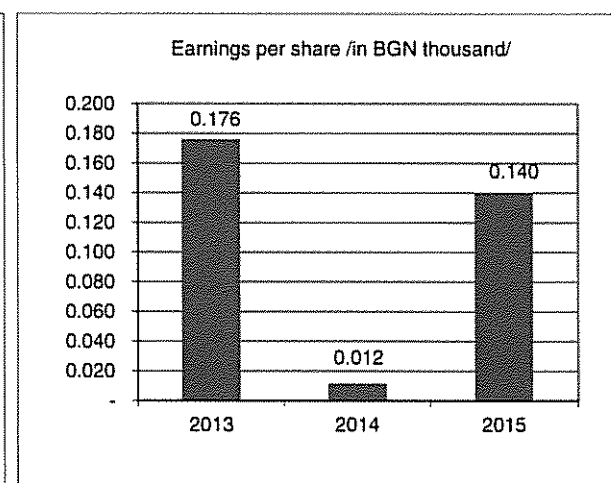
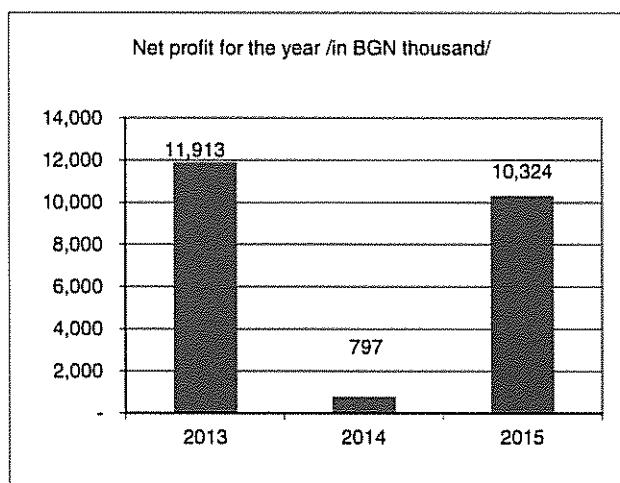
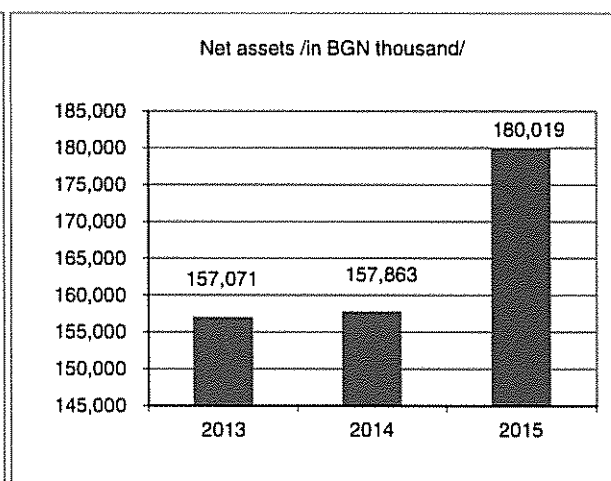
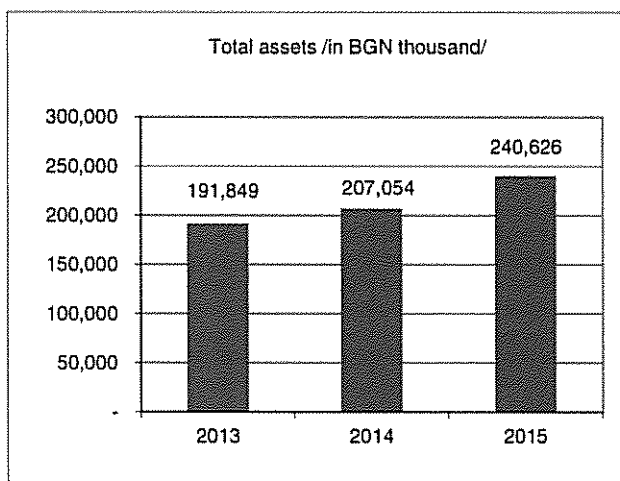
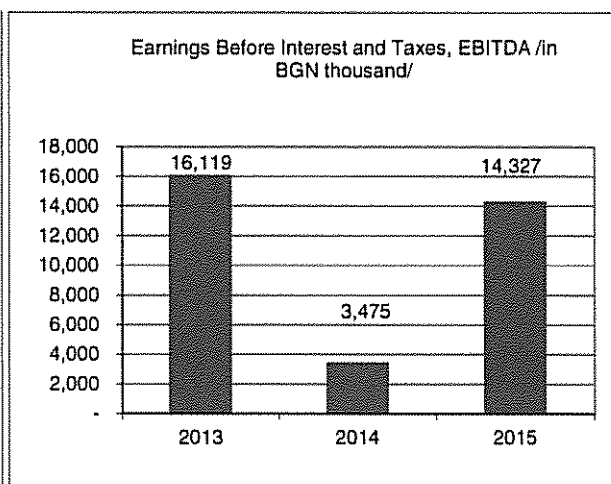
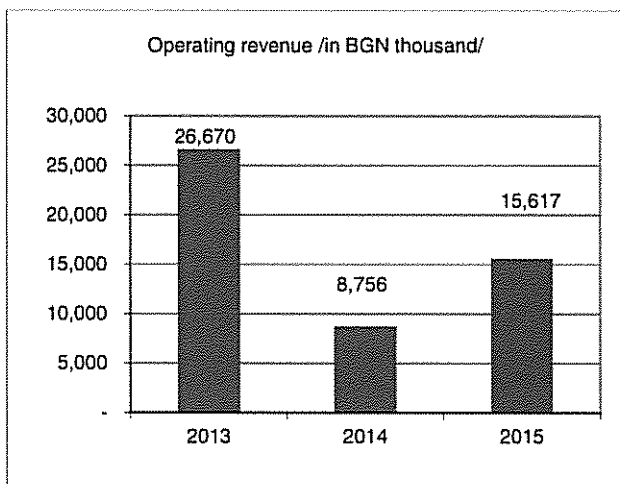
In 2015 sales revenue from machine building remain at approximately the same levels compared to 2014. Growth at around 59% from sales of electrical machines was reported.

In chartering services was reported decrease from BGN 46.471 thousand in 2014 to BGN 36.844 thousand in 2015 mainly due to continuing decline through 2015 in charter rates in the international freight market.

Increase of 57.74% in revenues compared to the levels of 2014 is reported from port activities due to increased freight in 2015 and full revenue consolidation from Odessos PBM AD, acquired 2014. In 2015 was made additional investment in port activities through the acquisition of another 30% of the capital of Odessos PBM AD.

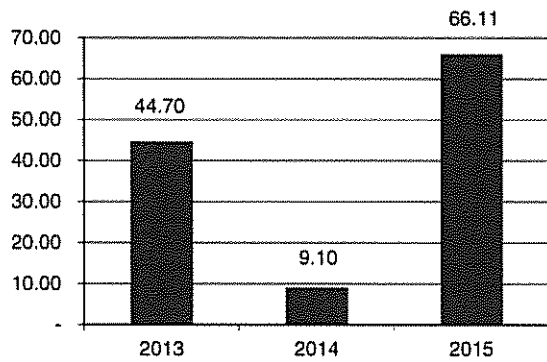
Revenues in shipbuilding sector grew by 119.72% compared to 2014.

The indices of the Bulgarian capital market in 2015 fell as follows: SOFIX fell by 11.72%, BG40 fell by 11.27% and BGTR30 increased by 5.81%. IHB shares fell by 18.08%.

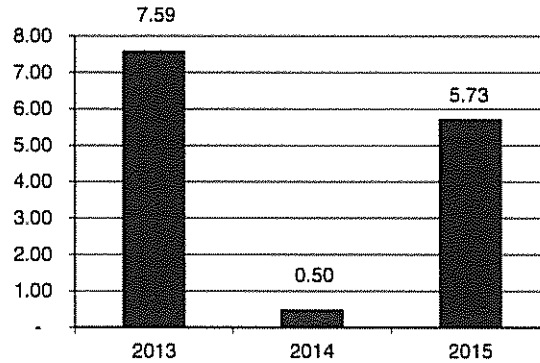
IHB's financial indicators for the last 3 years /unconsolidated/




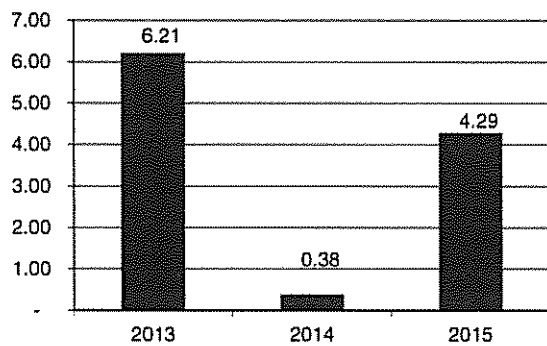
Profit margin /in %/



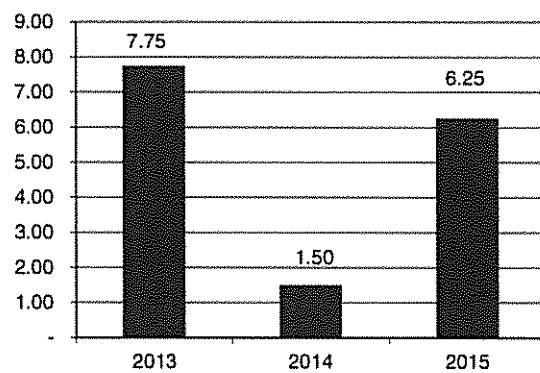
Return on Equity /ROE/ /in %/



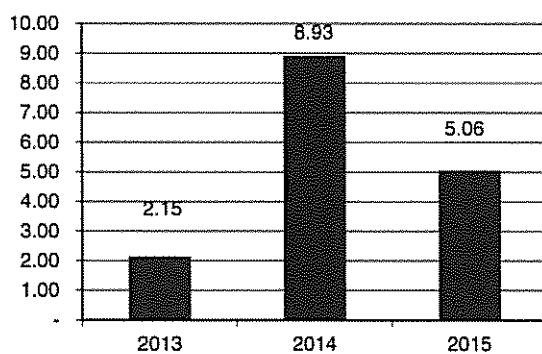
Return on assets /ROA/ /in %/



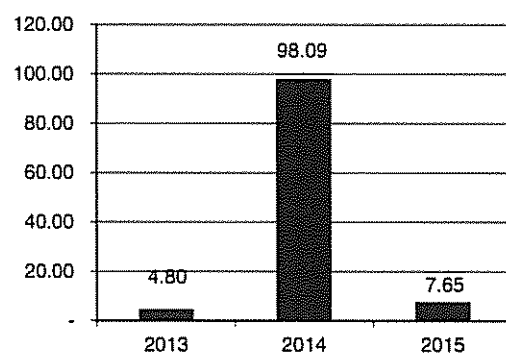
Return on invested capital /ROIC/ /in %/



P/S /Price/Sales Ratio/



Price/Earnings ratio /P/E/





1. Operating results for 2015

IHB's financial results – unconsolidated

IHB's revenue for 2015 amount to BGN 15,617 thousand and marked a growth of 78.36% compared to 2014 /BGN 8,756 thousand/. In 2015 revenues were generated by:

- Interests resulting from loans granted to companies in the portfolio and interests from deposits;
- Dividends resulting from subsidiary management;
- Profit from sale from fixed assets
- Services rendered, written off liabilities from sold rights of shareholders and etc.

Growth in 2015 is mainly due to the increase in income from dividends received from companies in the group. Dividends were received from Privat Engineering AD, Maritime Holding AD ZMM Bulgaria Holding AD and IHB Shipdizayn in the total amount of BGN 14.233 (BGN 4,900 thousand in 2014).

Interest income amounts to BGN 1,260 thousand compared to BGN 3,821 thousand for 2014. It is generated mainly through interest on loans granted, deferred receivables on commercial contracts and interest from deposits and bank accounts.

The profit after tax amounts to BGN 10,334 thousand and marks growth compared to the 2014 profit which amounted to BGN 801 thousand.

IHB's Operating Results

Organizational changes in the Group. Portfolio restructuring

On 06.01.2015 subsidiary "Agro money" AD - in liquidation, Sofia was removed from the Trade Register upon completion of liquidation.

On February 13, 2015 Marciana Ltd., Marshall Islands, a subsidiary of subsidiary of IHB - Privat Engineering AD was removed from the Trade Register of the Marshall Islands upon completion of voluntary liquidation.

Increase of the participation in some companies from the portfolio

On 12.01.2015 Industrial Holding Bulgaria AD acquired 1,584,000 shares (one million five hundred and eighty-four thousand) ordinary voting shares with, with a nominal value of BGN 1 (one) each, representing 30% of the capital of Odessos AD by thus increasing its share to 90%. The total amount of direct investment in 2015 (unconsolidated) amounts to BGN 5,868 thousand.

On 06.07.2015, "ZMM Bulgaria Holding", Sofia subsidiary of Industrial Holding Bulgaria AD acquired through the purchase on BSE 53,331 shares from the capital of "IHB Electric" AD, Sofia, representing 4.40% of the capital of "IHB Electric" AD. This participation in the capital of "IHB Electric" AD increases from 80.78% to 85.18%.

Sales of share from the portfolio

As a result of transactions concluded on 31.03.2015 "Industrial Holding Bulgaria" transferred 25,000 shares representing 25% of the capital of IHB Shipdesign EAD, thus IHB participation decreased to 75% of the capital.

As at 31 December 2015 the IHB portfolio, directly and through related parties, is formed by 24 companies as follows: 11 subsidiaries and 13 subsidiaries of subsidiaries. IHB's direct investments in corporate securities as at the year-end amount to BGN 203,235 thousand.

**IHB portfolio structure as of 31 December for the last 4 years**

Business line	2015	2014	2013	2012
Maritime transport	50.7%	52.2%	84.0%	77.1%
Shipbuilding and ship repairing	30.5%	31.4%	2.1%	9.3%
Port activities	13.5%	10.9%	5.2%	5.1%
Machine building	3.9%	4.0%	6.4%	6.3%
Other	1.4%	1.5%	2.3%	2.2%
Investments in BGN thousand	203,235	197,392	122,784	125,727

Management of subsidiaries

Pursuing the goals set at the start of the year regarding its subsidiaries in 2015 IHB continued to participate actively in the strategic planning of their operations. IHB encouraged and facilitated:

- the implementation of investment events;
- the improvement of their products and services, development and production of new products and services depending on market demand;
- improvement of marketing activities, human resource management and other corporate management related operations;
- ensuring funding for the operating and investment activities of the companies;
- analysis and assessment of the options for use of new internet technologies.

Participation in the process of business planning and control of the results achieved

IHB management sets the strategic goals and results to be reached by each company during the year. Each executive has a personal business assignment related to the operating priorities of the company.

Cooperation for funding of the subsidiaries. Information about transactions

IHB assists with funding of the operations of the companies in the Group by granting loans and cooperating in negotiations for bank financing.

In 2015 the subsidiaries (direct and indirect) received loans amounting to BGN 36,291 thousand and loans amounting to BGN 6,761 thousand were repaid. As at 31 December 2015 receivables on loans granted to subsidiaries amount to BGN 36,771 thousand /long-term BGN 35,909 thousand and short-term BGN 862 thousand/ compared to BGN 7,934 thousand in 2014 (total long-term and short-term).

In 2015 and 2014 guarantees provided by IHB to its subsidiaries were in the form of corporate guarantees and surety.

In 2015 IHB's subsidiaries funded their operations through bank loans from Allianz Bank Bulgaria AD, DSK Bank EAD, United Bulgarian Bank AD, Bulgarian Development Bank, SG Express Bank and Unicredit Bulbank.

The interests agreed for the loans used by the subsidiaries range between EURIBOR or LIBOR+ 3.2% to 6.0% for loans in EUR, SOFIBOR + 3.2% to 4.25% for loans in BGN, LIBOR + 2.25% to 4.75% for loans in USD and JBIC + 2.5% for loans in Japanese yen.

In 2015 there were no large transaction other than investments in subsidiaries and contracts for funding of subsidiaries.



Related parties transactions in 2015 represented provisions of loans by IHB to the companies in the Group and interest income, respectively interest expense, repayment of loans by IHB's companies and back, income from rendering of services, capital increase contributions, income from sale of shares and dividend income. There are no unusual terms and conditions or departures from the market conditions in the transactions executed during the period.

Information about transactions concluded between IHB and related companies during the year may be found in Note 20 Related Party Disclosures of the Notes to the Separate Financial Statements as at 31 December 2015, which indicates the type and value of the transactions and the nature of the relation.

There have been no other proposals for conclusion of such transactions and transactions outside its usual activity or substantially deviating from the market conditions to which IHB or its subsidiary is a party.

IHB granted /received loans from the companies in the Group in 2015 at fixed interest rate

In 2015 there are no events and indications of unusual nature for IHB with material impact on its business.

As at 31 December 2015 IHB provided guarantees for liabilities of related companies as follows:

IHB has a contract for provision of a credit limit for issuance of bank guarantees, opening of letters of credit and working capital financing from 2006 with a commercial bank with credit limit of BGN 10 million and options for disbursement in BGN, EUR and USD. The commitment of the bank for issuance of bank guarantees and opening of letters of credit is by 26.08.2018. The collateral for this contract is a pledge of commercial undertaking KRZ Port Bourgas AD. In 2013 was added new security under the credit agreement - a guarantee by BULYARD Shipbuilding industry securing part of the limit provided in the form of working capital. After the annual negotiations the surety was cancelled in 2015.

As of 31 December 2015 bank guarantees amounting to BGN 1,101 thousand were issued (compared to BGN 1,997 thousand in 2014), securing advance payments from clients, letters of credit were opened to Bulyard Shipbuilding Industry EAD for BGN 98 thousand (compared to BGN 814 thousand in 2014) and a revolving credit line for working capital financing for BGN 3,000 thousand (2014: BGN 3,000 thousand).

In February 2010 and in August 2011 Industrial Holding Bulgaria AD signed contracts with a commercial bank pursuant to which it became the guarantor for a signed credit contract for USD 20,000 thousand granted by the bank to subsidiary Privat Engineering AD. In January 2015 the surety was cancelled due to an early repayment.

Internal Control System and Audit Committee

There is an Internal Control Department at IHB, which reviews the activities and finances of the companies in the IHB Group. The General Assembly of the shareholders of IHB selected an Audit Committee as an auxiliary body to the Supervisory Board. Members of the Audit Committee are Maxim Sirakov – chairperson, Snezhana Hristova, and Boryana Dimova.

2. Financial resources management. Financial instruments used. Financial risk management.

Description of the main risks and uncertainties facing the Company

The main financial undertakings of the company are connected to investment projects of its subsidiaries. With regard to receivables, when there is an uncertainty as to their collectability, the companies make the respective impairments.



IHB has liabilities to bond holders in relation to the issue of convertible bonds in 2015 with maturity on 10.04.2015. IHB has a credit line for issuance of bank guarantees, opening of letters of credit and working capital financing to IHB and its subsidiaries from a commercial bank. The limit amounts to BGN 10,000 thousand.

IHB provided guarantees and sureties for liabilities of subsidiaries. At this stage there is no risk subsidiaries to renege on their commitments for which the guarantees were issued. In 2015, guarantees provided by IHB in respect of credit granted to subsidiary Privat Engineering AD was canceled due to an early repayment.

IHB has exposure in US dollars in deferred payment for shares in Bulyard AD and Odessos PBM AD acquired at the end of 2014. Given the exposure of US dollars to manage foreign exchange risk the Company carried forward transactions to hedge fluctuations of USD/EUR exchange rate and cash management.

Further information regarding the risk management of IHB is provided in Note 22 Financial Instruments in the separate financial statements.

Trends for the businesses where IHB and the companies in the Group operate

Maritime transport

The downward trend in the freight market continued at the beginning of 2015, reaching record low levels. The second half of the year saw some slow recovery, which continued in the third quarter. Overall, the recovery was insignificant and continued for 2 months.

Significant role in the downward movement of the market in 2014 which continued in 2015 was due to state of the world economy and insecurity in many parts of the world.

The situation on the Bulgarian market was defined by the number of scrapped vessels and the large number of new ships in operation. As a result, the increase in tonnage is much greater than the demand for tonnage.

Negative news throughout the year were predominant and determining the freight market. The decline in prices of all energy sources continued, which was largely due to the low demand.

Particular attention was paid to the situation in China. On one side, there are indications of decline in economic growth, which is strongest in China - the expectations are for a year with the lowest growth in the last 20 years.

On the other hand, the rate of decommissioned and scrapped vessels was much higher at the beginning of the year, but slowed down in the second half. Part of the new bulk carriers faced delivery delays or were modified for liquid cargo carriers (tankers). The sharp decline in orders for construction of new bulk carriers is considered beneficial. Additional factors that have negative impact are wars in Ukraine, Syria, Iraq, Libya, Israel and elsewhere. Even if quick conflict resolution to be achieved, the negative tendencies are to remain for long period.

IHB monitors the market closely for opportunities to purchase a new ship, and the bargain sale of some of its older vessels

Shipbuilding and ship repairing

The worldwide crisis curtailed to a lesser extent the costs for ship repairing and maintenance compared to construction cost. Global trends directly affect the employment of **Bulyard Shipbuilding Industry**. Production capacity is utilised mainly with ship repairing, production of metal structures and customer orders.



From the beginning of 2014 Bulyard Shipbuilding Industry activity is aimed at ship repairing, reconstruction of ships, production of metal structures and warehousing. While the existing requirements have increased and new ship safety introduced, the need for more frequent repairs proves to be a favourable factor in ship repairing. Ship repairing marks a growth at the beginning of 2015 and is expected to continue. The company direct its efforts to maintain employment capacity with ship repairing, reconstruction of ships and manufacture of metal structures. The company signed six contracts for the construction of sections of the superstructure of a bulk ship. In the past 12 months the Company had personnel increase of 19%. The Company continues to reconstruct its warehouse in order to rent it or for other production.

In 2015 IHB **Shipdesign** implemented projects with new customers which opened new markets. Some of them are in countries where the company has not being operational before and there are hopes for growing market share. In 2015 the company worked with large companies from the US, the Netherlands, Norway and Finland.

The company delivers quality services, relatively, relatively speedy delivery, flexibility and technical skills. The company intends to offer design services in specialized areas.

In 2015 the company started to develop a new area - 3D laser scanning as it also invests in equipment, training of personnel and the purchase of new software.

The ongoing trends in 2015 to reduce costs in design of vessels and marine facilities reduce the engineering capacity in traditionally dealing design companies in the countries of Northern Europe. This is expected to lead to a redirection of some of these activities in areas with lower salary levels such as Bulgaria where IHB Ship design operates. The management of the company regard this as opportunity to increase inquiries and collaboration as well as new contracts.

Port business

The trends in the port business depend on the economic climate at the global, domestic and regional levels. There is a worldwide increase in the maritime transport of goods at the expense of land transport.

Dockyard Port Bourgas and Odessos PBM are of regional importance, their existence depending on the economy of the south-eastern and north-eastern regions of Bulgaria, construction, tourism and infrastructure projects.

The policy of **Dockyard Port – Bourgas** is to attract new clients and extend its cargo capacity and develop and modernize the port infrastructure. In 2015, Dockyard Port Burgas finalised the third stage of construction of grain holdings, which includes 4 new silos, each 6 thousand tonnes and new railway unloading. The company's activity will develop in the direction of an increased cargo of grain, which is connected to a consistent trend in increase of agricultural activities in south and southeast Bulgaria.

The efforts of **Odessos PBM** management are directed to handling of bulk cargo in the "indoor storage - ship" while maintaining the share of general cargo handled in pier. With the investments made for handling bulk cargo (cereals), the management will be looking at a share of 50% of the total cargo handled in pier. They will be looking for new processing capabilities for ships with up to 6,000 DWT.

Bulport logistics operates mainly on the Bulgarian market. It offers services related to small boats and yachts mooring and small ships docking repair and leasing of premises for rent storage and production activities.

In 2014 were purchased new pontoons, reloading machinery and boat racks storage. The investment increased the number of mooring and repairing of small vessels in the second and third quarter of 2015. The company improved the technical capability of the existing buildings and grounds and is expected in this way to attract potential customers. Increased export of grain from Port Varna 2014 increased the demand for warehouse space. Expectations are that the trend will continue in 2015 and the subsequent years.



Machine building

Metal cutting machinery

Demand for machine tools can be defined as relatively stable over a longer period, with fluctuations and decline of 3-4 years. This is determined by products with long life cycle that are sold to a wide range of clients. Significant effect on demand has the overall economic situation of the market.

The volume of orders and sales marked certain growth compared to the same period in 2014. The growth is mainly due to the growth of (west) European markets (Germany, Italy, France, Austria, the Netherlands, Poland, Spain, Portugal), as well as Turkey, by this offsetting the sharp fall in sales in Russia and Ukraine, and the US due to falling oil prices.

The trend is to expand commercial activities in finding new markets and strengthen the position of existing markets. This is particularly important against the background of events in Russia and Ukraine, incl. the international sanctions against Russia, which has an inevitable impact on the market for investment goods in these countries.

There are constant efforts to update production line by way of machinery modernization and through the development of new models and assemblies. The company focuses strongly on the production of digital machines.

Electric and hydro generators manufacturing and repair

IHB Electric products are related to the construction of new sites and preventive and emergency replacement of existing. Main customers are companies operating in the energy, mining industry, cement, food, agriculture, water supply. The market is highly dependent on world economy and in particular on the Bulgaria economy and the region.

Inquiries about production of new hydro generators both from domestic and international clients increased in 2015.

Activities which are intended to increase competitiveness through the implementation of innovative technologies and effective use of machinery and equipment purchased under OP "Competitiveness" in 2014 are given priority.

In 2015 the company experienced serious difficulties that determined by delayed payments from TPP MARITSA EAST 2 and Mines "Maritza East", which in turn generated delayed payments to IHB Electric suppliers.

Classification and certification

The last quarter of 2015 was characterized by a slowdown in commercial activities that directly affect the volume of transport operations by sea and consequently the income of ship owners. The crisis in Ukraine and the Middle East further hampered at the regional level and limited the commercial operations in the Black Sea and the Mediterranean. Limitations to visit the ports of Crimea were imposed and offenders can face severe penalties. With the expansion of the conflict in the Middle East linked to the Islamic State increases the risk of terrorist threats in ports in troubled areas.

The global prospects for the maritime industry for 2016 are negative. This shows the shipping index revised by the International ratings agency Fitch. There will be minimum market growth, which will exacerbate overcapacity, commented Fitch. Analysts believe that this will affect owners of container ships and bulk carriers, while the prospects for the owners of tankers and gas carriers is looking better. Another



factor that might hinder growth is slowing down of Chinese economy. Tendencies for smaller shipowners are even bleaker.

Opportunities for realisation of the investment intentions, funds available and possible changes in the structure of the funding for the business

In 2015 IHB met its needs for securitization of operating costs with own and borrowed funds. The own funds result from revenues from main activity. In 2015 sources of revenues for IHB were interests on loans provided to subsidiaries, dividends received from subsidiaries and disposal of interests and rendering of services. Part of these funds was redirected by the Holding for funding of its investment program.

In 2015 IHB used borrowed funds from issue of corporate convertible bonds. In April 2015 the General Assembly of the shareholders took a decision for the issue of a new convertible bonds issue with a total issue value up to BGN 49 999 600. The funds from the issue will be used to repay the debenture loan from the previous issue of convertible bonds ISIN BG 2100006134, issued by Industrial Holding Bulgaria AD. On 20.04.2015 was made the last interest and principal payment of a bond issue ISIN code BG2100006134 regarding bondholders who have not exercised their right to convert the bonds they hold into corresponding number of shares within the deadline for submission of requests for conversion with which the IHB obligation under the debenture loan is repaid.

Part of the previous issue of convertible bonds ISIN BG2100006134 was converted at maturity which resulted in IHB capital increase.

The funds from the issue were used for refinancing of investment in KRZ Port Bourgas and other projects of the subsidiaries with the main objective to consolidate the portfolio in construction and ship repair and port activity.

The management of the Holding restructured the available cash resources with the realization of its mid-term investment intentions with respect to the occurring changes in the market environment. Projects which have already begun are funded with priority. The invested funds are own funds - a result of the development of the main activity of the Holding, and the resources raised from the upcoming issue of bonds, if successful. In case of deficit, the remaining funds required for implementation of the planned investment projects of the subsidiaries are provided through own funds of IHB /including a capital increase/, from the sale of assets, accepted deposits of free cash of subsidiaries, prepayments by clients or bank credits depending on the particular case.

IHB has a contract with DSK Bank for credit limit for issuance of bank guarantees, opening of letters of credit and working capital financing of the Holding and/or companies in its Group with up BGN 10 million and options for disbursement in BGN, EUR and USD.

As of 31.12.2015 IHB receivables amount to BGN 36,827 thousand, compared to BGN 9,128 thousand as of 31.12.2014. The main portion represents receivables from related parties under cash loans extended and services provided to the amount of BGN 36,788 thousand, of which 35,909 thousand – long-term and BGN 879 thousand – short-term. The remaining BGN 39 represent other receivables (BGN 1, 174 thousand in 2014)

The net assets of IHB as of 31.12.2015 amount to BGN 180,019 thousand and have increased by BGN 22,156 thousand or 14.03%.

The total liabilities of IHB as of 31.12.2015 amount to BGN 60,607 thousand as compared to BGN 49,191 thousand as of 31.12.2014. They represent mainly a BGN 48,017 thousand liability under a debenture loan, BGN 12,049 thousand trade and other payables and BGN 504 thousand payables to related parties.



3. Important events after the reporting date

The General Meeting of Shareholders of the subsidiary Dockyard Port Bourgas AD held on 14.01.2016 decided to distribute dividends from retained earnings amounting to BGN 0.25 per share.

The annual General Meeting of Shareholders of the subsidiary "ZMM Bulgaria Holding" held on 24.02.2016 decided to distribute dividends amounting to BGN 0.47 per share from the profit for 2015.

The General Meeting of Shareholders of Rekolta 2011 AD held on 08.02.2016 decided to distribute dividends amounting to BGN 6.27 per share from the profit for 2015.

The General Meeting of Shareholders of Maritime Holding AD held on 29.02.2016 decided to distribute dividends amounting to BGN 1.20 per share from the profit for 2015.

The General Meeting of Shareholders of IHB Shipdesign AD held on 21.03.2016 decided to distribute dividends amounting to BGN 1.16 per share

On 15.01.2016 was paid the second instalment to Dockyard ODESSOS under contract for purchase of shares in the amount of EUR 792 thousand.

In January 2016 in relation to the decision of the General Assembly of the shareholders for repurchase of shares Industrial Holding Bulgaria AD repurchased 2000 shares at weighted average price per share of BGN 0.830. In February IHB repurchased 20 393 shares at weighted average price per share of BGN 0.807. The total number of shares as at 29.02.2016 is 1 111 648 shares. To the date of this report the company did not repurchased shares.

Except for the above disclosed events, no other events have occurred after 31 December, which require additional adjustments and/or disclosures in the Company's separate financial statements for the year ended 31 December 2015.

4. Important scientific research and development

IHB did not carry out R&D activities for the period covered by the historic financial information. The companies in the Group of IHB carry out continuous R&D activities with regard to their products and technologies. The more important innovation efforts of the teams are directed towards improvement of the offered products and of individual processes of their manufacture through the use of state-of-the-art materials and technologies for their manufacture.

5. Planned future development of the company

Main trends with regard to the activity of IHB

The main trends in the activity of IHB in the following years are expected to continue to be related to:

- Acquisition, assessment and sale of shares in other companies;
- Management of the companies in the portfolio;
- Establishment of new companies
- Investment in companies from the portfolio in which IHB has long-term interests;
- Funding of companies in which the Holding participates.

The key strategic interests of IHB are in the following industries and activities:

- maritime transport;
- shipbuilding and ship repairing;
- port activities;
- machine building



Plans of material importance related to the activity of IHB

The effort of the management in 2015 continues to be focused on mitigating the negative impact of the global economic crisis on the subsidiaries.

In the following years new capital costs within the Group may be made in the cases of funding of new projects or development of already launched projects of IHB and of its subsidiaries, including in connection with the expansion of the port terminal in Bourgas and other new projects. If necessary, the Holding will continue to fund the development of the companies in the Group on an on-going basis.

Capital costs are also possible for new acquisitions and expansions of the business related to the development priorities of IHB.

Decisions about the size and sources of the necessary funds will be made for each case on an individual basis.

6. Changes in the price of the shares of the company

In 2015 the price of the shares of IHB decreased from BGN 1.123 to BGN 0.920 per share at the end of the year, or an decrease of (-18.08%). For comparison, the movement of the indices of BSE-Sofia for the same period are as follows: SOFIX fell by 11.72, BG40 fell by 11.27%, and BGTR30 fell by 5.81%.

In 2015 data about trade with shares of IHB /ticker 4ID/ are as follows

Statistic for the period 01.01.2015 – 31.12.2015 (information from BSE)

	Value	Date
Last average weighted price (BGN)	0.92	30-12-2015
Maximum average weighted price (BGN)	1.145	
Minimum average weighted price (BGN)	0.825	
Average weighted price for 2015 (BGN)	1.021	
Percentage change on the basis of data for accounting purposes*	-18.08%	
Number of transactions in 2015	543	
Traded volume in 2015 (number of shares)	1 171 989	
Turnover in 2015 (BGN)	1 196 041.83	

* Values are adjusted (in case of capital increase, dividend distribution, reduction of the nominal value per share, etc.).

Shareholding structure as of 31.12.2015

The capital of IHB as of 31.12.2015 is BGN 77,400,643.

With decision № 20150416111903 from 16.04.2015 r. the Registration Agency registered in the Trade Register increase of the capital of Industrial Holding Bulgaria PLC from BGN 67 978 543 to BGN 77 400 643 by the issue of new 9 422 100 ordinary, dematerialized, registered, freely transferable shares giving right for 1 vote in the General Meeting of Shareholders, with nominal value BGN 1 each, issued due to the conversion of 94 221 registered dematerialized convertible bonds ISIN code BG2100006134 into shares.



			<i>As at 31.12.2015</i>
<i>Shareholders</i>	<i>Number of shareholders</i>	<i>Number of shares</i>	<i>% from the capital</i>
All	54 596	77 400 643	100.00%
Legal persons	100	69 179 494	89.38%
Individuals	54 496	8 221 149	10.62%
Shareholders holding over 5%, inclusive	5	48 618 691	62.81%
Venside Enterprises Limited		20 399 604	26.36%
Bulls AD		13 037 921	16.84%
DZH AD		4 732 574	6.11%
VPF Allianz Bulgaria AD		5 202 314	6.72%
ZUPF Allianz Bulgaria AD		5 246 278	6.78%
Shareholders holding under 5%	54 591	28 781 952	37.19%

7. Data for the trade with the Company's bonds

On 21.05.2015 trade with corporate bonds issue of IHB – issue 2015 - started at the BSE-Sofia AD, bonds segment. The ticker is 4IDF. The issue amount is BGN 49 999 600 and the number of bonds is 499 996 each having nominal value of BGN 100.

The market lot is one lot equalling 10 bonds. The registered order price is expressed as a percentage of the nominal of one market lot /net price/ and the price of a bonds purchase and sale order excludes the interest accrued as of the last interest payment until the order registration. The listing price as at 21.05.2015 is 100 % of the nominal.

Cash settlement on the transaction is in Bulgarian levs.

Statistics for the period 21.05.2015 – 31.12.2015 /information from BSE-Sofia/

	Value	Date
Last average weighted price	1 007.923	30-12-2015
Minimum average weighted price *	1 000.273	
Maximum average weighted price *	1 020.000	
Average weighted price for 2015 *	1 010.883	
Number of transactions in 2015	9	
Traded volume in 2015	149 lot*	
Turnover in 2015	150 621.58	

* 1 lot =10 shares

8. Data on ownership and trade in own shares /187e of the Commercial Act/

In connection with the decision of the General Meeting of Shareholders as of 17.12.2012 for shares buy back, the total number of repurchased shares in 2015 is 127 589 shares (0.16%). The total number of shares as at 31.12.2015 is 1 089 255 shares (1.41%).



9. Corporate governance

In October 2007 the National Corporate Governance Code was adopted.

On 26.10.2007 IHB signed a declaration accepting the National Corporate Governance Code and will carry out its activities in compliance with its provisions. The document was published by BSE.

Compliance with the Code uses the principle «comply or explain». Information about it is presented additionally as part of the Annual Financial Statements.

10. Data on the members of the Managing and Supervisory Boards.

By virtue of Decision No 20150714104816 in the Commercial Register were registered changes in the Managing Board of "Industrial Holding Bulgaria": Mr. Bozhidar Vasilev Danev was released as a member of the Board of "Industrial Holding Bulgaria". According to a decision of the Managing Board Ms. Daneta Angelova Zheleva - Chief Executive Officer is appointed as Chairperson, and Mr. Emilian Abadzhiev Emilov, Executive Director was appointed as Deputy Chairman of the Board.

Information about participation in trade companies of members of the boards as at 31 December 2015 as unlimited partners holding more than 25% of the capital of another company as well as participation in the management of other companies or cooperatives as authorized signatory, managers or members of boards:

Supervisory board

DZH AD

Information about the person representing DZH AD in the Supervisory Board:

Elena Petkova Kircheva:

- does not participate as a partner with unlimited liability in any company;
- does not hold directly more than 25% of the votes in the general assembly of the shareholders of any trade company;
- is not a member of managing or supervisory board of another company or corporation;
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives.

Konstantin Kuzmov Zografov

- does not participate as a partner with unlimited liability in any company;
- does not hold directly more than 25% of the votes in the general assembly of the shareholders of any trade company;
- Member of:
 - The Board of Directors of Privat Engineering AD, Sofia;
 - The Board of Directors of KLVK AD, Sofia;
 - The Board of Directors of Bulgarian Ship Register AD, Varna;
 - The Board of Directors of Maritime Holding AD, Varna;
 - The Board of Directors of Bulyard AD, Sofia;
 - The Board of Directors of IHB Shipdesign AD, Varna
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives

Snezhana Ilieva Hristova

- does not participate as a partner with unlimited liability in any company;
- holds directly more than 25% of the votes in the general assembly of the shareholders:
 - Evropa 2007 OOD, Sofia,
 - Tuinsan EOOD, Sofia
 - Tuinsan Trading Limited, Cyprus



- Member of:
 - The Board of Directors of Stadis AD, Sofia;
 - The Board of Directors of Aladis AD, Sofia;
 - The Board of Directors and Executive Director of Astsela AD, Sofia;
- Manager of:
 - Alhena AD, Sofia
 - Evropa 2007 OOD, Sofia,
 - Tuainsan EOOD, Sofia,
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives

Managing Board

Daneta Angelova Zhelevav - Chief Executive Officer and Chairman of the Managing Board:

- does not participate as a partner with unlimited liability in any company;
- holds directly more than 25% of the votes in the general assembly of the shareholders of DZH AD, Bankya, registered in Sofia City Court under company case № 7659/1999;:
- Member of:
 - The Board of Directors of DZH AD, Sofia and Chief Executive Officer;
 - The Board of Directors of ZMM – Bulgaria Holding AD, Sofia;
 - The Board of Directors of KRZ Port Bourgas AD, Bourgas;
 - The Board of Directors and Executive Director of Privat Engineering AD, Sofia;
 - The Board of Directors and Executive Director of Stadis AD, Sofia;
 - The Board of Directors and Executive Director of Bulyard AD, Sofia;
 - The Board of Directors and Executive Director of Bulls AD, Sofia;
 - The Board of Directors of Odessoss PBM AD, Varna;
 - The Board of Directors of IHB Shipping Co EAD, Varna,
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives

Borislav Emilov Gavrilov

- does not participate as a partner with unlimited liability in any company;
- holds directly more than 25% of the votes in the general assembly of the shareholders:
 - Stock Consult OOD, Sofia,
 - Sushi star EOOD, Sofia
 - Simetria OOD, Sofia
- Member of:
 - The Board of Directors of Stock EG AD, Malo Buchino;
 - The Board of Directors of IHB Electric, Sofia;
 - The Board of Directors of KLVK AD, Sofia
 - The Board of Directors of Maritime Holding AD, Varna
- Manager of:
 - ECO Consulting OOD, Sofia;
 - Stock Consult OOD, Sofia,
 - Sushi star EOOD, Sofia,
 - Simetria OOD, Sofia,
 - Avans.BG, Sofia
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives



Emilyan Emilov Abadgiev – Executive Director and Vice Chairman of the Managing Board

- does not participate as a partner with unlimited liability in any company;
- holds directly more than 25% of the votes in the general assembly of the shareholders:
 - Commerce Consulting EEA OOD, Sofia and Water Synergy EOOD
- Member of:
 - The Board of Directors and Executive Director of ZMM Bulgaria Holding AD;
 - The Board of Directors of ZMM Nova Zagora AD;
 - The Board of Directors of Leyarmash AD;
 - The Board of Directors of ZMM Sliven;
 - The Board of Directors of IHB Elektrik AD, Sofia;

Manager of:

- Commerce Consulting EEA OOD;
- Water Synergy OOD;
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives.

Boyko Nikolov Noev

- does not participate as a partner with unlimited liability in any company;
- does not hold directly more than 25% of the votes in the general assembly of the shareholders of any trade company;
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives.

Contracts under article 240b of the Commercial Act signed during the year.

The company has not signed contracts with members of the Board of Directors or parties related that are beyond its usual activities or substantially deviate from the market conditions.

Payments to the members of the Managing and Supervisory Boards

In connection with Ordinance № 48 of the Financial Supervision Commission as of 20 March 2013 on the requirements for remuneration, on a meeting held on 15.08.2013 the Supervisory Board adopted the remuneration policy of "Industrial Holding Bulgaria", approved on the General Meeting of Shareholders on September 30, 2013. Pursuant to the policy members of the Supervisory Board receive only constant (fixed) payment to be determined by the General Meeting of Shareholders on the proposal of the Supervisory Board.

	Payments received in 2015	
	From IHB	From subsidiaries
Members of the Supervisory Board		
DZH AD, through representative Elena Petkova Kircheva	12 000	-
Snezhana Hristova	18 000	-
Konstantin Zografov	12 000	67 200
Members of the Managing Board		
Daneta Zheleva	45 960	226 452
Emilyan Abadgiev	31 200	126 800
Borislav Gavrilov	12 000	6 000
Boyko Noev	12 000	-
Bozhidar Danev until 08.07.2015	6 391	-



The remunerations received by the members of the Management and Supervisory Boards of IHB include amounts received as remuneration. The members of the Boards have not received non-cash, conditional or deferred payments. IHB or its subsidiaries does not owe to the members of the Boards any amounts for payment of pensions, benefits upon retirement or any other similar benefits.

In 2015 the total amount of the social security contributions paid by IHB to the members of the Management and Supervisory Boards, including mandatory pension insurance is BGN 7,555.

IHB or its subsidiaries does not deduct and do not charge any amounts for payment of pensions, other benefits upon retirement or any other similar benefits.

Information about IHB shares held by members of the Managing and Supervisory Boards as of 31 December 2015:

	Acquired in 2015	Transferred in 2015	Number of shares held directly	Number of shares held through related parties	Total directly and through related parties	% of the votes in GM of the shareholders directly and through related parties
<i>Members of the Supervisory Board</i>						
DZH AD	755 400	0	4 732 574	0	4 732 574	6.11%
Snezhana Hristova	0	0	2 056	1 343 610	1 345 666	1.74 %
Konstantin Zografov	0	0	582	208	790	0.001%
<i>Members of the Management Board</i>						
Daneta Zheleva	0	0	41 044	4 733 220	4 774 264	6.17%
Emilyan Abadgiev	0	0	0	0	0	0
Borislav Gavrilov	0	0	208	0	208	0.0002%
Boyko Noev	0	0	0	0	0	0

As of 31.12.2015 the members of the Management and Supervisory Boards have not been provided with options on securities of IHB.

11. Information on pending lawsuits, administrative or arbitration procedures concerning liabilities or receivables of IHB amounting to at least 10% of its equity.

n/a.



12. Management responsibilities

In accordance with the Bulgarian legislation the management is required to prepare separate financial statements for each financial year that give a true and fair view of the financial position of the Company as at the year end and of its financial performance and its cash flows for the year ended.


The management confirms that appropriate accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been used in the preparation of the annual separate financial statements for the year ended 31 December 2015.

The management also confirms that all applicable accounting standards have been followed and that the separate financial statements have been prepared on a going concern basis.

The management is responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

13. Data for the Investor Relations Director.

The Investment Relations Director is Maria Georgieva, tel. 980 71 01, e-mail: ir@bulgariqholding.com, 37A Frityov Nansen Str, floor 7, Sofia.


Daneta Zheleva
Chief Executive Director

23 March 2016,
Sofia, Bulgaria



Independent auditors' report To the shareholders of Industrial Holding Bulgaria AD

Report on the separate financial statements

We have audited the accompanying separate financial statements of Industrial Holding Bulgaria AD ("the Company"), which comprise the separate statement of financial position as of 31 December 2015, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted for use in the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Industrial Holding Bulgaria AD as of 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted for use in the European Union.

Report on other legal requirements

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 (effective for financial year 2015), we read the Annual Management Report accompanying the separate financial statements for the year ended 31 December 2015.

In our opinion, the information given in the Annual Management Report is consistent with the accompanying annual separate financial statements as of 31 December 2015.



Daniela Petkova, CPA
Registered Auditor
Managing Partner
Ernst & Young Audit OOD

29 March 2016
Sofia, Bulgaria

INDUSTRIAL HOLDING BULGARIA AD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

<i>In thousands of BGN</i>	Notes	2015	2014
Income from interest and dividends	5	15,493	8,721
Other operating income	6	124	35
		15,617	8,756
Personnel expenses	7	(571)	(573)
Expenses on hired services		(375)	(333)
Other operating expenses	8	(468)	(4,476)
Net income from operations		14,203	3,374
Finance costs	9	(3,869)	(2,555)
Profit before tax		10,334	819
Income tax expense	10	-	(18)
Profit for the year		10,334	801
Earnings per share			
Basic earnings per share (in BGN)	16 (a)	0.140	0.012
Dilluted earnings per share (in BGN)	16 (a)	0.106	0.027
Other comprehensive income / (loss)			
<i>Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial losses on defined benefit plans		(11)	(5)
Income tax effect	10	1	1
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(10)	(4)
Other comprehensive loss for the year, net of tax		(10)	(4)
Total comprehensive income for the year, net of tax		10,324	797

The notes on pages 7 to 51 form an integral part of these separate financial statements. The separate financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 28 March 2016.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

Translation in English of the official separate financial statements issued in Bulgarian.

Financial statements on which our auditors' report was issued dated:	
3	
EY	29 -03- 2016
Ernst & Young Audit OOD	
EY Representative and Registered Auditor:.....	

INDUSTRIAL HOLDING BULGARIA AD
SEPARATE STATEMENT OF FINANCIAL POSITION
As of 31 December 2015

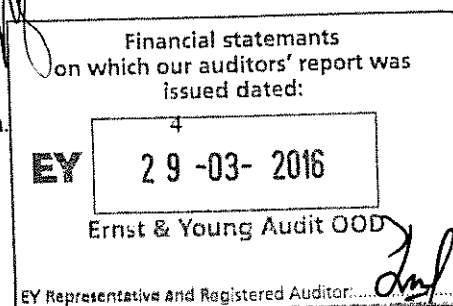
<i>In thousands of BGN</i>	<u>Notes</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Non-current assets			
Tangible and intangible non-current assets	11	400	482
Investments in subsidiaries	12	203,235	197,392
Other long-term receivables	13	-	997
Loans granted to related parties	20	35,909	3,963
Deferred tax assets	10	3	2
Total non-current assets		239,547	202,836
Current assets			
Inventories		3	3
Related party receivables	20	17	20
Loans granted to related parties	20	862	3,971
Other receivables	14	39	177
Cash and cash equivalents	15	125	14
Income tax receivable		33	33
Total current assets		1,079	4,218
TOTAL ASSETS		240,626	207,054
EQUITY AND LIABILITIES			
Equity			
Share capital	16	77,400	67,978
Share premium	16	30,604	30,604
Treasury shares	16	(873)	(776)
Legal and other reserves	16	8,799	8,718
Equity component of issued convertible bonds	16	2,507	-
Retained earnings		61,582	51,339
Total equity		180,019	157,863
Non-current Liabilities			
Liability component of issued convertible bonds	17	47,450	-
Trade and other payables	19	5,973	8,018
Retirement benefit liability	18	37	27
Total non-current liabilities		53,460	8,045
Current liabilities			
Liability component of issued convertible bonds	17	567	30,381
Trade and other payables	19	6,076	8,418
Related party payables	20	504	2,347
Total current liabilities		7,147	41,146
Total liabilities		60,607	49,191
TOTAL EQUITY AND LIABILITIES		240,626	207,054

The notes on pages 7 to 51 form an integral part of these separate financial statements. The separate financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 23 March 2016.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

Translation in English of the official separate financial statements issued in Bulgarian.



INDUSTRIAL HOLDING BULGARIA AD
SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

<i>In thousands of BGN</i>	<u>Notes</u>	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of shares and other receivables		970	92
Dividends received		14,233	4,538
Granted loans repaid		6,761	1,152
Interest received		904	104
Payments for acquisition of stocks and shares		(11,891)	(198)
Loans granted		(36,291)	(1,381)
Salaries and remunerations		(559)	(546)
Foreign exchange losses		86	-
Income tax paid		-	(322)
Cash flows from unexercised rights of shareholders		15	-
Payments to suppliers and other payments		(592)	(485)
Net cash flow (used in) / from operating activity		(26,364)	2,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible non-current assets		(37)	(255)
Sale of tangible non-current assets		30	-
Net cash used in investing activities		(7)	(255)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	16	(97)	(5)
Proceeds from convertible bonds	17	50,000	-
Repayment of convertible bonds		(20,578)	-
Convertible bonds interest and fees paid		(2,226)	(1,950)
Loans and deposits received		1,100	1,091
Interest paid		(50)	(87)
Repayment of deposits		(1,667)	(1,838)
Net cash flows from / (used in) financing activities		26,482	(2,789)
Increase / (Decrease) in cash and cash equivalents		111	(90)
Cash and cash equivalents at 1 January		14	104
Cash and cash equivalents at 31 December	15	125	14

The notes on pages 7 to 51 form an integral part of these separate financial statements. The separate financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 23 March 2016.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

Translation in English of the official separate financial statements issued in Bulgarian

Financial statements
on which our auditors' report was
issued dated:

EY

29 -03- 2016

Ernst & Young Audit OOD

EY Representative and Registered Auditor:.....

INDUSTRIAL HOLDING BULGARIA AD
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

In thousands of BGN

	Notes	Share capital	Share premium	Treasury shares	Legal and other reserves	Equity component of issued convertible bonds	Retained earnings	Total equity
Balance at 1 January 2014		67,978	30,604	(771)	7,989	-	51,271	157,071
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	801	801
Other comprehensive income for the year		-	-	-	-	-	(4)	(4)
Total comprehensive income for the year		-	-	-	-	-	797	797
Transactions with owners reported in equity								
Transfer from retained earnings to reserves		-	-	-	729	-	(729)	-
Treasury shares purchase (Note 16)		-	-	(5)	-	-	-	(5)
Total transactions with owners		-	-	(5)	729	-	(729)	(5)
Balance at 31 December 2014	16	67,978	30,604	(776)	8,718	-	51,339	157,863
Balance at 1 January 2015		67,978	30,604	(776)	8,718	-	51,339	157,863
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	10,334	10,334
Other comprehensive income for the year		-	-	-	-	-	(10)	(10)
Total comprehensive income for the year		-	-	-	-	-	10,324	10,324
Transactions with owners reported in equity								
Transfer from retained earnings to reserves		-	-	-	81	-	(81)	-
Treasury shares purchase (Note 16)		-	-	(97)	-	-	-	(97)
Equity component of issued convertible bonds		-	-	-	-	2,507	-	2,507
Increase of equity (Note 16)		9,422	-	-	-	-	-	9,422
Total transactions with owners		9,422	-	(97)	81	2,507	(81)	11,832
Balance at 31 December 2015	16	77,400	30,604	(873)	8,799	2,507	61,582	180,019

The notes on pages 7 to 51 form an integral part of these separate financial statements. The separate financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 23 March 2016.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

Translation in English of the official separate financial statements issued in Bulgarian.

Financial statements on which our auditors' report was issued dated:

EY

29 -03- 2016

Ernst & Young Audit OOD

EY Representative and Registered Auditor:.....

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. Corporate information

The separate financial statements of Industrial Holding Bulgaria AD (the Company or the Holding or IHB AD) for the year ended 31 December 2015 were authorised for issue with a resolution of the Management and the Supervisory Board dated 23 March 2016.

Industrial Holding Bulgaria AD is a joint stock company, registered in Republic of Bulgaria incorporated under No 13081 from 1996 with headquarters and registered office: Sofia, 42 Damian Gruev Str. The financial year of the Company ends on 31 December.

Initially the Company has been established as a Privatisation Fund according to the Privatisation Funds Act under the name Privatisation Fund Bulgaria AD.

The General shareholders meeting held on 27.02.1998 decided to reorganize the activities of the Privatization Fund Bulgaria AD into a holding company and changed its name from Privatization Fund Bulgaria AD to Industrial Holding Bulgaria AD. The Company's registered capital amounts to BGN 77,400,643. It has two-tier management system comprising Supervisory and Management Boards.

The Company's activities include acquisition, management, assessment and sale of shares in Bulgarian and foreign entities, acquisition, assessment and sale of patents, re-letting of licenses to use patents to the companies in which the Holding participates, financing of its subsidiaries and associates, as well all other activities not prohibited by the Law.

The Company's activity is not limited by an expiry date or any other termination condition.

The Company is registered in the United State Register BULSTAT under identification number BG 121631219, as well in the State Social Security system. It is registered under the Value Added Tax Act. Company's shares are traded on the Bulgarian Stock Exchange, Sofia.

2.1 Basis of preparation

These separate financial statements have been prepared on historical cost basis.

The separate financial statements are presented in Bulgarian Leva (BGN) and all values are rounded to the nearest thousand (BGN thousand or BGN '000) except when otherwise indicated.

Statement of compliance

The financial statements of Industrial Holding Bulgaria AD have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union (EU).

These financial statements are the separate financial statements of Industrial Holding Bulgaria AD, where the investments in subsidiaries have been presented at cost.

In accordance with the requirements of IFRS 10 Consolidated Financial Statements and the Accountancy Act (effective for financial year 2015), Industrial Holding Bulgaria AD also prepares and presents consolidated financial statements. The consolidated financial statements of Industrial Holding Bulgaria AD for the year ended 31 December 2015 will be issued by 30 April 2016.

2.2 Summary of significant accounting policies

a) Foreign currency transactions

These financial statements are presented in BGN, which is also the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date by the Bulgarian National Bank. All differences are taken to profit or loss for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions (purchase). Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to expenses incurred to date as a percentage of total estimated expenses for rendering of the service. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest income

Interest income is recognized using the effective interest rate (EIR), which is the rate that discounts exactly the estimated future cash flows over the estimated useful life of the financial instrument or a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in income from interest and dividends in the statement of comprehensive income.

Dividends

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.2. Summary of significant accounting policies (continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Retirement benefits

Short-term employee benefits include salaries, annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Company and measured at the undiscounted amount of the expected cost of the benefit.

The Company operates defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Company for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises restructuring-related costs.

2.2. Summary of significant accounting policies (continued)

d) Retirement benefits (continued)

Interest expense is calculated by applying the discount rate to the defined benefit liability. The changes in the last (Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine and interest expenses) are recognized in the profit or loss for the period settlements within "Personnel expenses".

e) Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets upon initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of the financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in the income from interest and dividends in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.2. Summary of significant accounting policies (continued)

e) Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The carrying amount of the asset is reduced directly and the amount of the loss is recognised in the income statement.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. The interest income is recorded as part of income from interest and dividends in the statement of comprehensive income. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of comprehensive income for the period.

2.2. Summary of significant accounting policies (continued)

e) Financial instruments - initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and debenture loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses relating to loans and borrowings are recognised in the statement of comprehensive income for the period when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

f) Investment in subsidiaries

Investments in subsidiaries are measured at cost in the separate financial statements of the Company, less any allowance for impairment (in accordance with IAS 27, paragraph 10 (a)). Investments in subsidiaries are derecognized and the net result (received consideration less carrying amount of the investment) is recognized in profit or loss for the period, when the Company loses control over the subsidiary. For more details see Note 12.

Information regarding the accounting policy for impairment of investments in subsidiaries is provided in point o) Impairment of non-financial assets.

g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2. Summary of significant accounting policies (continued)

h) Fair value measurement

The Company does not report any financial instruments, such as, derivatives and available for sale financial assets, as well as non-financial assets such as investment properties and property, plant and equipment, at fair value at each statement of financial position date. Fair values of financial instruments measured at amortised cost are disclosed in Note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, and significant liabilities. Involvement of valuation experts is decided upon annually by the management. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

2.2. Summary of significant accounting policies (continued)

h) Fair value measurement (continued)

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

i) Share capital

The share capital represents the par value of the shares issued and paid. The difference between the par value and the price paid for the shares is accounted for as share premium. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

j) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at fair value of the consideration transferred and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the nominal amount and the fair value of the consideration transferred, if reissued, is recognised as decrease/increase in share premium. No dividends are allocated to voting shares related to treasury shares.

k) Convertible debentures

Convertible debentures are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible debentures, the fair value of the liability component is determined using a fair value for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised as equity instrument. The conversion option recognized as equity instrument is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible debentures based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

On conversion of a convertible instrument at maturity, the entity derecognises the liability component and recognises it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

2.2. Summary of significant accounting policies (continued)

l) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles (cars)	5 years
Computers and computer equipment	2 - 5 years
Fixtures and fittings and others	6 - 10 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The estimated useful lives for the current and comparative years are as follows:

Patents and trademarks	4 - 7 years
Software	4 - 7 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2.2. Summary of significant accounting policies (continued)

o) Impairment of non-financial assets

The Company assesses at the end of each financial year whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less the costs to sell is determined on the basis of recent market transactions, if any. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or available fair value indicators for the fair value of an asset or a cash generating unit.

The calculations of the impairment are based on detailed budgets and forecast calculations that are prepared separately for each CGU where individual assets have been allocated. These budgets and forecast calculations usually cover a term of five years. For longer periods, a long-term growth index is calculated and applied to future cash flows after the fifth year.

Impairment losses are recognised in profit or loss as other operating expenses, or as a separate line item, when significant.

An assessment is made by the Company at the end of each financial year as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss for the period.

p) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.2. Summary of significant accounting policies (continued)

q) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

r) Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bond) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.3 Changes in accounting policy and disclosures

New and amended standards

The accounting policies adopted are consistent with those of the previous financial year. The following amendments to standards have been adopted by the Company as of 1 January 2015:

- Annual improvements to IFRSs 2011-2013 Cycle which comprise minor clarification changes in:
 - IFRS 3 *Business Combinations*
 - IFRS 13 *Fair Value Measurement*
 - IAS 40 *Investment Property*

The adoption of the above amendments to standards has no effect on these separate financial statements.

3. Significant accounting judgments, estimates, and assumptions

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Impairment testing of investments in subsidiaries

Considering how the Industrial Holding Bulgaria AD Group's investments are managed and reported, the management has identified cash generating units (CGUs) representing the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of the CGUs has been determined using value in use calculation based on cash flow projections reflecting the specifics of the business sectors/ industries, in which the CGUs are operating and the management's latest estimates on the expected performance over the respective period. Further details are provided in Note 12.

Going Concern

As at 31 December 2015 the Company reported in its separate financial statements negative working capital at the amount of BGN 6,068 thousand (2014: BGN 36,928 thousand).

The major part of this negative working capital is due to the fact that as at 31 December 2015 the Company reports current liabilities of BGN 5,977 thousand related to the purchase of shares from the capital of Odessoss PBM AD (Note 12, Note 19). In 2015 and in the beginning of 2016 the Company settles its liabilities related to the purchase of shares and repayment of interests on the debenture loan with ISIN BG 2100003156 and ISIN BG 2100006134 on time and Company's management believes that it will be able to successfully settle these current liabilities with funds from current operating activities (for example received dividends from subsidiaries and received interests from granted loans).

Considering the above, which explains the excess of current liabilities over current assets as at 31 December 2015, and projections for the future development of the Holding, management concluded that the going concern assumption is appropriate for the preparation of these separate financial statements.

Convertible bonds

As disclosed in Note 16 and 17, during 2015 the Company issued new emission of convertible bonds. The management has performed analysis and concluded that the prevailing market interest rate for comparable bond without conversion option is 6.99%. As a result of this analysis and using this percentage, the management has determined the fair value of the liability component of the bond of BGN 47,493 thousand and the conversion option, treated as equity instrument of BGN 2,507 thousand.

4. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt those standards when they become effective.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets (Amendments): Clarification of Acceptable Methods of Depreciation and Amortization

The amendments are effective for annual periods beginning on or after 1 January 2016. They clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment or amortise intangible assets. It is not expected that these amendments would be relevant to the Company.

IAS 19 Employee benefits (Amended): Employee Contributions

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. It is not expected that this amendment would be relevant to the Company.

IFRS 9 Financial Instruments

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The Company will analyze and assess the impact of the new standard on its future financial position or performance.

IFRS 11 Joint Arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. It adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS. It is not expected that this amendment would be relevant to the Company.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would be relevant to the Company.

4. Standards issued but not yet effective and not early adopted (continued)

IAS 1 Presentation of Financial Statements: Disclosure Initiative (Amendment)

The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. They clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The Company is in the process of assessing the impact of these amendments on its financial statements.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations and key judgments and estimates. The standard has not been yet endorsed by the EU. The Company will analyze and assess the impact of the new standard on its financial position or performance.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognize most leases on their balance sheet and to have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Company will analyze and assess the impact of the new standard on its financial position or performance.

IAS 27 Separate Financial Statements (Amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is not expected that this amendment would impact the financial position or performance in the Company's separate financial statements.

4. Standards issued but not yet effective and not early adopted (continued)

Amendments in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business or a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealised Losses

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. These amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amendments on its financial statements.

IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative

The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amendments on its financial statements.

Annual improvements to IFRSs 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued amendments to seven standards which are effective for annual periods beginning on or after 1 February 2015. Summary of amendments and related standards are provided below:

- IFRS 2 Share-based Payments – amended definitions of ‘vesting conditions’ and ‘market condition’ and adding the definitions of ‘performance condition’ and ‘service condition’;
- IFRS 3 Business Combinations – clarification on the accounting for contingent consideration arising from business combination;
- IFRS 8 Operating Segments – additional disclosures of management judgement on aggregating operating segments and clarification on reconciliation of total segments’ assets to the entity’s assets;
- IFRS 13 Fair Value Measurement – clarification on interaction with IFRS 9 as regards short-term receivables and payables;
- IAS 16 Property, Plant and Equipment – amended to state that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount while the accumulated depreciation is calculated as a difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses;
- IAS 24 Related Party Disclosures – clarified that a management entity that provides key management services to a reporting entity is deemed to be a related party; disclosure of the service fee paid or payable is required;
- IAS 38 Intangible Assets – same amendment as IAS 16 above.

The Company is in the process of assessing the impact of the amendments on its financial statements.

4. Standards issued but not yet effective and not early adopted (continued)

Annual improvements to IFRSs 2012-2014 Cycle

In the 2012-2014 annual improvements cycle, the IASB issued amendments to four standards which are applicable for financial year 2016. Summary of amendments and related standards are provided below:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarification that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan;
- IFRS 7 Financial Instruments: Disclosures – provides examples of continuing involvement in a financial asset and clarifies required disclosures in the condensed interim financial report;
- IAS 19 Employee Benefits – clarification on long-term liability discount rate determination;
- IAS 34 Interim Financial Reporting – clarification on required interim disclosures: they must either be in the interim financial statements or incorporated by cross-reference to other interim financial information (e.g., in the management report) that is available to users on the same terms as the interim financial statements and at the same time.

The Company is in the process of assessing the impact of the amendments on its financial statements.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5. Income from interest and dividends

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Dividend income	14,233	4,900
Interest income	1,260	3,821
	<u>15,493</u>	<u>8,721</u>

The reported dividend income of BGN 14,233 thousand (2014: BGN 4,900 thousand) comprises dividends distributed by Privat Engineering AD – BGN 10,012 thousand (2014: nil); by Maritime Holding AD - BGN 384 thousand (2014: BGN 515 thousand); by ZMM Bulgaria Holding AD - BGN 3,802 thousand (2014: BGN 2,796 thousand); by KRZ Port Bourgas AD – nil (2014: 999 thousand), by Rekolta 2011 EAD - nil (2014: BGN 560 thousand); by IHB Shipdesign AD – BGN 35 thousand (2014: nil) and by Odesos PBM AD – nil (2014: BGN 30 thousand).

Interest income relates to interest-bearing loan receivables from subsidiaries at the amount of BGN 1,251 thousand (2014: BGN 3,774 thousand), accrued interest income relating to commercial contracts of BGN 5 thousand (2014: BGN 46 thousand) and interests on deposit and current bank accounts at the amount of BGN 4 thousand (2014: BGN 1 thousand).

During 2015 and 2014 no gains or losses from operations with investments were realized.

6. Other operating income

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Gains from sale of tangible non-current assets	42	-
Revenue from services rendered	36	35
Derecognised liabilities on shareholders' rights sold	6	-
Other income	40	-
	<u>124</u>	<u>35</u>

Revenue from services rendered relates to fees for financial security provided to Group companies. The gain from sale of tangible non-current assets is related to sale of two cars with nil carrying amounts. Other income comprises discounts which the Company received for early settlement of its liabilities related to purchase of shares.

The liabilities on rights sold to shareholders resulted from the increase in share capital in 2010. These shareholders have not exercised their rights to subscribe for shares in the capital increase and as a result, the unexercised rights were sold on an official auction at the Bulgarian Stock Exchange – Sofia. Industrial Holding Bulgaria AD received the proceeds from the auction in June 2010 and began to pay amounts to the holders of unexercised rights. In 2015 Industrial Holding Bulgaria AD discontinued the payments of proceeds from the auction of unexercised rights in connection with the capital increase in 2010 due to expiration of the period of the obligation to pay the amounts. These obligations are derecognised in the profit or loss in 2015, when the limitation period has expired.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

7. Personnel expenses

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Salaries	(507)	(515)
Social security expenses and other social payments	(64)	(58)
	<u>(571)</u>	<u>(573)</u>

8. Other operating expenses

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Depreciation and amortization (Note 11)	(124)	(101)
Expenses for materials	(22)	(23)
Impairment of investments (Note 12)	-	(4,239)
Other operating expenses	(322)	(113)
	<u>(468)</u>	<u>(4,476)</u>

The increase in other operating expenses in 2015 is due to cession contract signed between Industrial holding Bulgaria AD and Avgusta Mebel AD. Under this contract Industrial holding Bulgaria AD transfers its receivables from the buyer amounting to BGN 1,150 thousand related to sale of shares of Avgusta Mebel AD for the price of BGN 923 thousand. As at 31.12.2015 the receivable is fully repaid (Note 13). A loss of BGN 236 thousand is reported.

As at 31.12.2014, the Company has performed review of the impairment indications and has concluded that there are indications of impairment of some of its investments. Impairment charges reported in 2014 relate to investments in the subsidiaries Agro Pari AD (in liquidation, ceasing of activity is entered in Trade register on 06.01.2015) – BGN 66 thousand; Bulyard Shipbuilding Industry AD - BGN 1,692 thousand; and Bulyard AD - BGN 2,481 thousand.

9. Finance costs

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Debenture loan interest expenses ISIN BG 2100003156 and ISIN BG 2100006134 (2014: Debenture loan ISIN BG2100006134)	(2,392)	(1,950)
Foreign exchange losses	(1,064)	(424)
Interest expenses on deposits and loans from related parties, interests expenses on contracts for purchase of shares, bank accounts etc.	(371)	(112)
Other finance expenses, related to debenture loans	(33)	(68)
Other finance expenses	(9)	(1)
Finance costs	<u>(3,869)</u>	<u>(2,555)</u>

Foreing exchange losses are due to revaluation of payables in USD in relation to deferred payment of acquired shares in Bulyard AD and Odessoss PBM AD. Interest expenses include interests on long-term contracts for purchase of shares in Bulyard AD and Odesos PBM AD. In relation to management of currency risk and in view of Company's exposition in USD during the year management of Company agreed forward contracts for hedge of fluctuations of USD/EUR rate and management of cash flows. As of 31 December 2015, there are open positions for such forward contracts with insignificant value.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

10. Income tax

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Current tax expense	-	(18)
Deferred tax, relating to origination and reversal of temporary differences	-	-
Income tax expense reported in profit or loss	-	(18)

Current tax expense comprises income tax accrued at 10% for 2015 (2014: 10%). In 2016, the applicable tax rate remains unchanged.

Reconciliation between tax expense and the accounting profit multiplied by the Company's tax rate for the years ended 31 December 2015 and 2014 is as follows:

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Profit before tax	10,334	819
Income tax at the Company's statutory tax rate of 10% for 2015 (2014: 10%)	(1,033)	(82)
Impairment of investment in subsidiary, for which no deferred tax asset is recognised	-	(424)
Dividend revenue exempted from tax	1,423	490
Non-deductible expenses for tax purposes	(2)	(2)
Tax loss for which no deferred tax asset is recognized	(388)	-
Income tax expense at an effective tax rate of 0% (2014: 2.20%)	-	(18)

As at 31 December 2015, the Company reports deferred tax asset in the amount of BGN 3 thousand (2014: BGN 2 thousand) related to retirement benefits liability. The income from deferred taxes on the retirement benefits liability at the amount BGN 1 thousand (2014 BGN 1 thousand) is recognized in other comprehensive income.

The Company has incurred tax losses as follows:

Tax period	Period for deduction of tax losses	2015	2014
<i>BGN thousand</i> 2015	by 2020	3,885	-
Total tax losses for deduction		3,885	-
Statutory tax rate		10%	10%
Recognized deferred tax asset		-	-
Not recognized deferred tax asset		388	-

Tax losses can be carried forward and set off against future taxable profits of the Company. Under applicable tax law in Bulgaria, the period for transfer and deduction of tax losses is five years.

The Company does not have any tax losses carried forward from previous years.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

11. Tangible and intangible non-current assets

<i>In thousands of BGN</i>	Computers and equipment	Vehicles	Fixtures and fittings and others	Total
<i>Cost</i>				
Balance at 1 January 2014	115	182	416	713
Additions	4	251	-	255
Balance at 31 December 2014	119	433	416	968
Balance at 1 January 2015	119	433	416	968
Additions	-	38	3	41
Disposals	(12)	(39)	(16)	(67)
Balance at 31 December 2015	107	432	403	942
<i>Depreciation and impairment losses</i>				
Balance at 1 January 2014	90	176	125	391
Depreciation for the year	14	11	75	100
Balance at 31 December 2014	104	187	200	491
Balance at 1 January 2015	104	187	200	491
Depreciation for the year	11	36	76	123
Depreciation of fixed assets written off	(12)	(39)	(16)	(67)
Balance at 31 December 2015	103	184	260	547
<i>Carrying amounts</i>				
Balance at 1 January 2014	25	6	291	322
Balance at 31 December 2014	15	246	216	477
Balance at 31 December 2015	4	248	143	395

The Company has no imposed restriction regarding the ownership rights of its tangible non-current assets and no assets have been pledged as a security for liabilities or other commitments.

Intangible assets

The intangible assets of the Company are insignificant; therefore, a detailed note for their movement during the year has not been prepared. The carrying amount of the intangible assets as at 31 December 2015 is BGN 5 thousand (2014: BGN 5 thousand). The accrued amortization for the year ended 31 December 2015 is BGN 1 thousand (2014: BGN 1 thousand).

Impairment of tangible and intangible non-current assets

Based on the review of the impairment indicators related to tangible and intangible non-current assets, the management of the Company has not identified indicators of impairment showing that the carrying amount of the assets is above their recoverable amount.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

12. Investments in subsidiaries

The Company has the following investments in subsidiaries at 31 December 2015 and 31 December 2014:

<i>In thousands of BGN</i>	Country of incorporation	2015		2014	
		Cost of investment	Effective percentage of control	Cost of investment	Effective percentage of control
ZMM Bulgaria Holding AD	Bulgaria	7,885	99.998	7,885	99.998
Privat Engineering AD	Bulgaria	56,992	99.790	56,992	99.790
KRZ Port Burgas AD	Bulgaria	4,774	99.640	4,774	99.640
Bulyard AD	Bulgaria	859	98.000	859	98.000
Maritime Holding AD	Bulgaria	400	61.000	400	61.000
International Industrial Holding Bulgaria AG	Switzerland	130	100.000	130	100.000
KLVK AD	Bulgaria	46,096	68.000	46,096	68.000
Rekolta 2011 EAD	Bulgaria	2,300	100.000	2,300	100.000
Agro Pari AD (terminated)	Bulgaria	-	-	-	66.000
IHB Shipdesign AD	Bulgaria	75	75.000	100	100.000
Bulyard Shipbuilding Industry AD	Bulgaria	61,071	98.590	61,071	98.590
Odessoss PBM AD	Bulgaria	22,653	90.000	16,785	60.000
		203,235		197,392	

Industrial Holding Bulgaria AD increased its investment in its subsidiary Odessoss PBM AD, Varna. On 12.01.2015 Industrial holding Bulgaria AD acquired 1,584,000 (one million five hundred and eighty-four thousand) ordinary shares with voting right, with par value of BGN 1 (one) each, which represent 30% of the equity of Odessoss PBM AD. The value of the transaction is EUR 3,000 thousand (BGN 5,868 thousand). The amount will be paid in three instalments until beginning of 2017. Following this transaction, the participation of Industrial holding Bulgaria AD in the Odessos PBM's equity is 90%.

As a result from three deals done on 31.03.2015 Industrial Holding Bulgaria AD sold 25,000 shares which represent 25% from the equity of IHB Shipdesign AD. The participation of Industrial Holding Bulgaria AD decreased to 75% of registered equity of the entity.

At the end of November 2014 Industrial Holding Bulgaria AD purchased:

- 1,584,000 ordinary shares with voting rights and with a nominal value of BGN 1 each, representing 30% of the capital of Odessoss PBM AD, by which it became the majority owner of the company, due to the fact before the purchase Industrial Holding AD had so far 30% (significant influence) in the Company. The value of the transaction was USD 9,702 thousand (BGN 15,201 thousand). The amount will be paid in four installments by the end of 2017. The cost of the investment in the subsidiary Odesos PBM AD is valued at the sum of the consideration to acquire an additional 30% stake (BGN 15,201 thousand) and the cost of acquisition (BGN 1,584 thousand) of the existing 30% participation (significant influence).
- 1,521,603 registered shares with voting rights nominal value of BGN 1 each, representing 36.50% of the capital of Bulyard AD, with which the participation of Industrial Holding Bulgaria AD in the company's ownership reaches 98%. The value of the transaction is USD 500 thousand (BGN 783 thousand).

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

12. Investments in subsidiaries (continued)

At General Meeting of Shareholders of the indirect subsidiary "Bulyard Shipbuilding Industry" AD held in December 2014, it decided to increase the share capital pursuant based on Art. 195, in conjunction with Art. 194, para. 4 of Commercial law, from BGN 900 thousand to BGN 63,663 thousand by issuing 62,763,115 new shares with a nominal value and issue price of BGN 1 (one), which were acquired by Industrial Holding Bulgaria AD in return for the contribution in kind capital, according to a valuation prepared in accordance with Art. 72, para. 2 of Commercial Law - contribution of monetary receivables of Industrial Holding Bulgaria AD from "Bulyard Shipbuilding Industry"AD. Issue and nominal value of the shares amounted to BGN 62,763 thousand. As a result of its participation in the capital increase of "Bulyard Shipbuilding Industry" AD,Industrial Holding Bulgaria AD directly acquired 98.59% of the share capital. The capital increase was entered in the Commercial Register at the Registry Agency on 22.12.2014. As a result of this transaction/ deal, as at 31 December 2014 "Bulyard Shipbuilding Industry" company became a direct subsidiary of Industrial Holding Bulgaria AD.

On 6 January 2015 the subsidiary Agro Pari AD (in process of liquidation) is deleted from Trade Register after end of the process of liquidation in December 2015.

The Company owns also 2 shares in ZMM Bulgaria Holding AD's subsidiary Leyarmash AD.

Impairment testing

As of 31 December 2015, the management of the Company performed a review of impairment indicators of its investments and consequently performed impairment test on some of its investments (stated below). The cost of these investments - Privat Engineering AD, KLVK AD, Bulyard shipbuilding industry AD and Bulyard AD are BGN 56,992 thousand, BGN 46,096 thousand, BGN 61,071 thousand and BGN 859 thousand respectively as of 31 December 2015. In 2015 no impairment loss has been recognized in the investments in these entities (2014: Bulyard shipbuilding industry AD – BGN 1,692 thousand; Bulyard AD - BGN 2,481 thousand).

Consistent with the approach followed in prior reporting periods, the management has identified three cash generating units (CGU) related to the identified investments:

- Privat Engineering AD (maritime transport sector/ industry)
- KLVK AD (maritime transport sector/ industry)
- Shipbuilding industry (shipbuilding/ship repairs and others sector/ industry)

Considering the fact that Bulyard AD is a holding entity which main activity is management and financing of its investment in Bulyard shipbuilding industry AD, the management of Industrial Holding Bulgaria AD has performed the impairment testing in the investments in Bulyard AD and Bulyard shipbuilding industry AD by identifying one CGU – CGU Shipbuilding industry. This CGU belongs to business sector shipbuilding/ship repairs and others.

The carrying amount of the investment allocated to each of the CGUs at the reporting date is:

<i>In thousands of BGN</i>	Carrying amount of the investment, allocated to each CGU	
	2015	2014
Privat Engineering AD	56,992	56,992
KLVK AD	46,096	46,096
Shipbuilding industry	61,930	61,930

12. Investments in subsidiaries (continued)

Impairment testing (continued)

The management performed an impairment assessment of the investment in all Cash Generating Units as of 31 December 2015. This assessment was triggered by the following factors, which affect equally all three CGUs:

- The negative effects of the economic downturn on the world economy and trade and the respective effects on the business sectors of maritime transport, ship building and ship repair and especially:
 - The decrease in the charter rates applicable for the ships, owned by the subsidiaries of Industrial Holding Bulgaria AD. In addition to it, the worldwide freight market achieved extremely low levels in 2015.
 - The worsening conditions in construction and transport sector directly affect the utilization of the capacity of Bulyard Shipbuilding Industry AD (direct subsidiary). In the last five years and up until recently no new shipbuilding contracts have been signed.
 - Decrease, although to a smaller extent, in the expenses for repair and maintenance of the ships.
- The increased competition in the sectors of maritime transport, shipbuilding and ship repair.

The recoverable amount of the three CGUs has been determined using value in use calculation based on cash flow projections covering a 25-year period for Privat Engineering AD CGU and KLVK AD CGU and 5-year period for Shipbuilding industry CGU. The projected cash flows of CGU Privat Engineering AD and CGU KLVK AD are based on budget 2016-2017 approved by the management and thereafter - based on adjusted industry average annual time-charter rates for the respective ship type for the period 2006-2015, reduced by the applicable for the industry % variable expenses on time-charters. The projected cash flows of CGU Shipbuilding industry are based on budget 2016-2017 approved by the management and extrapolated for the aboved mentioned periods. These projections reflect the specifics of the business sector/ industry of CGU-maritime transport and CGU-shipbuilding and repair as well as the latest management estimates on the expected performance over the projected period. The value of the CGUs after the explicit forecast period is based on terminal value estimates.

The recoverable amount of CGU Shipbuilding industry is higher than the aggregated carrying amount of the investments in Bulyard AD and Bulyard shipbuilding industry AD – BGN 61,930 thousand. In addition to it, the recoverable amount of CGU Privat Engineering AD and CGU KLVK AD are higher than the amounts of the investments in the respective entities.

As a result the Company has not recognized impairment loss in its investments in Privat Engineering AD, KLVK AD, and in the two entities included in CGU Shipbuilding industry.

As at 31.12.2014, the Company has performed review of the impairment indications and has concluded that there are no indications of impairment of its investments in the business sector shipping - Privat Engineering AD and KLVK AD.

Impairment loss recognized in 2014 which was identified for CGU Shipbuilding industry is at the amount of BGN 4,173 thousand, which is distributed between in the investments in the two entities of CGU Shipbuilding industry as follows:

12. Investments in subsidiaries (continued)

Impairment testing (continued)

<i>In thousands of BGN</i>	Impairment of CGU, allocated to investments in each entity	
	2015	2014
Privat Engineering AD	-	-
KLVK AD	-	-
Bulyard shipbuilding industry AD	-	1,692
Bulyard AD	-	2,481
	<u>-</u>	<u>4,173</u>

Key Assumptions used in the value in use calculations

The calculation for the value in use of the three CGUs is based on following key inputs for each business sector based on previous experience and external information:

- Maritime transport (CGU Privat Engineering AD and CGU KLVK AD)
 - Expected revenues from ship operations – for the first two years determined based on management estimates reflecting the effects of the current economic environment and thereafter based on 10-year adjusted industry average annual time-charter rates for the respective ship type and on the vessel specific historic performance;
 - Expected expenses for support and maintenance of the ships – based on adjusted industry average annual operating expenses for the respective ship type and on the vessel specific historic performance;
 - Expected investments in repairs and maintenance of the ships – based on the industry average values for the respective ship type and on the vessel specific historic performance;
 - Days of utilization of the ships – based on the industry averages for the respective ship type.
- Shipbuilding and ship repair (CGU Shipbuilding industry)
 - Expected revenues from ship repair, reconstructions, and production of metal constructions and ship sections;
 - Expected expenses for completion of planned activities;
 - Capital expenditures for maintenance of the assets in operating condition;
 - Restructuring of the activities of Bulyard Shipbuilding Industry AD and the shift of the management to leasing unused areas and warehouses.

Discount rate

The management has applied a post-tax discount rate as follows:

- 7.44% of CGU Privat Engineering AD and CGU KLVK AD (2014: no impairment test was performed);
- 10.21% (2014: 10.15%) of CGU Shipbuilding industry;

The discount rates are based on the Weighted Average Cost of Capital for similar to Industrial Holding Bulgaria Group companies adjusted for local and specific risk factors for the respective business sector/industry in which the CGU is operating – maritime transport or shipbuilding/ship repair.

Terminal value

When determining the terminal value in the impairment tested described above, the management has used a terminal growth rate of 2.5% (2014: 2.5%), which according to the management reflects the projected levels of inflation globally (and in Bulgaria in particular).

12. Investments in subsidiaries (continued)

Impairment testing (continued)

The tables below provide a sensitivity analysis of the key valuation assumptions (time-charter equivalent/ revenues and discount rate) and the related amounts of impairment losses:

<i>In thousands of BGN</i>	Impairment loss of investment in CGU Shipbuilding industry (total amount)	
	2015	2014
<i>Discount rate</i>		
Increase of 0.5%	(3,928)	(8,536)
Decrease of 0.5%	none	(2,412)
<i>Revenue</i>		
Increase of 0.5%	none	(2,975)
Decrease of 0.5%	(1,238)	(5,371)

<i>In thousands of BGN</i>	Impairment loss of investment in CGU Privat Engineering AD	Impairment loss of investment in CGU KLVK AD
	2015	
<i>Discount rate</i>		
Increase of 0.5%	none	none
Decrease of 0.5%	none	none
<i>Revenue</i>		
Increase of 0.5%	none	none
Decrease of 0.5%	none	none

As at 31.12.2014, the Company has performed review of the impairment indications and has concluded that there are no indications of impairment of its investments in the business sector shipping - Privat Engineering AD and KLVK AD, as a result of which no impairment testing of the cost of investments in these CGUs was performed.

13. Other long-term receivables

The other long-term interest-bearing receivables of BGN 997 thousand as at 31.12.2014 relate to the sale of the shares owned by Industrial Holding Bulgaria AD in Avgusta Mebel AD in 2012. The receivable is interest-bearing, deferred and depending on the payment periods is presented as either long-term or short-term respectively. In 2015 a cession contract is signed between Industrial Holding Bulgaria AD and Avgusta Mebel AD under which Industrial Holding Bulgaria AD transfers its receivable amounting to BGN 1,150 thousand related to sale of shares of Avgusta Mebel AD for price of BGN 923 thousand - amount which is fully paid.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

14. Other receivables

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Receivables from disposal of investment	14	157
Trade receivables	14	-
Prepayments	11	19
Other receivables	-	1
	<u>39</u>	<u>177</u>

15. Cash and cash equivalents

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Cash in hand	3	1
Cash at banks	122	13
	<u>125</u>	<u>14</u>

Cash and cash equivalents in BGN are measured at nominal value and those in foreign currency – at the closing rate of Bulgarian National Bank at the reporting date. The foreign exchange losses/gains are reported as current income or expense.

16. Issued capital and reserves

The share capital is reported at its par value in accordance with the Company's legal registration.

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
77,400,643 ordinary shares with a nominal of BGN 1 each	<u>77,400</u>	<u>67,978</u>
	<u>77,400</u>	<u>67,978</u>

The share capital of the Company comprises 77,400,643 personal non-cash voting shares with par value of BGN 1 each which are quoted on the Bulgarian Stock Exchange. The share capital is recorded at nominal value and is fully paid. There are no preference shares and shares payable to bearer.

In relation to opportunity given for conversion of bonds issued by Industrial Holding Bulgaria AD from emission with ISIN code BG2100006134, the results from the finished procedure, which offers owners of convertible bonds issued by Industrial Holding Bulgaria AD from emission with ISIN code BG2100006134 the opportunity to convert their bonds in shares, are as follows:

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

16. Issued capital and reserves (continued)

- End date for submission of applications for conversion of bonds – 03.04.2015;
- Number of bondholders who wanted to convert their bonds in shares – 9 /nine/;
- Total number of requested bonds to be converted in shares – 94,221 /ninety-four thousand two hundred and twenty-one/ with par value BGN 100 /hundred/;
- Total number of shares subscribed against conversion of bonds – 9,422,100 / nine millions four hundred and twenty-two thousand and one hundred/;
- The issuer and the investment intermediary didn't have any difficulties, there weren't any disputes by the conversion of bonds and subscription of shares.

The equity is increased by issuance of 9,422,100 /nine millions four hundred and twenty-two thousand and one hundred/ new personal non-cash voting shares as a result from conversion of 94,221 /ninety-four thousand two hundred and twenty-one/ personal non-cash convertible bonds ISIN code BG 2100006134 with par value BGN 100 /hundred/ each to 9,422,100 /nine millions four hundred and twenty-two thousand and one hundred/ personal non-cash voting shares with par value BGN 1 /one/ each.

With resolution № 20150416111903 from 16.04.2015 Registry agency registered in Trade register the increase of equity of Industrial holding Bulgaria AD from BGN 67,978,543 to BGN 77,400,643 by issuance of 9,422,100 new personal non-cash freely transferable shares which give right of one vote in general meeting of shareholders, with par value BGN 1 (one) each, issued as a result of conversion of 94,221 personal non-cash convertible bonds ISIN code BG 2100006134.

Shareholders in Industrial Holding Bulgaria AD as at 31 December 2015 and 31 December 2014 who hold over a 5% of the share capital of the Company:

<i>Shareholder</i>	Number of shares as at 31.12.2015	2015	2014
Venside Enterprises	20,399,604	26.36%	30.01%
BULLS AD	13,037,921	16.84%	14.03%
MUPF Allianz Bulgaria AD	5,246,278	6.78%	6.83%
PPF Allianz Bulgaria AD	5,202,314	6.72%	3.49%
DZH AD	4,732,574	6.11%	5.85%
Stok Turs AD	-	-	5.21%
Other	28,781,952	37.19%	34.58%
	77,400,643	100.00%	100.00%

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

16. Issued capital and reserves (continued)

Reconciliation of issued shares:	Number of shares	Amount
<i>In thousands of BGN</i>		
<i>Ordinary shares issued and fully paid</i>		
At 1 January 2014	67,978,543	67,978
At 1 January 2015	67,978,543	67,978
Issued new 9,422,100 ordinary, personal non-cash freely transferable shares as a result from conversion of 94,221 personal non-cash convertible bonds.	9,422,100	9,422
At 31 December 2015	77,400,643	77,400
Reconciliation of the share premium		Amount
<i>In thousands of BGN</i>		
At 1 January 2014		30,604
At 31 December 2014		30,604
At 31 December 2015		30,604

Legal and other reserves

Legal reserves are set aside by joint-stock companies like Industrial Holding Bulgaria AD from retained earnings in accordance with the provisions of article 246 of the Commercial Act. They are set aside until one-tenth or more of the capital is reached. At 31 December 2015 the legal and other reserves are BGN 8,799 thousand (2014: BGN 8,718 thousand).

Treasury shares

In relation to the decision reached at the General Meeting of the Shareholders for treasury shares transactions, the Managing Board of Industrial Holding Bulgaria AD decided that the maximum number of shares that will be repurchased each year for a four-year period of time is 3% of the registered capital of the Company, which as at 31.12.2012 is 67,978,543 shares, namely 2,039,356 shares each year.

The chosen investment intermediary is Alianz Bank Bulgaria AD.

For the period 1.01.2013- 31.12.2013 a total of 967,141 shares were repurchased at an average price of BGN 0.794 per share and acquisition costs of BGN 3 thousand. In 2014 a total of 6,125 shares were repurchased at an average price of BGN 0.84 per share.

In January 2015 11,600 shares were sold at price per share of BGN 1.07, and for the period August – December 2015 127,589 shares were additionally purchased at an average price of BGN 0.851 per share. The total number of treasury shares as at 31.12.2015 is 1,089,255 shares.

16. Issued capital and reserves (continued)

Other equity reserves

Convertible bonds

Industrial holding Bulgaria AD has issued 499,996 personal non-cash convertible freely transferable unsecured bonds with par and issue value of BGN 100 each, with fixed interest rate of 5 % on annual basis, payable each six months and term of debenture loan 36 months. At maturity of bonds each bondholder will have the right, according to conditions of debenture loan and Prospect of public offering of the emission convertible bonds, instead of receiving a payment for bonds owned by him to convert them for the corresponding number of shares according to current conversion proportion. BGN 50,000 were received in the bank accounts of the Company

On emission of bonds the Management of the Company has performed an analysis and has determined that the predominant market interest percentage for similar loan without conversion option is 6.99% which is used for determination of present value of liability component of bonds. As a result the present value of the liability component is BGN 47,493 thousand and it's shown in long-term liabilities. The present value of equity component is BGN 2,507 thousand and it's shown as separate component in equity: "Equity component of issued convertible bonds".

The classification has no effect on the calculation of finance ratios, which Industrial Holding Bulgaria AD is obliged to maintain during the period until repayment of debenture loan, meaning that by the calculations the entire bond issue is considered as liability.

16 (a). Earnings per share

Basic earnings per share are calculated by dividing the financial result for the year by the weighted average number of ordinary shares outstanding for the year.

The calculation of basic earnings per share as of 31 December 2015 is based on the profit attributable to ordinary shareholders of BGN 10,334 thousand (2014: BGN 801 thousand) and a weighted average number of ordinary shares available for the period ended 31 December 2015 of 73,694 thousand (31 December 2014: 67,006 thousand).

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bond) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The calculations are as follows:

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

16.(a). Earnings per share (continued)

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Profit for the year	10,334	801
Profit attributable to ordinary equity holders of the parent	10,334	801
Interest on convertible bond, net of tax	2,183	1,816
Profit attributable to ordinary holders of the parent adjusted for the effect of dilution	12,517	2,617
 <i>In thousand of shares</i>	 <u>2015</u>	 <u>2014</u>
Ordinary shares issued at 1 January	67,005	67,011
Treasury shares transactions	(116)	(6)
Issue of new shares	9,422	-
Number of ordinary shares at the end of the respective year	<u>76,311</u>	<u>67,005</u>
Weighted average number of shares at 31 December	<u>73,694</u>	<u>67,006</u>
 <i>In thousand of shares</i>	 <u>2015</u>	 <u>2014</u>
Weighted average number of shares at 31 December	73,694	67,006
Effect of dilution of convertible bond	44,392	30,000
Weighted average number of ordinary shares adjusted for the effect of dilution	118,086	97,006
 Basic earnings per share (BGN)	 0.140	 0.012
Diluted earning per share (BGN)	0.106	0.027

17. Debenture loan

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Debenture loan	50,000	30,000
Transaction costs	(43)	(20)
Interest charged	567	401
	<u>50,524</u>	<u>30,381</u>
of which long-term portion	<u>47,450</u>	-
of which short-term portion	<u>567</u>	<u>30,381</u>
of which Equity component (Note 16)	<u>2,507</u>	-

On 24.04.2013 the Trade Register published an announcement for the conclusion of debenture loan and invitation to the First General Meeting of Bondholders for issue of convertible bonds ISIN code BG 2100006134 issued by Industrial Holding Bulgaria.

As a result of conversion of 94,221/ninety-four thousand two hundred and twenty-one/ personal non-cash convertible bonds ISIN code BG 2100006134 with par value BGN 100 /one hundred/ each to 9,422,100 /nine millions four hundred and twenty-two thousand and one hundred/ new personal non-cash voting shares with par value BGN 1 /one/ each, the equity of Industrial holding Bulgaria AD is increased by issuance of 9,422,100 /nine millions four hundred and twenty-two thousand and one hundred/ new personal non-cash voting shares.

17. Debenture loan (continued)

In the established terms in April 2015 according to prospect last interest and principal payment of bond emission ISIN code BG2100006134 was done in relation to bondholders who haven't exercised their right to convert bonds owned by them in the respective number of shares of Company's equity in the terms for submission of applications for conversion, and with this the obligations of Industrial holding Bulgaria AD on the debenture loan are barred.

On 20 October 2014 the Supervisory Board of Industrial Holding Bulgaria AD decided to convene an extraordinary general meeting of the shareholders of Industrial Holding Bulgaria AD, which took place on 04 December 2014 with the following agenda:

- I. The issue of the conditions of an initial public offering of dematerialized convertible freely transferable and unsecured bonds with the following parameters:
 - Total nominal and issue price of the bond issue: to 50,000,000 / fifty million / BGN;
 - Nominal value of one bond: 100 / hundred / BGN;
 - Issue price of a bond: 100 / hundred / BGN;
 - Number of bonds: 500,000;
 - Minimal amount at which the loan is deemed as concluded: the loan is deemed as concluded upon subscription and payment of bonds with a total nominal value of not less than 30,000,000 /thirty million/BGN;
 - Term (maturity) of the debenture loan: 3 / three / years (36 months);
 - Interest rate: 5% on an annual basis;
 - Period of interest payment: 6 - month;
 - Procedure for conversion of bonds into shares (conversion procedure): conversion - on the maturity of the bonds; debenture holders will be entitled, under the terms of the bond issue and prospectus for the offering of convertible bonds, instead of repayment of the bonds held to replace them (convert) a number of shares corresponding to the actual time of the exchange conversion ratio.
 - Purpose of the debenture loan: Funds from the issue will be used to reimburse the debenture loan under a previous issue of convertible bonds ISIN BG 2100006134, issued by "Industrial Holding Bulgaria", refinancing of investments in "KRZ Port Bourgas" and other projects of "Industrial Holding Bulgaria "AD and its subsidiaries.

With resolution № 106-E dated 18.02.2015 and resolution № 127-E dated 25.02.2015 Financial Supervision Commission approved the prospect for initial public offering by Industrial holding Bulgaria AD of emission amounting to 500,000 personal non-cash freely transferable unsecured convertible bonds with par and issue value of BGN 100 each, with fixed interest of 5 % on annual basis, which is payable each six months and term of the debenture loan 36 months.

The public offering of current convertible bonds of Industrial Holding Bulgaria AD was successfully completed with the following results:

- Closing date of the public offering – 09.04.2015;
- Total number issued rights – 67,978,543;
- Total number of convertible bonds offered for subscription - 500,000;
- Number of subscribed and paid convertible bonds – 499,996;
- Amount received from the subscribed and paid convertible bonds in the special account in Allianz Bank Bulgaria AD – BGN 49,999,600.00.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

17. Debenture loan (continued)

The convertible bond with ISIN code BG 2100003156 requires compliance with certain financial ratios until the maturity of the bond issue. The issuer has to maintain the ratio of liabilities / assets not higher than 65%, coverage of interest expenses ratio not lower than 1.2 and the ratio of Interest-bearing debt / assets not higher than 50%. These financial indicators are calculated and reported on the basis of separate data for Industrial Holding Bulgaria at the end of every quarter. If Industrial Holding Bulgaria violates the specified financial ratios the Company must take actions within six months to bring the ratios in accordance with the set covenants.

As at 31.12.2015 the issuer is in compliance with the financial covenants.

On 10.10.2015 the first interest payment was paid under bond issue (issued in 2015) with ISIN code BG 2100003156

18. Retirement benefit liability

The estimated liability for retirement benefits in accordance with the requirements of the Labor Code and IAS 19 as of 31.12.2015 is BGN 37 thousand (2014: BGN 27 thousand).

There are no reasonably possible changes in the key assumptions that could have a significant impact on the retirement benefit liability as of year-end.

The average maturity of the retirement benefit is approximately 19 years (2014: 19 years).

19. Trade and other payables

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Payables to suppliers	11,957	16,352
Payables for shareholders' rights sold	69	60
Payables to social security institutions	10	9
Others	13	15
	<u>12,049</u>	<u>16,436</u>
Short – term	<u>6,076</u>	<u>8,418</u>
Long – term	<u>5,973</u>	<u>8,018</u>

Liabilities on shareholders' rights sold at 31.12.2015 at the amount of BGN 69 thousand have arisen as a result of the capital increase of the Company in the period 2011 - 2015, issuance of bond with ISIN code BG 2100018113 whose procedure was successfully completed on 17 October 2011, the issuance of bond with ISIN code BG2100006134 in 2013 and the issuance of bond with ISIN code BG2100003156 in 2015. The repayment of these is still in progress.

Obligation to suppliers in the amount of BGN 11,950 thousand (2014: BGN 16,329 thousand) is related to the purchase of shares in the capital of Odessoss PBM AD (Note 12) in 2014 and additional purchased shares in January 2015, which is to be paid in installments by the end of 2017. Long-term part is of the amount of BGN 5,973 thousand (2014: BGN 8,018 thousand) and short – term part is of the amount of BGN 5,977 thousand (2014: BGN 8,311 thousand), which includes interest expense of BGN 93 thousand (2014: BGN 20 thousand).

20. Related parties disclosures

Shareholders

At 31 December 2015 and 2014, the structure of the issued and paid-in capital of the Company is presented in Note 16.

Direct Subsidiaries

The subsidiaries of Industrial Holding Bulgaria AD at 31 December 2015 and 31 December 2014 are presented in Note 12.

Indirect Subsidiaries

IHB Electric AD, Leyarmash AD, and Bulkari EAD are indirect subsidiaries of Industrial Holding Bulgaria AD because they are subsidiaries of the direct subsidiary of Industrial Holding Bulgaria AD – ZMM Bulgaria Holding AD. IHB Shipping Co EAD, Emona Ltd., Tirista Ltd. and Karvuna Ltd. are indirect subsidiaries because they are subsidiaries of the subsidiary of Industrial Holding Bulgaria AD – Privat Engineering AD. Bulport Logistika AD is an indirect subsidiary because it is a subsidiary of the subsidiary of Industrial Holding Bulgaria AD – KLVK AD.

For the period from 1 January 2014 to 22 December 2014 Bulyard Shipbuilding Industry AD has been an indirect subsidiary of Industrial Holding Bulgaria AD. Effective from 22 December 2014 Bulyard Shipbuilding Industry AD becomes directly owned subsidiary of Industrial Holding Bulgaria AD as of that date with in-kind contribution and IHB AD acquired a direct 98.59% of the share capital. For the purposes of disclosure of related parties below, transactions and outstanding balances with Bulyard Shipbuilding Industry AD are presented as transactions and balances with direct subsidiaries and the relevant information for 2014 has been reclassified to achieve comparability.

Associates

As at 31 December 2015 and 31 December 2014 the Company does not hold shares in associates.

For the period from 1 January 2014 to 28 November 2014, Odessos PBM AD has been an associate of Industrial Holding Bulgaria AD. Effective from 28 November 2014, Odessos PBM AD becomes directly owned subsidiary of Industrial Holding Bulgaria AD (Note 12). For the purposes of disclosure of related parties, presented below, transactions with Odessos PBM AD are presented as transactions with associated companies for the period from 1 January 2014 to 28 November 2014.

The total amount of related party transactions and outstanding balances in the current and prior reporting period are presented as follows:

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

20. Related parties disclosures (continued)

20.1. Related parties balances

Long-term loans granted to related parties

<i>In thousands of BGN</i>	2015	2014
Subsidiaries	32,450	3,963
Indirect subsidiaries	3,459	-
	35,909	3,963

Short-term receivables from related parties

<i>In thousands of BGN</i>	2015	2014
<i>Receivables on loans granted, including interest</i>		
Subsidiaries	55	3,890
Indirect subsidiaries	807	81
	862	3,971

Receivables for services rendered and other

Subsidiaries	17	20
	17	20
	879	3,991

In 2015 Industrial Holding Bulgaria AD has granted loans to Bulyard Shipbuilding Industry AD at the amount of BGN 15,558 thousand with maturity 2017 – 2018 and fixed interest rate. In this period Bulyard Shipbuilding Industry AD has repaid BGN 903 thousand principal and interests. The total amount of loans granted to Bulyard Shipbuilding Industry AD as at 31. 12.2015 is BGN 22,815 thousand including interest payables.

For the period 01.01.2014 - 31.12.2014 Industrial Holding Bulgaria AD has granted a loan to Bulyard Shipbuilding Industry AD at the amount of BGN 1,098 thousand with maturity up to 04.09.2015. In 2014 receivable at the amount of BGN 62,763 thousand from Bulyard Shipbuilding Industry AD is apored in the capital of the Company (Note 12), which was increased in December 2014. The total amount of loans granted to Bulyard Shipbuilding Industry AD as at 31. 12. 2014 is BGN 7,097 thousand (together with interest accrued but not paid of BGN 369 thousand) with repayment periods 2015 - 2018 and fixed annual interest rate. In connection with the loans promissory notes are issued.

In 2015 Industrial Holding Bulgaria AD has granted loans to KLVK AD at the amount of BGN 7,714 thousand with fixed interest rate with maturity April and November 2017. These loans are used for payment of first two instalments on deferred contract for purchase of shares, which represent 49 % from the equity of Bulport logistika AD. The total amount of loans granted to KLVK AD as at 31. 12.2015 is BGN 7,565 thousand including interest for BGN 188 thousand.

In 2015 Industrial Holding Bulgaria AD has granted two loans to Privat Engineering AD – one of them at the amount of BGN 1,750 thousand, which is fully repaid as at the end of 2015, and other one at the amount of USD 819 thousand with maturity 28.04.2018 and fixed interest rate. The receivable of Industrial holding Bulgaria AD as at 31.12.2015 is at the amount of BGN 1,514 thousand (USD 846 thousand, together with the accrued but not paid interest of BGN 27 thousand)

As at 31.12.2014 the total amount of the loans granted to Privat Engineering AD are BGN 756 thousand (together with the accrued but not paid interest of BGN 6 thousand) with maturity date 31.12.2015. In January 2015 Privat Engineering AD fully repaid its loans to Industrial Holding Bulgaria AD.

In 2015 Industrial Holding Bulgaria AD has granted loans to Tirista Ltd. at the amount of BGN 2,386 thousand and maturity 22.04.2015 and fixed interest rate. In connection with the loans promissory notes are issued.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

20. Related parties disclosures (continued)

20.1. Related parties balances (continued)

In 2015 Industrial Holding Bulgaria AD has granted loans to IHB Shipdesign AD at the amount of BGN 38 thousand and maturity date 30 June 2015, KRZ Port Burgas AD at the amount of BGN 500 thousand and maturity 05.03.2016 and Emona Ltd. at the amount of BGN 858 thousand and maturity 28.04.2018 and fixed interest rates. As at 31.12.2015 these loans are fully repaid.

Industrial Holding Bulgaria AD has also granted loans to Karvuna Ltd. at the amount of BGN 3,114 thousand with maturity 28.04.2018. In 2015 BGN 2,066 thousand are repaid on this loan.

Industrial Holding Bulgaria AD has also granted BGN 925 thousand to IHB Electric AD on existing loan with maturity 31.10.2016 and fixed interest rate. The closing balance of the loan granted to IHB Electric AD as at 31.12.2015 together with interest accrued but no paid is BGN 799 thousand. A loan of BGN 160 thousand is granted to Bulport logistika AD with maturity date 22 April 2014 and fixed interest rate. In 2015 BGN 20 thousand is repaid and the closing balance as at 31 December 2015 is BGN 141 thousand. In connection with the loans promissory notes are issued.

According to an agreement from 29 April 2015 a set-off agreement has been made between Industrial Holding Bulgaria AD and Rekolta 2011 EAD regarding deposit contract against liability of Rekolta 2011 EAD to Industrial Holding Bulgaria AD related to loan agreement. The initial amount of the loan contract was BGN 1,860 thousand. As at 31.12.2015 the receivable from Rekolta 2011 EAD is at the amount of BGN 611 thousand (BGN 603 thousand principal and BGN 8 thousand interest.)

Payables to related parties

In thousands of BGN

Deposits (including interest)

Subsidiaries

Indirect subsidiaries

	<u>2015</u>	<u>2014</u>
Subsidiaries	504	2,180
Indirect subsidiaries	-	167
	<u>504</u>	<u>2,347</u>

As at 31.12.2015 Industrial Holding Bulgaria AD reports liabilities to its subsidiary KRZ Port Burgas related to deposit at the amount of BGN 502 thousand and interest payables at the amount of BGN 2 thousand with maturity 16.10.2016 and fixed interest rate. In 2016 the deposit is repaid.

As at 31.12.2014 Industrial Holding Bulgaria AD has liabilities and deposits of indirect related companies Bulkari AD and Leyarmash AD at the total amount of BGN 167 thousand (liability to Bulkari EAD of BGN 41 thousand and liability to Leyarmash AD of BGN 126 thousand together with interest accrued but not paid (maturity date 31.12.2015) with fixed interest rate. Further, the Company reports deposits received from the direct subsidiaries ZMM Bulgaria Holding AD (maturity date 31.12.2015) and KLVK AD (maturity date 15.04.2015) for the amount of BGN 866 thousand (together with interest unpaid of BGN 5 thousand) with fixed interest rate. In 2016 the deposits are fully repaid.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

20. Related parties disclosures (continued)

20.2. Related parties transactions

<i>In thousands of BGN</i>	2015	2014
<i>Dividend income</i>		
- Subsidiaries	14,233	4,870
- Associates	-	30
<i>Interest income</i>		
- Subsidiaries	1,116	3,773
- Indirect subsidiaries	135	1
<i>Interest expenses</i>		
- Subsidiaries	26	67
- Indirect subsidiaries	6	25
<i>Revenue from rendering of services and sale of intangibles</i>		
- Subsidiaries	36	35
- Indirect subsidiaries	9	-
<i>Loans granted to</i>		
- Subsidiaries	28,848	1,301
- Indirect subsidiaries	7,443	80
<i>Repaid loans and paid interests by</i>		
- Subsidiaries	4,372	1,152
- Indirect subsidiaries	3,289	-
<i>Deposits received</i>		
- Subsidiaries	750	1,050
- Indirect subsidiaries	350	41
<i>Repaid deposits to</i>		
- Subsidiaries	1,194	211
- Indirect subsidiaries	523	1,627

Industrial Holding Bulgaria participates with 100% in the increase of the capital of Bulyard Shipbuilding Industry AD with assets in kind contribution of BGN 62,763 thousand, which represents the obligation of Bulyard Shipbuilding Industry AD under contracts for loans and interest payable by 2013 and 2014.

In 2014 a set-off agreement has been made between Industrial Holding Bulgaria AD and KRZ Port Bourgas AD regarding dividend accrued for 2013 for the amount of BGN 624 thousand and liability of Industrial Holding Bulgaria AD to KRZ Port Bourgas AD for a deposit plus interest for the amount of BGN 620 thousand. The difference of BGN 4 thousand was paid.

20. Related parties disclosures (continued)

20.2. Related parties transactions (continued)

According to an agreement from February 2014 a set-off agreement has been made between Industrial Holding Bulgaria AD and Maritime Holding AD regarding deposit plus interest in Industrial Holding Bulgaria AD for the amount of BGN 366 thousand and liability of Maritime Holding AD to Industrial Holding Bulgaria AD for dividend for the amount of BGN 515 thousand. The difference is paid.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on contractual terms. Outstanding balances at the year-end are unsecured (except for loans) and interest free (except for loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables (except for the ones listed below).

For the year ended 31 December 2015, the Company has recorded no impairment of receivables relating to amounts owed by related parties (2014: BGN 14 thousand). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Short-term employee benefits of the Management Board and the Supervisory Board, including social security	<u>153</u>	<u>157</u>

21. Commitments and contingencies

Legal claim contingency

As of 31 December 2015 no legal claims has been initiated against the Company.

Guarantees

Under a signed contract with a commercial bank to provide credit limit for issuance of bank guarantees, letters of credit and working capital funding for the Holding and/or group companies amounting to a maximum of BGN 10,000 thousand, as of 31 December 2015 bank guarantees issued for subsidiaries of the group - IHB Electric AD, Leyarmash AD, KRZ Port Bourgas AD, ZMM Bulgaria AD, Bulyard Shipbuilding Industry AD and Odessos PBM AD for BGN 1,101 thousand (2014: BGN 1,997 thousand), letters of credit for BGN 98 thousand (2014: BGN 814 thousand) and a revolving credit line for working capital funding for BGN 3,000 thousand (2014: BGN 3,000 thousand) was concluded. As of 31 December 2015, the funds utilized by the subsidiary (IHB Electric AD) under this revolving credit line for working capital funding amount to BGN 1,690 thousand (presented on a net basis in the current separate financial statements). Therefore, the unutilized credit limits under this contracted bank loan amounts to BGN 1,310 thousand. The contract with this bank is secured with a second ranking special pledge on the trading company - KRZ Port Burgas AD as a set of rights, obligations and actual relations, with registration of the underlying assets in the relevant registries. As a result of annual renegotiation of contract conditions the sponsorship of Bulyard Shipbuilding Industry AD provided in the form of working capital was canceled.

In February 2010 and August 2011 Industrial Holding Bulgaria AD signed contracts with a commercial bank pursuant to which it becomes the guarantor under signed credit contracts for USD 20,000 thousand and balance as at to 31.12.2014 of the amount USD 9,330 thousand granted by the bank to Privat Engineering AD. In 2015 Privat Engineering AD has fully repaid the loans and the guarantee was canceled.

21. Commitments and contingencies (continued)

Securities

As at the date of this report, the shares acquired in November 2014 and January 2015 by "Industrial Holding Bulgaria" from "Odessos PBM" AD were pledged in order to secure payment of the price of the contracts to its full payment in 2017.

Others

The management of the Group is of the opinion that no significant risks exist as a result of the dynamic fiscal and regulatory environment in Bulgaria that might require adjustments or disclosure in the financial statements for the year ending 31 December 2015.

22. Financial instruments

Risk management

Review

The Company is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss and arises principally from the Company's receivables from customers.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

22. Financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	122	13
Other receivables	28	1,155
Related party receivables	<u>36,788</u>	<u>7,954</u>
	<u>36,938</u>	<u>9,122</u>

Other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, especially in case of deteriorating economic conditions.

The receivables of the Company as of 31 December 2015 are mainly from related parties in relation to the investment program for financing of the construction of ships and shipbuilding. Any amounts of financing provided are approved by the Management Board of the Company.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk for other receivables at the reporting date by geographic region was:

	<u>2015</u>	<u>2014</u>
Receivables from Group companies, registered in Bulgaria	33,460	7,954
Receivables from Group companies, registered in foreign countries	3,328	-
Other receivables from third parties, registered in Bulgaria	<u>28</u>	<u>1,155</u>
	<u>36,816</u>	<u>9,109</u>

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

22. Financial instruments (continued)

Impairment losses

Aging analysis of other receivables as of the reporting date:

<i>In thousands of BGN</i>	31 December 2015		31 December 2014	
	Gross amount	Impairment	Gross amount	Impairment
Neither past due nor impaired	36,796	-	8,740	-
Not due but impaired	-	-	14	(14)
Past due 0 – 180 days	20	-	259	-
Past due 180 – 360 days	-	-	110	-
Past due over 360 days	-	-	-	-
	36,816	-	9,123	(14)

Investments

Investments are mainly in businesses and companies where the Holding has controlling interest and can determine the strategy of their development. Portfolio investments are mainly in liquid securities. The management does not expect any default on such investments.

Guarantees

The Company's policy is to provide financial guarantees only to subsidiaries, after obtaining approval from the Management Board and the Supervisory Boards.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a 30 day period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2015							
<i>In thousands of BGN</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivatives liabilities							
Trade and other payables	12,049	(12,349)	(1,649)	(4,596)	(6,104)	-	-
Debenture loan and interests	50,524	(56,250)	(1,250)	(1,250)	(2,500)	(51,250)	-
Deposits received from related parties	504	(520)	-	(520)	-	-	-
	63,077	(69,119)	(2,899)	(6,366)	(8,604)	(51,250)	-

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

22. Financial instruments (continued)

Liquidity risk (continued)

31 December 2014

<i>In thousands of BGN</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivatives liabilities							
Trade and other payables	16,436	(16,922)	(4,506)	(4,130)	(4,130)	(4,156)	-
Debenture loan and interests	30,381	(30,972)	(30,972)	-	-	-	-
Deposits received from related parties	2,347	(2,381)	(1,537)	(844)	-	-	-
	49,164	(50,275)	(37,015)	(4,974)	(4,130)	(4,156)	-

As disclosed in Note 17, the Company has a convertible debenture loan. Any breach of covenant may require the Company to repay the loan earlier than the initial maturity. Bonds are convertible and/or payable at maturity date. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates or prices of equity instruments will affect the income of the Company or the value of its investments. The purpose of market risk management is to control the exposure to market risk within acceptable limits through return rate optimization.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company - the BGN. The currencies in which these transactions primarily are denominated are in (EUR) and (USD). Effective 1999, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the other party on the loan contract, primarily BGN and Euro, but also USD. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

22. Financial instruments (continued)

Currency risk (continued)

Exposure to currency risk

Exposure to currency risk of the Company is as follows:

<i>In thousands of BGN</i>	BGN	EUR	USD	BGN	EUR	USD
	31 December 2015			31 December 2014		
Trade and other receivables	28	-	-	1	1,155	-
Related party receivables	17	-	-	20	-	-
Loan receivables from related parties	17,115	10,489	9,167	7,567	367	-
Cash and cash equivalents	110	11	4	13	1	-
Payables on convertible bond	(50,524)	-	-	(30,381)	-	-
Payables to related parties	(504)	-	-	(2,347)	-	-
Trade and other payables	(99)	(3,012)	(8,938)	(107)	-	(16,329)
	(33,857)	7,488	233	(25,234)	1,523	(16,329)

Financial instruments denominated in EUR are not exposed to currency risk due to the fixed BGN/EUR exchange rate. The following significant exchange rates are applied during the year:

	Average exchange rate		Exchange rate as of the reporting date	
	2015	2014	2015	2014
BGN/ 1 USD	1.76455	1.47437	1.79007	1.60841

Sensitivity to foreign currency

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

<i>In thousands of BGN</i>	Change in USD rate	Effect on profit before tax
2015	+1%	2
	-1%	(2)
2014	+1%	(163)
	-1%	163

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

22. Financial instruments (continued)

Interest rate risk

The Company manages its exposure to interest rate risk by borrowing and lending at fixed rates.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

<i>In thousands of BGN</i>	<u>2015</u>	<u>2014</u>
<i>Fixed rate instruments</i>		
Financial assets	36,167	7,558
Financial liabilities	<u>(62,316)</u>	<u>(48,599)</u>
	<u>(26,149)</u>	<u>(41,041)</u>
<i>Variable rate instruments</i>		
Financial assets	-	-
Financial liabilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss and equity.

Capital management

The policy of the Management Board is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2015

23. Fair value of financial instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amount</i>		<i>Fair value</i>	
	2015	2014	2015	2014
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN'000</i>	<i>BGN '000</i>
<i>Financial assets</i>				
Loans granted to related parties	36,771	7,934	36,771	7,934
Other receivables	28	1,155	28	1,155
Related party receivables	17	20	17	20
Cash and cash equivalents	125	14	125	14
<i>Financial liabilities</i>				
Debenture loan (excluding interest liabilities) (together with equity component)	49,957	29,980	50,000	30,000
Related party payables	504	2,347	504	2,347
Trade and other payables	12,049	16,436	12,049	16,436

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Other receivables, related party receivables, cash and cash equivalents, and trade and other receivables and payables – the fair values of these instruments approximate their carrying amounts.
- The fair value of granted loans to related parties and received deposits from related parties is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. On this basis, the management judged that the fair values of these instruments approximate their carrying amounts. The fair value of these loans is in Level 2 of the fair value hierarchy.
- The fair value of the debenture loan is derived from the respective quoted market prices in active market as of the reporting period end. The fair value of this bond is in Level 1 of the fair value hierarchy.

24. Subsequent events

At General Shareholder Meeting of KRZ Port Burgas AD on 14 January 2016 was voted to distribute a dividend of BGN 0.25 per share from retained earnings from previous years for BGN 783 thousand.

At General Shareholder Meeting of ZMM Bulgaria Holding AD, held on 24 February 2016 was voted to distribute a dividend of BGN 0.47 per share from profit for 2015.

At General Shareholder Meeting of Rekolta 2011 EAD, held in February 2016 was voted to distribute a dividend of BGN 6.27 per share.

At General Shareholder Meeting of Maritime holding AD, held on 29 February 2016 was voted to distribute a dividend of BGN 1.20 per share from profit for 2015.

At General Shareholder Meeting of IHB Shipdesign AD, held 21 March 2016 was voted to distribute a dividend of BGN 1.16 per share.

On 15 January 2016 second payment was made on agreement for purchase of shares of equity of Odessoss PBM AD at the amount of EUR 792 thousand (principal and interest).

In 2016 until the date of approval of this financial statement Industrial holding Bulgaria AD has purchased additional 22,393 treasury shares at the amount of BGN 18 thousand which includes commissions paid to intermediary.

Except for the above disclosed events, no other events have occurred after 31 December, which require additional adjustments and/or disclosures in the Company's separate financial statements for the year ended 31 December 2015.