



INDUSTRIAL HOLDING BULGARIA

INDUSTRIAL HOLDING BULGARIA AD

ANNUAL MANAGEMENT REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2013

INDUSTRIAL HOLDING BULGARIA AD

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INDUSTRIAL HOLDING BULGARIA AD

General information

Management Board

Daneta Angelova Zheleva
Bozhidar Vasilev Danev
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 MANAGEMENT REPORT
OF INDUSTRIAL HOLDING BULGARIA AD
for 2013**

Dear Shareholders,

In 2013 Industrial Holding Bulgaria AD (IHB AD) and most of the companies in the Group improved their results despite the unstable economic and business environment. Most companies in the Group reported growth in sales in comparison with the prior year – income from maritime transport shows growth of 32.37%, from port business – 28.03%, from ship repairing – 10.06%. Sales from metal cutting machinery remained at the levels of 2012. Operating expenses were optimised, internal group reserves were fully utilised thus increasing productivity.

In 2013 IHB continued its investments in one of the portfolio priority sectors – maritime transport, where BGN 6,116 thousand was invested.

The consolidated financial results of IHB for 2013 are as follows:

The consolidated revenue of IHB increased by 38% as compared to 2012.

The consolidated operating result is a profit amounting to BGN 23,322 thousand, as compared to a loss of BGN 4,564 thousand in 2012.

The consolidated profit attributable to the owners of the parent amounts to BGN 17,276 thousand, compared to a loss of BGN 5,811 thousand in 2012.

The consolidated assets of IHB have decreased by 1.8% compared to 2012.

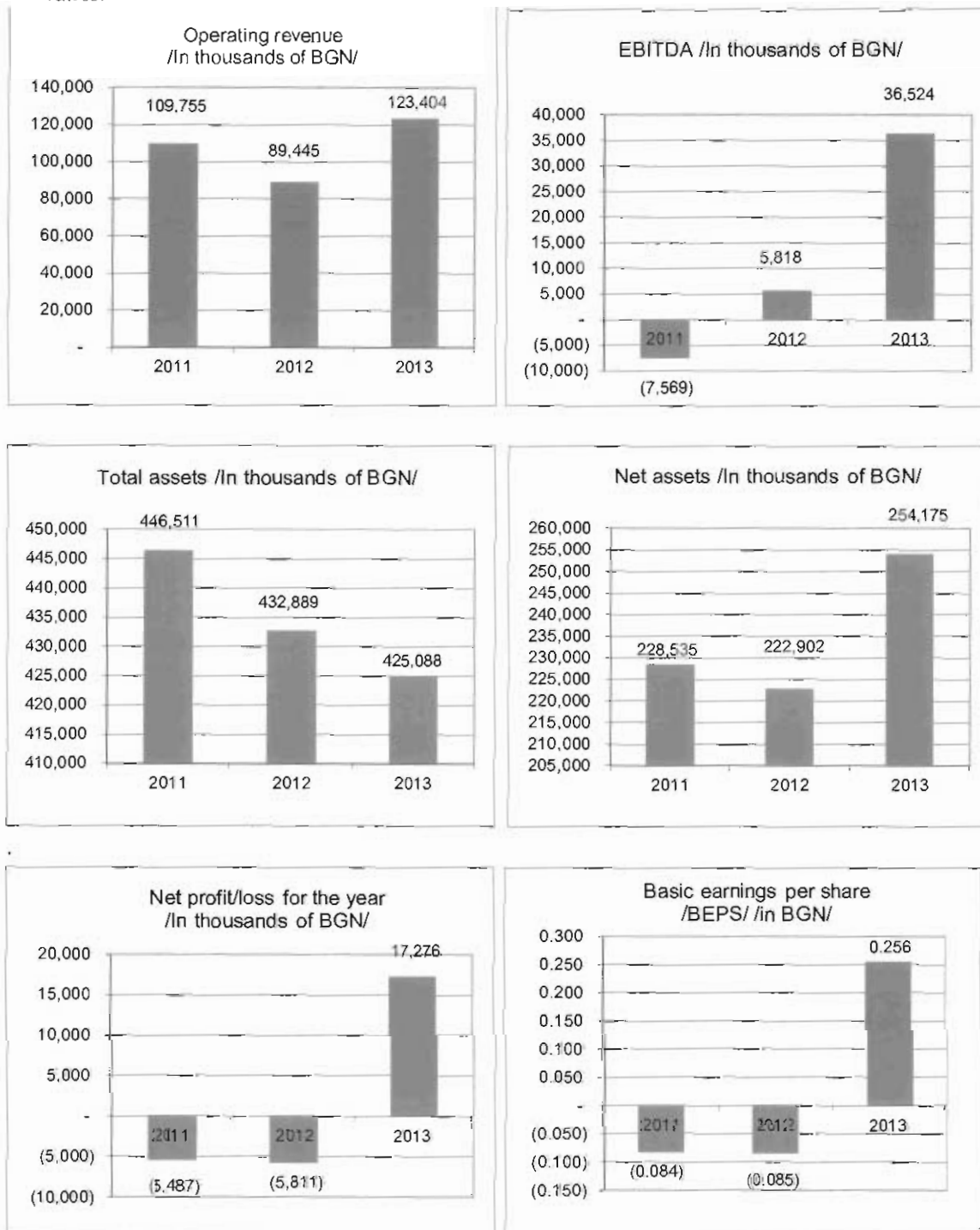
The net assets increased by 14.42 % compared to 2012.

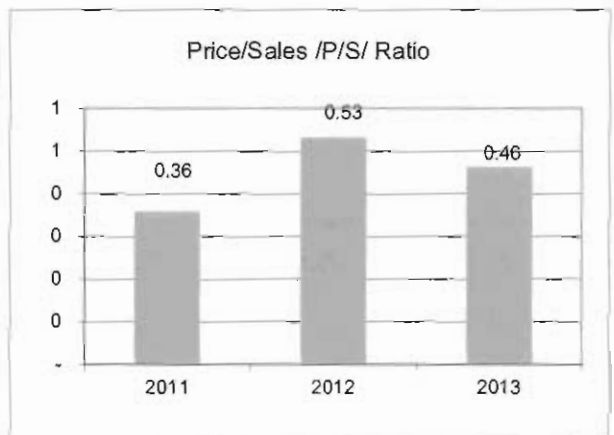
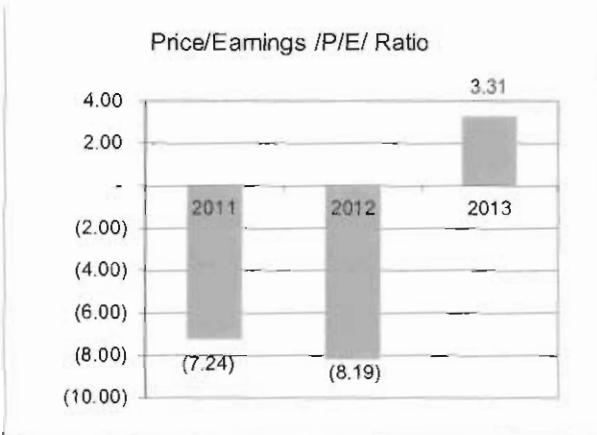
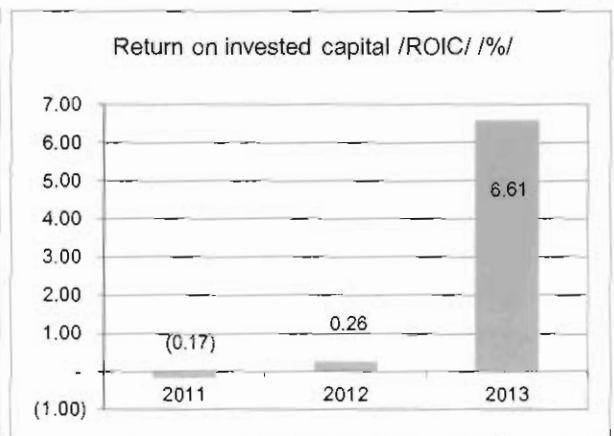
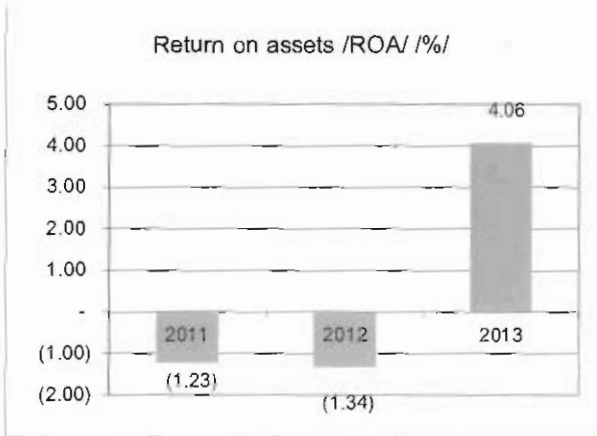
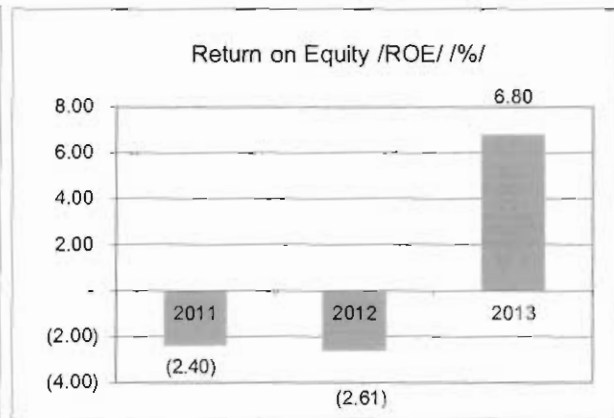
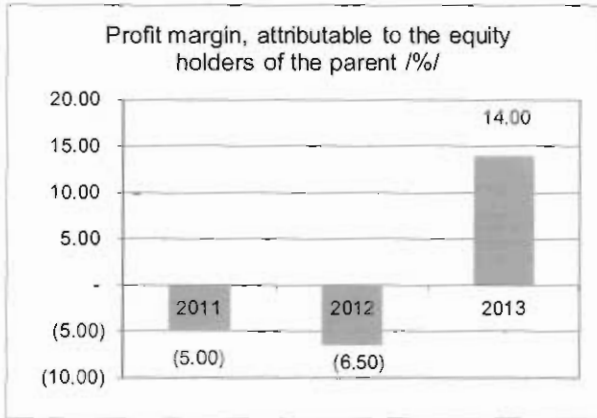
The indices of the Bulgarian capital market in 2013 showed growth as follows: SOFIX 42.28%, BG40 27.02% increase and BGTR30 35.35% increase. The shares of IHB AD have grown by 21% in 2013.



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

The results and net assets attributable to the owners of the parent have been taken in the calculation of all ratios.







1. Operating results for 2013

IHB's financial results - consolidated

The realised consolidated revenue of IHB in 2013 amounts to BGN 123,404 thousand and increased by 37.96% compared to 2012 /BGN 89,445 thousand/. Most companies have reported sales higher than the previous year – revenue from maritime transport have grown by 32.37%, from port activities by 28.03%, from ship repairing – 10.06%. Sales from metal cutting machines remain at the levels of 2012. Revenue from electric tools business dropped by 14%.

Revenue by business segments is distributed as follows:

In BGN thousand	2013	2012
Maritime transport	51,806	39,135
Shipbuilding and ship repairs	9,587	52,960
Port operations	6,993	5,462
Machine building	35,986	37,154
Other	19,419	1,681
/classification, certification, other/ Amounts eliminated on consolidation	(387)	(46,947)
	<u>123,404</u>	<u>89,445</u>

Revenue from main operations amount to BGN 97,859 thousand compared to BGN 87,089 thousand in 2012, or growth of 12.36%. It is distributed as follows:

In BGN thousand	2013	2012
Sale of services	54,588	42,862
- including charter services	51,471	38,411
Sale of production	32,103	33,041
Port operations	6,327	5,134
Ship repairs	3,861	3,508
Sale of goods and materials	980	1,577
Ship building	-	967
	<u>97,859</u>	<u>87,089</u>

Other consolidated operating revenue amount to BGN 25,545 thousand compared to BGN 2,356 thousand in 2012. These include gain from derecognition of financial liability on shareholders' rights sold /BGN 18,260 thousand/, profit on revaluation of investment properties BGN 3,251 thousand, gain on sale of fixed assets (BGN 888 thousand compared to BGN 573 for 2012) and other revenue, representing mostly rents and others BGN 3,146 thousand.

The consolidated result from operating activities in 2013 is a profit amounting to BGN 23,322 thousand compared to a loss amounting to BGN 4,564 thousand in 2012.

The net finance costs in 2013 amount to BGN 4,087 thousand compared to net finance costs of BGN 1,081 thousand in 2012. These represent mainly interest expenses.

The consolidated financial result from continuing operations before tax is a profit amounting to BGN 19,307 thousand, compared to a loss of BGN 5,589 thousand in 2012. The consolidated result after tax for the majority owners in 2013 is a profit amounting to BGN 17,276 thousand, compared to a loss of BGN 5,811 thousand in 2012.

The positive financial result is due mainly to derecognition of liabilities on rights sold to shareholders in connection with the capital increase of the company in 2007.



IHB's operating results

Organisational changes in the Group. Portfolio restructuring

No organisational changes were made in 2013.

Increase of the participation in some companies from the portfolio

In May 2013 (20/05/2013) in the Commercial Register was registered the capital increase of subsidiary KLVK AD which increased from BGN 20,186,503 to BGN 22,386,503. The increase was fully subscribed for by Industrial Holding Bulgaria AD and capital was paid in full.

On 30.09.2013 in Trade Register was entered "Agro money" AD. Industrial Holding Bulgaria AD subscribed for 66% of the shares. As at the date of the report it has been decided to liquidate the company.

The total amount of the funds invested directly by IHB (unconsolidated) in corporate securities in 2013 is BGN 6,182 thousand compared to BGN 32,497 thousand in 2012.

The management believes that there are indications that the investment in Bulyard AD may be impaired as at 31 December 2013. IHB has tested the main asset in Bulyard AD – the shares of Bulyard Shipbuilding Industry EAD (Bulyard SI). The analysis is based on the value of the assets which will not be used for ship repairs (these assets were measured at fair value by Advance Address Valuations EOOD), and the assets which will continue to be used in the company's core operations, measured based on the value in use for a 5-year period. The calculations are based on the financial projections prepared by the management of Bulyard Shipbuilding Industry EAD. The average discount rate used in the calculations is 11,58%. As a result of the calculations made the company has assessed that the investment has to be written down by BGN 9,125 thousand. The investment amounts to BGN 2,557 thousand after the impairment.

This impairment led to impairment of goodwill on consolidated basis amounting to BGN 2,164 thousand.

As at 31 December 2013 the IHB portfolio, directly and through related parties, is formed by 27 companies as follows: 9 subsidiaries, 1 associate, and 17 subsidiaries of subsidiaries. IHB's direct investments in corporate securities as at the year-end amount to BGN 122,784 thousand.

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

Business lines	2013	2012	2011	2010
Maritime transport	84.0%	77.1%	60.8%	52.3%
Shipbuilding and ship repair	2.1%	9.3%	24.2%	29.4%
Port activities	5.2%	5.1%	3.6%	4.4%
Machine building	6.4%	6.3%	7.4%	9.0%
River cruises	0%	0%	2.6%	3.2%
Other	2.3%	2.2%	1.4%	1.7%
Investments, in BGN thousand	122,784	125,727	109,008	87,097



Management of subsidiaries

Pursuing the goals set at the start of the year regarding its subsidiaries in 2013 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 2013 the subsidiaries (direct and indirect) were granted BGN 6,623 thousand of loans. In 2013 loans amounting to BGN 2,803 thousand were repaid. As at 31 December 2013 the receivables on loans granted to subsidiaries amount to BGN 66,816 thousand /long-term BGN 62,853 thousand and short-term BGN 3,963 thousand/ as compared to BGN 59,601 thousand in 2012 (total long-term and short-term).

In 2012 and 2013 guarantees provided by IHB to its subsidiaries were in the form of corporate guarantees and surety.

In 2013 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 + 4.2% to 5.89% for loans in EUR, SOFIBOR + 3.8% to 5% for loans in BGN, LIBOR + 2.25% to 5% for loans in USD and JBIC + CIRR + Risk premium + 2.5% for loans in Japanese yen.

In 2013 there were no large transaction other than investments in subsidiaries and contracts for funding of subsidiaries.

Related parties transactions in 2013 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. No unusual terms and conditions or departures from the market conditions exist in the transactions executed during the period.

Information about transactions concluded between IHB and related companies during the year may be found in Note 35 Related Party Disclosures of the Notes to the Consolidated Financial Statements as at 31 December 2013, 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.



The loans which IHB granted to / received from its companies in 2013 are at an interest rate of 4% to 6%.

In 2013 there are no events and indications of unusual nature for IHB with material impact on its business.

As at 31 December 2013 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 utilisation 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.

As of 31 December 2013 bank guarantees amounting to BGN 748 thousand were issued (compared to BGN 30 thousand in 2012), securing advance payments from clients, letters of credit were opened to Bulyard Shipbuilding Industry EAD for BGN 573 thousand (compared to BGN 4,685 thousand in 2012) and a revolving credit line for working capital financing for BGN 3,000 thousand.

In February 2010 and August 2011 IHB signed contracts with a commercial bank under which becomes a guarantor to credit agreements totaling USD 20,000 thousand and outstans atting balance 31.12.2013 of USD 12,472 thousand granted by the bank to subsidiary Privat Engineering AD.

Industrial Holding Bulgaria AD provided a guarantee in relation to an option for participation of its subsidiary Rekolta 2011 EAD with investment intention jointly with Alpha Finance Holding AD and Diamond Solar Europe Limited (100% owned by Mitsubishi Corporation). The guarantee amounts to EUR 3,700 thousand and it is secured. In April 2013 the parties settled its relationship and IHB commitment was terminated.

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. On 7 May 2009 the General Assembly of the shareholders of IHB selected an Audit Committee as an auxiliary body to the Supervisory Board. For members of the Audit Committee with a mandate of 3 years were selected Maxim Sirakov – chairperson, Snezhana Hristova, and Boryana Dimova. On the General Meeting of Shareholders held on 17 December 2012 the mandate of the Audit Committee was renewed.

2. Operating results of the Group companies

Maritime transport

Privat Engineering AD, KLVK AD, IHB Shipping Co EAD

Privat Engineering AD

The business activities of Private Engineering in 2013 are mainly in two directions: management of its subsidiaries and insurance brokerage.

In 2013 Privat Engineering realised BGN 209 thousand operating revenues compared to BGN 438 thousand in 2012. It was mainly from activities related to insurance brokerage (BGN 206 thousand) and other services BGN 3 thousand. The operating expenses amount to BGN 8,183 thousand compared to BGN 276 thousand in 2012. These are expenses related to hired services, remuneration, depreciation and amortisation and others.

The largest share of the cost is due to impairment of receivables on loans to Privat Engineering AD from Marciana Ltd. and Emona Ltd. in the amount of BGN 7,964 thousand following an impairment test of the ships in 2013.

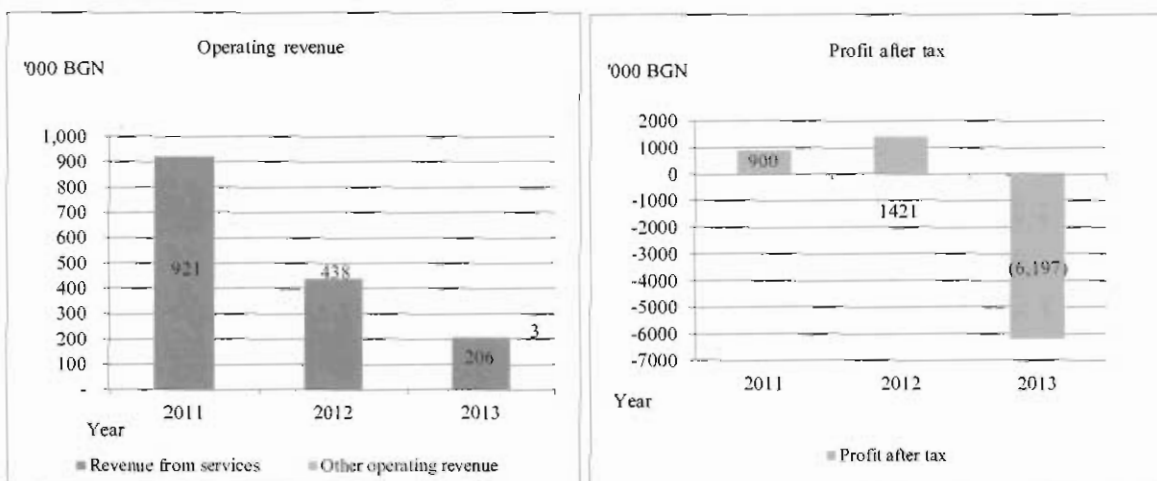
Income in 2013 amount to BGN 3,391 thousand compared to BGN 3,304 thousand for the previous year. They are from interest on the current and deposit accounts and cash loans granted to the subsidiaries for funding the building of four ships and amounting to BGN 2,850 thousand and foreign exchange differences amounting to BGN 541 thousand.

The finance costs in 2013 amount to BGN 1,418 thousand compared to BGN 1,887 in the previous year. They represent interest expenses related to loans received from Industrial Holding Bulgaria AD as well as banks and non-financial institutions.

In the separate financial statements, the financial result of Privat Engineering for 2013 is a loss before tax amounting to BGN 6,001 thousand as compared to a profit of BGN 1,579 thousand in 2012. The loss after taxation amounts to BGN 6,197 thousand compared to profit of BGN 1,421 thousand in 2012. The loss for 2013 was primarily due to impairment of receivables from loans amounting to 7,964 thousand from subsidiaries Emona Ltd and Marciana Ltd. incurred in the construction of ships.

The assets of Privat Engineering as of 31 December 2013 amount to BGN 86,408 thousand compared to BGN 97,688 as at the end of 2012 with the largest share coming from receivables on loans granted to related companies amounting to BGN 85,743 thousand. These are mainly loans granted to the subsidiaries Emona, Marciana, Karvuna and Tirista.

Financial results of Privat Engineering



The results of the companies - owners of the four ships are as follows:



Emona Ltd.:

The company owns ship Emona. Operating revenue for 2013 – BGN 5,000 thousand from charter fees compared to BGN 5,884 thousand operating revenue in 2012, including charter fees of BGN 5,882 thousand. The financial result in 2013 is a loss of BGN 3,363 compared to a net loss of BGN 1,235 thousand in 2012. The loss increase is mainly due to the impairment of fixed assets – ship Emona – at the amount of BGN 2,584 thousand.

As of 31 December 2013 Emona's assets amount to BGN 19,413 thousand, of which BGN 18,982 thousand non-current assets and BGN 431 thousand current assets.

Marciana Ltd.:

The company owns ship Marciana, which is in operation since February 2010. Operating revenue for 2013 – BGN 3,620 thousand, including charter fees – BGN 3,547 thousand compared to BGN 5,417 thousand operating revenue in 2012, of which BGN 5,231 charter fees. The financial result for 2013 is a net loss of BGN 3,463 compared to a net loss of BGN 2,008 thousand in 2012. The loss increase is mainly due to the impairment of fixed assets – ship Marciana – at the amount of BGN 2,885 thousand.

As of 31 December 2013 Marciana's assets amount to BGN 19,935 thousand, of which BGN 19,370 thousand non-current assets and BGN 565 thousand current assets.

Karvuna Ltd.:

The company owns ship Karvuna, which is in operation since June 2010. Operating revenue in 2013 – BGN 9,417 thousand, all from charter fees, compared to BGN 9,119 thousand operating revenue in 2012 all from charter fees. The financial result for 2013 is a net profit of BGN 234 thousand compared to a net loss of BGN 16 thousand in 2012.

As of 31 December 2013 Karvuna's assets amount to BGN 37,966 thousand, of which BGN 36,860 thousand non-current assets and BGN 1,106 thousand current assets.

Tirista Ltd.:

The company owns ship Antea, which is in operation and has been chartered since December 2010. Operating revenue for 2013 – BGN 7,177 thousand, all from charter fees, compared to BGN 7,301 thousand for 2012. The financial result for 2013 is a net profit of BGN 232 thousand compared to a net profit of BGN 324 thousand in 2013.

As of 31 December 2013 Tirista's assets amount to BGN 27,047 thousand, of which BGN 26,219 thousand non-current assets and BGN 828 thousand current assets.

KLVK AD

The activity of KLVK in 2013 was related to management of its subsidiaries.

In 2013, the Company does not report income from sales of services and other activities, while in 2012 KLVK has generated revenue of BGN 97 thousand.

Finance income in 2013 amount BGN 1,682 thousand compared to BGN 166 thousand in 2012. In 2013 interest income amounted to BGN 1,640 thousand accrued from income from transformed additional cash contributions in the capital of subsidiary Odria Ltd. into loan in force as of 01.01.2013, and interest income related to loans from related parties.

The costs in 2013 are as follows: operating expenses of BGN 25 thousand for external services, fees and other financial expenses amounting to BGN 508 thousand - interest expense and net exchange losses. Interest expense in the amount of BGN 465 thousand is in connection with loans from major shareholder - Industrial Holding Bulgaria AD and other related parties to finance the construction of a ship with construction number 102.

The result for 2013 is a profit of BGN 1,138 thousand after tax compared to loss after tax of BGN 469 thousand for 2012.

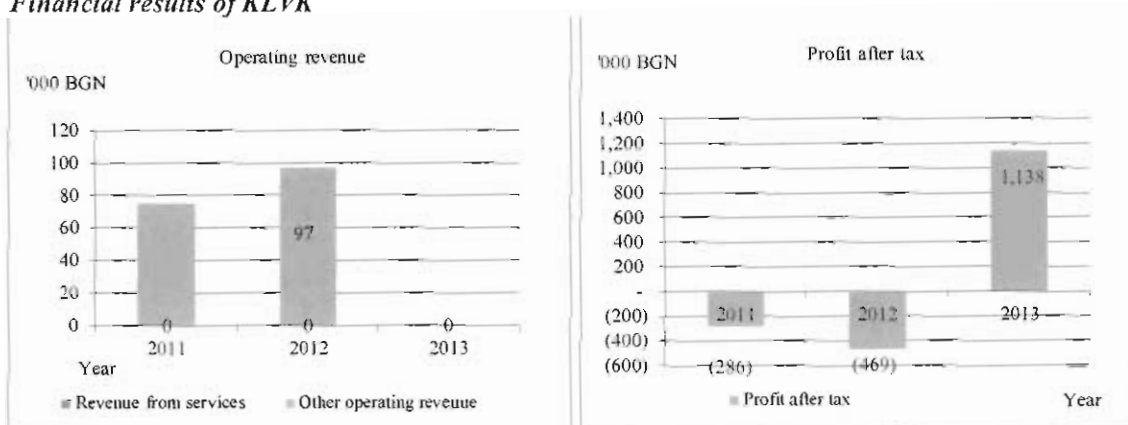


The assets of KLVK as of 31 December 2013 amount to BGN 64,238 thousand compared to BGN 64,051 thousand in 2012. The largest share represents the receivables from related companies on loans with accrued interest amounting to BGN 56,653 thousand. They are made to ensure the funding of ship with construction number 102. The non-current assets amount to BGN 63,943 thousand and represent BGN 7,439 thousand investments in subsidiaries and BGN 56,504 thousand loans granted to related companies.

The net assets amount to BGN 58,547 thousand.

Liabilities of the Company at 31.12.2013 amounted to BGN 5,691 thousand, of which BGN 4,931 thousand are long-term and BGN 760 thousand are short-term relate to loans with maturity in 2015 and interest rates 5% -6% on annual basis.

Financial results of KLVK



Serdika Ltd.

The company owns ship Diamond Sea, which is in operation since November 2011. The operating revenue for 2013 amounts to BGN 12,457 thousand, incl. BGN 12,419 thousand from charter fees, compared to BGN 8,722 thousand operating revenue for 2012, all from charter fees.

The financial result for 2013 is a net profit of BGN 3,066 thousand compared to net profit of BGN 1,717 thousand in 2012.

As of 31 December 2012 Serdika's assets amount to BGN 51,782 thousand, of which BGN 50,577 thousand non-current assets and BGN 1,205 thousand current assets.

Odria Ltd.

The company is owner of ship Diamond Sky, which is in operation since November 2012. The operating revenue for 2013 amounts to BGN 13,911 thousand, all from charter fees compared to BGN 2,154 thousand for 2012, all from charter fees. The financial result for 2013 is a net profit of BGN 1,539 thousand compared to a net profit of BGN 373 thousand for 2012.

As of 31 December 2013 the assets of Odria Ltd. amount to BGN 56,725 thousand, of which BGN 53,421 thousand non-current and BGN 3,304 thousand current assets.

IHB Shipping CO EAD

IHB Shipping Co EAD has an object of activity commercial maritime navigation, related production and technical, forwarding and intermediary activities, ship brokerage, ship agency, etc. The company was established with the purpose of construction supervision of the ordered ships for the companies in the Group of Industrial Holding Bulgaria AD, management and crew recruitment.

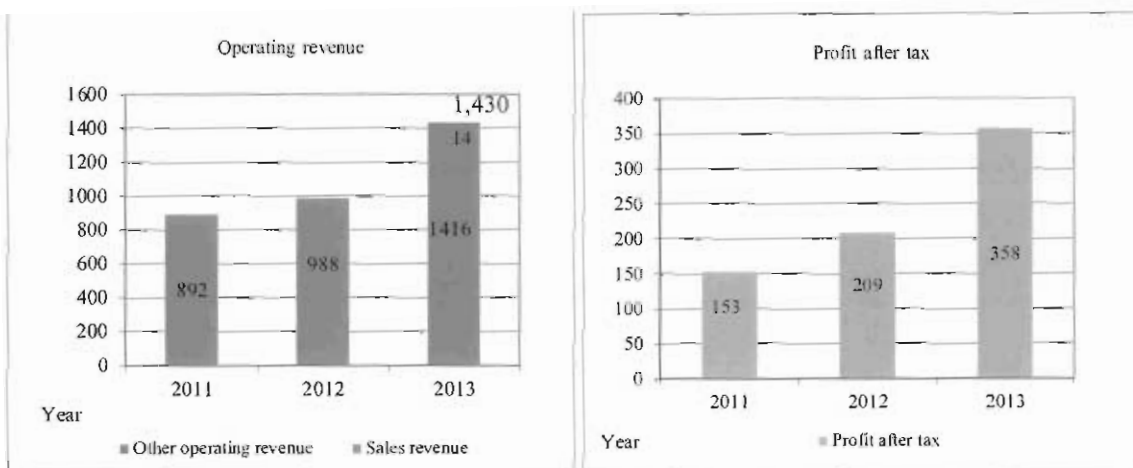


The activity of IHB Shipping Co EAD in 2013 consists mainly of managing and securing the chartering of ships. The company also provides intermediary services for the purchase - sale of ships, naval and other equipment.

The realised revenue in 2013 amount to BGN 1,430 thousand compared to BGN 988 in 2012. The revenue in 2013 is distributed as follows: BGN 829 thousand from ship management, BGN 586 thousand from brokerage commissions, and BGN 15 thousand from other services.

The financial result for 2013 is a profit before tax amounting to BGN 398 thousand, and a net profit of BGN 358 thousand.

IHB Shipping Co's financial results



Shipbuilding and ship repairs

Bulyard AD and its subsidiary Bulyard Shipbuilding Industry EAD

The activity of Bulyard AD is related to the management of its subsidiary Bulyard Shipbuilding Industry EAD.

In 2013 Bulyard AD realised a total of BGN 43 thousand finance income, representing interest income. The expenses of the company amount to a total of BGN 5 thousand representing operating expenses (hired services).

The management believes that there are indications that the investment in Bulyard AD may be impaired as at 31 December 2013. IHB has tested the main asset in Bulyard AD – the shares of Bulyard Shipbuilding Industry EAD (Bulyard SI). The calculations indicate that the carrying value of the investment Bulyard Shipbuilding Industry EAD as at 31.12.2013 year is higher by BGN 15,737 thousand than its recoverable amount and that requires impairment. The average discount rate used in the calculations is 11,58%. As a result of the calculations, the Company accepted that the carrying value of the shares is higher than their recoverable amount and impairment loss amounting to BGN 15,737 thousand is recognised. The investment amount BGN 3,258 thousand after impairment. In 2012 following impairment test of the investment was it impaired by BGN 17,530 thousand.

The financial result of Bulyard AD for 2013 is a loss amounting to BGN 15,701 thousand compared to a profit of BGN 17,491 thousand in 2012. The loss is due to the recognised accounting impairment of the investment held in Bulyard Shipbuilding Industry EAD.

The assets of Bulyard as of 31 December 2013 amount to BGN 4,169 thousand and represent: investments in subsidiary Bulyard Shipbuilding Industry – BGN 3,258 thousand; receivables from related companies on cash loans granted to Bulyard Shipbuilding Industry – BGN 898 thousand, tax refundable – BGN 12 thousand and cash – BGN 1 thousand.



The net assets of Bulyard AD amount to BGN 4,168 thousand and represent share capital (BGN 19,870 thousand) and loss (BGN 15,702 thousand).

The company's liabilities as of 31 December 2013 amount to BGN 1 thousand and represent payables to suppliers.

Bulyard Shipbuilding Industry AD

Bulyard Shipbuilding Industry has as its core business shipbuilding and construction of all types of vessels, ship repairing and ship reconstruction.

The main activity of the company is ship repairing. In the period 2004 - 2013 over 162 repairs of ships and naval facilities have been carried out.

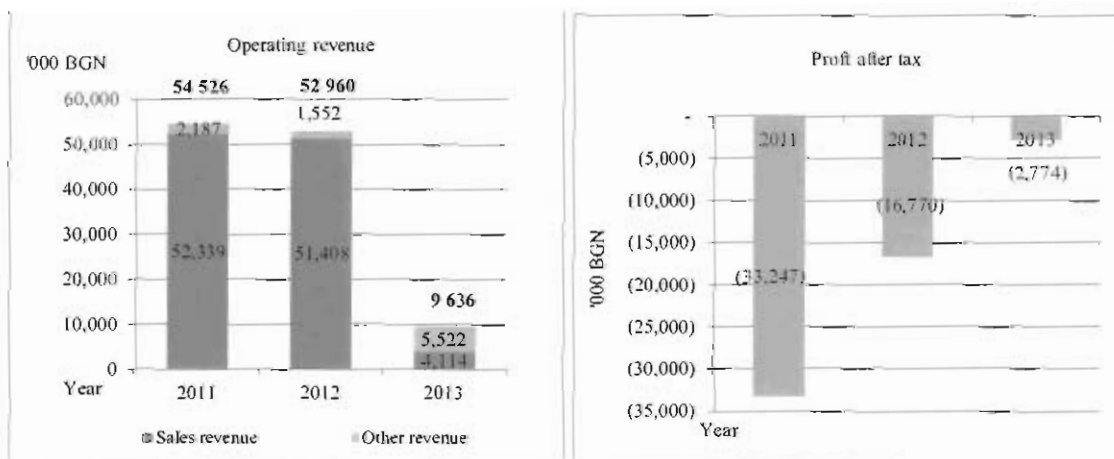
The realised net sales revenue in 2013 amount to BGN 9,636 thousand compared to BGN 52,960 thousand in 2012. The structure of types of activities is as follows: ship repairing BGN 3,861 thousand compared to BGN 3,646 thousand, and other BGN 5,522 thousand, of which revaluation of investment properties amounting to BGN 3,243 thousand compared to BGN 1,970 thousand other revenue for 2012.

The company closes the financial year with a net loss amounting to BGN 2,774 thousand compared to a net loss of BGN 16,770 thousand for 2012. The loss is mainly due to:

- loss from sale of materials;
- impairment of assets
- financial activities of the company

As of 31 December 2013 the assets of Bulyard SI amount to BGN 100,167 thousand, of which BGN 93,681 thousand non-current assets and BGN 6,486 thousand current assets. The net assets of the company are negative amounting to BGN 1,167 thousand.

Financial results of Bulyard Shipbuilding Industry /from all activities – shipbuilding and ship repairs/



Port operations

KRZ Port Burgas AD, Odesos PBM AD and Bulport Logistics AD

There are three ports of regional importance which the Group of IHB holds interests in - located in Varna and Bourgas – KRZ Port - Bourgas, Odesos PBM, and Bulport Logistics. KRZ Port – Bourgas and Odesos PBM hold certificates for handling general, liquid and bulk cargo. Bulport Logistics holds certificate for operational fitness valid for activities technologically related to the production process of the ship building and ship repairs entity (Bulyard SI).



KRZ Port Burgas AD

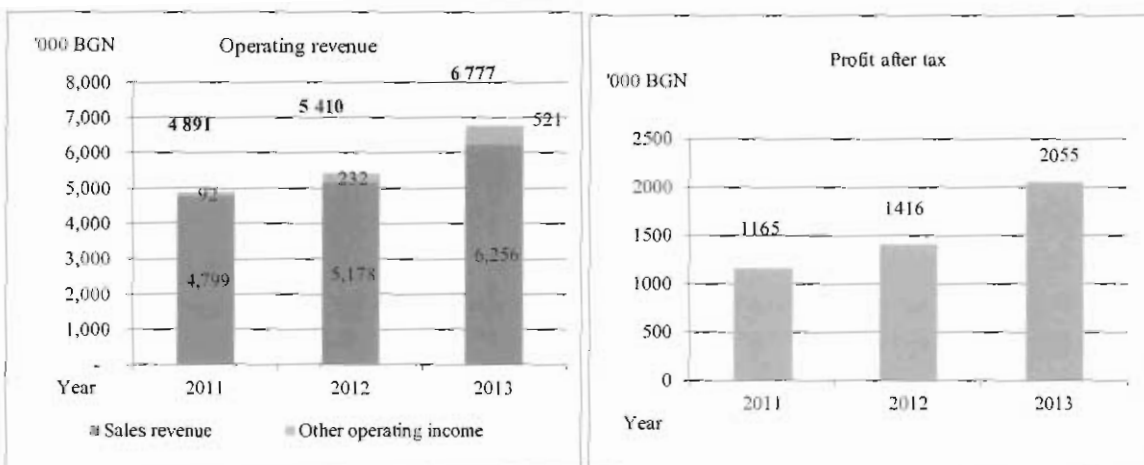
The subject of activity of KRZ Port Burgas is provision of port services – handling of cargo and warehousing, transportation and forwarding services, related services - provision of electric power, water and bunkers, storage of waste, hiring of lifting and transportation machinery, inventory, mooring, renting of jetties, etc.

The revenue in 2013 amount to BGN 6,777 thousand compared to BGN 5,410 thousand in 2012. The revenue in 2013 is: from port operations – BGN 6,256 thousand and other revenues - BGN 521 thousand.

The profit before tax amounts to BGN 2,291 thousand, and the net profit for 2013 amounts to BGN 2,055 thousand compared to BGN 1,416 thousand in 2012.

As of 31 December 2013 the assets of KRZ Port Burgas amount to BGN 28,318 thousand, of which BGN 26,893 thousand non-current assets and BGN 1,425 thousand current assets. The net assets of the company amount to BGN 24,605 thousand.

Financial results of KRZ Port Burgas



Odesos PBM AD

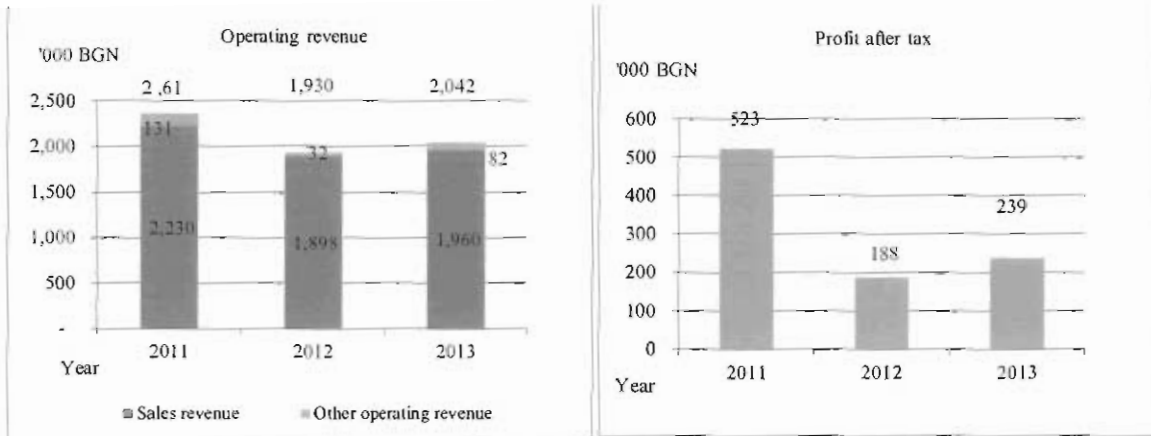
The total revenue of Odesos PBM for 2013 amount to BGN 2,042 thousand compared to BGN 1,930 thousand in 2012. The operating revenue for 2013 is BGN 1,960 thousand compared to BGN 1,898 thousand for 2012.

The profit before tax of the company for 2013 amounts to BGN 267 thousand and after tax - BGN 239 thousand compared to BGN 188 thousand in 2012.

As of 31 December 2013 the assets of Odesos PBM amount to BGN 6,452 thousand, of which BGN 5,639 thousand non-current assets and BGN 813 thousand current assets. The net assets of the company are BGN 6,272 thousand.



Odesos PBM's financial results



Bulport Logistics AD

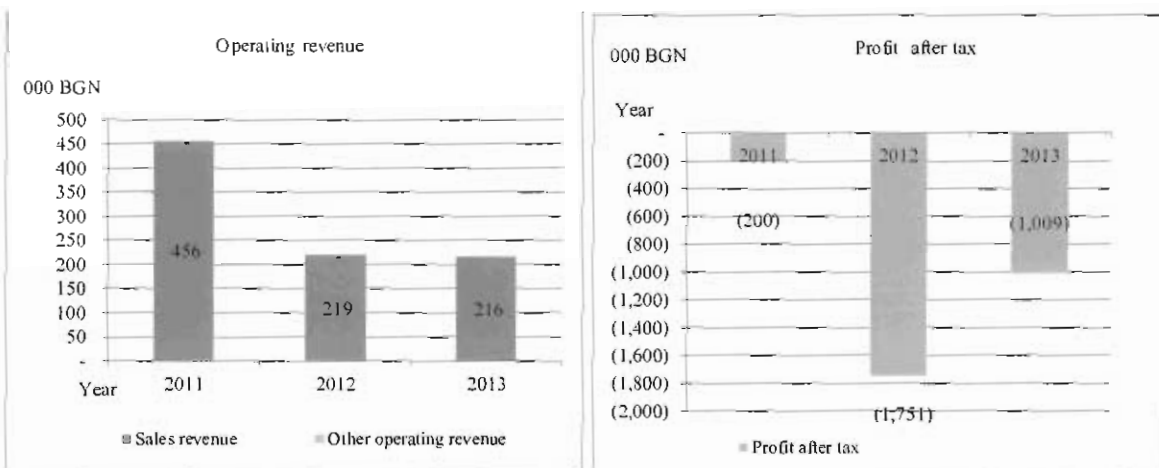
Bulport Logistics AD is a special purpose port and its main activity is repair and storage of small vessels and rental of warehouses. The production activities of the company are related to the overall technical maintenance and repair of small vessels.

The operating revenue of Bulport Logistics in 2013 amount to BGN 216 thousand compared to BGN 219 thousand in 2012. They are generated mainly from rent.

In 2013 the company reported a loss before tax of BGN 1,080 thousand, and the loss after tax amounts to BGN 1,009 thousand compared to a loss of BGN 1,751 thousand in 2012.

As at 31 December 2013 the assets of Bulport Logistics amount to BGN 22,420 thousand, of which BGN 22,339 thousand non-current assets and BGN 81 thousand current assets. The company's net assets amount to BGN 21,926 thousand.

Financial results of Bulport Logistics PBM





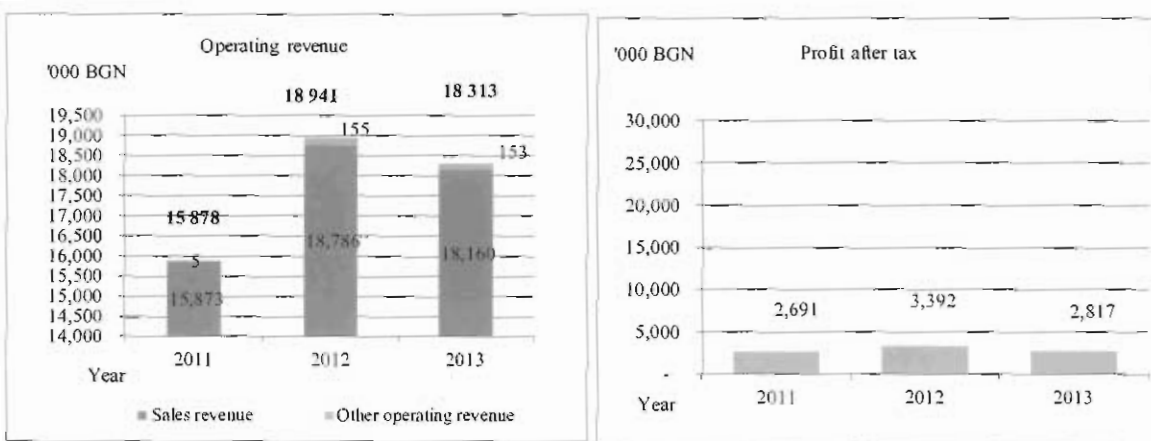
Machine building

Machine building includes the sub-sectors production of metal cutting machinery, production of electric machinery and smelting.

In 2013 ZMM BH realised revenues from sales of BGN 18,313 compared to BGN 18,941 thousand in 2012. ZMM BH realised profit before tax amounting to BGN 3,134 thousand and net profit of BGN 2,817 thousand compared to BGN 3,392 thousand in 2012.

As of 31 December 2013 the assets of ZMM BH amount to BGN 12,810 thousand, of which BGN 9,459 thousand non-current assets and BGN 3,351 thousand current assets. The net assets of the company are BGN 9,043 thousand.

Financial results of ZMM Bulgaria Holding /unconsolidated/



Metal cutting machinery

ZMM Sliven

During the past 2013 ZMM Sliven produced a total of 711 machines compared of which 706 universal lathes, 6 CNC lathes, compared to 716 machines in 2012, of which 696 universal lathes, 6 CNC lathes and 13 machine drills. The generated output for 2013 in terms of physical units was 0.56% higher compared to the previous year.

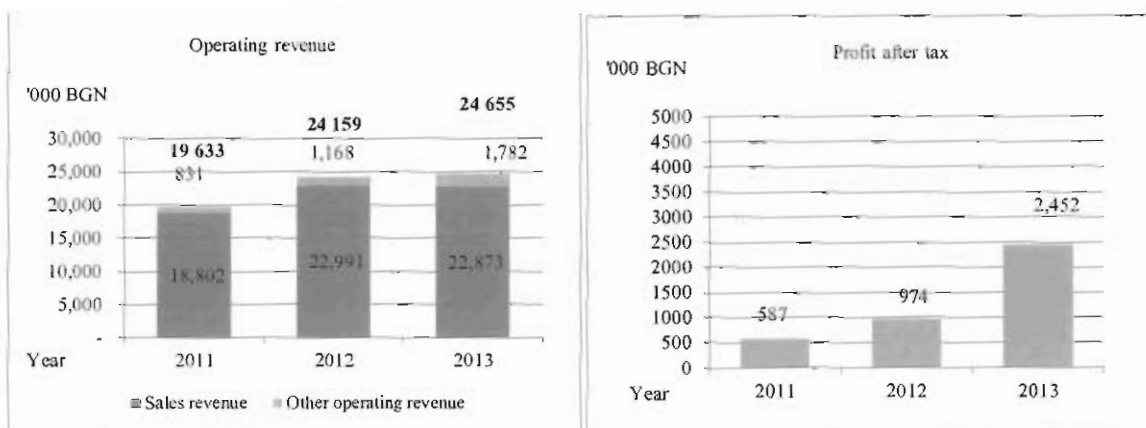
The operating income of the company for 2013 amount to BGN 24,655 thousand compared to BGN 24,159 thousand in 2012.

The financial result is a profit after tax of BGN 2,452 thousand, as compared to a net profit of BGN 974 thousand for 2012.

As of 31 December 2013 the assets of ZMM Sliven amount to BGN 18,453 thousand, of which BGN 8,187 thousand non-current assets and BGN 10,266 thousand current assets. The net assets of the company are BGN 15,011 thousand.



ZMM Sliven's financial results



Mashstroy – in liquidation

At the General Assembly of the shareholders held on 22 March 2013 a decision was made to terminate the company and open liquidation proceeding.

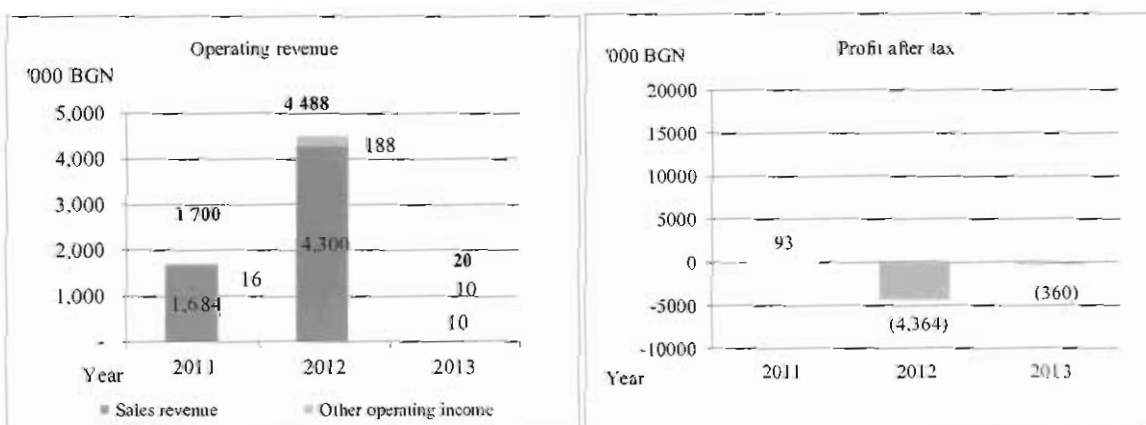
The net sales revenue in 2013 amount to BGN 20 thousand compared to BGN 4,488 thousand in 2012. The other operating income amount to BGN 10 thousand compared to BGN 188 thousand in 2012.

The company reported loss of BGN 360 thousand for 2012 compared to a loss of BGN 4,364 thousand in 2011.

As at 31 December 2013 the assets of Mashstroy amount to BGN 2,650 thousand, all of them current. The net assets of the company amount to BGN 2,630 thousand.

In March 2014, the General meeting of shareholders decided to allocate the remaining assets of the company after satisfaction of creditors in the liquidation proceedings and determine the amount of the liquidation share per share.

Financial results of Mashstroy – in liquidation



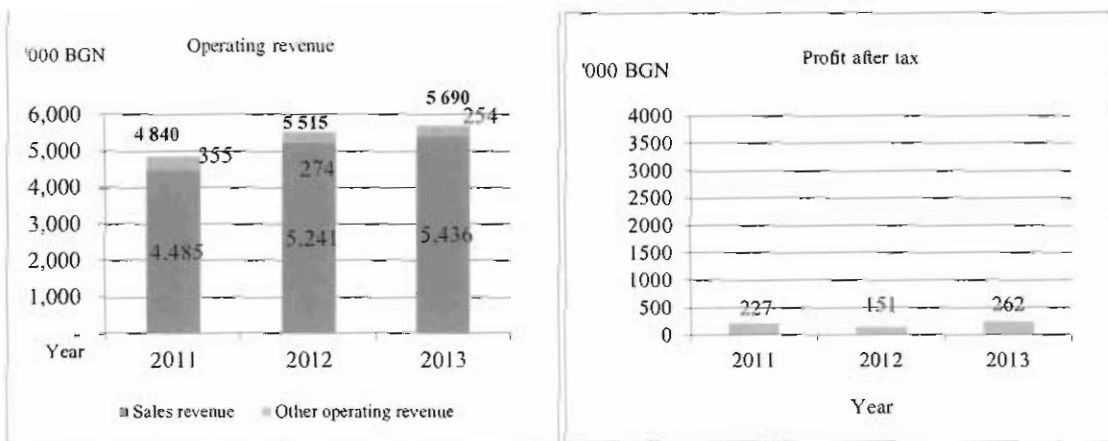


ZMM Nova Zagora AD

The output that was manufactured and sold in 2013 included three main groups of articles: details, assemblies and machines.

In 2013 the revenue of ZMM Nova Zagora amount to BGN 5,690 thousand compared to BGN 5,515 thousand in 2012. The net profit for 2013 is BGN 262 thousand compared to a profit of BGN 151 thousand in 2012. As at 31 December 2013 the assets of ZMM Nova Zagora amount to BGN 7,176 thousand of which BGN 4,791 thousand non-current assets, BGN 1,217 thousand current assets and BGN 1,168 thousand non-current assets held for sale. The net assets of the company amount to BGN 6,272 thousand.

Financial results of ZMM Nova Zagora

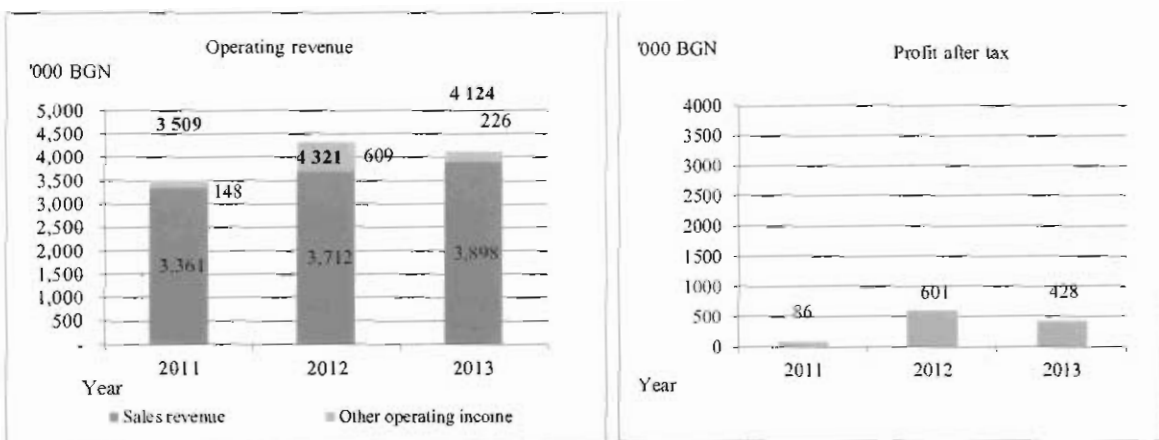


Metal casting

Leirmach AD

In 2013 Leirmach AD realised revenue amounting to BGN 4,124 thousand compared to BGN 4,321 thousand in 2012. In 2013 the net sales revenue amounted to BGN 3,898 thousand. The financial result in 2013 is a net profit amounting to BGN 428 thousand compared to profit of BGN 601 thousand in 2012. As at 31 December 2013 the assets of Leirmach amount to BGN 7,032 thousand, of which BGN 6,357 thousand non-current and BGN 675 thousand current assets. The net assets of the company amount to BGN 6,242 thousand.

Financial results of Leirmach





Electrical machinery

IHB Electric AD (former Elprom ZEM AD)

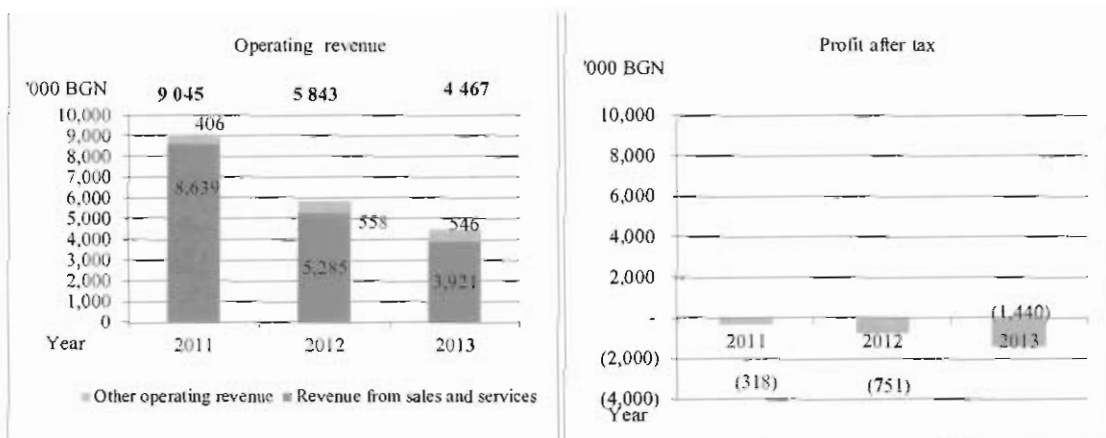
IHB Electric manufactures electrical machinery – electric engines – asynchronous and synchronous, asynchronous generators and hydro generators. The company carries out repairs of hydro generators and high voltage (HV) and low voltage (LV) machines.

For 2013 the company realised operating revenue amounting to BGN 4,467 thousand as compared to BGN 5,843 thousand for 2012.

For 2013 IHB Electric (former Elprom ZEM) realised a net loss of BGN 1,440 thousand compared to a loss of BGN 751 thousand in 2012.

As of 31 December 2013 the assets of IHB Electric amount to BGN 20,493 thousand, of which BGN 17,700 thousand non-current assets and BGN 2,793 thousand current assets. The net assets of the company are BGN 17,662 thousand.

Financial results of IHB Electric (former Elprom ZEM)



Classification and certification activities

Maritime Holding AD and its 100% subsidiary Bulgarian Register of Shipping AD

The activity of Maritime Holding in 2013 was related to the management of the investments in its subsidiaries. Maritime Holding holds 99.81% of Bulgaria Register of Shipping AD, Varna and 100% of Bulgarian Lloyd EOOD. In 2013 Maritime Holding realised dividend income amounting to BGN 854 thousand compared to BGN 802 thousand in 2012. The dividend income is from subsidiary Bulgarian Register of Shipping AD.

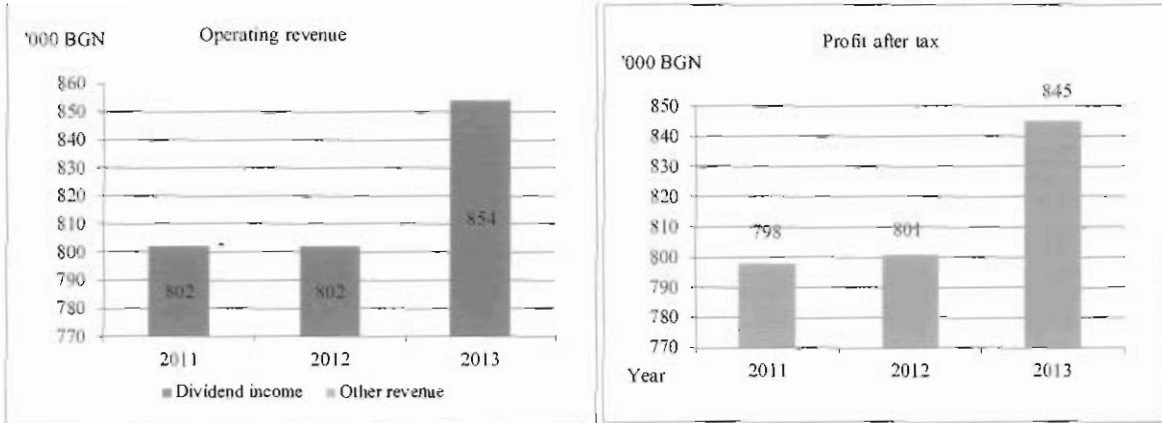
The cost in 2013 is BGN 32 thousand compared to BGN 1 thousand in 2012.

The financial result of Maritime Holding for 2013 is a profit amounting to BGN 845 thousand.

The assets of Maritime Holding as of 31 December 2013 amount to BGN 1,886 thousand, with the largest share coming from investments in subsidiaries – BGN 1,267 thousand.



Maritime Holding's financial results



Bulgarian Register of Shipping AD

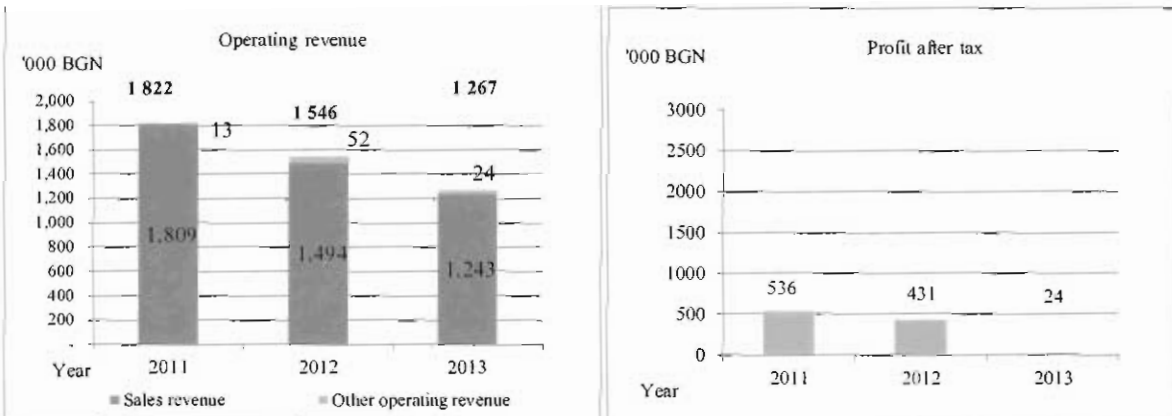
In 2013 the activity of the company took place in a difficult business environment characterised with the decommissioning of a large number of ships due to lack of cargo, significant restriction of the costs for repair and maintenance of the ships in operation, a reduced interest in investments in new ship building and repairing.

In 2013 the operating revenue amount to BGN 1,243 thousand /BGN 1,494 thousand for 2012/ and other revenue amounting to BGN 24 thousand /BGN 52 thousand for 2011/.

The profit of the company before tax in 2013 amounted to BGN 25 thousand and the net profit amounted to BGN 24 thousand compared to BGN 431 thousand in 2012.

As of 31 December 2013 the assets of BRS amount to BGN 1,743 thousand, of which BGN 188 thousand non-current assets and BGN 1,476 thousand current assets and BGN 79 thousand non-current assets held for sale. The net assets of the company are BGN 1,490 thousand.

Financial results of BRS





Rekolta 2011 EAD

In 2013 Rekolta 2011 EAD generated net finance income amounting to BGN 376 thousand compared to BGN 478 thousand. The company's operating costs in 2013 amount to BGN 108 thousand. They represent expenses on hired services and personnel expenses.

The financial result of Rekolta 2011 EAD in 2013 is a net profit of BGN 241 thousand.

The assets of Rekolta 2011 EAD as at 31 December 2013 amount to BGN 10,702 thousand, of which the largest share represent receivables from related companies – BGN 10,222 thousand.

The equity of Rekolta 2011 EAD as at 31 December 2013 amounts to BGN 8,626 thousand, including retained earnings of BGN 587 thousand.

3. 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.

Bulyard Shipbuilding Industry has liabilities under bank loan in Japanese yen.

IHB has liabilities to bond holders in relation to the issue of convertible bonds in 2013 which mature on 18 October 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 has provided guarantees and sureties to secure liabilities of its subsidiaries. At this stage there is no risk that the subsidiaries may fail to discharge their obligations associated with the guarantees issued. IHB has a signed contract with a commercial bank under which it is a guarantor on loan agreements with a balance as at 31 December 2013 of USD 12,472 thousand granted by the bank to the subsidiary Privat Engineering AD. IHB AD has provided a guarantee in relation to the option of the participation of its subsidiary Rekolta 2011 EAD in an investment intention jointly with Alpha Finance Holding and Diamond Solar Europe Limited (100% owned by Mitsubishi Corporation). The guarantee is at the amount of EUR 3,700 thousand and it is secured. In April 2013 the parties settled its relationship and IHB commitment was terminated.

KVLK, a subsidiary of IHB, is a joint debtor of Serdika Ltd. under a bank loan from a commercial bank maturing in March 2014. The loan was received for the acquisition of the Diamond Sea ship, and as at 31 December 2013 the balance is USD 33,407 thousand.

Further information regarding the risk management of IHB is provided in Note 34 Financial Instruments in the consolidated financial statements.

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

Maritime transport

From the end of October 2012 with launching the sixth ship of the group, IHB Shipping Co EAD became a medium tonnage operator and in Bulgaria is the second largest operator / manager (following Navigation Maritime Bulgare (NAVIBULGAR[®])) in total tonnage of managed ships. 2013 was a difficult year for the maritime transport. The first three quarters were even lower than 2012 but 4Q 2013 registered significant growth.



The state of the market in 2013 was determined by the demand for services driven by the growth of production and consumption in developed and developing countries, port overloading capacities or aggregation of many ships on them and others. This year the demand for tonnage is again determined by China. Imports into Europe are close to the levels of 2012. Preliminary data show increased demand for bulk carriers.

Significant role in upward or downward movement of the market in 2014 will have the situation in market of scrapped vessels. In 2013 58.7 DWT was launched while 22.1 DWT were scrapped. Things look little bit brighter in the Handysize sector for ships such as Karvuna and Antea. The tonnage scrapped exceeds deliveries by 0.5 DWT.

It is expected 2014 to launch a recovery. Again, expectations are low for the first half of the year, especially the first quarter. If the trend of steady deliveries, combined with scrapping rates of the past two years remains, we can expect a better year, easing the pressure on the market caused by the new deliveries and improved growth levels of charter rates / freight rates in this segment. Considering the above trends coupled with the gradual recovery of the global economy we can forecast a slight increase in rates in 2014.

Shipbuilding and ship repairing

The main efforts of Bulyard Shipbuilding Industry since the beginning of 2013 are directed to ship repairing, reconstruction of vessels and production of metal hulls and ship sections. It should be pointed that the crisis in which the shipping industry was plunged by the end of 2008, limited to certain extent the operating expenses of ship owners, including ship repairing. In overall the factories specializing in ship repairing, reconstruction and maintenance reported a decline. Low prices, cheap labor and available resources allow factories in China to offer dumping prices and kill competition in European factories. With the advent of "light in the tunnel" - the growth of bulk freight rates in the second half of August 2013 – appeared the demand for repairing options in other areas, incl. the Black Sea.

Unfortunately, the disadvantage still remains that the entry in the Black Sea must be combined with the availability and opportunities for cargo in the area, fees and the "indefinite" (influenced by climatic conditions) crossing time through the Bosphorus.

At the same time, the existing requirements regarding ships technical safety standards are strengthened and new ones implemented, leading to the necessity for more frequent repairs, which in turn is a favourable factor for ship repair operations.

Opportunity to further increase the capacity of Bulyard SI is provided by the requirements of the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM) which will require most ships to install an on-board ballast water treatment system.

Bulyard SI has an extensive capacity to repair ships ranging from small 5,000 ton to large 80,000 ton vessels. In 2014 the company is looking to maintain its production capacity in the area of ship repairing, conversion of vessels, hull manufacturing and manufacturing of large metal construction and ship sections. The company has the capacity to rent the free space and warehouses or use them for other production. Income from sale of non-operating assets, mainly machinery and equipment will be realised.



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. Since the ports of Dockyard Port – Bourgas and Odesos PBM are of regional importance, their fate depends on the economy of the southeastern and northeastern regions of Bulgaria, the slow-down of construction in tourism and the increase of infrastructural projects. Their activity will also develop in the direction of an increased cargo flow of grain, which is related to a lasting trend for increase of agricultural activities in the southern and southeastern parts of Bulgaria.

During 2013 Dockyard Port – Bourgas aimed to attract new cargos and customers and to further develop and modernize its port infrastructure. During 2013 the relative share of bulk cargos of food/ grain origin increased compared to prior year, as the biggest relative share increase is that of sunflower and rape.

With regard to general cargo the efforts are aimed towards direct cargo processing as a way to increase port capacities. The company has the capacity to process new cargo – fertilizers, ferrous metal, etc. Insignificant decrease was noted in the relative share of general cargo compared to 2012. The Company found opportunities to attract new cargos for handling. Further, the cargo-handling equipment was renewed to a great extent.

In 2014 gradual increase of the cargo turnover is expected. Taking into account its capacity and the opportunities presented by the increased export, in 2013 Odesos PBM expanded the volume of processed cargo, improved the utilisation of the quay wall and offered new services. The objective of Odesos PBM was further to attract new strategic clients – retailers of plywood, wood products and agricultural fertilizers, for which the port will rely on flexible processing options, maximum use of available resources and speedy work.

The parameters of port Bulport logistics provide a good opportunity for future growth and development. The sea area is spacious and has sufficient depth that provides favourable conditions for increasing the number of mooring spaces and serviced vessels.

During 2013 Bulport Logistika was mainly working on the local market. Services offered during 2013 were in the range of accommodating small vessels and yachts and also small ships for ship repair, as well as renting out spaces for warehouse and production activities. In 2013 weak increase of the demand for accommodating small vessels was noted and it is expected that this will continue in 2014.

Machine building

Metal cutting machinery

In the fourth quarter of 2013 the volume of orders and sales remained at the same level as same period in 2012 and marked slight growth compared to 2012. This trend is due to deteriorating markets in the major Western European countries that are our major clients. Despite more positive tendencies in the economy and consumption as a whole at the end of 2013, it will obviously take some time before this trend manifest in the field of investment goods. Negative influence was exercised by the instable political environment in Africa and Ukraine, as well as the devaluation of some local currencies as the Turkish lira and the ruble. The market contraction in Western European countries as a result of the continuing economic crisis has focused the efforts of management in developing and expanding markets for our products to Eastern Europe and Latin America.



IHB Electric and hydro generators manufacturing and repair

In 2013, the product portfolio of IHB Electric did not undergo serious changes. It involved mainly improved design solutions for the manufacture of electric motors and separate units for hydro generators. In 2013, the major production share of IHB Electric included production of new hydro generators. In comparison, in 2012 there was a dominant share of electric generators. Projects for production of new and renovation of existing motors, both in Bulgaria and abroad were successfully completed. Revenues of IHB Electric for 2013 amounted to BGN 4.5 mln. Recorded decrease compared to 2012 is mainly in revenues from services and repair activities and is due to the lower investment activities in Bulgaria of the energy sector entities. Expectations in the short term are smooth increase in the volume of manufactured motors. IHB Electric conducts proactive marketing policy in Europe, Turkey, India, the former Yugoslav republics and works actively to enter foreign markets. As a result of these efforts in 2013 were delivered four hydro generators to Turkey, as at the end of the year contracts were signed for the delivery of four new hydro generators to Turkey. In early 2014 the Company signed a contract to manufacture, supply and supervise the installation of 3 hydro generators in Abkhazia.

Classification and certification

Once again 2013 was marked with the sign of global economic crisis and its negative consequences. In general the negative impact of the crisis headed to lasting effects on the market:

- Low levels of freight market;
- Decommissioning of a large number of ships;
- A severe curtaining of costs for repairs and maintenance of the ships in operation;
- increased competition between classification societies; intention of the more powerful classification societies to enter in the lower segments and as a result of increased variability due to ship owners - constant pressure to reduce prices of surveys performed.

Despite the difficulties number of global orders for new ship construction rose for the first time after many years. Development of innovation and new mandatory environmental standards are also expected to benefit European maritime industries - shipyards, equipment suppliers and last but not least classification societies.

Information on the financial instruments used and the assessment and management of financial risk is presented in Note 34 Financial Instruments in the Notes to the Consolidated Financial Statements.

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

In 2013 IHB met its needs for securitization of its operating costs with own and borrowed funds. The own funds are a result of revenues from the main activity. In 2013 sources of revenues for IHB were interests on loans provided to subsidiaries, dividends received from subsidiaries and rendering of services. Part of these funds was redirected by the Holding for funding of its investment program. In April 2013 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 29,999,800. The funds from the issue were used to repay the debenture loan from the previous issue of convertible bonds ISIN BG 2100018113, issued by Industrial Holding Bulgaria AD, partial refinancing of Diamond Sky ship, expansion of KRZ Port Bourgas and other small projects of the subsidiaries.

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. 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.

On 8 February 2013 IHB stopped payment of cash from the sale of unexercised rights in relation to the capital increase from 2007 due to the expiry of the statute of limitation of the obligation to pay the amounts on 4 February 2013. The liability amounts to BGN 18,260 thousand (BGN 16,434 after taxation) and is reported in profit or loss for 2013.

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 December 2013 the consolidated receivables of IHB Group amount to BGN 7,310 thousand compared to BGN 12,958 thousand at 31 December 2012.

The consolidated net assets of IHB as of 31 December 2013 amount to BGN 273,483 thousand and they grew by 14%.

As of 31 December 2013 the total consolidated liabilities of IHB Group amount to BGN 151,565 thousand (excluding liabilities classified as held for sale of BGN 40 thousand) compared to BGN 193,306 thousand as of 31 December 2012. They represent BGN 94,322 thousand payables on interest-bearing loans and borrowings, BGN 9,501 thousand trade and other payables, BGN 30,313 thousand payables on debenture loan and BGN 7,651 thousand loans from related parties.

4. Important events after the reporting date

In relation to the decision taken at the General Shareholder Meeting for the treasury shares transactions, in January 2014, 6,125 shares were repurchased at an average price of BGN 0.84 per share.

At the General Shareholder Meeting of Maritime Holding AD on 20 February 2014, a dividend at the amount of BGN 3.22 per share (total amount of BGN 845 thousand) was declared. Industrial Holding Bulgaria AD's share is 61% or BGN 515 thousand.

On 26 February 2014 IHB AD as sole owner of Rekolta 2011 EAD has decided to distribute dividend at the amount of BGN 560 thousand from the net result for 2013 and the retained earnings from previous years.

According to decision of the General shareholders meeting of Bulyard Shipbuilding Industry EAD dated 24.02.2014 the share capital of the subsidiary is increased from BGN 50 thousand to BGN 900 thousand through the issuance of new 850 thousand common personal shares with voting rights and par value of BGN 1 each. All shares from the increase of the capital are registered only from the sole shareholder of the subsidiary – Bulyard AD.

At the annual General Shareholder Meeting of ZMM Bulgaria Holding AD, a dividend distribution for at amount of BGN 0.50 per share (total amount 2,796 thousand) has been voted.

On 18 February 2014 the General Shareholder Meeting of Agro Pari AD voted to discontinue the company's operations and to start a process of liquidation.

On 5 March 2014 at the Assembly meeting, the decision for the establishment of a new company IHB Ship Design EAD has been accepted. Industrial Holding Bulgaria AD has subscribed 100% of the shares of the new entity. The company was registered in the Trade Register on 18 March 2014.

On 26 March 2014 the subsidiary Maritime Holding AD took a decision to terminate the activities of Bulgarian Lloyd EOOD and to start liquidation proceedings.

On 16 April 2014 the second interest payment under the debenture loan issued in April 2013 was made.

Except for the above disclosed events, no other events have occurred after 31 December, which require additional adjustments and/or disclosures in the consolidated financial statements for the year ended 31 December 2013.



5. 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, especially ZMM Sliven, ZMM Nova Zagora, IHB Electric and Leyarmash. 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.

6. Planned future development of the Group

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 efforts of the management in 2014 continue 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, investments in new ships 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.

7. Changes in the price of the shares of the Group

In 2013 the price of the shares of IHB increased from BGN 0.700 to BGN 0.847 per share at the end of the year, or an increase of 21.00%. For comparison, the movement of the indices of BSE-Sofia for the same period are as follows: SOFIX increase of 42,28%, BG40 increase of 27,02%, and BGTR30 increase of 35,35%. Shares were the most liquid on the BSE – Sofia throughout the year.



In 2013 data about trade with shares of IHB /ticker 4ID/ are as follows:

Statistics for the period 01.01.2013 – 31.12.2013 /information from BSA-Sofia /

	Value	Date
Last average weighted price (BGN)	0.847	30-12-2013
Maximum average weighted price (BGN)	0.977	
Minimum average weighted price (BGN)	0.641	
Average weighted price for 2013 (BGN)	0.779	
Percentage change on the basis of data for accounting purposes*	21.00%	
Number of transactions in 2013	1 016	
Traded volume in 2013 (number of shares)	3 096 221	
Turnover in 2013 (BGN)	2 410 971.29	

Shareholding structure as of 31.12.2013

The capital of IHB as of 31.12.2013 is BGN 67,978,543.

<i>Shareholders</i>	<i>Number of shareholders</i>	<i>Number of shareholders</i>	<i>As at 31.12.2013</i>
			<i>Number of shareholders</i>
All	54796	67 978 543	100.00%
Legal persons	122	59 985 020	88.24%
Natural persons	54674	7 993 523	11.76%
Shareholders holding over 5%, inclusive	5	42 101 500	61.93%
Venside Enterprises Limited		20 399 604	30.01%
Bulls AD		9 537 921	14.03%
DZH AD		3 977 174	5.85%
ZUPF Allianz Bulgaria AD		4 646 278	6.83%
Stock tours AD		3 540 523	5.21%
Shareholders holding under 5%	54,791	25 877 043	38.07%

8. Data for the trade with the Group's bonds

On 3 June 2013 trade with corporate bonds issue of IHB – issue 2013 - started at the BSE-Sofia AD, bonds segment. The ticker is 4IDE. The issue amount is BGN 29 999 800 and the number of bonds is 299 998 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 03.06.2013 is 100 % of the nominal.

Cash settlement on the transaction is in Bulgarian levs.

**Statistics for the period 03.06.2013 – 31.12.2013 /information from BSE-Sofia/**

	Value	Date
Last average weighted price	1 028.863 BGN	30-12-2013
Maximum average weighted price *	100.500%	
Minimum average weighted price *	100.500%	
Average weighted price for 2013 *	100.500%	
Number of transactions in 2013	1	
Traded volume in 2013	5 lots**	
Turnover in 2013	BGN 5,144.32	

* Net prices (% of the nominal value of the lot, i.e. % of BGN 1,000.00).

** 1 lot = 10 bonds

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

In relation to the decision dated 17.12.2012 of the General Meeting of the shareholders for the redemption of shares the Management Board of Industrial Holding Bulgaria AD made a decision that the shares which will be redeemed in 2013 will be up to 3% of the registered capital of the company, which at present is 67,978,543 shares, namely – up to 2,039,356 shares.

The investment intermediary chosen for the redemption of treasury shares is Allianz Bank Bulgaria AD.

The total number of treasury shares held as at 31.12.2013 is 967 141 (1.42 %) at an average price per share of BGN 0.794.

10. 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.

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

On 17 January 2013 by virtue of Decision No 20130117130929 of the Commercial Register a change in the Management Board of Industrial Holding Bulgaria AD was registered: Mr. Georgi Yanchev Momchilov was discharged at his request as member of the Management Board, as Executive Director and a person representing the company and Emiliyan Emilov Abadzhiev was elected as his replacement as member of the Management Board and Executive Director.

The Company is represented by Daneta Angelova Zheleva, Chief Executive Director and Emiliyan Emilov Abadzhiev – Executive Director – jointly and severally.

Information about participation in trade companies of members of the boards as at 31 December 2013 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**

Data for the person who represents DZH AD in the Supervisory Board of the Company:

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;
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives.

Konstantin Kuzinov 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;
- 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 Insurance Company Allianz Bulgaria Life, Sofia;
 - 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

Bozhidar Vasilev Danev - Chairperson

- 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 Management Board and Executive Director of the Bulgarian Chamber of Commerce – Union of the Bulgarian Business
 - The Board of Directors of Solvay Sodi JSC, Devnya;
 - The Board of Directors of Deven AD, Devnya;
 - The Board of Directors of Provasol AD, Provadiya
 - The Board of Directors of Svobodna Zona – Ruse EAD;
 - The Board of Directors and Executive Director of Infralink AD, Sofia
 - The Board of Directors of Interlease AD, Sofia;
 - The Board of Directors of Inter Expo and Congress Center AD, Sofia
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives

Daneta Angelova Zhelevav - Chief Executive Officer:

- 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, Sofia, registered in Sofia City Court under company case № 7659/1999;:
- Member of:
 - The Board of Directors of DZH AD, Sofia;
 - The Board of Directors of ZMM – Bulgaria Holding AD, Sofia;
 - The Board of Directors of KRZ Port Bourgas AD, Bourgas;
 - The Board of Directors of Privat Engineering AD, Sofia;
 - The Board of Directors of Stadis AD, Sofia;
 - The Board of Directors and Executive Director of Bulyard AD, Sofia;
 - The Board of Directors 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,
 - Boblo EOOD, Sofia
 - Simetria OOD, Sofia
- Member of:
 - The Board of Directors of Stock EG AD, Malo Buchino;
 - The Board of Directors of IHB Electric AD, Sofia;
 - The Board of Directors of KLVK AD, Sofia;
 - The Board of Directors of Machstroy AD, Troyan (in liquidation);
 - The Board of Directors of Maritime Holding AD, Varna;
- Manager of:
 - Bulgarian Lloyd EOOD, Varna;
 - Stock Consult OOD, Sofia,
 - Eko Consulting OOD, Sofia,



- Boblo EOOD, Sofia,
- Simetria OOD, Sofia
- is not an authorized signatory for any trade company;
- does not participate in the management of cooperatives

Emilyan Emilov Abadgiev – Executive Director

- 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 and Executive Director of ZMM Bulgaria Holding AD;
 - The Board of Directors of ZMM Nova Zagora AD;
 - The Board of Directors of Leyarmach AD;
 - The Board of Directors of ZMM Sliven;
 - The Board of Directors of IHB Elektrik AD, Sofia;
- Manager of:
 - 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;
- Member of:
 - - The Supervisory Board of OTK AD, Kardzhali
 - - The Board of Directors of Intertrust Holding BG EAD, Sofia;
- 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 to them, which go beyond its usual activities or substantially deviate from the market conditions.

**Remunerations paid 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) remuneration to be determined by the General Meeting of Shareholders on the proposal of the Supervisory Board.

	Remunerations received for 2013	
	From IHB	From IHB 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		
Bozhidar Danev	12 000	-
Daneta Zheleva	45 960	229 296
Emilyan Abadjiev	31 200	99 623
Borislav Gavrilov	12 000	7 500
Boyko Noev	12 000	-
George Momchilov – Released with a decision of the Supervisory Board as of 07/01/2013, entered in the Commercial Register at the Registry Agency on 17.01.2013	1300	11 881

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 remunerations, conditional or deferred remunerations. 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 2013 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 5,154.

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 2013:

	Acquired in 2013	Transferred in 2013	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	0	0	3 977 174	0	3 977 174	5.85%
Snezhana Hristova	0	0	2 056	1 343 610	1 345 666	1.98 %
Konstantin Zografov	0	0	582	208	790	0.002%
<i>Members of the Management Board</i>						
Bozhidar Danev	0	0	208	0	208	0.0006%
Daneta Zheleva	0	0	41 044	3 977 820	4 018 864	5.91%
Emilyan Abadgiev	0	0	0	0	0	0
Borislav Gavrilov	0	0	208	624	832	0.002%
Boyko Noev	0	0	0	0	0	0

As of 31.12.2013 the members of the Management and Supervisory Boards have not been provided with options on securities of IHB.

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



13. Management responsibilities

The management is required by Bulgarian legislation to prepare consolidated financial statements for each financial year that give a true and fair view of the financial position of the Group 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 consolidated financial statements for the year ended 31 December 2013.

The management also confirms that all applicable accounting standards have been followed and that the consolidated 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.

14. Data for the Investor Relations Director.

The Investment Relations Director is Vladislava Raykova Petrova-Sgureva, tel. 980 71 01, e-mail: ir@bulgariholding.com, 37A Frityov Nansen Str, floor 7, Sofia.

Daneta Zheleva

Chief Executive Director

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industrial Holding Bulgaria AD and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements

Management is responsible for the preparation and presentation of consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of Industrial Holding Bulgaria AD and its subsidiaries as of 31 December 2013, and of their 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, we read the Annual Management Report accompanying the consolidated financial statements for the year ended 31 December 2013.

In our opinion, the information given in the Annual Management Report is consistent with the accompanying annual consolidated financial statements as of 31 December 2013.



Nikolay Garnev

Managing Partner

Ernst & Young Audit OOD



Daniela Petkova, CPA

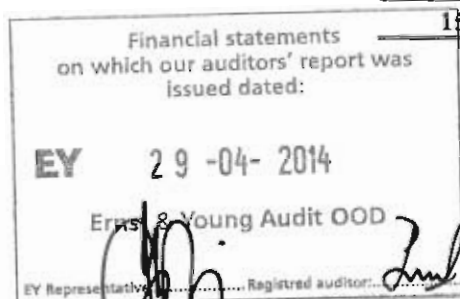
Registered Auditor

29 April 2014

Sofia, Bulgaria

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

<i>In thousands of BGN</i>	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Continuing operations			
Revenue	8	97,859	87,089
Other operating revenue	9	7,285	2,356
Gain from derecognition of financial liability on shareholders' rights sold	9a	18,260	-
Changes in inventories of work in progress and finished goods	10	480	(22,052)
Own work capitalised	11	2,769	46,726
Expenses for materials	12	(33,026)	(58,499)
Expenses for hired services	13	(21,113)	(21,194)
Depreciation and amortization	18,19	(13,202)	(10,382)
Personnel expenses	14	(22,622)	(23,688)
Other operating expenses	15	(13,368)	(4,920)
Profit / (Loss) from operations		23,322	(4,564)
Finance income	16	3,493	6,299
Finance costs	16	(7,580)	(7,380)
Share of profit of associates	20	72	56
Profit / (Loss) before tax from continuing operations		19,307	(5,589)
Income tax expense	17	(2,963)	(761)
Profit / (Loss) for the year from continuing operations		16,344	(6,350)
Discontinued operations			
Loss after tax for the year from discontinued operations	7	(523)	(6,491)
Profit / (Loss) for the year		15,821	(12,841)
Attributable to:			
Equity holders of the parent		17,276	(5,811)
Non-controlling interests		(1,455)	(7,030)
		15,821	(12,841)



The notes on pages 11 to 92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

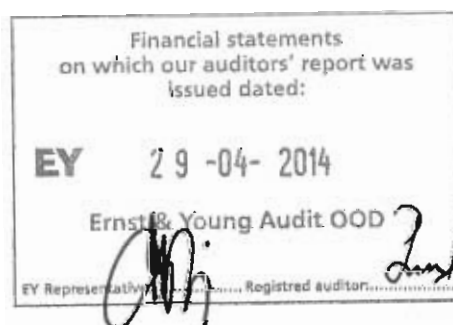
Toshka Vassileva
Chief accountant

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

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

(continued)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Earnings per share			
Basic earnings per share attributable to ordinary equity holders of the parent (BGN)	28	0.256	(0.085)
Diluted earnings per share attributable to ordinary equity holders of the parent (BGN)	28	0.207	(0.053)
Earnings per share from continuing operations			
Basic earnings per share from continuing operations attributable to ordinary equity holders of the parent (BGN)	28	0.262	(0.003)
Diluted earnings per share from continuing operations attributable to ordinary equity holders of the parent (BGN)	28	0.212	0.018



The notes on pages 11 to 92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

<i>In thousands of BGN</i>	<u>Note</u>	<u>2013</u>	<u>2012</u>
Profit / (loss) for the year		15,821	(12,841)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		2,681	9
Income tax effect		-	-
		<u>2,681</u>	<u>9</u>
Net gain on cash flow hedges	33	273	162
Income tax effect	17	(27)	(16)
		<u>246</u>	<u>146</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		2,927	155
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of land, buildings and specialized equipment	18	19,029	-
Income tax effect	17	(1,903)	-
		<u>17,126</u>	<u>-</u>
Actuarial losses on defined benefit plans	32	(313)	-
Income tax effect	17	29	-
		<u>(284)</u>	<u>-</u>
Other changes		35	21
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		16,877	21
Other comprehensive income for the year, net of tax		19,804	176
Total comprehensive income for the year, net of tax		35,625	(12,665)
Attributable to:			
Equity holders of the parent		32,044	(5,633)
Non-controlling interests		3,581	(7,032)
		<u>35,625</u>	<u>(12,665)</u>

The notes on pages 11 to 92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

Translation in English of the official consolidated financial statements issued in Bulgaria

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

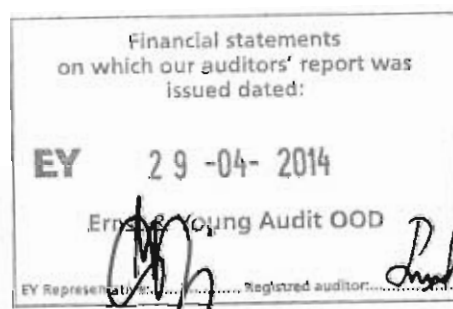
29-04-2014

Ernst & Young Audit OOD

EY Representative: ... Registered auditor: ...

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

<i>In thousands of BGN</i>	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Assets			
Non – current assets			
Property, plant and equipment	18	376,258	371,262
Other intangible assets	19	5,261	6,654
Investment properties	21	4,719	-
Goodwill	19	4,048	6,212
Investments in associates	20	1,893	1,821
Investments available for sale	22	4	4
Non-current receivables	23	1,218	4,977
Deferred tax assets	17	56	429
Total non-current assets		393,457	391,359
Current assets			
Inventories	24	18,903	24,086
Trade and other receivables	25	5,658	7,135
Receivables from related parties	35.2	233	576
Income tax receivable		201	270
Cash and cash equivalents	26	5,210	8,494
Total current assets		30,205	40,561
Assets classified as held for sale	7	1,426	969
TOTAL ASSETS		425,088	432,889



The notes on pages 11 to 92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

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

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

(Continued)

In thousands of BGN

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Equity			
Share capital	27	67,978	67,978
Share premium	27	30,604	30,604
Treasury shares	27	(771)	-
Other reserves	27	68,571	57,558
Retained earnings		<u>87,793</u>	<u>66,762</u>
		254,175	222,902
Non-controlling interests		<u>19,308</u>	<u>16,094</u>
Total equity		<u>273,483</u>	<u>238,996</u>
Liabilities			
Non – current liabilities			
Interest-bearing loans and borrowings	29	36,060	43,684
Debenture loan	29	29,912	-
Payables to related parties	35.2	7,583	-
Grants	30	676	635
Provisions	31	29	52
Retirement benefit liability	32	367	172
Deferred tax liabilities	17	7,405	5,937
Deferred income		<u>309</u>	<u>-</u>
Total non-current liabilities		<u>82,341</u>	<u>50,480</u>
Current liabilities			
Interest-bearing loans and borrowings	29	58,262	66,652
Debenture loan	29	401	21,946
Payables to related parties	35.2	68	16,820
Trade and other payables	33	9,501	35,788
Provisions	31	207	466
Grants	30	98	95
Income tax payable		<u>687</u>	<u>1,059</u>
Total current liabilities		<u>69,224</u>	<u>142,826</u>
Liabilities directly associated with the assets classified as held for sale	7	<u>40</u>	<u>587</u>
Total liabilities		<u>151,605</u>	<u>193,893</u>
TOTAL EQUITY AND LIABILITIES		<u>425,088</u>	<u>432,889</u>

The notes on pages 11 to 92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

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

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

29-04-2014
Ernst & Young Audit OOD
EY Representative Registered auditor:

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

In thousands of BGN

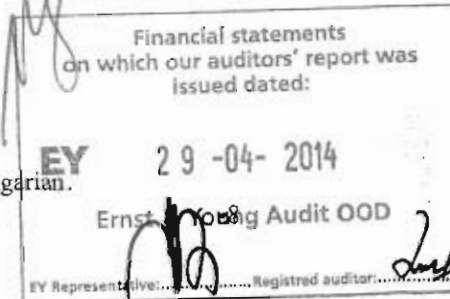
	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<i>Operating activities</i>			
Receipts from customers		103,007	82,471
Payments to suppliers		(61,748)	(38,488)
Personnel and social security payments		(22,013)	(23,458)
Income tax paid		(3,441)	(1,320)
Exchange rate differences		(171)	(204)
Other (payments) / proceeds		(502)	1,851
Cash flows from operating activities		<u>15,132</u>	<u>20,852</u>
<i>Investing activities</i>			
Proceeds from sale of property, plant and equipment		2,670	852
Purchase and construction of property, plant and equipment		(4,937)	(29,095)
Proceeds from repaid loans and interests		4,396	1,127
Loans granted		(224)	(5,164)
Purchase of operations with financial assets		-	(318)
Dividends received		-	1,103
Proceeds from sales of investments		-	15,239
Interests received from loans granted, deposits and current bank accounts		103	316
Other proceeds		22	415
Cash flows from / (used in) investing activities		<u>2,030</u>	<u>(15,525)</u>
<i>Financing activities</i>			
Proceeds from issuance of shares		34	-
Debenture loan received		30,000	-
Acquisition of treasury shares	27	(790)	-
Interest-bearing loans and borrowings received		2,872	32,701
Debenture loan repaid		(21,714)	-
Repayment of interest-bearing loans and borrowings		(23,551)	(31,980)
Dividends paid		(382)	(311)
Payments of interests, fees and commissions regarding loans		(7,167)	(7,497)
Other payments		(204)	(326)
Cash flows used in financing activities		<u>(20,902)</u>	<u>(7,413)</u>
Net decrease in cash and cash equivalents		(3,740)	(2,086)
Cash and cash equivalents at 1 January	26	8,989	11,075
Cash and cash equivalents at 31 December	26	<u>5,249</u>	<u>8,989</u>

The notes on pages 11 to 92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

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



INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

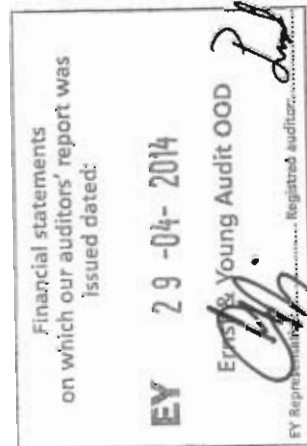
<i>In thousands of BGN</i>	Notes	Attributable to equity holders of the parent							Non-controlling interest	Total equity	
		Share capital	Share premium	Treasury shares	Additional reserves and legal reserves	Hedging reserve	Revaluation reserves	Retained earnings			Total
At 1 January 2013		67,978	30,604	-	4,806	(539)	53,291	66,762	222,902	16,094	238,996
Total comprehensive income for the year		-	-	-	-	-	-	17,276	17,276	(1,455)	15,821
Profit / (Loss) for the year		-	-	-	-	-	-	2,458	14,768	5,036	19,804
Other comprehensive income	27	-	-	-	-	246	12,064	-	-	-	-
Total comprehensive income for the year		-	-	-	-	246	12,064	19,734	32,044	3,581	35,625
Transactions with owners of the Group, recognized directly in equity											
Transfers between reserves		-	-	-	114	-	-	(114)	-	-	-
Distributed dividends		-	-	-	-	-	-	-	-	(382)	(382)
Capital contributions		-	-	-	-	-	-	-	-	34	34
Acquisition of own treasury shares		-	-	(771)	-	-	-	-	(771)	(19)	(790)
Total transactions with shareholders		-	-	(771)	114	-	-	(114)	(771)	(367)	(1,138)
Transfer of revaluation reserve on assets sold to retained earnings		-	-	-	-	-	(1,411)	1,411	-	-	-
At 31 December 2013		67,978	30,604	(771)	4,920	(293)	63,944	87,793	254,175	19,308	273,483



Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant

The notes on pages 11 to 92, form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.



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

INDUSTRIAL HOLDING BULGARIA AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

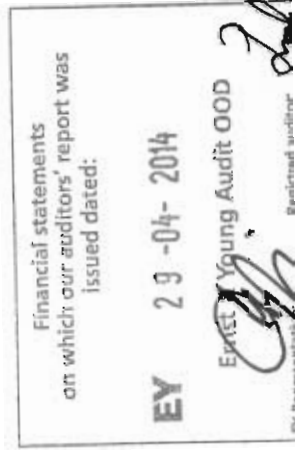
<i>In thousands of BGN</i>	Attributable to equity holders of the parent							Total equity	
	Share capital	Share premium	Additional reserves	Hedging reserve	Revaluation reserves	Retained earnings	Total		Non-controlling interest
At 1 January 2012	67,978	30,604	7,569	(685)	56,199	66,870	228,535	13,673	242,208
Total comprehensive income for the year	-	-	-	-	-	(5,811)	(5,811)	(7,030)	(12,841)
Loss for the year	-	-	-	-	-	(5,811)	(5,811)	(7,030)	(12,841)
Other comprehensive income	-	-	-	146	-	32	178	(2)	176
Total comprehensive income for the year	-	-	-	146	-	(5,779)	(5,633)	(7,032)	(12,665)
Transactions with owners of the Group, recognized directly in equity	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	(2,763)	-	-	2,763	-	-	-
Distributed dividends	-	-	-	-	-	-	-	(311)	(311)
Acquisition of subsidiary	-	-	-	-	-	-	-	9,764	9,764
Total transactions with shareholders	-	-	(2,763)	-	-	2,763	-	9,453	9,453
Transfer of revaluation reserve on assets sold to retained earnings	-	-	-	-	(2,908)	2,908	-	-	-
At 31 December 2012	67,978	30,604	4,806	(539)	53,291	66,762	222,902	16,094	238,996



The notes on pages 1176-92 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue with a resolution of the Management Board and Supervisory Board dated 25 April 2014.

Daneta Zheleva
Chief Executive Director

Toshka Vassileva
Chief accountant



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

INDUSTRIAL HOLDING BULGARIA AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. Corporate information

The consolidated financial statements of Industrial Holding Bulgaria AD and its subsidiaries (the Group) for the year ended 31 December 2013 were authorised for issue with a resolution of the Management and the Supervisory Board dated 25 April 2014.

Industrial Holding Bulgaria AD (the Company or IHB 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 67,978,543. It has two-tier management system comprising Supervisory and Management Boards.

As of 31 December 2013, Industrial Holding Bulgaria AD has 9 direct subsidiaries (2012: 8), 1 associate (2012: 1) and 17 sub-subsidiaries collectively referred to as "the Group". Further information is presented in Note 35.

The operations of the Group include production and trading of heavy machinery, shipbuilding, ship repair and transportation, ship management, operations with real estates, port services, support services to vessels and vehicles, maintenance and repair and other services.

The operation of any of the entities in the Group is not limited to a certain period or 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. Industrial Holding Bulgaria AD as well as some of its subsidiaries (IHB Electric AD (former Elprom Zem AD) and Mashstroy AD – in liquidation proceedings) are traded on the Bulgarian Stock Exchange, Sofia.

2.1. Basis of preparation

The consolidated financial statements have been prepared on historical cost basis except for land, buildings and certain specialized equipment presented at a revalued amount, less accumulated depreciation and impairment losses, investment properties that are reported at fair value and derivative financial instruments that are measured at fair value.

The consolidated 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 consolidated 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).

2.1. Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of Industrial Holding Bulgaria AD and its subsidiaries as at 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Industrial Holding Bulgaria AD obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

The profits and losses as well as each component of the other comprehensive income are allocated between the equity holders of the parent and the non-controlling interest in accordance with the respective effective equity interests. This allocation is performed even in case that at the reporting date the profits and losses attributable to the non-controlling interest result in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If Industrial Holding Bulgaria AD loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Industrial Holding Bulgaria AD also prepared and presented separate financial statements for the year ended 31 December 2013 in which the investments in subsidiaries and associates are presented at cost. The separate financial statements of Industrial Holding Bulgaria AD for the year ended 31.12.2013 were authorized for issue in accordance with a resolution of the Management and Supervisory Boards on 28 March 2014.

Going concern

The consolidated financial statements of the Group are prepared on the going concern basis.

2.2. Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 Financial Instruments: Recognition and Measurement either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets and liabilities assumed or the amount of consideration transferred or the amount of any non-controlling interest can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date and retrospectively from the acquisition date.

b) Investment in an associate

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes, when applicable, in the statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

2.2. Summary of significant accounting policies (continued)

b) Investment in an associate (continued)

The Group's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of losses of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c) Foreign currency transactions

These consolidated financial statements are presented in BGN, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates 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. All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the functional currency exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the functional currency exchange rates at the date when the fair value is determined. Differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation, financial instruments held for sale or effective cash flow hedges, which are recognized in the statement of comprehensive income.

ii) Group companies

The assets and liabilities of foreign operations are translated into BGN at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.2. Summary of significant accounting policies (continued)

d) Revenue recognition

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

Sales of finished goods, goods and materials

Revenue from sales of finished goods, goods and materials is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on transfer / delivery of the assets.

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.

Considering the relatively short periods for completion of ship repairs services, revenue from ship repairs is recognised when the ship is delivered back the ship-owner.

Revenue from voyage charters is recognised by reference to the stage of completion, measured based on passed voyage days as compared to total voyage days.

Revenue from port activities

Revenue from warehouse services is recognised on a straight line basis over the contract term. Revenue from loading and discharging services is recognised by reference to the stage of completion, measured based on actual work done as at the reporting date.

Construction contracts for shipbuilding

Revenue from shipbuilding is recognised based on the stages of completion method, whereby revenue is recognised according to the stage of the completed work under certain contract. Revenue is compared to cost incurred for the completion of a particular stage resulting in revenue recognition, costs and profit from this contract, based on the portion of the completed work. The recognised shipbuilding revenue for every completed stage represents a pro rata share of the expected contract revenue commensurate with the cost incurred for that particular stage as part of the expected total contract cost. Contracted revenue includes the initially contracted amount plus all alterations of the contracted work, claims, bonuses to the extent they can be reliably measured and they are likely to be realized.

When the outcome from certain shipbuilding contract cannot be reliably measured, revenue is recognized only to the extent of incurred costs are likely to be recoverable. Under the existing information systems and accounting processes of the Group the total amount of costs allocated to each ship construction contract can be sufficiently and reliably determined and accounted for when the construction of the ship is completed.

2.2. Summary of significant accounting policies (continued)

d) Revenue recognition (continued)

Rental income

Rental income is recognized in the income statement on a straight-line basis over the rental contract term. Received additional remunerations are recognized as inseparable part from the total rental income over the lease term. Rental income from subleased properties are recognized as other income.

Revenues from time charters of vessels are recognized in the income statement on a straight-line basis over the time charter contract term. Received additional remunerations are recognized as inseparable part from the total revenues from time charters over the charter term.

Interest income

Interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Dividend income

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

e) 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 Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement or 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.

2.2. Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax (continued)

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.

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.

2.2. Summary of significant accounting policies (continued)

f) Employee 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 income statement or included in the cost of an asset when service is rendered to entity within the Group and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 33.

The entities within the Group operate defined benefit plans 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. 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.

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 consolidated income statement within "Personnel expenses".

g) Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition

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 Group 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 Group 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 finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

2.2. Summary of significant accounting policies (continued)

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

Financial assets (continued)

Subsequent measurement (continued)

Investments available for sale

Available-for-sale financial investments include equity investments, which are classified as available for sale when are neither classified as held for trading nor designated at fair value through profit or loss.

The Group has available for sale financial investments – equity investments (Note 22). As these equity instruments are not quoted on an active market and respectively their fair value cannot be reliably measured, they are presented at cost.

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
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group’s continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment of financial assets

The Group assesses 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 Group 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 Group 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. Assets which are individually impaired are not included in the collective assessment for impairment.

2.2. Summary of significant accounting policies (continued)

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

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 finance income in the income statement. 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 Group. 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 consolidated income statement.

Investments available for sale and investments in associates

If there is objective evidence that an impairment loss has occurred in relation to unquoted financial instruments not carried at fair value, since the latter cannot be determined reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the amount that is expected to be recovered from this financial asset, if it can be determined reliably. Impairment test for investments in associates is performed in accordance with the requirements of IAS 36. Impairment losses are recognised in the consolidated income statement and cannot be reversed in future periods.

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 Group 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, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest bearing loans and borrowings and debenture loans.

2.2. Summary of significant accounting policies (continued)

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

Financial liabilities (continued)

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 income statement 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 income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Gains arising from derecognition of financial liabilities are recognized in the consolidated income statement, in other operating income.

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 income statement.

h) 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.

i) Fair value measurement

The Group measures financial instruments, such as derivatives, as well as non-financial assets such as investment properties and land, buildings and specialized equipment, at fair value at each reporting date. The Group does not report available for sale financial assets at fair value. Fair values of financial instruments measured at amortised cost are disclosed in Note 38.

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 Group.

2.2. Summary of significant accounting policies (continued)

i) Fair value measurement (continued)

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 Group 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 Group 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 Group's management determines the policies and procedures for both recurring fair value measurement, such as land, buildings and specialized equipment and investment properties, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as land, buildings and investment properties, 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.

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 Group'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 Group 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.

2.2. Summary of significant accounting policies (continued)

j) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, the Group uses and reports only cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in other operating expenses.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

2.2. Summary of significant accounting policies (continued)

j) Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group uses interest rate swap contracts as hedges of its exposure to volatility in interest rates in firm loan commitments. Refer to Note 33 for more details.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

k) 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.

l) Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised (i.e. approved by the shareholders) and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

m) 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 Group'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.

2.2. Summary of significant accounting policies (continued)

n) 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 market rate 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.

o) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

Additional disclosures are provided in Note 7. All other notes to the consolidated financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

p) Property, plant and equipment

Property, 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 property, plant and equipment are required to be replaced at intervals, the Group 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 the income statement as incurred.

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

2.2. Summary of significant accounting policies (continued)

p) Property, plant and equipment (continued)

After initial recognition, land, buildings and certain specialised equipment are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently (usually at 5 year interval) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. When their fair value is significantly changed at shorter time intervals revaluation shall be performed more frequently. The latest valuation is performed as at 31 December 2013 by independent appraisers.

Vehicles and other fixed assets, including the vessels and assets under construction are measured at cost, less accumulated depreciation and impairment losses.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Self-constructed assets

The cost of self-constructed assets includes the cost of materials and direct labour, any portion of production overheads, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

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

Buildings	7 – 50 years
Specialised equipment	5 – 50 years
Plant and equipment	4 – 50 years
Vehicles (incl. ships)	2 – 30 years
Ship repairs	2 – 5 years
Furniture and fittings	5 – 15 years

An item of property, 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 property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.2. Summary of significant accounting policies (continued)

q) Investment properties

Investment properties are measured initially at cost, including transaction costs. Such cost includes the cost of replacing part of the investment property if the recognition criteria are met. The cost for maintenance of investment property will be excluded from the cost.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

r) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

s) 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.

2.2. Summary of significant accounting policies (continued)

t) 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 any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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 is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful life of the asset as follows:

Patents and licenses	2 – 20 years
Software	2 – 10 years
Improvements to leased assets	14.7 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

u) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Materials	- purchase cost on a weighted average cost basis.
Finished goods: and work in progress	- Cost of direct materials and labour and a proportion of manufacturing overheads based on on the allocation of labour cost and produced quantity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

v) Impairment of non-financial assets

The Group assesses 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 Group 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.

2.2. Summary of significant accounting policies (continued)

v) Impairment of non-financial assets (continued)

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 to 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 the income statement as other expenses, or as a separate line item, when significant except for assets previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made by the Group 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 Group 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 income statement for the period, unless the asset is carried at revalued amount in which case the reversal is treated as revaluation reserve.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

w) 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)

x) Provisions

General

Provisions are recognised when the Group 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 Group 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 income statement, 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.

Warranty provision

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

y) 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.

z) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.3. Changes in accounting policy and disclosures

Changes in accounting policy

The Group re-assessed its accounting policy regarding the measurement of investment properties after initial recognition. The Group has previously measured its investment properties after initial recognition at cost less accumulated depreciation and accumulated impairment losses. On 1 January 2013, the Group elected to change its accounting policy for subsequent measurement of investment properties, and applied the fair model for measurement after recognition under IAS 40, since the Group believes that this policy is more consistent with the adopted revaluation model for land and buildings in accordance with IAS 16 and that it provides reliable and more relevant information about investment properties. The fair value of the investment properties is determined by an independent licensed appraiser.

IAS 8 *Accounting policies, changes in accounting estimates and errors* require retrospective application for changes in accounting policies, i.e. restatement of opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures.

The Group has estimated that the effect of the retrospective application will be immaterial to its financial position as of 1 January 2012 and 31 December 2012 as well as to its financial performance for the year ended 31 December 2012. As a result, the Group has referred to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, para 8 which provides a relief from the retrospective application of accounting policies when the effect is deemed immaterial and has applied the change in this accounting policy effectively as from 1 January 2013.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations adopted as of 1 January 2013:

- IAS 1 *Presentation of Financial Statements (Amendment) - Presentation of Items of Other Comprehensive Income*
- IAS 19 *Employee Benefits (Revised)*
- IFRS 1 *Government Loans – Amendments to IFRS 1*
- IFRS 7 *Financial Instruments: Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities*
- IFRS 13 *Fair Value Measurement*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Improvements to IFRS – 2009 – 2011 Cycle.

When adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IAS 1 *Presentation of Financial Statements (Amendment) - Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 require grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time are presented separately from items that will not be reclassified by introducing two sub-headings "Other comprehensive income to be reclassified to profit or loss in subsequent periods" and "Other comprehensive income not to be reclassified to profit or loss in subsequent periods" in the statement of other comprehensive income. This amendment affects presentation only and has no other impact on the Group's financial position or performance.

2.3. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IAS 1 Clarification of the requirement for comparative information (Amendment as part of Improvements to IFRS – 2009 – 2011 Cycle)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised)

The key changes of IAS 19 (Revised) that have impacted the Group include the following:

- 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. Previously, the Group recognized actuarial gains and losses in the profit or loss immediately.
- All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period.

IAS 19 (Revised) also introduces more extensive disclosures. These have been provided in Note 32.

Transitional provisions of IAS 19 (Revised) require retrospective application, i.e. restatement of opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures. The Group has estimated that the effect of the retrospective application will be immaterial to its financial position as of 1 January 2012 and 31 December 2012 as well as to its financial performance for the year ended 31 December 2012. As a result, the Group has referred to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, para 8 which provides a relief from the retrospective application of accounting policies when the effect is deemed immaterial and has applied IAS 19 changes effectively as from 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 37.

Other new and amended standards and interpretations

The following amendments to standards do not have any effect on the Group's financial position and /or performance:

- IFRS 1 *Government Loans – Amendments to IFRS 1*
- IFRS 7 *Financial Instruments: Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Improvements to IFRS – 2009 – 2011 Cycle (other than IAS 1 Clarification to the requirement for comparative information (Amendment) described above).

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2.3. Changes in accounting policy and disclosures (continued)

Reclassifications

Certain reclassifications of the comparative information included in the consolidated statement of cash flows were made in order to maintain consistency with the current year presentation:

- In the consolidated statement of cash flows lines items “Receipts from customers” and “Payments to suppliers” as of 31 December 2012 are decreased by BGN 7,723 thousand in order for cash inflows and outflows to entity within the Group to be presented on a net basis, in relation to transactions from the type “Commission export”.

3. Significant accounting judgments, estimates, and assumptions

The preparation of the Group’s consolidated 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 Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Irrevocable operating lease commitments – the Group as a lessee

The Group concluded lease contracts for properties and equipment. Management believes that since the Group does not assume all significant risks and awards of ownership over these assets they should be treated as operating leases.

Discontinued operations

In 2012 the management of the Group took a decision to sell the entire asset base of Mashstroy AD – in liquidation. The liquidation of the Company will be finalized in 2014 following the shareholders’ decision in March 2013. Therefore, the management classified Mashstroy AD – in liquidation as a disposal group held for sale as of 31 December 2013 and 2012. It considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- Most of the assets of Mashstroy AD – in liquidation were sold during 2012 and 2013. The remaining assets are available for immediate sale and can be sold to a potential buyer in its current condition.
- Management expects sale of assets negotiations to be finalized and liquidation completed within 2014.

For more details on the discontinued operations, please refer to Note 7.

Revenues from external inspections performed by foreign agents and inspectors - the Group as a principal

Based on agreements with foreign agents and inspectors, part of the surveys of ships is carried out by foreign agents and inspectors. The Group issues an invoice to the customer – the shipowner and receives an invoice for the service rendered by the foreign agent / inspector. The Group has analyzed these arrangements according to specific criteria to determine whether it is acting as principal or as agent. The Group has concluded that it acts as a principal in both transactions because:

- The Group is responsible to the client for performing the service and the classification given to the ship bears the name of the subsidiary of the Group;
- The Group determines the prices of the surveys/examinations provided;
- The Group bears the credit risk of uncollectible receivables from the customers – shipowners.

3. Significant accounting judgments, estimates, and assumptions (continued)

Judgments (continued)

Time charter agreements related to vessels - the Group as a lessor

The Group contracts agreements for time charters of its own vessels. On the grounds of the contracted agreements, the Group provides the vessels to third parties (charterers) for a definite period of time, as all voyage (variable) expenditures related to the operating of the vessels, are covered by the charterers. The operating (fixed) expenditures are incurred by the Group.

The Group has analyzed the above mentioned agreements according specific criteria and has concluded that they contain lease agreements. Management considers that, as all substantial risks and benefits, originating from the ownership over the vessels, are not assumed by the charterers, these time charter agreements are treated as operating leases by the Group.

Deferred tax liability on subsidiaries and associates accounted for using the equity method

In accordance with the requirements of paragraph 39 and paragraph 44 of IAS 12 the Group performed an analysis of the temporary differences arising from investments in subsidiaries and associates as of 31 December 2013. Based on a judgment on the probability for the realization of these temporary differences and the expected tax results, there is no need to recognize deferred tax assets or liabilities on these differences as at the reporting date.

Impairment testing of part of the goodwill in subsidiaries

Considering how the Group manages and reports its business activities, the management has identified impairment indicators for one of its cash generating units (CGU). The recoverable amount of the CGU has been determined using value in use calculation based on cash flow projections reflecting the specifics of the business sector, in which the CGU is operating and the management's latest estimates on the expected performance over the respective period. Further details are provided in Note 19.

Impairment testing of vessels

For the purposes of the vessels' impairment testing, the management has identified several impairment indicators. The recoverable amount of the assets has been determined using value in use calculation based on cash flow projections reflecting the specifics of the business sector, in which these entities are operating and the management's latest estimates on the expected performance over the respective period. Further details are provided in Note 18.

Recognition of ships

Until the end of 2012 the subsidiary Bulyard Shipbuilding Industry EAD was involved in building ships according to construction contracts. If the ship constructed was used in segment "maritime transportation" by the Group (due to cancellation of shipbuilding contracts or other circumstances), it was transferred from inventories (work-in-progress) to property, plant and equipment. The accounting policy of the Group was to recognize the ship as non-current tangible asset at the contracted purchase price plus other directly attributable costs (net realizable value), if it is lower than the total amount of the actual incurred expenses related to the ship construction. As under the then applicable information systems and accounting processes of the subsidiary, the total amount of these expenses could be reliably measured only after the completion of the ship, impairment loss was recognised in the period of completion, if such was necessary.

3. Significant accounting judgments, estimates, and assumptions (continued)

Judgments (continued)

Functional currency of subsidiaries

In preparing the current consolidated financial statements, the Group management analysed the transactions generated and reported by the subsidiaries in segment “maritime transportation”, registered on the Marshall islands. The main part of revenues, expenses and financing of these entities are denominated in USD. The Group analyzed the underlying transactions, events and conditions relevant to the subsidiaries in this segment and judged that their functional currency should be USD. As a result of this analysis, effectively from 1 January 2013 the exchange differences arising on translation of assets, liabilities and income statements of these foreign operations for consolidation are recognized in other comprehensive income. The Group has previously recognized exchange differences arising on this translation in the consolidated income statement. This change in the functional currency of the entities registered on the Marshall islands is applied and accounted for prospectively in line with the requirements of IAS 21, para. 35.

Others

Considering how the process for working capital and long-term financing of the Group is managed and reported, the management considers that the utilized part at the amount of BGN 3,000 thousand for working capital under a contract with a commercial bank for granting a credit limit for issuing bank guarantees, letters of credit and working capital financing of the Holding and/ or entities from the Group should be presented as long-term liability. This judgment was made based on the historical experience with the contract dated 2006, the contract’s conditions for annual extension of the working capital line after the borrower’s written request, management’s intention and discretion to roll over the obligation for at least twelve months after the reporting period under the existing loan facility, as well as lack of grounds for early demand of the working capital financing from the bank – lender.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Warranty Provisions

The Group recognizes provision for its obligation to provide warranties to the constructed by it ships and for its obligation to ensure satisfactory performance of finished products sold and repair services rendered. The determining of these warranty provisions requires management to assess the potential cost of the warranties on the basis of technical evaluation and historical data for such warranties. As at 31 December 2013 the best estimate of the required warranty provision amounts to BGN 226 thousand (2012: BGN 508 thousand). Additional information is disclosed in Note 31.

3. Significant accounting judgments, estimates, and assumptions (continued)

Estimates and assumptions (continued)

Retirement benefits

Obligation for retirement benefits is determined by actuarial valuation. This assessment requires making assumptions about the discount rate, future salary increases, staff turnover and mortality. Due to the long-term nature of the income of retirement, these assumptions are subject to significant uncertainty. As of December 31, 2013, the Group's liability for retirement benefits is equal to BGN 367 thousand (2012: BGN 172 thousand). Additional information about the retirement benefits is provided in Note 32. The Group expects to settle all paid annual leaves of current employees wholly within twelve months after the end of the reporting period.

Useful lives of property plant and equipment, and intangible assets

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and the residual values for property, plant and equipment and intangible assets. The determination of the useful lives of the assets is based on management's judgment. Further information on the useful lives of property, plant and equipment is provided in Note 2.2 p) and of the intangibles – Note 2.2 t) above.

Impairment of receivables

Management reduces the outstanding balance with customers to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of impairment for doubtful debt, the Group's management bases its estimates on the aging of accounts receivable balances and on the business rules for engagement with late-paying customers and the disconnection of customers for non-payment. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2013 the management's best estimate of the required impairment for trade and other receivables amounts to BGN 500 thousand (2012: BGN 314 thousand). Additional information is provided in Notes 23 and 25.

Impairment of raw materials, work in progress and finished goods

The Group recognizes impairment of raw materials, work in progress and finished goods to their net realizable value. The determination of impairment requires management to assess the turnover of unfinished and finished goods and their eventual realization through sale. As of December 31, 2013 the best estimate of the required impairment of raw materials, work in progress and finished goods amounts to BGN 1,151 thousand (2012: BGN 1,155 thousand). Additional information is provided in Note 24a.

Deferred taxes on accumulated carried forward tax losses and interest expenses carried forward under thin capitalization regulation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. As at 31 December 2013 the Group has tax loss carry forwards amounting to BGN 78,148 thousand (2012: BGN 79,299 thousand) and interest expense carry forwards under thin capitalisation regulation of BGN 13,923 thousand for which a deferred tax asset of BGN 1,799 thousand and nil were recognised respectively (2012: BGN 1,941 thousand and nil). Further details on deferred taxes are disclosed in Note 17.

Revaluation of land, buildings and equipment and investment properties

The Group carries land, buildings and certain specialized equipment at revalued amount, as the changes in the fair value are recognized in the statement of comprehensive income. In addition, it measures its investment properties at fair value, with changes in fair value being recognized in the income statement. The Group engaged an independent valuation specialist to assess fair values with effective date 30 November 2013. The appraiser confirmed that the valuations are valid as at 31 December 2013 as well. Detailed information about the fair values and the applied valuation techniques is provided in Notes 18 and 21.

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 Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group plans to analyse the applicability and to assess the impact of these standards on its financial position or performance, as well as on the disclosures in future financial statements. The Group intends to adopt those standards when they become effective.

- IAS 19 *Defined Benefit Plans: Employee Contributions – Amendment to IAS 19* (effective after 1 January 2014)
- IAS 27 *Separate Financial Statements (Revised)* (effective after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures (Revised)* (effective after 1 January 2014)
- IAS 32 *Financial Instruments (Amendment): Presentation - Offsetting Financial assets and Financial Liabilities* (effective after 1 January 2014)
- IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets* (effective after 1 January 2014)
- IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39* (effective after 1 January 2014)
- IFRS 9 *Financial Instruments: Classification and Measurement* (effective after 1 January 2015)
- IFRS 10 *Consolidated Financial Statements* (effective after 1 January 2014)
- IFRS 11 *Joint Arrangements* (effective after 1 January 2014)
- IFRS 12 *Disclosure of Interests in Other Entities* (effective after 1 January 2014)
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (effective after 1 January 2014)
- IFRIC Interpretation 21 *Levies (IFRIC 21)* (effective after 1 January 2014)
- Annual improvements to IFRSs 2010-2012 Cycle (effective after 1 January 2015)
- Annual improvements to IFRSs 2011-2013 Cycle (effective after 1 January 2015)
- Transition Guidance (*Amendments to IFRS 10, IFRS 11 and IFRS 12*) (effective after 1 January 2014)
- IFRS 14 *Regulatory Deferral Accounts* (effective after 1 January 2016)

5. Segment reporting

Operating segment information is presented in respect of the Group's business sectors, based on the Group's organizational management internal reporting structure.

The Group has the following reportable operating segments (business sectors):

- *Maritime transportation*: ship management, commercial maritime transportation, the related production, technical, logistic and intermediary activities, ship brokerage and ship agency activities.
- *Port activity*: rendering of port services and accompanying activities from and to ships and land transportation, unloading and uploading of containers, warehouse activity, docker, freight and cargo services, transportation and shipment, utility services, waste management, rent of elevating machines and other.
- *Machine building*: Production and sale of metal-cutting machines; production, repairs and sale of electrical machines; and metalworking.
- *Shipbuilding and ship repair*: Production and repair of ships, finishing works, reconstruction of all kinds vessels and related services.
- *Other operations*: Consultation services, furniture production, real estate transactions, certification and classification, attestation and technical supervision on ships, river cruises, ship exploitation, hotel and restaurant management, sale of goods, tour operations domestically and abroad and other activities not forbidden by law.

All of the segments are located and operate in the geographical area of Bulgaria, except for the shipowning companies registered on the Marshall Islands (operating segment "maritime transport").

During 2012 the Group has disposed of its businesses related to river cruises, hotel and restaurant management and tour operations and furniture production (operating segment "other operations").

In 2012 the construction of ship 102 is finalized. Following the lack of signed contracts for the construction of new ships, the Group management has started restructuring of the activities of Bulyard Shipbuilding Industry EAD since the beginning of 2013. In the reported results from operations for 2012 in segment "Shipbuilding and ship repair" (inter-segment revenue), revenue of BGN 46,356 thousand and loss of BGN 11,926 thousand from the construction of ship 102 were included. Based on the fact that in 2013 there were no shipbuilding activities and no relevant results were reported, the amounts presented in the consolidated financial statements for 2013 and 2012 and applicable for this segment are not entirely comparable.

Thus, the main activities were reallocated from shipbuilding to ship repairs, conversion and production of metal constructions for shipbuilding needs, the construction and energy industry.

Transfer prices between operating segments are determined on a contractual basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise goodwill, non-controlling interests and related expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one reporting period.

Certain financial assets and liabilities are not allocated to those segments as they are managed at group basis.

5. Segment reporting (continued)

The revenues can be analyzed by markets as follows:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
In Bulgaria	16,932	8,189
Outside of Bulgaria	80,927	78,900
	<u>97,859</u>	<u>87,089</u>

The revenue information above is presented on the locations of the customers.

Non-current assets

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
In Bulgaria	180,869	159,758
Outside of Bulgaria	205,369	218,158
	<u>386,238</u>	<u>377,916</u>

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets.

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5. Segment reporting (continued)
Business segments (continued)

In thousands of BGN

	Maritime transportation		Shipbuilding and ship repair		Port activity		Machine building		Other operations		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total revenue from external customers and other income	51,733	38,822	9,336	6,393	6,988	5,462	35,969	37,153	19,378	1,615	-	-	123,404	89,445
Inter-segment revenue	73	313	251	46,567	5	-	17	1	41	66	(387)	(46,947)	-	-
Total revenue	51,806	39,135	9,587	52,960	6,993	5,462	35,986	37,154	19,419	1,681	(387)	(46,947)	123,404	89,445
Interest expense	(3,595)	(4,083)	(1,081)	(542)	(88)	(74)	(66)	(79)	(2,140)	(1,984)	-	-	(6,970)	(6,762)
Interest income	2	77	6	3	-	21	8	23	148	251	-	-	164	375
Depreciation and amortisation expense	(7,551)	(5,799)	(2,765)	(1,787)	(1,222)	(1,090)	(1,502)	(1,586)	(162)	(120)	-	-	(13,202)	(10,382)
Impairment of ships	(5,469)	-	-	-	-	-	-	-	-	-	-	-	(5,469)	-
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	(2,164)	-
Profit / (Loss) from operations	2,266	3,607	(135)	(13,761)	1,337	1,379	5,363	5,015	16,655	(804)	-	-	23,322	(4,564)

Net finance costs															(4,087)	(1,081)
Share of profit of an associate															72	56
Income tax (expense)/ income	(247)	(181)	(105)	230	(165)	(153)	(596)	(457)	(1,850)	(200)	-	-	(2,963)	(761)		
Loss from discontinued operations															(523)	(6,491)
Net profit / (loss) for the year															15,821	(12,841)

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5. Segment reporting (continued)
Business segments (continued)

In thousands of BGN

	Maritime transportation		Shipbuilding and ship repair		Port activity		Machine building		Other operations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Operating segment assets	212,229	226,655	100,171	94,135	50,119	41,540	53,189	51,283	3,439	11,243	419,147	424,856
Investments in associates	-	-	-	-	-	-	-	-	1,893	1,821	1,893	1,821
Goodwill	-	-	-	-	-	-	-	-	-	-	4,048	6,212
Total assets	212,229	226,655	100,171	94,135	50,119	41,540	53,189	51,283	5,332	13,064	425,088	432,889
Operating segment liabilities	3,340	4,434	6,911	11,973	1,801	1,110	6,046	7,166	349	18,766	18,447	43,449
Interest-bearing loans and borrowings	74,802	87,123	15,760	21,224	1,379	940	2,381	1,049	-	-	94,322	110,336
Debtenture loan	-	-	-	-	-	-	-	-	30,313	21,946	30,313	21,946
Payables to related parties	5,810	12,484	-	-	-	-	-	-	1,841	4,336	7,651	16,820
Tax liabilities	73	13	2	-	159	39	285	302	353	988	872	1,342
Total liabilities	84,025	104,054	22,673	33,197	3,339	2,089	8,712	8,517	32,856	46,036	151,605	193,893
Capital expenditure	249	46,889	2,112	184	3,423	20,730	3,074	1,056	85	442	8,943	69,301

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6. Business combinations

In September 2013 the entity Agro Pari AD was established with a capital of 10,000 ordinary voting shares with a nominal amount of BGN 10 each. The entity provides consultancy services in relation to real estate management as well as all other activities permitted by law.

Industrial Holding Bulgaria AD subscribed 6,600 shares giving right of ownership of 66% of the capital of Agro Pari AD. The Company was registered in the Registry Agency in October 2013.

This establishment of entity by the Group does not represent business combination under IFRS 3.

Acquisition of subsidiaries in 2012

During 2012 the Group acquired 51% of the shares of Bulport Logistika AD through its subsidiaries KLVK AD and International Industrial Holding Bulgaria AG. The deal was realized through exchange of debt against ownership. Bulport Logistika AD's main activities include repair and storage of small vessels, as well as rent of warehouses. The acquisition represents business combination and IFRS 3 has been applied to account for it.

The Group has elected to measure the non-controlling interest in the acquiree at fair value.

Details on the acquisition and the completed acquisition accounting of the company are provided below.

Acquired subsidiary	Country	Effective date for accounting purposes
Bulport Logistika AD	Bulgaria	31 October 2012

Details of the fair values of the identifiable net assets acquired at the dates of acquisition, goodwill arising on the acquisition and total consideration are presented below:

<i>In thousands of BGN</i>	Fair value recognised on acquisition in 2012
Property, plant and equipment (Note 18)	19,884
Trade and other receivables	213
Deferred tax asset (Note 17)	221
	<u>20,318</u>
Trade and other payables	(392)
	<u>(392)</u>
Net assets	19,926
Non-controlling interest (49% of the value of net assets)	(9,764)
Acquired net assets	10,162
Gain on bargain purchases (Note 16)	(2,619)
Total consideration	<u>7,543</u>

The total consideration represents the agreed share purchase price for 51% of shares of Bulport Logistika.

6. Business combinations (continued)

The gain on bargain purchase arise from the way the acquisition of Bulport Logistika was structured – exchange of debt for shares i.e. there is no cash outflow for the Group, as the total consideration represents settlement of existing receivables.

7. Discontinued operations

Following its strategy to focus on the business segments of machine-building, maritime transport and port activities, in April 2012 Industrial Holding Bulgaria AD sold its investment in its subsidiary Avgusta Mebel AD, a furniture producing company, and in May 2012 – the investments in the river cruises segment represented by the associates Dunav Tours AD and Istrum Travel.

Since 2009, due to a decrease in the demand for goods produced by Mashstroy AD – in liquidation, the company moved to a regime of maintenance of the technical capacity with limited production of components maintaining minimal staff and production facilities. In 2012 and 2013, Mashstroy sold its property (land and buildings), as well as its manufacturing equipment and the available materials, work in progress and finished goods. On 22 March 2013 the Board of Directors of Mashstroy AD – in liquidation voted and accepted a decision to cease operations and to announce the entity in liquidation proceedings. On 18 April 2013 in the Registry Agency under the Trade register termination of the activities of Mashstroy AD – in liquidation is formally announced and liquidation proceedings are initiated. Management expects that the liquidation process will be finalized in the first half of 2014.

On 18 February 2014 the General Shareholder Meeting of Agro Pari AD voted to discontinue the company's operations and to start a process of liquidation.

Following the above, the stand alone financial statements of Mashstroy AD – in liquidation and Agro Pari AD for 2013 and 2012 are not prepared under the going concern assumption. Instead, they are prepared on the assumption for liquidation in the short term. Accordingly, all assets and liabilities are measured at their estimated net realizable value and were classified as held for sale in the accompanying consolidated financial statements. The results from operating activities after tax for 2013 and 2012 are presented as loss from discontinued operations.

On 1 December 2013 at the General meeting of the Board of Directors of the subsidiary ZMM Nova Zagora AD a decision was voted for the sale of land and buildings located in the town of Nova Zagora with carrying amount of BGN 1,168 thousand. As a result, these properties were reclassified as non-current assets held for sale as of 31 December 2013. On 1 December 2013 commissioning contract with a broker – intermediary was signed, in order for the land and buildings to be actively marketed and a buyer to be located on the real estate market.

These assets were measured at their carrying value, which is the lower of the carrying amount and the fair value less costs to sell.

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7. Discontinued operations (continued)

<i>In thousands of BGN</i>	2013	2012
Revenue	20	4,589
Expenses	(540)	(9,260)
Operating result	(520)	(4,671)
Finance cost	(3)	(45)
Income tax benefit	-	155
Operating result after taxes	(523)	(4,561)
Loss from sale of discontinued operation	-	(898)
Income tax expense on the sale of discontinued operation	-	(67)
Profit from sale of associated companies	-	176
Income tax expense on the sale of associates	-	(1,141)
Result reported from transactions related to loss of control and significant influence	-	(1,930)
Loss for the year from discontinued operations	(523)	(6,491)

The major classes of assets and liabilities, classified as held for sale, are as follows:

<i>In thousands of BGN</i>	2013	2012
Property, plant and equipment	1,377	434
Trade and other receivables	10	40
Cash and cash equivalents	39	495
Assets classified as held for sale	1,426	969
Trade and other liabilities	(40)	(587)
Liabilities directly associated with assets classified as held for sale	(40)	(587)
Net assets directly associated with disposal group	1,386	382

Earnings per share (in BGN):

	2013	2012
Basic, loss for the year from discontinued operations attributable to ordinary equity holders of the parent (Note 28)	(0.0061)	(0.0821)
Diluted, loss for the year from discontinued operations attributable to ordinary equity holders of the parent (Note 28)	(0.0045)	(0.0708)

The net cash flows from discontinued operations are as follows:

<i>In thousands of BGN</i>	2013	2012
Cash flows (used in) / from operating activities	(776)	3,883
Cash flows used in investing activities	(40)	(2,380)
Cash flows from / (used in) financing activities	34	(1,063)
Net (decrease) / increase in cash and cash equivalents	(782)	440

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8. Revenue

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Sale of services	54,588	42,862
<i>Including chartering services revenue</i>	<i>51,471</i>	<i>38,411</i>
Sale of production	32,103	33,041
Port activity	6,327	5,134
Ship repair	3,861	3,508
Sale of goods and materials	980	1,577
Shipbuilding	-	967
	<u>97,859</u>	<u>87,089</u>

9. Other operating revenue

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Gain on fair valuation on investment properties (Note 21)	3,251	-
Revenue from rent	1,225	803
Gain on disposal of property, plant and equipment (Note 9b)	888	573
Surpluses from stock counts in subsidiary	839	-
Income from insurance claims	380	-
Revenue from grants (Note 30)	69	75
Reversal of written-off inventories (Note 24a)	49	240
Other revenue	584	665
	<u>7,285</u>	<u>2,356</u>

9a. Gain from derecognition of financial liability on shareholders' rights sold

The liabilities on rights sold to shareholders resulted from the increase in share capital in 2007. 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 sale in January 2008 and began to pay amounts to the holders of unexercised rights on 4 February 2008. In February 2013 the Group discontinued the payments of money from the sale of unexercised rights in connection with the capital increase in 2007 due to expiration of the period of the obligation to pay the amounts on 4 February 2013. These obligations are derecognised in the income statement in the current period.

9b. Gain on disposal of property, plant and equipment

<i>In thousands of BGN</i>	Note	<u>2013</u>	<u>2012</u>
Revenue from sale of non-current assets		2,667	883
Carrying amount of assets sold		<u>(1,779)</u>	<u>(310)</u>
	9	<u>888</u>	<u>573</u>

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10. Change in work-in-progress and finished goods

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
ZMM Nova Zagora AD	247	445
ZMM Sliven AD	219	(419)
Leyarmash AD	182	189
IHB Electric AD (former Elprom ZEM AD)	(57)	81
Bulyard Shipbuilding Industry EAD	(111)	(22,348)
	<u>480</u>	<u>(22,052)</u>

11. Own work capitalized

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Bulyard Shipbuilding Industry EAD	2,666	(38)
Leyarmash AD	69	-
IHB Electric AD (former Elprom ZEM AD)	34	70
KPZ Port-Bourgas AD	-	3
Diamond Sky ship	-	46,377
Marciana ship	-	314
	<u>2,769</u>	<u>46,726</u>

During 2012 the construction of Diamond Sky ship was finalized and it was capitalized as a fixed asset by an entity within the Group. No new ships were constructed or acquired in 2013.

12. Expenses for materials

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Supplementary materials	(15,671)	(14,701)
Raw materials	(13,343)	(39,595)
Electricity	(2,001)	(2,598)
Spare parts	(1,498)	(1,006)
Others	(513)	(599)
	<u>(33,026)</u>	<u>(58,499)</u>

The decrease in expenses on raw materials was mainly triggered by the fact that in 2013 there were no shipbuilding activities, which generally require the extensive use of raw materials – mainly metals.

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13. Expenses for hired services

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Services from subcontractors	(13,196)	(13,413)
Repairs	(1,820)	(1,252)
Insurance	(1,434)	(1,412)
Rents	(1,000)	(1,051)
Security	(762)	(776)
Communications	(418)	(379)
Advertising	(148)	(107)
Naval fee registration and technical documentation	(79)	(169)
Others	(2,256)	(2,635)
	<u>(21,113)</u>	<u>(21,194)</u>

14. Personnel expenses

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Wages and salaries	(18,020)	(18,721)
Social security contributions	(2,313)	(2,618)
Management contracts	(1,373)	(1,411)
Social and health security contributions on management contracts	(75)	(62)
Accruals for unused paid leave	(79)	(105)
Retirement benefit costs (Note 32)	(39)	(23)
Other personnel expenses	(723)	(748)
	<u>(22,622)</u>	<u>(23,688)</u>

The average number of employees for the Group in 2013 is 1,292 employees (2012: 1,436 employees).

15. Other operating expenses

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Impairment (Note 15a)	(9,939)	(1,276)
Business trip expenses	(464)	(284)
Cost of assets sold	(266)	(423)
Expenses for liquidation of non-current assets	(222)	(50)
Fines, penalties and interests	(32)	(19)
Legal obligations and warranties	(8)	(58)
Other expenses	(2,437)	(2,810)
	<u>(13,368)</u>	<u>(4,920)</u>

15. Other expenses (continued)

15a. Impairment losses

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Impairment of ships (Note 18)	(5,469)	-
Impairment of goodwill (Note 19)	(2,164)	-
Impairment of land, buildings and specialized equipment (Note 18)	(1,054)	-
Impairment of inventory (Note 24a)	(920)	(1,054)
Impairment of receivables (Note 25)	(332)	(222)
	<u>(9,939)</u>	<u>(1,276)</u>

As of 31 December 2013 the Group management performed an analysis and determined that indicators for impairment of the reported assets – ships exist. As a result, the Group recognized impairment of fixed tangible assets – ships at the amount of BGN 5,469 thousand. Detailed information about the performed impairment test is provided in Note 18.

As of 31 December 2013 the Group management performed impairment test of the reported goodwill. As a result, the Group recognized impairment of goodwill at the amount of BGN 2,164 thousand. Detailed information about the performed impairment test is provided in Note 19.

The recognized impairment of land, buildings and specialized equipment results from the revaluation performed at entities within the Group. Detailed information about the revaluation and the applied valuation methods is provided in Note 18.

In 2013 loss from impairment of raw materials at the amount of BGN 920 thousand (2012: 1,054 thousand), as the amount of BGN 891 thousand (2012: BGN 983 thousand) is attributable to raw materials related to shipbuilding. Management intentions is to either use them in shiprepair activities or realize them through sales to third parties. As a result, impairment loss is recorded, which reflects the possible differences between the carrying amount of the available raw materials and their recoverable amount.

16. Finance income and finance expenses

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Finance income		
Foreign exchange gains (net)	3,329	3,302
Interest income	164	375
Gain from bargain purchase (Note 6)	-	2,619
Other financial income	-	3
	<u>3,493</u>	<u>6,299</u>

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Finance costs		
Interest expenses	(6,970)	(6,762)
Net loss from operations with investments	-	(14)
Other financial expenses	(610)	(604)
	<u>(7,580)</u>	<u>(7,380)</u>

16. Finance income and finance expenses (continued)

The interest expenses in 2013 are mainly related to received interest-bearing loans from banks and non-financial institutions amounting to BGN 4,773 thousand (2012: BGN 4,678 thousand), debenture loan issued by Industrial Holding Bulgaria AD for the period 1 January – 31 December 2013 at the amount of BGN 1,933 thousand (2012: BGN 1,800 thousand) and interest rate swap at the amount of BGN 264 thousand (2012: BGN 284 thousand).

During 2012 as a result of acquisition of 51% of the shares in Bulport Logistika AD, gain from bargain purchase at the amount of BGN 2,619 thousand was reported. Additional information is provided in Note 6.

The recognized exchange rate differences during 2013 are mainly due to (1) a bank loan, maturing in 2018, denominated in Japanese yen used by Bulyard Shipbuilding Industry EAD; (2) bank loans at the amount of USD 20 million received by Privat Engineering AD with maturity in August 2018. During 2012 the finance income includes apart from the exchange rate differences described in (1) and (2) the exchange rate differences arising on (3) investment loan at the amount of USD 11 million, received by the subsidiary Tirista Ltd.; (4) syndicated bank loan of USD 37,300 thousand received by the subsidiary Serdika Ltd. In 2013 the revaluations from (3) and (4) are reported in the consolidated statement of comprehensive income, as described in Note 3 Significant accounting judgments, estimates and assumptions. In previous periods, these differences were recognized in the consolidated income statement.

17. Income tax

Major components of income tax (expense) / income for the years ended 31 December 2013 and 2012 are:

Consolidated income statement	<u>2013</u>	<u>2012</u>
<i>In thousands of BGN</i>		
Current income tax charge	(2,883)	(966)
Deferred tax relating to origination and reversal of temporary differences	(80)	205
Income tax expense reported in the consolidated income statement	<u>(2,963)</u>	<u>(761)</u>
<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Consolidated statement of comprehensive income		
Fair valuation of cash flow hedge	(27)	(16)
Revaluation of land, buildings and specialized equipment	(1,903)	-
Actuarial losses	29	-
Deferred tax reported in the consolidated statement of comprehensive income	<u>(1,901)</u>	<u>(16)</u>
<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Income tax reported in the consolidated statement of changes in equity		
Deferred tax related to revaluation reserve of sold assets	140	-
Current income tax related to revaluation reserve of sold assets	(140)	-
Income tax reported directly in equity	<u>-</u>	<u>-</u>

The nominal statutory effective tax rates for Bulgaria and Switzerland were respectively 10% and 8.5% for 2013 (2012: 10% and 8.5%). For 2014 they remain unchanged. Group's entities registered on Marshall islands are not subject to taxes.

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17. Income tax expense (continued)

A reconciliation of income tax applicable to profit / (loss) before tax at the domestic income tax rate for the years ended 31 December 2013 and 2012 is as follows:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Accounting profit / (loss) before tax from continuing operations	19,307	(5,589)
Loss before tax from discontinued operations	(523)	(5,438)
Profit / (Loss) before tax	<u>18,784</u>	<u>(11,027)</u>
Income tax (expense) / benefit at domestic tax rate of 10% (2012: 10%)	(1,878)	1,103
Impairment of goodwill, for which no deferred tax asset was recognized	(216)	-
Unused tax losses and other temporary differences for which no deferred tax asset was recognized	(207)	(1,364)
Unused interest expenses under thin capitalisation regulation	(300)	(464)
Utilization of tax losses, for which no deferred tax asset was recognized	137	47
Effect from not recognized outside temporary differences related to sale of investments in subsidiaries and associates	-	(1,138)
Non-taxable income	-	12
Effect of non-deductible expenses	(54)	(27)
Others	(445)	17
Income tax expense at effective income tax rate of 15.77% (2012: (16.45%))	<u>(2,963)</u>	<u>(1,814)</u>
Income tax expense reported in the consolidated income statement	(2,963)	(761)
Income tax expense attributable to discontinued operations (note 7)	-	(1,053)
	<u>(2,963)</u>	<u>(1,814)</u>

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17. Income tax expense (continued)

As of 31 December 2013 and 2012 the composition of the deferred tax liability and assets and related income statement effects are as follows:

<i>In thousands of BGN</i>	Consolidated statement of financial position		Consolidated income statement	
	2013	2012	2013	2012
<i>Deferred tax liabilities</i>				
Property, plant and equipment and investment properties	(9,456)	(7,756)	63	204
<i>Deferred tax assets</i>				
Unused tax loss carried forward	1,799	1,941	(142)	(81)
Derivative financial liability	33	60	-	-
Retirement benefits obligation	37	12	(4)	(6)
Unused paid leave accrual	29	24	5	1
Other personnel accruals	4	13	(9)	6
Impairment of inventory	115	115	-	96
Impairment of uncollectible receivables	51	19	32	7
Impairment of investment held for sale	16	10	6	10
Provisions	23	52	(29)	(5)
Other accruals	-	2	(2)	(27)
Deferred tax (expense) / income			(80)	205
Deferred tax liabilities, net	(7,349)	(5,508)		
Reflected in the consolidated statement of financial position as follows:				
Deferred tax assets	56	429		
Deferred tax liabilities	(7,405)	(5,937)		
Deferred tax liabilities, net	(7,349)	(5,508)		

Reconciliation of deferred tax liabilities, net

<i>In thousands of BGN</i>	2013	2012
Opening balance as of 1 January	(5,508)	(6,187)
Tax (expense) / income during the year recognized in the consolidated income statement	(80)	205
Tax expense during the year recognized in other comprehensive income	(1,901)	(16)
Tax income for the year recognized directly in equity	140	-
Discontinued operations	-	269
Deferred taxes acquired in business combinations (Note 6)	-	221
Closing balance as of 31 December	(7,349)	(5,508)

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17. Income tax expense (continued)

At the reporting date the Group reported unused interest expenses under thin capitalisation regulation in Bulgaria on which no deferred tax asset was recognised in the amount of BGN 13,923 thousand (2012: BGN 10,927 thousand) which could be utilised in the period 2014 – 2018 depending on the tax period of origination. The related unrecognised deferred tax asset amounts to BGN 1,393 thousand (2012: BGN 1,093 thousand).

The Group has incurred the following tax losses, available for future tax relief in entities registered in Bulgaria, as follows:

Tax period	Period of availability for tax relief	2013	2012
<i>In thousands of BGN</i>			
2008	2009 through 2013	-	4
2009	2010 through 2014	9,786	9,905
2010	2011 through 2015	26,459	28,378
2011	2012 through 2016	29,227	29,513
2012	2013 through 2017	11,030	11,499
2013	2014 through 2018	1,646	-
Effective income tax rate		10%	10%
Total tax loss carried forward		78,148	79,299
Deferred tax asset recognised		1,799	1,941
Deferred tax asset not recognised		6,016	5,989

Tax losses are available for offset against future taxable profits of the group entities in which losses arose. In accordance with the applicable Bulgarian tax legislation the period of availability of the tax relief with regards to the tax losses is five years for Bulgaria.

The temporary differences associated with investments in subsidiaries and associates, for which a deferred tax liability has not been recognized, aggregate to BGN 64,357 thousand (2012: BGN 69,117 thousand).

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18. Property, plant and equipment

In thousands of BGN

	Land and buildings	Machines and equipment	Other non- current assets	Ships	Assets under construction	Total
Cost						
At 1 January 2012	107,120	53,767	6,967	184,605	1,106	353,565
Additions	-	506	201	-	48,629	49,336
Acquisition of a subsidiary (Note 6)	18,508	1,315	6	-	55	19,884
Disposals	(7,309)	(3,360)	(846)	-	(363)	(11,878)
Transfers	408	591	245	46,830	(48,074)	-
Transfers to intangible assets	-	-	-	-	(139)	(139)
Transfers to inventories	-	-	-	-	(9)	(9)
Discontinued operations	(86)	(451)	-	-	-	(537)
At 31 December 2012	118,641	52,368	6,573	231,435	1,205	410,222
At 1 January 2013	118,641	52,368	6,573	231,435	1,205	410,222
Additions	100	2,955	522	27	4,515	8,119
Revaluation of assets	14,386	4,643	-	-	-	19,029
Disposals	(1,650)	(1,996)	(470)	-	(28)	(4,144)
Transfer to assets held for sale (Note 7)	(1,242)	-	-	-	-	(1,242)
Transfers	1,677	2,575	745	-	(4,997)	-
Impairment (Note 15a)	(1,054)	-	-	-	-	(1,054)
Transfers from intangible assets	-	-	-	-	61	61
Transfers from inventories	-	477	-	-	-	477
Transfers to investment properties (Note 21)	(518)	-	(35)	-	-	(553)
Elimination of depreciation due to revaluations	(2,901)	(1,671)	-	-	-	(4,572)
At 31 December 2013	127,439	59,351	7,335	231,462	756	426,343
Depreciation and impairment:						
At 1 January 2012	2,263	18,897	3,802	7,483	-	32,445
Depreciation charge for the year	775	2,724	614	5,794	-	9,907
Disposals	(638)	(1,958)	(693)	-	-	(3,289)
Discontinued operations	(7)	(96)	-	-	-	(103)
At 31 December 2012	2,393	19,567	3,723	13,277	-	38,960
At 1 January 2013	2,393	19,567	3,723	13,277	-	38,960
Depreciation charge for the year	797	2,661	828	7,525	-	11,811
Impairment (Note 15a)	-	-	-	5,469	-	5,469
Transfers	(7)	7	-	-	-	-
Disposals	(121)	(915)	(379)	-	-	(1,415)
Transfers to assets held for sale (Note 7)	(74)	-	-	-	-	(74)
Transfers to investment properties (Note 21)	(87)	-	(7)	-	-	(94)
Elimination of depreciation against book value	(2,901)	(1,671)	-	-	-	(4,572)
At 31 December 2013	-	19,649	4,165	26,271	-	50,085
Net book value:						
At 1 January 2012	104,857	34,870	3,165	177,122	1,106	321,120
At 31 December 2012	116,248	32,801	2,850	218,158	1,205	371,262
At 31 December 2013	127,439	39,702	3,170	205,191	756	376,258

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18. Property, plant and equipment (continued)

Impairment testing of property, plant and equipment

As of 31 December 2013, the management of the Group performed an analysis and concluded that impairment indicators exist for the following assets: the vessels m/v Emona, m/v Marciana, m/v Karvuna, m/v Antheia, m/v Diamond Sea and m/v Diamond Sky. As of 31 December 2013 the management performed an impairment test on the vessels considering the factors listed in Note 19 (test for impairment of goodwill).

The carrying amount of these assets at the reporting date is BGN 205,191 thousand.

The recoverable amount of each asset - vessel has been determined using the value in use calculation method based on cash flow projections covering a 30-year period for each ship. The value in use calculations are based on cash flows projection from budget 2014, prepared and approved by the management and rolled-over to cover the above stated periods. These projections reflect the specifics of the business sector maritime transport as well as the latest management estimates on the expected performance over the projected period.

As a result of the impairment test an impairment of the non-current assets – vessels amounting to BGN 5,469 thousand was recognised (2012: nil).

Key Assumptions used in the value in use calculations

The calculation for the value in use of each ship is based on following key inputs:

- Expected revenues from ship operation – 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.

The management has applied a post –tax discount rate of 7.48% (2012: 7.09%). The discount rate is 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 – maritime transport.

An analysis of the sensitivity of the key assumptions used in calculating the recoverable amount of the ships (time charter equivalent /revenue and discount rate) and the value of the impairment of the ships are presented in the table below:

<i>In thousands of BGN</i>	<u>Loss from impairment of ships (total amount)</u>
2013	
<i>Discount rate</i>	
An increase of 0.5%	(7,066)
A decrease of 0.5%	(3,756)
 <i>Levels of time charter equivalents</i>	
An increase of 0.5%	(5,022)
A decrease of 0.5%	(5,917)

18. Property, plant and equipment (continued)

Key Assumptions used in the value in use calculations (continued)

<i>In thousands of BGN</i>	<u>Loss from impairment of ships (total amount)</u>
2012	
<i>Discount rate</i>	
An increase of 0.5%	(1,244)
A decrease of 0.5%	No impairment loss
<i>Levels of time charter equivalents</i>	
An increase of 0.5%	No impairment loss
A decrease of 0.5%	No impairment loss

Pledged assets

In relation to the opening of bank guarantees and/or letters of credit in favour of suppliers and bank loans, mortgages and special pledges are subscribed on property, plant, equipment, transport means, including five of the six vessels, owned by entities within the Group, with net book value of BGN 265,067 thousand as at 31 December 2013 (2012: BGN 237,289 thousand) (Note 29b). This amount also includes all items of the property, plant and equipment of KRZ Port Bourgas AD amounting to BGN 26,893 thousand, a subsidiary which was pledged in front of a commercial bank for securing a loan agreement for issuing of bank guarantees, letters of credit and working capital funding.

Leased plant and equipment

Tangible assets with net book value as of 31 December 2013 of BGN 1,795 thousand (2012: BGN 1,722 thousand) have been acquired under finance lease terms. As at the date of the consolidated financial statements finance lease liabilities amount to BGN 1,379 thousand.

Property, plant and equipment under construction

Assets under construction represent purchased machines, which are to be substantially repaired before their commissioning, as well as expenses for rehabilitation of existing assets, which has not been completed as of 31 December 2013, at the amount of BGN 392 thousand (2012: BGN 347 thousand); constructions in progress and expenses related to the development of a general plan for expansion of port KRZ-Port Bourgas at the amount of BGN 351 thousand (2012: BGN 449 thousand).

Revaluation of land, buildings and specialized equipment

Land, buildings and specialized equipment are measured using the revaluation value model – fair value less accumulated depreciation and impairment losses which are recognized after the date of the revaluation. The fair value is determined by an independent licensed appraiser using both market comparables method and the method of depreciated replacement cost.

The disclosure of the balance of the land, buildings and specialized equipment which would have been recognized if the assets were measured using the cost model is practically not applicable due to the specifics of the accounting softwares applied in the separate entities used as well as the long periods of time in which the Group is the owner of the assets.

18. Property, plant and equipment (continued)

Revaluation of land, buildings and specialized equipment (continued)

	2013	2012
	<i>In thousands of BGN.</i>	<i>In thousands of BGN.</i>
Revaluation accounted in other comprehensive income	19,029	-
Impairment accounted in the income statement (Note 15a)	(1,054)	-
Net revaluation for the period	<u>17,975</u>	<u>-</u>

Fair value measurement disclosures

The disclosure of the hierarchy of fair values of revalued land, buildings and specialized equipment are presented in Note 37. Based on the type, specific characteristics and risk of those lands, buildings and specialized equipment, the management determined that these constitute three categories under IFRS 13 – lands, industrial and administrative buildings and specialized equipment in Sofia, Varna, Bourgas, Sliven and Nova Zagora.

The valuation of the fair values is performed by an independent licensed appraiser with effective date of 30 November 2013. The appraiser has confirmed that the valuation is valid as per 31 December 2013 as well.

	Valuation method	Significant unobservable inputs	Interval
Lands	Market comparables method	Adjustment coefficients applied to the market analogues	28% - 80% *
Industrial and administrative buildings	Method of depreciated replacement cost	Depreciation adjustment coefficients applied: physical, economic and functional depreciation.	0% - 99% *
Specialized equipment	Method of depreciated replacement cost	Depreciation adjustment coefficients applied: physical, economic and functional depreciation.	65.2% - 95.4% *

*- The wide intervals are due to the adjustments of the specific indicators of fair values of the assets of the Group which are related to location, area, access, infrastructure, potential of development zone, wearing out and others. They vary depending on the comparability of the asset.

The fair value of the lands is measured using market comparables method using observable offer prices of comparable pieces of land located in the industrial zones of Varna, Sofia, Bourgas, Sliven and Nova Zagora. The prices are significantly adjusted according to the type, location, condition or purpose of the valued lands. The evaluator also applied an adjustment for an offer discount of the used offer prices between 10% and 15% in order to reflect the difference between the offer and actual prices of the deals. The fair value of the buildings and specialized equipment is determined using method of depreciated replacement cost. Using this method the value of the properties and equipment is determined using the actual value of the different types of construction and repair works which is adjusted in a way to reflect the physical, economic and functional wearing out / depreciation.

Significant increases (decreases) in the adjusting coefficients, applied to the market analogues (like isolated changes) would have led to significantly lower (higher) fair value of the lands.

Significant increases (decreases) in the adjusting coefficients for physical/functional/ economic depreciation (like isolated changes) would have led to significantly lower (higher) fair value of industrial and administrative buildings and specialized equipment

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19. Intangible assets

<i>In thousands of BGN</i>	Patents and trademarks	Software	Other intangible assets	Assets under construction	Total
Carrying amount					
At 1 January 2012	1,042	224	3,392	-	4,658
At 31 December 2012	3,094	122	3,068	370	6,654
At 31 December 2013	2,062	489	2,710	-	5,261

The amortization charge for intangible assets for the year ending 31 December 2013 amounts to BGN 1,391 thousand (2012: BGN 475 thousand).

The increase in the intangible assets during 2012 is mainly due to the fact that a transfer of licenses for ship construction of BGN 1,967 thousand from prepaid expenses to intangible assets has been made. These licenses have been purchased by Bulyard Shipbuilding Industry EAD for construction of ships of series Future 56. It has been planned that each license shall be included in the cost of the respective ship.

(i) Goodwill

<i>In thousands of BGN</i>	Goodwill
Balance at 1 January 2012	6,212
Change during the period	-
Balance at 31 December 2012	6,212
Balance at 1 January 2013	6,212
Impairment (Note 15a)	(2,164)
Balance at 31 December 2013	4,048

Impairment testing of goodwill

The main part (BGN 3,050 thousand) of the goodwill as of 31 December 2013 is attributable to the acquisition of Bulyard AD (which is in substance the acquisition of Bulyard Shipbuilding Industry EAD).

Consistent with the approach followed in prior reporting periods, the management has identified one cash generating unit (CGU) – Bulyard Shipbuilding Industry EAD related to the identified goodwill in Bulyard AD (business segment: shipbuilding / ship repair and other activities).

19. Intangible assets (continued)

Impairment testing of goodwill (continued)

The management performed an impairment assessment of the allocated goodwill to the CGU as of 31 December 2013. This assessment was triggered by the following factors (applicable for sector maritime transport as well):

- 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 Group.
 - The worsening conditions in construction and transport sector directly affect the utilization of the capacity of Bulyard Shipbuilding Industry EAD. In the last four 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 CGU has been determined using value in use calculation based on cash flow projections covering a 5-year period. The value in use calculations are based on cash flows projection from budget 2014, prepared and approved by the management and rolled-over to cover the above stated period. These projections reflect the specifics of the business sector/ industry of CGU-shipbuilding and repair as well as the latest management estimates on the expected performance over the projected period. The value of the CGU after the explicit forecast period is based on terminal value estimates.

As a result of the impairment test a need for impairment allowance of goodwill was determined. The Group recognised an impairment of the goodwill amounting to BGN 2,164 thousand (2012: nil) as the carrying amount as at 31 December 2013 exceeds the determined recoverable value of the CGU – ship building / ship repairs.

Key Assumptions used in the value in use calculations

The calculation for the value in use of the CGU shipbuilding/ ship repair is based on following key inputs derived from both past experience and external information:

- 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 EAD and the shift of the management to leasing unused areas and warehouses.

Discount rate

The management has applied a post –tax discount rate of 11.58% (2012: 11.3%). The discount rate is 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 – shipbuilding/ ship repair is operating.

Terminal value

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

19. Intangible assets (continued)

Impairment testing of goodwill (continued)

An analysis of the sensitivity of the key assumptions used when calculating the recoverable amount of the CGU – shipbuilding / ship repair (revenue levels and discount rate) and the corresponding value of the impairment of the goodwill is shown in the table below:

<i>In thousands of BGN</i>	<u>Goodwill impairment loss (total amount)</u>
2013	
<i>Discount rate</i>	
Increase of 0.5%	(4,416)
Decrease of 0.5%	No impairment loss
<i>Revenue levels</i>	
Increase of 0.5%	(1,421)
Decrease of 0.5%	(2,906)

<i>In thousands of BGN</i>	<u>Goodwill impairment loss (total amount)</u>
2012	
<i>Discount rate</i>	
Increase of 0.5%	No impairment loss
Decrease of 0.5%	No impairment loss
<i>Revenue levels</i>	
Increase of 0.5%	No impairment loss
Decrease of 0.5%	No impairment loss

20. Investments in associates

The Group has the following investments in associates:

	<u>Country</u>	<u>Ownership</u>	
		<u>2013</u>	<u>2012</u>
Odessos PBM AD	Bulgaria	30.00%	30.00%

During 2012 the associates Dunav Tours AD and Istrum Travel were sold (Note 7).

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20. Investments in associates (continued)

The table below contains summarized financial information of the associates from their separate financial statements accounted using the equity method in the financial statements of the Group:

<i>In thousands of BGN</i>	<u>2013</u> Odesos PBM AD	<u>2012</u> Odesos PBM AD
Ownership	30.00%	30.00%
Current assets	813	738
Non-current assets	5,639	5,465
Total assets	6,452	6,203
Current liabilities	174	157
Non-current liabilities	6	4
Total liabilities	180	161
Revenue	2,047	1,941
Expenses	(1,808)	(1,753)
Profit	239	188

The movements in the investments in associates can be presented, as follows:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
<i>Dunav Tours AD</i>		
At 1 January	-	12,871
Share of increase in net assets	-	-
Sold	-	(12,871)
At 31 December	<u>-</u>	<u>-</u>
<i>Istrum Travel</i>	<u>2013</u>	<u>2012</u>
Investment	-	3,081
Share in increase in net assets	-	-
Dividends distributed	-	(985)
Sold	-	(2,096)
At 31 December	<u>-</u>	<u>-</u>
<i>Odessos PBM AD</i>	<u>2013</u>	<u>2012</u>
At 1 January	1,821	1,855
Share of increase in net assets	72	56
Dividends distributed	-	(120)
At 31 December	<u>1,893</u>	<u>1,821</u>
Total investments in associates at 31 December	<u>1,893</u>	<u>1,821</u>

21. Investment properties

The investment properties consist of a warehouse in Varna and part of an administrative building and land related to it in the town of Popovo which are rented out.

As disclosed in Note 2.3 Changes in accounting policies and disclosures, effectively from 1 January 2013 the Group has changed its accounting policy for subsequent measurement of investment properties from measurement at cost less accumulated depreciation and impairment losses to measurement at fair value.

The disclosure of the hierarchy of the fair values is presented in Note 37.

Fair value reconciliation

In thousands of BGN

	Investment properties			Total
	Office properties	Commercial properties	Warehouses	
At 1 January	-	-	-	-
Transfers from property, plant and equipment (Note 18)	84	148	227	459
Improvements	-	-	1,009	1,009
Re-measurement recognized in the consolidated income statement (Note 9)	3	5	3,243	3,251
At 31 December	87	153	4,479	4,719
Unrealised gains for the period included in the consolidated income statement under line "Other operating income"	3	5	3,243	3,251

21. Investments properties (continued)

Description of valuation techniques used and key inputs to valuation on investment properties:

The main estimates used for the fair value valuation of the investment properties are presented below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Office property	Market comparables method	Adjusting coefficients applied to market analogues	5%-8%
Office property	Income capitalization method	Expected monthly rent per sq. m.	EUR 8,25/sq. m.
		Adjusting coefficients for non-recoverable expenses, vacancy rates and interest on the right to construct	27.40%
		Capitalisation rate	9%
		Market adjustment	27%
Commercial property	Market comparables method	Adjusting coefficients applied to market analogues	9%-27%
Commercial property	Income capitalization method	Expected monthly rent per sq. m.	EUR 6,51/sq. m.
		Adjusting coefficients for non-recoverable expenses, vacancy rates and interest on the right to construct	28.90%
		Capitalisation rate:	9%
Warehouses	Method of depreciated replacement cost	Adjusting coefficients of depreciation – physical, functional and economic wearing out.	47%

Fair value measurement disclosures

The fair value of both office and commercial properties is determined by an independent licensed appraiser by using the weighted average of the capitalisation of future income method and market comparables method in the following proportion – 70% for the capitalisation of future income method and 30% for the market comparables method.

The calculation the fair value of both office and commercial properties using the capitalisation of income method has been performed by taking into account the annual gross rental income, calculated on contractual rental rates basis, adjusted with a coefficient which takes into account the annual non-recoverable expenses as well as the vacancy rates together with the interest on the right to construct. By using this the calculated adjusted annual net rental income is capitalised for the estimated remaining useful life of the asset. In addition the fair values of the properties are also measured with the market comparables method by using observable offer prices of three comparable properties. The prices are significantly adjusted to reflect the location, usage, size and condition of the valued properties. Also the appraiser has offered an adjustment for offer discount in the used offers of 10% in order to reflect the difference between the offers and the actual prices of the deals.

The fair value of the warehouses is determined by an independent licensed appraiser using the method of the depreciated replacement cost. For this method the value of the properties is determined on the basis of actual value of the different types of construction and repairing works, adjusted in way to reflect the physical, economic and functional wearing out. The measurement of the fair values is performed with effective date 30 November 2013, as the valuation is also valid as per 31 December 2013.

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21. Investments properties (continued)

Sensitivity analysis

Significant increases/ decreases in rental rates per sq. m. would have led to a significantly higher/lower fair value of both office and commercial properties calculated using the method of capitalisation of future income.

Significant increases/decreases in adjusting coefficients for non-recoverable expenses, vacancy rate, capitalization rates and interest on the right to construct would have led to a significantly lower/higher fair value of both the commercial and office properties, calculated using the method of capitalisation of future income.

Significant increases/decreases in adjusting coefficients, applied to market analogues would have led to a significantly lower/higher fair value of for the both office and commercial properties, calculated using the market comparable method.

Significant increases/decreases in adjusting coefficients for physical/ functional/ economic wearing out (like isolated changes) would have led to significantly lower/higher fair value of the warehouses.

22. Investments available for sale

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Meteko AD	3	3
Others	<u>1</u>	<u>1</u>
	<u><u>4</u></u>	<u><u>4</u></u>

23. Non-current receivables

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Non-current portion of granted loans (Note 25)	-	3,141
Interest-bearing deferred receivable under shares sale contract	1,150	1,275
<i>Non interest-bearing trade receivables, gross</i>	68	590
<i>Less: Adjustment to amortized cost (Note 25)</i>	-	(29)
Non interest-bearing trade receivables, net	<u>68</u>	<u>561</u>
	<u><u>1,218</u></u>	<u><u>4,977</u></u>

The long-term interest-bearing deferred receivables of BGN 1,150 thousand are related to the disposal of the shares owned by Industrial Holding Bulgaria AD in Avgusta Mebel AD. The receivable recognized upon the sale of the shares amounts to BGN 1,500 thousand (EUR 767 thousand) and is deferred and depending on the payment periods is presented as either long-term or short-term respectively.

As of 31.12.2013 an additional agreement was signed between Industrial Holding Bulgaria AD and the buyer of the shares of Avgusta Mebel AD, with which the initially agreed sales price was reduced by BGN 200 thousand. The discount from the original price is a result of out-of-court settlement reached between the parties in lawsuit № 512/2012 concerning co-owned property of Avgusta Mebel AD and District Cooperative Union and Central Cooperative Union. They reached preliminary agreement for the monetary equivalent to be paid by Avgusta Mebel AD.

Receivables from granted loans as of 31 December 2012 are related to investment intentions of a Group entity, which participates in the area of renewable energy sources. In connection with this the Group entity granted a secured loan to the owner of the investment, as the amount of the loan is BGN 4,303 thousand (EUR 2,200 thousand), interest rate of 6% annually and repayment schedule as follows: 31 March 2013 and 31 March 2014. In April 2013 the whole amount of the loan is repaid.

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24. Inventories

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Raw materials and consumables	14,739	19,738
Impairment of raw materials and consumables	(1,083)	(1,007)
Work-in-progress (Note 24a)	3,658	3,306
Impairment of work-in-progress	(35)	(8)
Finished goods	1,655	2,196
Impairment of finished goods	(33)	(140)
Commodities	2	1
	<u>18,903</u>	<u>24,086</u>

24a. Work-in-progress

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Work-in-progress from machine building	3,611	3,175
Other related to shipbuilding and ship repair	12	123
	<u>3,623</u>	<u>3,298</u>

The movement in the write-down of inventories (raw materials, work-in-progress and finished productions) is as follows:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
At 1 January	(1,155)	(523)
Recognised during the year (Note 15a)	(920)	(1,054)
Reversed (Note 9)	49	240
Written off	875	-
Discontinued operations	-	182
At 31 December	<u>(1,151)</u>	<u>(1,155)</u>

In 2013 the reported write-down of inventories is mainly attributable to impairment of BGN 891 thousand (2012: BGN 983 thousand) of raw materials related to shipbuilding. Group management intentions is to either use them in ship repair activities or realize them through sales to third parties. As a result, impairment loss is recorded, which reflects the possible differences between the carrying amount of the available raw materials and their recoverable amount.

The written off impairment during 2013 is related to sold steel elements belonging to segment shipbuilding and ship repairs, for which an impairment at the amount of BGN 875 thousand was accrued as of 31 December 2012.

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25. Trade and other receivables

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Trade receivables	4,598	4,151
<i>Less: Accumulated impairment</i>	<i>(487)</i>	<i>(285)</i>
Trade receivables, net	4,111	3,866
Short-term part of granted loan to Alpha Energy Ka (Note 23)	-	1,176
Advance payments and prepayments	947	1,134
Tax receivables	512	591
Short-term part of receivables related to sale of shares (Note 23)	5	155
Guarantees provided	-	73
Court receivables	13	17
<i>Less: Accumulated impairment</i>	<i>(13)</i>	<i>-</i>
Other receivables	83	123
	<u>5,658</u>	<u>7,135</u>

Movements in the allowance for impairment of doubtful receivables were as follows:

<i>In thousands of BGN</i>	<u>Impairment of doubtful receivables</u>
At 1 January 2012	(122)
Impairment of receivables to amortized cost (Note 15a, 23)	(29)
Charge for the period (Note 15a)	(193)
Unused amounts reversed	25
Utilized	5
At 31 December 2012	<u>(314)</u>
At 1 January 2013	(314)
Charge for the period (Note 15a)	(332)
Unused amounts reversed	140
Utilized	6
At 31 December 2013	<u>(500)</u>

26. Cash and cash equivalents

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Cash at bank	5,142	8,446
Cash in hand	68	48
Cash and cash equivalents as per consolidated statement of financial position	<u>5,210</u>	<u>8,494</u>
Cash and cash equivalents attributable to discontinued operations (Note 7)	39	495
Cash and cash equivalents as per consolidated statement of cash flows	<u>5,249</u>	<u>8,989</u>

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27. Share capital and reserves

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

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
67,978,543 ordinary shares with a nominal of BGN 1 each	67,978	67,978
	<u>67,978</u>	<u>67,978</u>

The share capital of the Group comprises 67,978,543 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.

Shareholders in Industrial Holding Bulgaria AD as at 31 December 2013 and 31 December 2012 who hold over a 5% of the share capital of the Group:

<i>Shareholder</i>	Number of shares as at 31.12.2013	<u>2013</u>	<u>2012</u>
Venside Enterprises	20,399,604	30.01%	30.01%
BULLS AD	9,537,921	14.03%	14.03%
MUPF Allianz Bulgaria AD	4,646,278	6.83%	6.83%
DZH AD	3,977,174	5.85%	5.85%
Stok Turs AD	3,540,523	5.21%	5.21%
Others	25,877,043	38.07%	38.07%
	<u>67,978,543</u>	<u>100.00%</u>	<u>100.00%</u>

Reconciliation of issued shares:	<u>Number of shares</u>	<u>Amount</u> <i>In thousands of BGN</i>
<i>Ordinary shares issued and fully paid</i>		
At 1 January 2012	67,978,543	67,978
At 31 December 2012	<u>67,978,543</u>	<u>67,978</u>
At 31 December 2013	<u>67,978,543</u>	<u>67,978</u>

Reconciliation of the share premium	<u>Amount</u>
<i>In thousands of BGN</i>	
At 1 January 2012	30,604
At 31 December 2012	<u>30,604</u>
At 31 December 2013	<u>30,604</u>

27. Share capital and reserves (continued)

Legal and other reserves

Legal reserves are set aside by in joint-stock companies from retained earnings in accordance with the provisions of article 246 of the Commercial Act. Legal and other reserves include reserves formed by setting aside 10% or more of the net profit, share premiums from issuing of shares, and any funds according to the articles of association. The legal reserves can be used only for covering of losses from current and previous reporting periods. At 31 December 2013 the legal and other reserves are BGN 4,920 thousand (2012: 4,806 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 in 2013 is 3% of the registered capital of the Company, which currently is 67,978,543 shares, namely 2,039,356 shares.

The chosen investment intermediary is Alianz Bank Bulgaria AD.

In 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.

During the current year a total of 5,440 shares were repurchased at an average price of BGN 3.5 per share (at the total amount of BGN 19 thousand) in the subsidiary IHB Electric AD (former Elprom ZEM AD). The repurchased shares are reflected/ accounted for as decrease in the non-controlling interest at the value of the treasury shares repurchased.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of land, buildings and specialized equipment (net of deferred tax effect) and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income. As of 31 December 2013 the revaluation reserve amounted to BGN 63,944 thousand (2012: BGN 53,291 thousand).

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. BGN 293 thousand as of 31 December 2013 (2012: BGN 539 thousand) is made up of the loss from the interest swap derivative (net of tax) that is considered to be an effective hedge (see Note 33). The movement in the reserve during 2013 at the amount of BGN 246 thousand (2012: BGN 146 thousand) reflects the effect from cash flow hedges, net of taxes.

27. Share capital and reserves (continued)

OCI, net of tax:

The disaggregation of changes of OCI by each type of reserve in equity is shown below:

As at 31 December 2013

In thousands of BGN

	Cash flow hedge reserve	Revaluation reserves	Retained earnings	Total	Non-controlling interest
Net gain on cash flow hedges	246	-	-	246	-
Foreign exchange translation differences	-	-	2,681	2,681	-
Revaluation of land, buildings and specialized equipment	-	12,064	-	12,064	5,062
Re-measurement on defined benefit plan	-	-	(257)	(257)	(27)
Other changes	-	-	34	34	1
	246	12,064	2,458	14,768	5,036

As at 31 December 2012

In thousands of BGN

	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interest
Net gain on cash flow hedges	146	-	146	-
Foreign exchange translation differences	-	9	9	-
Other changes	-	23	23	(2)
	146	32	178	(2)

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28. 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.

The calculation of basic earnings per share as of 31 December 2013 was based on the net profit attributable to ordinary equity holders of the parent amounting to BGN 17,276 thousand (2012: loss of BGN 5,811 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2013 of 67,572 thousand (2012: 67,978 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 following reflects the income and share data used in the basic and diluted EPS computations:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Net profit/ (loss) for the year	15,821	(12,841)
Net profit / (loss) attributable to ordinary equity holders of the parent	<u>17,276</u>	<u>(5,811)</u>
Interest expenses for debenture loans, net of taxes	1,742	1,620
Net profit / (loss) attributable to ordinary equity holders of the parent for diluted earnings per share	<u>19,018</u>	<u>(4,191)</u>
Net profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent	17,689	(231)
Interest expenses for debenture loans, net of taxes	1,742	1,620
Net profit from continuing operations attributable to ordinary equity holders of the parent for diluted earnings per share	<u>19,431</u>	<u>1,389</u>
 Weighted average number of ordinary shares		
<i>In thousands of shares</i>	<u>2013</u>	<u>2012</u>
Issued ordinary shares at 1 January	67,978	67,978
Treasury shares transactions	(967)	-
Number of shares as at the end of the period	<u>67,011</u>	<u>67,978</u>
Weighted average number of shares at 31 December	<u>67,572</u>	<u>67,978</u>
 <i>In thousands of shares</i>		
	<u>2013</u>	<u>2012</u>
Weighted average number of shares at 31 December	67,572	67,978
Effect of dilution of convertible bond	24,251	10,857
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>91,823</u>	<u>78,835</u>
Basic earnings per share for the year attributable to ordinary equity holders of the parent (in BGN)	0.256	(0.085)
Basic earnings per share for the year from continuing operations attributable to ordinary equity holders of the parent (in BGN)	0.262	(0.003)
Diluted earnings per share attributable to ordinary equity holders of the parent (in BGN)	0.207	(0.053)
Diluted earnings per share from continuing operations attributable to ordinary equity holders of the parent (in BGN)	0.212	0.018

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29. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, refer to note 34 Financial instruments.

<i>In thousands of BGN</i>	2013	2012
Non-current liabilities		
Secured bank loans	35,136	43,278
Obligations under finance leases	924	406
	36,060	43,684
<i>In thousands of BGN</i>	2013	2012
Debenture loan		
Non-current portion	29,912	-
	29,912	-
<i>In thousands of BGN</i>	2013	2012
Current liabilities		
Current portion of secured bank loans	57,807	66,112
Other interest-bearing loans	-	173
Obligations under finance leases	455	367
	58,262	66,652
Debenture loan		
Current portion	401	21,946
	401	21,946

29a. Debenture loan

<i>In thousands of BGN</i>	2013	2012
Debenture loan	30,000	21,714
Transaction costs	(88)	(123)
Interest charged	401	355
	30,313	21,946
of which long-term portion	29,912	-
of which short-term portion	401	21,946

The Extraordinary General Meeting of Shareholders held on 17 December 2012 took the following decisions:

1. Decision for the issuance under the conditions of an initial public offering of an issue of dematerialized by name, interest-bearing, convertible, freely-transferable and unsecured bonds;
2. Decision to amend the conditions of bond issue ISIN BG 2100018113;
3. Decision to reacquire shares issued by Industrial Holding Bulgaria AD.

Following Article 214, para 1 of the Commercial Act, the Bondholders Representative, Antoaneta Mihailova Dimolarova, elected with a decision of the First General Meeting of Bondholders on 10.11.2011, convenes a General Meeting of the Bondholders of convertible bonds issue ISIN BG 2100018113, issued by Industrial Holding Bulgaria with identification number I21631219, on 17.12.2012 under the following Agenda and took the following decisions:

29. Interest-bearing loans and borrowings (continued)

29a. Debenture loan (continued)

1. Decision for the issuance under the conditions of an initial public offering of an issue of dematerialized by name, interest-bearing, convertible, freely-transferable and unsecured bonds with the following parameters and purpose:

- Total nominal and issue value of the debenture loan: Up to BGN 30,000,000;
- Nominal value per bond: BGN 100;
- Issue value per bond: BGN 100;
- Number of bonds: Up to 300,000;
- Minimal amount at which the loan is deemed as concluded: upon subscription and payment of bonds of a total nominal value of no less than BGN 22,000,000 /twenty two million/;
- Term (maturity) of the debenture loan: 2 years (24 months);
- Interest rate: 6.5% per year;
- Interest payment period: 6 months;
- Procedure for conversion of bonds into shares (conversion procedure): conversion - on the maturity date of the bonds, each bond holder shall be entitled, under the terms of the debenture loan and prospectus for public offering of the issue of convertible bonds, instead of repayment of the bonds held, to exchange (convert) them for such a number of shares as would correspond to the conversion ratio valid at the time of the exchange.
- Purpose of the debenture loan: the funds raised through the issue will be used to reimburse the debenture loan under a previous issue of convertible bonds - ISIN 2100018113, issued by Industrial Holding Bulgaria, partial refinancing of Diamond Sky ship, expansion of Dockyard Burgas and other small projects of subsidiaries.

2. Decision to amend the conditions of bond issue ISIN BG 2100018113:

If the decision under paragraph 1 is approved and the issue is successfully subscribed and paid for, the General Meeting of the shareholders adopts a decision to change the maturity of bond issue ISIN BG 2100018113 as follows: the payment of the principal of the debenture loan amounting to BGN 21,713,900 (twenty-one million seven hundred and eighteen thousand Bulgarian levs) will be paid within 10 days following the absorption of funds under the new bond issue together with the due interest until the payment of the principal.

As a result of the above facts, the Group presents the liability on the bond issue ISIN BGN 2100018113 as a short-term liability as of 31 December 2012.

The prospect for public offering for the new issue of convertible bonds is approved with a decision of FSC 138-E/20.02.2013.

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

- Closing date of the public offering – 17.04.2013;
- Total number issued rights – 67,978,543;
- Total number of convertible bonds offered for subscription - 300,000;
- Number of subscribed and paid convertible bonds – 299,998;
- Amount received from the subscribed and paid convertible bonds in the special account in Allianz Bank Bulgaria AD – BGN 29,999,800;

29. Interest-bearing loans and borrowings (continued)

29a. Debenture loan (continued)

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. According to a decision of the Managing Board of Industrial Holding Bulgaria AD which was reached on 24.03.2013 the conditions for principal payment of debenture loan ISIN code BG 2100018113 were in place in accordance with decisions of the General Meeting of the Shareholders as of 17.12.2012 and General Meeting of Bondholders of corporate convertible bonds ISIN code BG2100018113 as of 17.12.2012.

In compliance with decisions of the General Meeting of Shareholders as of 17.12.2012 and General Meeting of Bondholders of corporate convertible bonds ISIN code BG2100018113 as of 17.12.2012, the principal payment was made on 26.04.2013 together with the accrued interest for the period between 19.04.2013 – 26.04.2013. The right of interest and principal payment was entitled to all bondholders registered with the Central Depository as of 19.04.2013 (Record Date). The interest rate is 8 % annually.

The convertible bond with ISIN code BG 2100006134 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%, the current liquidity ratio not lower than 0.5 and the ratio of Interest-bearing debt / assets not higher than 50%. These financial indicators are calculated and reported on the basis of consolidated data for Industrial Holding Bulgaria at the end of every quarter. If Industrial Holding Bulgaria violates the specified financial ratios the Group must take actions within six months to bring the ratios in accordance with the set covenants. In the event that IHB AD does not meet the covenants within six months, the issuer is obliged to offer a program that should be approved by the General Meeting of Bondholders with a quorum of more than 50% of the bondholders and a decision made by a majority of more than 50% of the submitted bonds that are to be executed by the Issuer.

Bondholders who hold, in aggregate, together or separately, 25% of the bond issue are entitled to send written notice to the Issuer in the event of non-payment of the interest due, a breach of financial covenants, liquidation and other conditions and make the bond immediately payable at its nominal value together with accrued interest.

As per the issued preliminary report for the compliance with financial covenants as at 31 December 2013 (available on the website of the Group), based on preliminary consolidated figures, Industrial Holding Bulgaria AD reported compliance with all of the above described covenants.

As at 31 December 2013, based on final consolidated figures, Industrial Holding Bulgaria AD is in compliance with all of the above described covenants, as well.

On 18.10.2013 the first interest payment in the amount of BGN 977 thousand was paid under bond issue with ISIN code BG2100006134.

29. Interest-bearing loans and borrowings (continued)
29b. Banks loans and loans from non-financial institutions

<i>In thousands of BGN</i>	Currency	Interest rate %	Maturity	2013	2012
Current					
Credit line for documentary operations at the total amount of BGN 3,000 thousand	EUR	3 M EURIBOR + 4.65%	2013	-	62
Credit line for working capital financing at the total amount of BNG 3,000 thousand.	BGN	1 M SOFIBOR + 3.8 %	2013	-	2,938
Secured investment credit at the total amount of EUR 975 thousand – short-term part	EUR	3 M EURIBOR + 4.20%	2015	509	-
Secured bank credit at the total amount of BGN 19,345 thousand (JPY 1,122,594 thousand) – short-term part	JPY	JBIC+2.5%	2018	1,892	2,418
Secured bank credit for working capital at the amount of up to BGN 5,476 thousand (EUR 2,800 thousand) – short-term part	EUR	6M LIBOR + 5% (min 6.5%)	2018	681	681
Secured bank loan for working capital at the total amount of EUR 185 thousand – short-term part	EUR	BIR in EUR + 0.75%	2014	121	145
Secured bank overdraft at the total amount of BGN 600 thousand.	BGN	1 M SOFIBOR + spread	2014	583	514
Secured investment credit at the total amount of BGN 590 thousand – short-term part	BGN	1 M SOFIBOR + spread	2014	67	168
Secured investment credit at the total amount of BGN 94 thousand	BGN	3 M SOFIBOR + spread (min 7.5%)	2013	-	28
Secured bank credit at the total amount of USD 11,000 thousand – short-term part	USD	1 M LIBOR + 3%, but min 4.25% (from 25.11.2013 to 25.05.2014 min 3.45%)	2017	2,080	2,125
Secured investment credit at the total amount of USD 20,000 thousand – short-term part	USD	1 M LIBOR + 4.75%	2017 and 2018	4,430	4,914
Secured bank credit at the total amount of USD 37,300 thousand	USD	3 M LIBOR + 2.25%	2014	47,444	52,119
Loan from non-financial institution	BGN	6%	2013	-	173
Contracts for finance lease at the total amount of EUR 1,033 thousand	EUR	7.5%	2013	-	361
Contract for finance lease at the total amount of EUR 73 thousand	EUR	Average percentage: 7.9%	2013	-	6
Contract for finance lease at the total amount of EUR 744 thousand: current liabilities	EUR	1 M EURIBOR + spread	2016	455	-
				58,262	66,652

29. Interest-bearing loans and borrowings (continued)
29b. Banks loans and loans from non-financial institutions (continued)

<i>In thousands BGN</i>	Currency	Interest rate %	Maturity	2013	2012
Non-current					
Credit line for documentary operations at the total amount of BGN 3,000 thousand	EUR	3 M EURIBOR + 4.65%	2015	62	-
Credit line for working capital financing at the total amount of BNG 3,000 thousand.	BGN	1 M SOFIBOR + 3.8 %	2015	2,938	-
Secured bank credit at the total amount of BGN 19,345 thousand (JPY 1,122,594 thousand)	JPY	JBIC+2.5%	2018	6,624	10,881
Secured bank credit for working capital at the amount of up to BGN 5,476 thousand (EUR 2,800 thousand)	EUR	6 M LIBOR + 5% (min. 6.5%)	2018	3,563	4,244
Secured bank credit for working capital at the total amount of EUR 185 thousand	EUR	BIR in EUR + 0.75%	2014	-	121
Secured investment credit at the total amount of BGN 590 thousand	BGN	1 M SOFIBOR + spread	2015	-	67
Secured bank credit at the total amount of USD 11,000 thousand	USD	1 M LIBOR + 3%, (min. 4.25%)	2017	7,608	10,122
Secured investment credits at the total amount of USD 20,000 thousand	USD	1 M LIBOR + 4.75%	2017 / 2018	13,240	17,843
Secured investment credit at the total amount of EUR 975 thousand	EUR	3 M EURIBOR + 4.20%	2015	1,101	-
Contracts for finance lease at the total amount of EUR 1,033 thousand	EUR	7.5%		-	406
Contract for finance lease at the total amount of EUR 744 thousand	EUR	1 M EURIBOR + spread	2016	924	-
				36,060	43,684

The bank loans are secured with mortgages over land and buildings and special pledges on machinery, equipment and vehicles, including ships owned by the Group, at total carrying value of BGN 265,067 thousand at 31.12.2013 (2012: BGN 237,289 thousand). Additionally, KRZ Port Bourgas AD has been pledged as an entity (see also note 36 Commitments and contingencies). Maturity analysis is presented in Note 34.

As of 31 December 2013, the Group has available BGN 17 thousand of undrawn committed and uncommitted borrowing facilities.

29. Interest-bearing loans and borrowings (continued)
29c. Obligations under finance leases

As of 31 December 2013 obligations under finance leases are related to obligations under contract for acquisition of equipment. The interest rate of the contract is 1 M Euribor plus a spread and is fixed at a total of 6% at the beginning of the contract.

As of 31 December 2012 obligations under finance leases are related to contracts concluded for the acquisition of equipment and transport means. The interest rate under the three contracts is Euribor + spread, fixed at 7.5% at the beginning of the contracts. As of 31 December 2013 the obligations under these three contracts are fully repaid.

<i>In thousands of BGN</i>	2013		2012	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Within one year	526	455	412	367
Between 1 and 5 years	983	924	429	406
Total minimum lease payments	1,509	1,379	841	773
Less amounts representing finance charges	(130)	-	(68)	-
Present value of minimum lease payments	1,379	1,379	773	773

30. Grants

<i>In thousands of BGN</i>	2013	2012
At 1 January	730	462
Received during the year	113	343
Recognized in the consolidated income statement (Note 9)	(69)	(75)
At 31 December	774	730
Current	98	95
Non-current	676	635

As of 31 December 2013 the Group reports grants and financings, the most significant being the following:

- Grant under operational program “Development of the competitiveness of the Bulgarian economy” of the Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA). The total amount of the approved financing is BGN 421 thousand from BSMEPA as the last tranche of BGN 336 thousand is received in 2012. As at 31 December 2013 the remaining balance is BGN 371 thousand.
- Grant under operational programme Energy efficiency on a project for renovation and modernization of the capacity through delivery and installation of new equipment. The total amount of the received financing is BGN 126 thousand and as at 31 December 2013 the remaining balance is BGN 95 thousand.
- Grant at the total amount of BGN 298 thousand received under European program for development in 2008. The grant is deferred for a period of 10 years which is equal to the useful life of the financed asset. As at 31 December 2013 the remaining balance is BGN 148 thousand.

As of the approval date of the consolidated financial statements there are no unfulfilled conditions connected with these grants.

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31. Provisions

In thousands of BGN

	Warranties	Lawsuits	Others	Total
At 1 January 2012	572	10	211	793
Provisions arising during the year	351	-	-	351
Utilised	(130)	-	(211)	(341)
Unused amounts reversed	(285)	-	-	(285)
At 31 December 2012	508	10	-	518
At 1 January 2013	508	10	-	518
Provisions arising during the year	67	-	-	67
Utilised	(157)	-	-	(157)
Unused amounts reversed	(192)	-	-	(192)
At 31 December 2013	226	10	-	236
Including:				
Non-current	29	-	-	29
Current	197	10	-	207

Warranties

The provision for the warranties relates to commitments for warranty support as per contracts executed in prior periods from IHB Electric AD (former Elprom ZEM AD) and Bulyard Shipbuilding Industry EAD. The calculation of the provision is based on estimates made on the basis of historical data on warranties on similar products and services. Warranties for periods longer than one year after the date of the financial statements are presented as non-current liabilities.

Provisions on court proceedings

The expected provision expenses that amount to BGN 10 thousand are based on probability of outflow of resources related to claims filed against companies from the Group.

Other

The provisions for expenses as at 1 January 2012 are connected to commitments as per contract for payment of commissions for equipment produced and delivered by IHB Electric AD (former Elprom ZEM AD) for Iraq. In 2012 the commitments are fully settled.

32. Retirement benefit liability

According to the Bulgarian labour legislation the entities of the Group, as employers, are obliged to pay from two to six gross monthly salaries to their employees upon retirement, depending on the length of their service. If an employee has worked for the same employer for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise - two gross monthly salaries. The retirement benefits are unfunded.

In thousands of BGN

	2013	2012
Obligations under defined benefit plans	367	172
	367	172

32. Retirement benefit liability (continued)

The components of the expenses recognized as part of the retirement benefit liabilities in the consolidated income statement and consolidated statement of comprehensive income and the liabilities recognized in the consolidated statement of financial position as at 31 December 2013 are based on actuarial reports which were prepared based on the following parameters and assumptions:

- Discount rate: 3.55% (2012: 3.4%);
- Expected salary increase: 0% (2012: from 0% to 10%) (varying for the different companies in the Group);
- Turnover of personnel: from 9.84% to 43.54% (2012: from 10% to 69%) (varying for the different companies in the Group);
- Retirement date: in accordance with regulations on length of service and age.

The following table summarizes the components of the personnel benefit expense recognized in the consolidated income statement and the consolidated statement of comprehensive income for the years ended 31 December 2013 and 2012:

Expenses recognized as part of the retirement benefit liabilities

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Current service cost and interest cost (Note 14)	(39)	(23)
Net actuarial gains recognized during the year	-	(26)
Net benefit expenses, recognized in the income statement	<u>(39)</u>	<u>(49)</u>
Net actuarial losses recognized in the statement of comprehensive income	<u>(313)</u>	<u>-</u>

Changes in the present value of the defined benefit obligation are as follows:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Present value of obligations at 1 January	172	248
Amounts paid	(157)	(125)
Expenses recognised in the consolidated income statement	39	49
Expenses recognised in the consolidated statement of comprehensive income	313	-
Present value of obligations at 31 December	<u>367</u>	<u>172</u>

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

<i>In thousands of BGN</i>	<u>2013</u>
Within the next 12 months (next annual reporting period)	63
Between 2 and 5 years	526
Between 6 and 10 years	1,000
Beyond 10 years	3,904
Total expected payments	<u>5,493</u>

At the end of the reporting period the average duration of the retirement benefit liability is in the range of 15 to 20 years (2012: from 14 to 20 years).

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.

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33. Trade and other payables

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Trade payables	4,416	10,900
Payables to personnel	1,630	1,528
Social security payables	344	239
Payables to state authorities	185	283
Advance payments received and deferred revenue	2,030	3,414
Payables for sold rights of shareholders	60	18,342
Fair value of interest rate swap	326	599
Others	510	483
	<u>9,501</u>	<u>35,788</u>

In 2010 the Group signed a contract for interest rate swap of a floating interest rate with a commercial bank. Its purpose is to cover the risk of change in future cash flows (hedging of cash flows) related to bank loan interest payments as a result of change in LIBOR. As per the swap contract the Group pays fixed interest rate of 4.30% and receives floating interest rate (one month LIBOR) as the repayments are made on net basis. The maturity dates are based on monthly time intervals as the first maturity starts on 30 March 2012 and the last maturity as per contract is on 28 February 2017. The nominal value of the swap is USD 5,820 thousand and is reduced by a fixed amount each following period.

The interest rate swap as of 31 December 2013 is valued at fair value at the amount of BGN 326 thousand – a current liability for the Group, resulting in negative reserves from hedging of BGN 293 thousand, net of deferred tax BGN 33 thousand. The cash flow hedging is assessed as highly effective and as of 31 December 2013 unrealized gain at the amount of BGN 273 thousand (2012: BGN 162 thousand) and the accompanying deferred tax liability at the amount of BGN 27 thousand (2012: BGN 16 thousand) are recognized in other comprehensive income. Detailed information on the fair value of the derivative interest rate swap is presented in Note 34.

The liabilities on shareholders' rights sold arising from the increase in share capital in 2007 and unpaid until February 2013 were derecognized as Industrial Holding Bulgaria AD discontinued their payment because of extinguishment of legally prescribed period. These liabilities are derecognised in the profit and loss in the first quarter of 2013 (Note 9a). Liabilities on shareholders' rights sold at 31.12.2013 at the amount of BGN 60 thousand have arisen as a result of the capital increase of the Group in 2011, issuance of bond with ISIN code BG 2100018113 whose procedure was successfully completed on 17 October 2011 and the issuance of bond with ISIN code BG2100006134 in 2013. The repayment of these is still in progress.

34. Financial instruments

Risk management

Review

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

- credit risk
- liquidity risk;
- market risk;
- operating risk.

This note presents information about the Group's exposure to each of the above risks, the Group'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 Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Audit Committees of some of the entities within the Group oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committees of some of the entities within the Group are assisted in their 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 Committees.

Credit risk

Credit risk for the Group is the risk that a 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.

34. Financial instruments (continued)

Credit risk (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 is as follows:

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	5,210	8,494
Investments held for sale	4	4
Trade receivables	4,116	5,270
Related party receivables	233	576
Non-current receivables	1,218	4,977
	<u>10,781</u>	<u>19,321</u>

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

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Domestic	2,523	8,560
Euro-zone countries	619	648
Non-Euro zone countries	2,425	1,615
	<u>5,567</u>	<u>10,823</u>

Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the customer base of the entities within the Group, 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. As this risk is different for the individual segments, it is managed on a segment level in accordance with their weight in the investment portfolio of Industrial Holding Bulgaria AD. In this manner, the risk for the Group is being diversified. The credit policy for the companies within the Group envisions that each new customer should be analyzed for creditworthiness before the standard terms for delivery and payment are offered to him.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

34. Financial instruments (continued)

Credit risk (continued)

Impairment losses of trade and other receivables of the Group

The aging of trade and other receivables at the reporting date, including the impaired receivables, that were not impaired is as follows:

<i>In thousands of BGN</i>	2013	2012
Not due	4,456	10,150
Past due 0 - 180 days	923	625
Past due 180 - 360 days	51	226
Past due more than 360 days	637	136
	6,067	11,137

Guarantees

The Group'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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group 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 2013

In thousands of BGN

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Interest-bearing loans and borrowings	94,322	(99,639)	(54,068)	(6,636)	(17,068)	(21,867)	-
Debenture loan	30,313	(32,926)	(977)	(976)	(30,973)	-	-
Payables to related parties	7,651	(8,476)	(273)	(207)	(7,996)	-	-
Trade and other payables	4,986	(4,986)	(4,986)	-	-	-	-
	137,272	(146,027)	(60,304)	(7,819)	(56,037)	(21,867)	-
Fair value of interest rate swap	326	(334)	(103)	(86)	(110)	(35)	-
	326	(334)	(103)	(86)	(110)	(35)	-

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34. Financial instruments (continued)

Liquidity risk (continued)

31 December 2012

In thousands of BGN

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Interest-bearing loans and borrowings	110,336	(118,734)	(59,616)	(10,220)	(17,597)	(29,355)	(1,946)
Debenture loan	21,946	(22,583)	(22,583)	-	-	-	-
Payables to related parties	16,820	(17,678)	(6,475)	(11,203)	-	-	-
Trade and other payables	11,383	(11,383)	(11,381)	-	(2)	-	-
	160,485	(170,378)	(100,055)	(21,423)	(17,599)	(29,355)	(1,946)
Derivative financial liabilities							
Fair value of interest rate swap	599	(612)	(60)	(62)	(124)	(366)	-
	599	(612)	(60)	(62)	(124)	(366)	-

The gross amounts in the preceding table are the contractual undiscounted cash flows on derivative financial liabilities held for risk management purposes that would normally not be repaid before their contractual maturity. This note shows the net cash flows on derivatives that are settled net in the equity. Further, as disclosed in Note 29, the Group has a secured bank loan with a requirement to comply with certain covenants. In case of breach of the contractual terms of the loan, the loan may become on demand by the bank earlier than set out in the table above. As of 31 December 2013 the covenants are fully complied with. The future cash flows on derivatives may differ from the amounts in the table above, as interest rates and exchange rates fluctuate. Apart from these financial liabilities, the Group does not expect that the cash flows included in the table can occur significantly earlier, or at significantly different amounts.

As disclosed in Note 29, the Group has convertible debenture loan. Any breach of covenants may require the Group to repay the loan earlier than the initial maturity. Bonds are convertible and/or payable at maturity date. As at 31 December 2013, based on final consolidated figures, Industrial Holding Bulgaria AD is in compliance with all of the covenants set by the debenture loan. Apart from these financial liabilities, the Group does not expect that the cash flows included in the table can 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 Group 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 Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group - 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.

In order to minimise the exposure to currency risk the management of the Group reduced to a minimum payments in currencies other than the Bulgarian lev (BGN) or Euro (EUR). Some of the companies in the Group are exposed to a limited currency risk mainly due to purchases and/or sales and/or loans in currencies other than the presentation currency. Bulyard Shipbuilding Industry EAD, Privat Engineering AD, Serdika Ltd. and Tirista Ltd. have contracts in U.S. Dollars (USD). Bulyard Shipbuilding Industry EAD has signed a bank loan contract in JPY.

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34. Financial instruments (continued)

Currency risk (continued)

The Group exposure to currency risk is as follows:

<i>In thousands of BGN</i>	31 December 2013				31 December 2012			
	BGN	EUR	USD	JPY	BGN	EUR	USD	JPY
Cash and cash equivalents	2,344	1,011	1,854	1	4,460	1,377	2,657	-
Trade receivables	1,130	1,605	1,381	-	1,944	2,436	890	-
Related party receivables	233	-	-	-	576	-	-	-
Non-current receivables	68	1,150	-	-	561	4,416	-	-
Interest-bearing loans and borrowings	(3,588)	(7,416)	(74,802)	(8,516)	(3,722)	(6,192)	(87,123)	(13,299)
Debenture loan, including interest payables	(30,313)	-	-	-	(21,946)	-	-	-
Related party payables	(120)	(5,974)	(1,557)	-	(804)	(13,890)	(2,126)	-
Payables for sold rights of shareholders	(60)	-	-	-	(18,342)	-	-	-
Financial derivative liability	-	-	(326)	-	-	-	(599)	-
Trade and other payables	(2,920)	(238)	(1,768)	-	(9,095)	(564)	(1,724)	-
	(33,226)	(9,862)	(75,218)	(8,515)	(46,368)	(12,417)	(88,025)	(13,299)

Financial instruments denominated in Euro are exposed to limited currency risk because of the fixed exchange rate between the Bulgarian lev and the Euro. The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
U.S. dollars	1.47362	1.52314	1.41902	1.4836
Japanese yen	0.01513226	0.019120	0.0134866	0.017232

Sensitivity analysis

A 10 percent strengthening of the BGN against the following currencies at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

31 December 2013

In thousands of BGN

	Equity	Income statement
U.S. dollars	-	(7,522)
Japanese yen	-	(852)
	-	(8,374)

31 December 2012

In thousands of BGN

	Equity	Income statement
U.S. dollars	-	(8,803)
Japanese yen	-	(1,330)
	-	(10,133)

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34. Financial instruments (continued)

Currency risk (continued)

Sensitivity analysis (continued)

A 10 percent weakening of the BGN against the above currencies at 31 December would have had the equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

The entities within the Group are exposed to interest rate risk, as there are loans with floating interest rates corresponding to the current market prices. To reduce the interest rate risk exposure, the Group is trying to increase the proportion of loans with fixed interest.

In certain cases of loans and borrowings with floating interest rate on lender's request part of the interest payments are protected from increase of the interest level by means of interest rate swap.

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

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

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Fixed rate instruments		
Financial assets	6,598	13,339
Financial liabilities	<u>(37,495)</u>	<u>(38,409)</u>
	<u>(30,897)</u>	<u>(25,070)</u>
Floating rate instruments		
Financial assets	-	1,275
Financial liabilities	<u>(94,322)</u>	<u>(110,336)</u>
	<u>(94,322)</u>	<u>(109,061)</u>

Sensitivity analysis for fixed rate instruments

The Group 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 income statement and equity.

Sensitivity analysis for floating rate instruments

A change of one percent in interest rates at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

31 December 2013		
<i>In thousands of BGN</i>	Equity	Income statement
Financial assets	-	-
Financial liabilities	-	(943)
31 December 2012		
<i>In thousands of BGN</i>	Equity	Income statement
Financial assets	-	-
Financial liabilities	-	(1,091)

34. Financial instruments (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance, where this is cost-effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committees and senior management of the Group.

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. In 2013 the return on equity is 6.8% (2012: minus 2.6%).

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

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35. Related parties disclosures

The consolidated financial statements of the Group include:

	Country of incorporation	% equity interest	
		2013	2012
		%	%
Industrial Holding Bulgaria AD	Bulgaria	Parent company	Parent company
Privat Engineering AD	Bulgaria	100.00	100.00
ZMM Bulgaria Holding AD	Bulgaria	100.00	100.00
ZMM Sliven AD	Bulgaria	95.98	95.98
ZMM Nova Zagora AD	Bulgaria	93.57	93.57
Leyarmash AD	Bulgaria	100.00	100.00
Mashstroy AD – under liquidation	Bulgaria	80.81	80.81
IHB Electric AD (former Elprom ZEM AD)	Bulgaria	80.78	80.78
KRZ-Port Bourgas AD	Bulgaria	99.64	99.64
KLVK AD	Bulgaria	100.00	100.00
International Industrial Holding Bulgaria AG	Switzerland	100.00	100.00
Maritime Holding AD	Bulgaria	61.00	61.00
Bulgarian Register of Shipping AD	Bulgaria	61.00	61.00
Bulgarian Lloyd EOOD	Bulgaria	61.00	61.00
Bulyard AD	Bulgaria	61.50	61.50
Bulyard Shipbuilding Industry EAD	Bulgaria	61.50	61.50
Bulkari EAD	Bulgaria	100.00	100.00
IHB Shipping Co EAD	Bulgaria	100.00	100.00
Emona Ltd.	Marshall islands	100.00	100.00
Karvuna Ltd.	Marshall islands	100.00	100.00
Marciana Ltd.	Marshall islands	100.00	100.00
Odria Ltd.	Marshall islands	100.00	100.00
Tirista Ltd.	Marshall islands	100.00	100.00
Rekolta 2011 EAD	Bulgaria	100.00	100.00
Serdika Ltd.	Marshall islands	100.00	100.00
Bulport Logistika AD	Bulgaria	51	51
Agro Pari AD	Bulgaria	66.00	-

Bulls AD is a shareholder with significant influence in Industrial Holding Bulgaria AD. In accordance of IAS 24, paragraph 9b ii) and iv) Bulls AD and all of its subsidiaries, associates and jointly controlled ventures are related parties to Industrial Holding Bulgaria AD.

The Bulgarian Electric Pump Consortium is a jointly controlled civil company under the Obligations and Contracts Act established by IHB Electric AD (former Elprom ZEM AD) for joint participation in a tender for the supply of pumps. During the reporting period the Bulgarian Electric Pump Consortium terminated its activities and deregistered in the Registry Agency and the National Revenue Agency.

35. Related parties disclosures (continued)

35.1. Transactions with related parties

Transactions with shareholder with significant influence

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Interest expenses related to received loans	625	532
Received loans	-	25,000
Repaid loans and interest	9,794	13,012

Transactions with associates and jointly-controlled entities

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Dividend income from Odesos PBM AD	-	120
Dividend income from Istrum Travel	-	985
<i>Bulgarian Electric Pump Consortium – sale of electromotors</i>	-	1,476
Dunav Tours AD – interest income related to granted loans	-	6
Granted loans to Dunav Tours AD	-	875
Recovered loans from Dunav Tours AD	-	875

Transactions with other related parties

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Interest income	9	-
Granted loans	224	-

35.2. Balances with related parties

Payables in connection with loans received (incl. interest)

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Shareholder with significant influence	7,651	16,400
Individual	-	420
	<u>7,651</u>	<u>16,820</u>
Long-term part	7,583	-
Short-term part	68	16,820

35. Related parties disclosures (continued)

35.2. Balances with related parties (continued)

Receivables from other related parties

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Bulgarian Electric Pump Consortium –receivables from sales	-	576
Other related parties	233	-
	<u>233</u>	<u>576</u>

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 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: nil). 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 Group

<i>In thousands of BGN</i>	<u>2013</u>	<u>2012</u>
Short-term employee benefits of key management personnel of the Group	560	566
	<u>560</u>	<u>566</u>

36. Commitments and contingencies

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	<u>2013</u>	<u>2012</u>
Within one year	474	474
After one year but not more than five years	1,896	2,368
More than five years	<u>2,380</u>	<u>2,368</u>
	<u><u>4,750</u></u>	<u><u>5,210</u></u>

Operating lease commitments – Group as lessor

Future minimum rentals receivables (buildings and equipment) under non-cancellable operating leases as at 31 December are, as follows:

	<u>2013</u>	<u>2012</u>
Within one year	670	298
After one year but not more than five years	1,206	1,090
More than five years	<u>28</u>	<u>42</u>
	<u><u>1,904</u></u>	<u><u>1,430</u></u>

Legal claim contingency

As of 31 December 2013 no significant legal claims has been initiated against the Group.

The subsidiary IHB Electric AD (former Elprom ZEM AD) uses bank guarantees for good performance based on contracts for issuance of bank guarantees for good performance. As of 31 December 2013 guarantees issued to a customer of IHB Electric and endorsed by ZMM Bulgaria AD amounting BGN 399 thousand were claimed. A lawsuit initiated by IHB Electric in Germany.

During 2013 and as of the date of approval of the financial statements there is no pronouncement under the court case in substance. In spite of all evidence gathered and the expectations the lawsuit to be in favour of IHB Electric AD, based on the fact that during 2013 there were no payments for the receivables from the customers and given the development of the lawsuit in the Berlin district court, as of 31 December 2013 allowance for doubtful debts at the amount of BGN 176 thousand was accrued.

Guarantees

As per a contract with commercial bank for granting a credit limit for issuing bank guarantees, letters of credit and working capital financing of the Holding and/or entities from the Group with a limit of BGN 10,000 thousand, as at 31.12.2013 bank guarantees are issued to entities in the Group – IHB Electric AD, Leyarmash AD and KRZ Port Bourgas AD in the amount of BGN 748 thousand (2012: BGN 30 thousand). Apart from that, letters of credits of the Group for Bulyard Shipbuilding Industry EAD are also opened in the amount of BGN 573 thousand (2012: BGN 4,685 thousand) and a revolving credit line is opened for working capital financing for BGN 3,000 thousand (2012: BGN 3,000 thousand). The contract with the bank is secured with a second-ranked pledge on the entity KRZ Port-Burgas AD as an aggregation of rights, obligations and factual relations with an entry of the main assets in the relevant registers. Further, during 2013 new security on the loan contract was added – pledge on Bulyard Shipbuilding Industry EAD covering part of the credit limit provided under the form of working capital financing.

36. Commitments and contingencies (continued)

Guarantees (continued)

Privat Engineering AD signed a contract with a commercial bank for the provision of a credit limit amounting USD 800 thousand within which the bank could issue bank guarantees or make payments under issued bank guarantees for good performance for reimbursement of advance payments or other similar payments to third parties. As at 31.12.2013 the utilized amount is USD 687,600.

Industrial Holding Bulgaria AD has provided guarantees in relation to option to participate in its subsidiary Rekolta 2011 EAD with investment intention together with Alfa Finance Holding AD and Diamond Solar Europe Limited (100% owned by Mitsubishi Corporation). The guarantee is for EUR 3,700 thousand and is secured. On 18 April 2013 the loan receivable is fully repaid, as a result of which the guarantee is voided.

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 consolidated financial statements for the year ending 31 December 2013.

37. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2013

<i>In thousands of BGN</i>	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Revalued lands, buildings and equipment (Note 18)					
Land and buildings	31.12.2013	127,439	-	-	127,439
Specialized equipment	31.12.2013	13,393	-	-	13,393
Investment properties (Note 21)					
Office property	31.12.2013	87	-	-	87
Commercial property	31.12.2013	153	-	-	153
Warehouses	31.12.2013	4,479	-	-	4,479
Liabilities measured at fair value:					
Derivative financial liability (Note 33)					
Interest rate swap	31.12.2013	326	-	326	-
Liabilities for which fair values are disclosed:					
Debenture loan	31.12.2013	30,000	30,000	-	-
Interest-bearing loans	31.12.2013	92,943	-	92,943	-

There have been no transfers between hierarchy levels during the period.

38. Fair value of financial instruments

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

<i>In thousands of BGN</i>	<i>Carrying amount</i>		<i>Fair value</i>	
	2013	2012	2013	2012
<i>Financial assets</i>				
Trade and other receivables	4,199	5,410	4,199	5,410
Non-current receivables	1,218	4,977	1,218	4,977
Receivables from related parties	233	576	233	576
Cash and cash equivalents	5,210	8,494	5,210	8,494
<i>Financial liabilities</i>				
Interest-bearing loans and borrowings	94,322	110,336	94,322	110,336
Debenture loan (interest payable excluded)	29,912	21,591	30,000	21,605
Payables to related parties	7,651	16,820	7,651	16,820
Derivative financial liability	326	599	326	599
Trade and other liabilities	4,986	11,383	4,986	11,383

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:

- Trade and other receivables, non-current receivables, receivables from related parties, cash and cash equivalents, payables to related parties and trade and other payables – their fair values approximate their carrying amounts due to the short-term maturities of these instruments;
- The fair value of the derivative interest rate swap contract is estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The counterparty banks performed the fair value assessment of the interest rate swap.
- 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 interest bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. Their fair values approximate their carrying amounts. The own non-performance risk as of 31 December 2013 was assessed to be insignificant.

39. Subsequent events

In relation to the decision taken at the General Shareholder Meeting for the treasury shares transactions, in January 2014, 6,125 shares were repurchased at an average price of BGN 0.84 per share.

At the General Shareholder Meeting of Maritime Holding AD on 20 February 2014, a dividend at the amount of BGN 3.22 per share (total amount of BGN 845 thousand) was declared. Industrial Holding Bulgaria AD's share is 61% or BGN 515 thousand.

On 26 February 2014 IHB AD as sole owner of Rekolta 2011 EAD has decided to distribute dividend at the amount of BGN 560 thousand from the net result for 2013 and the retained earnings from previous years.

39. Subsequent events (continued)

According to decision of the General shareholders meeting of Bulyard Shipbuilding Industry EAD dated 24.02.2014 the share capital of the subsidiary is increased from BGN 50 thousand to BGN 900 thousand through the issuance of new 850 thousand common personal shares with voting rights and par value of BGN 1 each. All shares from the increase of the capital are registered only from the sole shareholder of the subsidiary – Bulyard AD.

At the annual General Shareholder Meeting of ZMM Bulgaria Holding AD, a dividend distribution for an amount of BGN 0.50 per share (total amount 2,796 thousand) has been voted.

On 18 February 2014 the General Shareholder Meeting of Agro Pari AD voted to discontinue the company's operations and to start a process of liquidation.

On 5 March 2014 at the Assembly meeting, the decision for the establishment of a new company IHB Ship Design EAD has been accepted. Industrial Holding Bulgaria AD has subscribed 100% of the shares of the new entity. The company was registered in the Trade Register on 18 March 2014.

On 26 March 2014 the subsidiary Maritime Holding AD took a decision to terminate the activities of Bulgarian Lloyd EOOD and to start liquidation proceedings.

On 16 April 2014 the second interest payment under the debenture loan issued in April 2013 was made.

Except for the above disclosed events, no other events have occurred after 31 December, which require additional adjustments and/or disclosures in the consolidated financial statements for the year ended 31 December 2013.