INDUSTRIAL HOLDING BULGARIA PLC
INTERIM MANAGEMENT REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

Table of Contents

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INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2021

BGN'000	Notes	30 June 2021	30 June 2020
Revenue	7	58,569	42,434
Other operating income	8	2,951	784
		61,520	**43,218**
Changes in stock of work in progress and finished goods	9	131	795
Self-constructed assets in progress	10	159	900
Costs of materials	11	(14,566)	(14,642)
Costs of hired services	12	(10,605)	(7,208)
Depreciation/amortisation expenses	17,18,33	(6,353)	(7,095)
Costs of personnel	13	(13,811)	(14,106)
Other operating expenses	14	(632)	(9,310)
Operating profit / (loss)		**15,843**	**(7,448)**
Finance income	15	3,719	329
Finance costs	15	(557)	(822)
Profit / (Loss) before taxes		**19,005**	**(7,941)**
Profit tax expense	16	(629)	(579)
Profit / (Loss) for the period		**18,376**	**(8,520)**
Attributable to:			
Equity holders of the parent		18,184	(8,733)
Non-controlling interests		192	213
Basic net earnings/(loss) per share			
Basic net earnings/(loss) per share, attributable to the equity owners of the parent (in BGN)	25	0.186	(0.087)

The notes on pages 16 to 69 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue by resolution of the Management Board and the Supervisory Board dated 22 July 2021.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021

BGN'000	Notes	30 June 2021	30 June 2020
Profit / (Loss) for the period		**18,376**	**(8,520)**
Other comprehensive income / (loss)			
Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of financial statements of foreign operations		(186)	156
Profit tax effect		-	-
		(186)	156
Net change in cash flow hedge	27	142	(232)
Profit tax effect	16	(14)	23
		128	(209)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of taxes		**(58)**	**(53)**
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	17	-	-
Profit tax effect	16	-	-
		-	-
Subsequent valuation of defined benefit plans	30	-	-
Profit tax effect	16	-	-
		-	-
Other changes		-	-
Profit tax effect		-	-
		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of taxes		**-**	**-**
Other comprehensive income for the period, net of taxes		**(58)**	**(53)**
Total comprehensive income for the period, net of taxes		**18,318**	**(8,573)**
Attributable to:			
Equity holders of the parent		18,126	(8,786)
Non-controlling interests		192	213

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Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

BGN'000	Notes	30 June 2021	31 December 2020
Assets			
Non – current assets			
Property, plant and equipment	17	310,516	309,812
Intangible assets	18	2,408	2,461
Goodwill	18	9,130	9,130
Investment properties	20	13,226	13,226
Right-of-use assets	33	1,376	1,536
Deferred tax assets	16	57	66
Trade and other receivables	22	21	24
Total non-current assets		**336,734**	**336,255**
Current assets			
Inventories	21	16,697	16,897
Trade and other receivables	22	10,070	7,481
Contract assets	22	921	1,023
Profit tax receivable		-	13
Cash and cash equivalents	23	8,133	6,942
Total current assets		**35,821**	**32,356**
Assets classified as held for sale	19	1,156	1,157
TOTAL ASSETS		**373,711**	**369,768**

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Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

(Continued)

BGN'000	Notes	30 June 2021	31 December 2020
Equity			
Share capital	24	107,400	107,400
Share premium	24	30,604	30,604
Treasury shares redeemed	24	(10,180)	(8,668)
Other reserves	24	84,912	84,690
Reserve on currency translation of financial statements of foreign operations	24	11,411	11,597
Retained earnings		94,061	75,971
		318,208	301,594
Non-controlling interests		2,045	2,258
Total equity		**320,253**	**303,852**
Liabilities			
Non – current liabilities			
Interest-bearing loans and other borrowings	26	14,345	17,610
Loans from related parties	35	-	2,437
Lease liabilities	33	1,102	1,259
Derivative financial liability	27	61	123
Trade and other payables	31	93	146
Financing	28	1,317	1,371
Retirement benefit liability	30	697	804
Deferred tax liabilities	16	10,702	10,563
Total non-current liabilities		**28,317**	**34,313**
Current liabilities			
Interest-bearing loans and other borrowings	26	11,603	11,456
Loans from related parties	35	157	2,567
Lease liabilities	33	305	306
Derivative financial liability	27	227	282
Trade and other payables	31	8,296	13,200
Contract liabilities	32	3,946	3,334
Provisions	29	15	250
Financing	28	109	109
Profit tax liability		483	99
Total current liabilities		**25,141**	**31,603**
Total liabilities		**53,458**	**65,916**
TOTAL EQUITY AND LIABILITIES		**373,711**	**369,768**

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Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2021

BGN'000	**Notes**	**30 June 2021**	**30 June 2020**
Operating activities			
Receipts from customers		65,437	41,342
Payments to suppliers		(34,387)	(23,679)
Payments related to staff remuneration		(13,804)	(13,961)
Corporate profit tax paid		(107)	(145)
Other taxes refunded/(paid)		235	60
Exchange rate differences		(26)	46
Financing received approved during the current period		2,150	270
Financing received approved during a previous period		580	-
Other payments		(5,283)	(774)
Net cash flows from operating activities, net		**14,795**	**3,159**
Investing activities			
Proceeds from sale of property, plant and equipment		32	21
Payments relating to self-constructed fixed assets		(2,644)	(1,635)
Other (payments) / proceeds		-	-
Net cash flows used in investing activity		**(2,612)**	**(1,614)**
Financing activity			
Payments for redemption of treasury shares	24	(1,512)	(1,114)
Interest-bearing loans and other borrowings received		3,422	5,356
Interest-bearing loans and other borrowings repaid		(11,943)	(8,948)
Lease liabilities paid	33	(153)	(170)
Dividends paid		(254)	(464)
Interest paid on loans and other borrowings		(298)	(547)
Interest paid on lease contracts	33	(12)	(15)
Fees and commissions paid on loans		(15)	(15)
Amounts paid under an interest rate swap contract		(152)	(145)
Other payments		(99)	(65)
Net cash flows used in financing activities, net		**(11,016)**	**(6,127)**
Net increase / (decrease) in cash and cash equivalents		1,167	(4,582)
Cash and cash equivalents at 1 January	23	6,942	7,542
Foreign currency translation effects		24	(87)
Cash and cash equivalents at 30 June	23	**8,133**	**2,873**

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Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021

BGN'000	Attributable to the equity holders of the parent										
	Share capital	**Share premium**	**Treasury shares redeemed**	**Additional and legal reserves**	**Revaluation reserve**	**Reserve from foreign currency translation of foreign operations**	**Cash flow hedge reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2021	**107,400**	**30,604**	**(8,668)**	**4,974**	**80,015**	**11,597**	**(299)**	**75,971**	**301,594**	**2,258**	**303,852**
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	18,184	18,184	192	18,376
Other comprehensive income for the period	-	-	-	-	-	(186)	128	-	(58)	-	(58)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(186)**	**128**	**18,184**	**18,126**	**192**	**18,318**
Transactions with shareholders recognized in equity											
Distribution of profit to reserves	-	-	-	150	-	-	-	(150)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(405)	(405)
Acquisition of treasury shares	-	-	(1,512)	-	-	-	-	-	(1,512)	-	(1,512)
Total transactions with owners	**-**	**-**	**(1,512)**	**150**	**-**	**-**	**-**	**(150)**	**(1,512)**	**(405)**	**(1,917)**
Transfer of revaluation reserve on assets sold to retained earnings	-	-	-	-	(56)	-	-	56	-	-	-
At 30 June 2021	**107,400**	**30,604**	**(10,180)**	**5,124**	**79,959**	**11,411**	**(171)**	**94,061**	**318,208**	**2,045**	**320,253**

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Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021

BGN'000	Attributable to the equity holders of the parent										
	Share capital	**Share premium**	**Treasury shares redeemed**	**Additional and legal reserves**	**Revaluation reserve**	**Reserve from foreign currency translation of foreign operations**	**Cash flow hedge reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2019	**107,400**	**30,604**	**(6,536)**	**4,843**	**80,140**	**20,078**	**(353)**	**88,170**	**324,346**	**2,496**	**326,842**
Total comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(8,733)	(8,733)	213	(8,520)
Other comprehensive income for the period	-	-	-	-	-	156	(209)	-	(53)	-	(53)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**156**	**(209)**	**(8,733)**	**(8,786)**	**213**	**(8,573)**
Transactions with shareholders recognized in equity											
Distribution of profit to reserves	-	-	-	131	-	-	-	(131)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(655)	(655)
Acquisition of treasury shares	-	-	(1,114)	-	-	-	-	-	(1,114)	-	(1,114)
Acquisition of interest										49	49
Total transactions with owners	**-**	**-**	**(1,114)**	**131**	**-**	**-**	**-**	**(131)**	**(1,114)**	**(606)**	**(1,720)**
Transfer of revaluation reserve on assets sold to retained earnings	-	-	-	-	(16)	-	-	16	-	-	-
At 30 June 2020	**107,400**	**30,604**	**(7,650)**	**4,974**	**80,124**	**20,234**	**(562)**	**79,322**	**314,446**	**2,103**	**316,549**

The notes on pages 16 to 69 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue by resolution of the Management Board and the Supervisory Board dated 22 July 2021.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

1. Corporate information

The consolidated financial statements of Industrial Holding Bulgaria PLC (the Company or IHB PLC) and its subsidiaries (the Group) for the period ended 30 June 2021 were authorised for issue by resolution of the Management Board dated 22 July 2021, approved by the Supervisory Board.

Industrial Holding Bulgaria PLC is a joint stock company (PLC), registered in the Republic of Bulgaria under Company File N 13081 / 1996 with headquarters and registered office at 42 Damyan Gruev Str., Sofia, Bulgaria. 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 company name Privatisation Fund Bulgaria PLC.

The General Meeting of Shareholders held on 27 February 1998 passed a decision to reorganize the activities of Privatisation Fund Bulgaria PLC into a holding co1mpany and to change its name from Privatisation Fund Bulgaria PLC to Industrial Holding Bulgaria PLC. The Company's registered capital amounted to BGN 107,400,643 at 30 June 2021. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

As of 30 June 2021, Industrial Holding Bulgaria PLC had 10 direct subsidiaries (2020: 10), no associates (2020: Nil), and 10 indirect subsidiaries (2020: 12 indirect subsidiaries), collectively referred to as "the Group". For further details, see Note 35.

The operations of the Group include production and trading of heavy machinery, shipbuilding, ship repair and transportation, ship management, ship design, 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. It is registered under the Value Added Tax Act. The shares of Industrial Holding Bulgaria PLC are traded on the Bulgarian Stock Exchange, Sofia.

The Company's management comprises its Management Board. Those charged with governance are presented by the Audit Committee and the Supervisory Board of the Company.

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, with the exception of land, buildings and certain specialised equipment that are measured at revalued amount less accumulated depreciation, investment properties that are measured at fair value, and derivative financial instruments that are measured at fair value.

The consolidated financial statements have been presented in Bulgarian lev (BGN) and all figures have been rounded to the nearest thousand Bulgarian lev (BGN'000), unless stated otherwise.

Statement of compliance
The consolidated financial statements of Industrial Holding Bulgaria PLC have been prepared in accordance with International Financial Reporting Standards as endorsed in the European Union (IFRS, endorsed by EU). Reporting framework "IFRS as adopted by the EU" is essentially the defined national basis of accounting "IAS, as adopted by the EU", specified in the Accountancy Act and defined in paragraph 8 of its Additional provisions.

These interim financial statements do not contain all information and data to be disclosed in the annual financial statements and shall be read together with the annual consolidated financial statements of the Group as at 31 December 2020, published on 29 April 2021.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Industrial Holding Bulgaria PLC and its subsidiaries for the period ended as at 30 June 2021.

Subsidiaries are fully consolidated from the date of their acquisition, being the date on which Industrial Holding Bulgaria PLC obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as that of 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.

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

Change in ownership of a subsidiary that do not result in change of control, is presented as an equity transaction. If Industrial Holding Bulgaria PLC losses its control over a subsidiary, it shall:

- Derecognise assets (including goodwill) and liabilities of the subsidiary;
- Derecognise the carrying amount of non-controlling interest ;
- Derecognise the cumulative differences from converting foreign currency, reported in equity;
- Recognise the fair value of the consideration received;
- Acknowledge the investment retained at fair value;
- Acknowledge the outcome of the transaction on loss of control in the profit or loss for the period;
- Reclassify the share of the parent company of the components previously recognised in other comprehensive income to profit or loss.

Industrial Holding Bulgaria PLC has prepared and presented separate financial statements for the period ended 30 June 2021, in which the investments in subsidiaries, associates and joint ventures have been stated at acquisition cost, less any accumulated impairment losses. The separate financial statements of Industrial Holding Bulgaria PLC were approved for issue by resolution of the Managing Board dated 21 July 2021, approved by the Supervisory Board.

Going concern
The consolidated financial statements of the Group have been prepared on a 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 acquisition is measured as the aggregate of the consideration transferred, measured at fair value as of the acquisition date, 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 taken to profit or loss for the period.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for the purposes of their 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 a business combination is achieved in stages, the fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured, through profit and loss, to the fair value as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as an asset or a liability is recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, in profit or loss. If the contingent consideration is classified as equity instrument, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the consideration paid over the net identifiable assets acquired and liabilities assumed by the Group. If this consideration is lower than the fair value of the subsidiary's net assets, 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 synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to cash-generating units and part of the operation within those units 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 of a business combination is not completed by the end of the reporting period in which the combination occurs because the fair values to be set for the identifiable assets acquired and liabilities assumed of the acquiree or the amount of the consideration transferred, or the value of non-controlling participation can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises adjustments to those provisional values as a result of the finalisation of the initial reporting within twelve months from the date of acquisition and retrospectively from that date.

b) Foreign currency translation

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

2.2 Summary of significant accounting policies (continued)

b) Foreign currency translation (continued)

i. Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate published by Bulgarian National Bank, effective for the reporting date. 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 an effective hedge of a net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time they are reclassified to the income statement. Any tax effects attributable to exchange differences on those monetary items in foreign currencies are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction (acquisition). Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the average exchange rate. Any exchange differences arising on this translation are recognised in the income statement with the exception of differences arising on translating into the functional currency of available-for-sale equity instruments or items that meet the criteria for recognition as an effective cash flow hedge, which are recognised in other comprehensive income.

ii. Group companies

Assets and liabilities of foreign operations, including goodwill and fair value adjustments, are translated into Bulgarian lev at the exchange rate on the reporting date and their income statements are translated at the exchange rates on the date of the transactions. Any exchange differences arising on this conversion are recognised in other comprehensive income. Upon disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is reclassified to the income statement.

c) Revenue from contracts with customers

The Company is in the business of machine building, production of metal structures, ship repair, marine transport, port services, design services, and other services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. An exception are additional services provided to tenants, such as electricity, water supply, central heating, etc., in which the Group acts as an agent as its performance obligation is to ensure a third party to provide the service.

In fulfilling its commitments on contracts with customers, the Group has identified the following performance obligations:

Production of machine tools, components and parts

Revenue from sale of machine tools, components and parts for the machine-building and other industries is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the finished products.

Transportation of cargo under voyage charter contracts

Revenue from transportation of cargo under voyage charter contracts is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using an input method based on the number of days that have passed after the date of transportation relative to the total number of estimated days of transportation (from the first loading port to the last unloading port) in order to measure progress towards complete satisfaction of the service.

2.2 Summary of significant accounting policies (continued)

c) Revenue from contracts with customers (continued)

Services relating to operation of vessels under time charter contracts
Revenue from services relating to operation of vessels under time charter contracts is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report the products based on the time passed after the ship is rented in order to measure progress towards complete satisfaction of the service.

Repair and reconstruction of vessels
Revenue from repair and reconstruction of vessels is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report input resources based on the expenses incurred compared to the total amount of estimated expenses in order to measure progress towards complete satisfaction of the service.

Repair and reconstruction of vessels
Revenue from repair and reconstruction of vessels is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report finished products based on the activities accepted by the customer in order to measure progress towards complete satisfaction of the service.

Production of metal structures
Revenue from production of metal structures is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report resources used based on the costs incurred relative to the total amount of estimated costs in order to measure progress towards complete satisfaction of the performance obligation.

Design services
Revenue from design services in the area of ship-building is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. For fixed-price contracts, the Group is using a method based on man-hours worked-out relative to the total expected man-hours to the satisfaction of that performance obligation, in order to assess the progress of the full satisfaction of the performance obligation. For contracts based on an agreed fee per unit of time, the Group is using a method to report finished products based on the hours worked-out as accepted by the client.

Cargo processing
Revenue from cargo processing is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report finished products based on tonnage processed in order to measure progress towards complete satisfaction of the service.

Cargo storage
Revenue from cargo storage is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report finished products based on the time of storage of cargo that has passed in order to measure progress towards complete satisfaction of the service.

Rent of a quay
Revenue from a rent of a quay is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report finished products based on the time the ship is at quay in order to measure progress towards complete satisfaction of the performance obligation.

Other services
Revenue from other services is recognized over time as the client simultaneously receives and consumes the benefits provided by the Group. For production services (relating primarily to processing of parts) and vessel supervision and inspection services, the Group is using a method to report resources used based on the costs incurred relative to the total amount of estimated costs in order to measure progress towards complete satisfaction of the performance obligation. For administrative services (relating primarily to provision of services to tenants) and for sale of electricity, the Group is using a method to report finished products in order to measure progress towards complete satisfaction of the performance obligation. In its performance obligations to provide administrative services, the Group acts as an agent.

2.2 Summary of significant accounting policies (continued)

c) Revenue from contracts with customers (continued)

When determining the price on its contracts with customers, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur (reversal) when the associated uncertainty with the variable consideration is subsequently resolved.

Demurrage / dispatch under voyage charter contracts
The voyage charter contracts include clauses according to which the customer is required to pay a demurrage or compensation for delaying the loading or unloading time of a ship. And vice versa, if a ship is loaded or unloaded for a time that is shorter than the agreed time, the Group must pay a dispatch to the client. To estimate the variable consideration for demurrage and dispatch, the Group applies the expected value method. The Group then applies the requirements on constraining estimates of variable consideration and recognises either contract assets for the expected future demurrages or a refund liability for the expected future dispatches.

Volume rebates under cargo processing contracts
The Group provides retrospective volume rebates to certain customers once the quantity of cargo processed during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(ii) Significant financing component

Generally, the Group receives short-term advances under its contracts with customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers under certain contracts. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

(i) Consideration due to a customer

Under voyage charter contracts, the Group pays commissions that represent, in their substance, a discount from the service price. The consideration due to the customer is reported in decrease of the transaction price.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.2 Summary of significant accounting policies (continued)

c) Revenue from contracts with customers (continued)

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.2 f).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Costs to obtain a contract

The Group pays sales commission under certain contracts. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Refund liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration. See above for a description of the accounting policies applied to the variable consideration.

d) Taxes

Current profit tax
Current 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 in connection with the corporate income tax. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date in the countries in which the Group carries out its activities.

Current tax is recognised directly in the equity (and not in the income statement) where the tax relates to items that have been recognised directly in the equity. Management analyses the individual items of the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Deferred profit tax

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

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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2.2 Summary of significant accounting policies (continued)

d) Taxes (continued)

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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, 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 income tax assets is reviewed by the Group 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit 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 income tax assets and deferred income tax liabilities are offset by the Group only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax (“VAT”)
Revenue, 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.

e) Employee benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group company and measured at the undiscounted amount of the expected cost of the benefit. Further details are provided in Note 30.

2.2 Summary of significant accounting policies (continued)

e) Employee benefits (continued)

The Group companies operate a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the same group of entities for 10 years during the last 20 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined by the Group 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 the restructuring-related costs are recognised.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The changes in the latter (service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements) are recognised in the consolidated income statement, within “Employee benefit expense”.

f) Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 2.2 c).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.2 Summary of significant accounting policies (continued)

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Interest income

Interest income is recognised using the effective interest method that is the rate that discounts exactly the estimated future cash flows over the estimated useful life of the financial instrument, or a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

The Company's financial assets at amortised cost includes trade receivables and loans to third parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

2.2 Summary of significant accounting policies (continued)

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company’s financial liabilities include trade and other payables, interest-bearing loans and borrowings, including loans from related parties and bank overdrafts.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

2.2 Summary of significant accounting policies (continued)

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

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 26 and Note 35.

Derecognition

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

g) Offsetting of financial instruments

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

h) Fair value measurement

The Group reports its financial instruments, such as, derivatives, as well as non-financial assets, such as investment properties and land, buildings and specialised equipment, at fair value at each reporting date. The Group does not report financial assets at fair value.

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.

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.

2.2 Summary of significant accounting policies (continued)

h) Fair value measurement (continued)

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 at fair value in the financial statements on a recurring basis, the Group determines whether transfer(s) 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 sets the policies and procedures to apply to both the regular fair value measurements, such as those of land, buildings and specialised equipment and investment property, and to ad hoc fair value measurements, such as those of assets held for sale/distribution to owners.

External independent valuers are involved usually for valuation of significant assets, such as land, buildings and specialised equipment and investment property. Involvement of valuation experts is decided upon annually by the Group's management.

At the end of each financial year, 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 major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents.

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 and the level of the fair value hierarchy as explained above.

i) Derivative financial instruments and hedge accounting

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

Gains or losses arising from changes in derivatives' fair value are recognised directly in the profit or loss for the period, except for the effective portion of cash flow hedges, which are recognised in other comprehensive income.

2.2 Summary of significant accounting policies (continued)

i) Derivative financial instruments and hedge accounting (continued)

For the purpose of hedge accounting, the hedges are classified as:

- A fair value hedge that is a hedge of the exposure to changes in fair values of a recognized asset or liability or an unrecognized firm commitment (other than a currency risk);
- A cash flow hedge that is a hedge of the exposure to variability in cash flows that are attributed to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or an unrecognized firm commitment;
- A hedge of net investment in a foreign operation.

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, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges, which meet all 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 directly in profit or loss for the period under the heading of operating expenses.

The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non- financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

2.2 Summary of significant accounting policies (continued)

i) Derivative financial instruments and hedge accounting (continued)

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

The Group uses interest rate swap contracts as hedges of its exposure to volatility in interest rates in firm loan commitments. For more details, see Note 27.

j) 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.

k) 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. 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.

l) Treasury shares redeemed

Equity instruments that are redeemed (redeemed) are recognized at fair value of the consideration transferred and deducted from equity. The Group does not recognize either profit or loss from the purchase, sale, issue or cancellation of its own equity instruments. Any difference between the nominal value and the fair value of the consideration transferred in the event of cancellation of redeemed shares is recognized in the decrease / increase in the premium reserve. Any difference between the nominal value and the fair value of the sale of own shares is recognized in the accumulated earnings / losses.

m) Convertible debentures

Convertible debentures are separated into liability and equity components based on the terms of the contract.
When converting convertible bonds, the fair value of the passive component is determined using fair value for an equivalent nonconvertible bond. This amount is classified as a financial liability, measured at amortized cost (net of transaction costs), until conversion or redemption of the instrument. The remainder of the proceeds are allocated to the conversion option that is recognized as an equity instrument. The conversion option recognized as an equity instrument is not revalued subsequently.

Transaction costs are allocated to the passive and capital components of convertible bonds in proportion to the proceeds of the initial recognition of the instrument. When converting convertible bonds to maturity, the Group derecognises the passive component and recognizes it in equity. The initial capital component remains as equity (although it may be transferred to another equity component). No gain or loss on conversion from maturity arises.

2.2 Summary of significant accounting policies (continued)

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

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale with be withdrawn.

Management must be committed to the sale expected within one year from the date of the classification.

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

o) Property, plant and equipment

Items of property, plant and equipment (fixed tangible assets) are stated at cost or revaluation (see below), 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.

After initial recognition, land, buildings and certain specialised equipment are measured at revalued amount 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 of lands, buildings and certain specialized equipment is performed as at 31 December 2018 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.

The increase in the carrying amount of an asset as a result of a revaluation is recognized as a revaluation reserve in the other comprehensive income. However, the revaluation surplus is recognized in the income statement insofar as it restores a revaluation impairment of the same asset recognized as an expense in the income statement. Decrease in the carrying amount of an asset as a result of revaluation is recognized as an expense in the income statement except to the extent that it offsets an existing revaluation reserve relating to that asset. Accumulated depreciation at the revaluation date is derecognised at the expense of a decrease in the asset's carrying amount.

The asset's value thus found is adjusted to its fair value. When the asset is written off, the revaluation reserve associated with it is transferred to the accumulated profits and losses.

2.2 Summary of significant accounting policies (continued)

o) Property, plant and equipment (continued)

Self-constructed assets
The value of self-constructed assets acquired includes costs of materials, direct labour and the corresponding portion of indirect overheads; costs directly related to bringing the asset to a location and condition necessary for its operation; an initial estimate of the costs of dismantling and relocating the asset, and of restoring the site on which the asset is located,, as well as capitalized interest costs.

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

Buildings	7 – 79 years
Specialised equipment	5 – 50 years
Plant and equipment	3 – 60 years
Vehicles (incl. ships)	2– 25 years
Ship repairs	2 – 5 years
Furniture and fittings	2 – 15 years
Leasehold improvements	2 – 3 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, if any) 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.

p) Investment properties

Investment property is initially measured at cost, which includes transaction costs. The cost of replacing parts of an investment property is included in its carrying amount when these costs are incurred provided that they meet the criteria for recognizing investment property; costs for ongoing maintenance of investment property are excluded from the carrying amount.

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 profit or loss from disposal 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.

2.2 Summary of significant accounting policies (continued)

r) Leases

On the lease inception date, which is the earlier of the date of the lease contract or the date the parties have committed to the terms of the lease contract the Group makes an analysis and assesses whether a contract is or contains a lease. A contract is or contains a lease if it transfers, against consideration, the right to control the use of an asset over a certain period of time.

The Group as a lessee

The Group applies a uniform model for recognition and measurement of all leases, except for short-term leases (leases with a lease term of 12 months or less and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Group has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The Group recognises right-of-use assets in the statement of financial position at the commencement date of the lease, i.e. the date on which a lessor makes an underlying asset available for use by the lessee.

The Group as a lessee (continued)

Right-of-use assets are presented in the statement of financial position at acquisition cost, less the accumulated depreciation, impairment losses and adjustments resulting from remeasurement and adjustments to the lease liability. The acquisition cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group depreciates the right-of-use asset on a straight line basis over the shorter of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Group shall depreciate it to the end of the useful life. Depreciation is charged from the commencement date of the lease and is recognised in the profit or loss as "depreciation expenses".

The depreciation terms by types of underlying assets are as follows:

Buildings and structures	5 years
Plant and equipment	4 years

The Group has elected to apply the acquisition cost model for all of its right-of-use assets, except for those that meet the definition of an investment property under IAS 40 Investment Properties, to which it applies the fair value model.

Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

2.2 Summary of significant accounting policies (continued)

r) Leases (continued)

Lease liabilities
At the commencement date the Group recognises in its statement of financial position a lease liability measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of the purchase option, if the Group is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Group under residual value guarantees.

Variable lease payments that do not depend on an index or a rate but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within the profit and loss for the year.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest expenses on the lease are presented within profit or loss for the year over the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability and are presented as "finance costs".

The Group subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessments or lease modifications, or to reflect the adjusted fixed essentially lease payments.

The Group remeasures its lease liabilities whenever:

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The Group recognises the amount of the reassessment of the lease liability as an adjustment of the right-of-use asset or within the profit or loss, if the carrying amount of the right-of-use asset has been written down to zero.

2.2 Summary of significant accounting policies (continued)

r) Leases (continued)

Short-term leases and leases where the underlying asset is a low-value asset
The Group has applied the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for short-term leases of and for low-value underlying assets. Payments related to these are recognised as expenses within profit or loss on a straight-line basis over the lease term.

Leases of intangible assets
The Group has elected not to apply the provisions of IFRS 16 with respect to leases of intangible assets and they are accounted for in accordance with IAS 38 Intangible Assets.

The Group as a lessor
Leases where the Group retains substantially all significant risks and economic benefits from the ownership of the underlying asset are classified as operating leases.

When the Group is an intermediate lessor it accounts for the head lease and the sublease as two separate contracts. If the head lease is a short-term lease the sublease is classified as an operating lease. In all other cases the sublease is classified as a finance or operating lease depending on the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and are recognised as an expense on a straight-line basis over the lease term. When the contract contains both lease and non-lease components, the Group applies IFRS 15 to allocate the total consideration under the contract between the separate components.

The underlying asset subject of the lease remains and is presented in the Group's statement of financial position.

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.

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.

2.2 Summary of significant accounting policies (continued)

t) Intangible assets (continued)

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

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.

In assessing an asset's value in use, the estimated future cash flows are discounted to their present value using a post-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 calculates and applied to future cash flows after the fifth year.

2.2 Summary of significant accounting policies (continued)

v) Impairment of non-financial assets (continued)

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.

The Group assesses whether there are indications that the impairment loss on an asset other than goodwill recognized in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after recognition of the last impairment loss. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount (after deduction of amortization) that would have been determined had no impairment loss been recognized for asset in previous years. The reversal of an impairment loss is recognized in the consolidated income statement unless the asset is carried at revalued amount in which case the reversal is treated as a revaluation surplus.
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.

x) Provisions

General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events when it is probable that an outflow of resources containing economic benefits will be required and when a reliable estimate of the cost of the obligation can be made. When the Group expects that some or all of the expenses required to settle the provision will be recovered, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when it is practically certain that these costs will be recovered. Provisioning costs are presented in the income statement net of the amount of reimbursement. When the effect of time differences in the value of money is significant, provisions are discounted using a current pre-tax discounted rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision as a result of the elapsed time is presented as a financial expense.

Provision for Warranty Service
Warranty provisions are recognized when the relevant products and services are realized. The provision is based on the historical information about the guarantees lodged, taking into account the probability of incurring future such costs.

2.2 Summary of significant accounting policies (continued)

x) Provisions (continued)

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) Basic net earnings per share

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

z) Government grants (deferred financing)

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.

5. Operating segments

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

- *Maritime transport:* own ships operation to transport cargo by sea.
- *Port activity:* port services relating to processing and storage of cargo, and servicing the vessels at the time of loading and unloading operations.
- *Machine building:* production and sale of machine tools, components and parts for the machine-building and other industries; cast metals.
- *Ship building and ship repair:* repairs and reconstruction of vessels; manufacture of non-standard metal constructions for the needs of ship-building, construction and energy industries; ship design.
- *Other activities:* consulting services, supervision and inspection of vessels, and other activities.

6. Acquisition of interests and effects of dissolved companies

Acquisition of subsidiaries in the first six months of 2021

During the first six-month period of 2021, the Group had not acquired or established new entities.

Acquisition of subsidiaries in the first six months of 2020

A newly incorporated company IHB 3 Design AD was registered in the Commercial Register on 10 February 2020 with capital of BGN 100 thousand split into 100,000 shares with nominal amount of BGN 1, of which Industrial Holding Bulgaria PLC subscribed 51%.

Acquisition of additional shares in first six months of 2021 and 2020

During the period from January 2021 to June 2021, as well as during the comparable period of 2020, the Group had not acquired additional shares in Group subsidiaries.

7. Revenue

BGN'000	**30 June 2021**	**30 June 2020**
Revenue from manufacture of metal-cutting machines, components and details	15,362	13,157
Revenue from cargo transportation under voyage charter contracts	19,295	11,140
Revenue from time-charter contracts	7,502	3,948
Revenue from repair and reconstruction of ships	8,627	3,116
Revenue from manufacture of metal structures	-	194
Revenue from designer's services	1,151	2,049
Revenue from cargo processing	3,526	4,304
Revenue from cargo storage	752	452
Quay rentals	426	899
Property rentals	1,052	1,059
Revenue from other services	876	2,116
	58,569	**42,434**

Pursuant to IFRS 16 Leases, the Group has conducted an analysis and found that the time charter contracts for ships contain a lease and a non-lease component, as the lease component is the charter of the vessel and the non-lease component is the service of its operation during the charter. The breakdown between the two revenue components from these contracts is as follows:

BGN'000	**30 June 2021**	**30 June 2020**
Revenue from charter of vessels under time charter contracts	5,029	810
Revenue from services on operation of vessels under time charter contracts	2,473	3,138
	7,502	**3,948**

The Group's revenue under the applicable standards is disclosed in the following table:

BGN'000	**30 June 2021**	**30 June 2020**
Revenue from contracts with customers	52,488	40,565
Rental income	6,081	1,869
	58,569	**42,434**

7. Revenue (continued)

Set out below is the Group's revenue by segments for the first half of 2021:

BGN'000	**Maritime transport**	**Shipbuilding and ship repair**	**Port Operations**	**Machine building**	**Other activities**	**Total**
Revenue from production of machine tools, components and parts	-	-	-	15,362	-	**15,362**
Revenue from cargo transportation under voyage charter contracts	19,295	-	-	-	-	**19,295**
Revenue from time-charter contracts	7,502	-	-	-	-	**7,502**
Revenue from repair and reconstruction of ships	-	8,615	12	-	-	**8,627**
Revenue from manufacture of metal structures	-	-	-	-	-	**-**
Revenue from design services	-	1,151	-	-	-	**1,151**
Revenue from cargo handling	-	-	3,526	-	-	**3,526**
Revenue from cargo storage	-	-	752	-	-	**752**
Revenue from quay rent	-	44	382	-	-	**426**
Revenue from property rentals	-	594	438	20	-	**1,052**
Revenue from other services	70	119	24	150	513	**876**
	26,867	**10,523**	**5,134**	**15,532**	**513**	**58,569**
incl. revenue from contracts with customers	21,838	9,929	4,696	15,512	513	52,488
incl. rental income	5,029	594	438	20	-	6,081

Set out below is the Group's revenue by segments for the first half of 2020:

BGN'000	**Maritime transport**	**Shipbuilding and ship repair**	**Port Operations**	**Machine building**	**Other activities**	**Total**
Revenue from production of machine tools, components and parts	-	-	-	13,157	-	**13,157**
Revenue from cargo transportation under voyage charter contracts	11,140	-	-	-	-	**11,140**
Revenue from time-charter contracts	3,948	-	-	-	-	**3,948**
Revenue from repair and reconstruction of ships	-	3,111	5	-	-	**3,116**
Revenue from manufacture of metal structures	-	194	-	-	-	**194**
Revenue from design services	-	2,049	-	-	-	**2,049**
Revenue from cargo handling	-	-	4,304	-	-	**4,304**
Revenue from cargo storage	-	-	452	-	-	**452**
Revenue from quay rent	-	596	303	-	-	**899**
Revenue from property rentals	-	579	455	25	-	**1,059**
Revenue from other services	53	1,556	28	99	380	**2,116**
	15,141	**8,085**	**5,547**	**13,281**	**380**	**42,434**
incl. revenue from contracts with customers	14,331	7,506	5,092	13,256	380	40,565
incl. rental income	810	579	455	25	-	1,869

7. Revenue (continued)

Contract balances

BGN'000	**30 June 2021**	**2020**
Trade receivables (Note 22)	6,238	5,219
Trade receivables related parties (Note 22)	5	5
Contract assets (Note 22)	921	1,023
Contract liabilities (Note 32)	3,946	3,334

Contract assets are recognised initially on the basis of the satisfied performance obligations as the receipt of the consideration depends also on other conditions (completion of activities), besides on the expiry of a certain period of time. Upon completion of the work and its acceptance by the customer, the amounts recognised as contract assets are reclassified under the heading of trade receivables.

The contract liabilities include short-term advance payments.

According to paragraph 116 of IFRS 15, the Group has recognised revenue of BGN 2,776 thousand (30 June 2020: BGN 2,395 thousand), which has been included in the balance of advances received under a contract at the beginning of the period.

Performance obligations

Information about the Group's performance obligations are summarised below:

Production of machine tools, components and parts
The performance obligation to manufacture machine tools, components and parts is satisfied upon delivery of the respective machine tool, component or part to the customer. The payment is due generally from 0 to 30 days upon delivery.

Cargo transportation under voyage charter contracts
The performance obligation to transport cargo under voyage charter contracts is satisfied by considering each day of cargo carriage, which has passed. The payment is due generally from 0 to 30 days upon loading.

Services on operation of vessels under time charter contracts
The obligation to operate vessels under time charter contracts is satisfied by considering each day the vessel is chartered. The payment is due generally in advance, in every 15 or 30 days.

Repair and reconstruction of vessels
The performance obligation to repair and reconstruct vessels is satisfied upon acceptance of each activity by the customer. The payment is due generally from 0 to 180 days upon completion of the repair.

Production of metal structures
The performance obligation for production of metal structures is satisfied over time based on the resources consumed. The payment is due generally from 0 to 30 days upon acceptance of the work.

Design services
The performance obligation to provide design services is satisfied over time based on the resources consumed (man-hours). The payment is due generally from 0 to 30 days upon acceptance of the work.

Cargo processing
The performance obligation to process cargo is satisfied by considering every quantity of cargo being processed. The payment is due generally from 0 to 30 days upon completion of the processing.

Cargo storage
The performance obligation to storage cargo is satisfied by considering each day, which has passed, during which the cargo has been stored within the territory of the ports. The payment is due generally from 0 to 30 days upon acceptance of the work.

7. Revenue (continued)

Quay rent
The performance obligation to pay a quay rent is satisfied by considering each day, which has passed, during which the ship is moored to the Group's quays. The payment is due generally from 0 to 30 days upon expiry of the monthly period or after the ship is no longer moored to the quay.

Other services
The performance obligation with respect to other production services and vessel supervision and inspection services is satisfied over time based on the resources consumed. The payment is due generally from 0 to 30 days upon acceptance of the work. The performance obligation with respect to administrative services is satisfied over time based on the resources consumed by the customer. The payment is due generally from 0 to 30 days upon expiry of the monthly period or termination of the rent. The sale of electricity performance obligation is satisfied over time based on the volume of electricity consumed by the customer. The payment is due generally from 0 to 30 days upon expiry of the monthly period.

As a matter of practical expedient, it is not necessary for the Group to disclose information under paragraph 120 of IFRS 15 on performance obligation as the initial term of the contracts with customers for the sale of goods and provision of services is up to 1 year.

8. Other operating income

BGN'000	**30 June 2021**	**30 June 2020**
Income from financing (Note 28)	2,247	325
Gain on sale of fixed assets classified as held for sale	47	13
Gain on sale of materials and scrap	545	138
Provisions reversed (Note 29)	-	119
Other income	112	189
	2,951	**784**

Income from financing in the amount of BGN 2,247 thousand reported for the first half of 2021 (first half of 2020: BGN 325 thousand), includes revenue of BGN 2,193 thousand (in the first half of 2020: BGN 270 thousand) under the "Employment Preservation Program" of the Employment Agency for business support and reduction of the negative consequences of the spread of COVID-19.

9. Change in stock of work in progress and finished products

BGN'000	**30 June 2021**	**30 June 2020**
ZMM Sliven AD	348	724
IHB Metal Castings AD	(23)	(13)
ZMM Nova Zagora AD	(194)	84
	131	**795**

10. Self-constructed assets in progress

BGN'000	**30 June 2021**	**30 June 2020**
Bulyard Shipbuilding Industry AD	120	84
Serdika Ltd	19	-
Odria Ltd	11	-
IHB Metal Castings AD	8	-
Bulport Logistics	1	-
Tirista Ltd	-	781
Karvuna Ltd	-	35
	159	**900**

11. Expenses on materials

BGN'000	**30 June 2021**	**30 June 2020**
Raw materials	(8,098)	(5,842)
Fuel for ships	(3,644)	(5,231)
Supplementary materials	(846)	(1,414)
Spare parts	(650)	(1,067)
Electricity	(1,013)	(770)
Other expenses	(315)	(318)
	(14,566)	**(14,642)**

The decrease in costs of fuel upon the operation of ships in the first half of 2021 compared to that in the first half of 2020 is due mainly to the voyage characteristics in the comparable periods and the lower USD exchange rate for the period.

12. Expenses on hired services

BGN'000	**30 June 2021**	**30 June 2020**
Services from subcontractors	(3,715)	(1,327)
Port expenses	(3,548)	(2,449)
Insurance	(648)	(758)
Repairs	(509)	(487)
Security	(423)	(392)
Intermediary services	(336)	(239)
Civil contracts	(218)	(174)
Software maintenance on subscription	(137)	(262)
Legal services	(119)	(89)
Other expense	(952)	(1,031)
	(10,605)	**(7,208)**

The increase in services from subcontractors is due primarily to the higher volume of work in the current period in the area of ship repair. Port expenses are due to the different price levels applied by the loading and unloading ports in both periods.

13. Personnel expenses

BGN'000	**30 June 2021**	**30 June 2020**
Wages and salaries	(10,764)	(11,187)
Social security contributions	(1,714)	(1,642)
Management contracts	(759)	(712)
Social and health security contributions on management contracts	(53)	(56)
Unused leave accruals	-	(23)
Other personnel expenses	(521)	(486)
	(13,811)	**(14,106)**

The average number of staff of the Group for the period January 2021 - June 2021 is 1,063 employees (January 2020 - June 2020: 1,138 employees).

14. Other operating expenses

BGN'000	**30 June 2021**	**30 June 2020**
Business trips and changes of crew	(328)	(305)
Local taxes and fees, tax on expenses and VAT	(307)	(291)
Expenses on scraping and liquidation of fixed tangible assets	(17)	(36)
Provisions charged (Note 29)	235	-
Impairment	-	(8,521)
Other expenses	(215)	(157)
	(632)	**(9,310)**

An impairment loss due to write down of fixed assets (ships) in Maritime transport of BGN 8,521 thousand has been reported for the period from January 2020 to June 2020.

15. Finance income and finance costs

BGN'000	**30 June 2021**	**30 June 2020**
Finance income		
Foreign currency gains, net	3,716	329
Other finance income	3	-
	3,719	**329**
Finance costs		
Interest expenses (Note 15a)	(475)	(737)
Other finance costs	(82)	(85)
	(557)	**(822)**

The amount of BGN 2,837 thousand originating from foreign exchange differences having occurred in connection with the liquidation of Emona Ltd completed in the first quarter of 2021 – upon translating the company's assets and liabilities and reported as a component of other comprehensive income - has been reclassified to the income statement.

15a. Interest expenses

BGN'000	**30 June 2021**	**30 June 2020**
Interest expenses on bank loans received	(257)	(448)
Interest expenses on loans from related parties (note 35)	(30)	(111)
Interest expenses on interest rate swap (Note 27)	(176)	(163)
Interest expenses on lease liabilities (Note 33)	(12)	(15)
	(475)	**(737)**

16. Profit tax

The major components of profit tax expense relating to the corporate profit tax for the periods ended 30 June 2021 and 30 June 2020 include:

Consolidated income statement	**30 June 2021**	**30 June 2020**
BGN'000		
Current profit tax expense	(493)	(408)
Deferred tax relating to origination and reversal of temporary differences	(136)	(171)
Profit tax expense reported in the consolidated income statement	**(629)**	**(579)**

17. Property, plant and equipment

BGN'000	**Land and buildings**	**Plant and equipment**	**Other non-current assets**	**Ships**	**FTAs in progress**	**Total**
COST:						
At 1 January 2020	**134,071**	**74,509**	**9,780**	**216,901**	**5,863**	**441,124**
Additions	45	177	80	-	5,052	5,354
Disposals	(40)	(762)	(143)	(9,061)	-	(10,006)
Transfers	1,880	1,281	178	4,183	(7,522)	-
Transfer among classes	77	(77)	-	-	-	-
Transfer to investment property (Note 20)	(1,083)	-	-	-	-	(1,083)
Transfer to intangible assets	-	-	-	-	(44)	(44)
Transfer to assets held for sale (Note 19)	-	(3)	-	-	-	(3)
Impairment recognized through the income statement	-	-	-	(8,676)	-	(8,676)
Depreciation written off due to revaluation and impairment	-	-	-	(20,241)	-	(20,241)
Depreciation written off due to transfers to assets held for sale	-	(31)	-	-	-	(31)
Depreciation written off due to transfers to investment property	(29)	-	-	-	-	(29)
Effect of foreign currency translation	-	(18)	-	(15,935)	(56)	(16,009)
At 31 December 2020	**134,921**	**75,076**	**9,895**	**167,171**	**3,293**	**390,356**
At 1 January 2021	**134,921**	**75,076**	**9,895**	**167,171**	**3,293**	**390,356**
Additions	-	540	65	-	2,152	2,757
Disposals	-	(386)	(116)	-	-	(502)
Transfers	28	1,112	11	-	(1,151)	-
Transfer to intangible assets	-	-	-	-	(18)	(18)
Effect of foreign currency translation	-	7	-	5,443	19	5,469
Other changes	-	880	592	-	-	1,472
As at 30 June 2021	**134,949**	**77,229**	**10,447**	**172,614**	**4,295**	**399,534**

17. Property, plant and equipment (continued)

BGN'000	**Land and buildings**	**Plant and equipment**	**Other non-current assets**	**Ships**	**FTAs in progress**	**Total**
COST:						
At 1 January 2020	**909**	**28,177**	**6,751**	**58,643**	**-**	**94,480**
Depreciation charges for the year	989	2,981	605	8,510	-	13,085
Depreciation of written off assets	(9)	(692)	(141)	(1,882)	-	(2,724)
Depreciation written off due to revaluation and impairment	-	-	-	(20,241)	-	(20,241)
Depreciation written off due to transfers to assets held for sale	-	(31)	-	-	-	(31)
Depreciation written off due to transfers to investment property	(29)	-	-	-	-	(29)
Effect of foreign currency translation	-	(5)	-	(3,991)	-	(3,996)
At 31 December 2020	**1,860**	**30,430**	**7,215**	**41,039**	**-**	**80,544**
At 1 January 2021	**1,860**	**30,430**	**7,215**	**41,039**	**-**	**80,544**
Depreciation charges for the period	500	1,484	296	3,784	-	6,064
Depreciation of written off assets	-	(361)	(89)	-	-	(450)
Effect of foreign currency translation	-	2	-	1,386	-	1,388
Other changes	-	962	510	-	-	1,472
At 30 June 2021	**2,360**	**32,517**	**7,932**	**46,209**	**-**	**89,018**
Net book value:						
At 1 January 2020	**133,162**	**46,332**	**3,029**	**158,258**	**5,863**	**346,644**
At 31 December 2020	**133,061**	**44,646**	**2,680**	**126,132**	**3,293**	**309,812**
At 30 June 2019	**132,589**	**44,712**	**2,515**	**126,405**	**4,295**	**310,516**

Assets pledged

In relation to the issuance of bank guarantees and/or letters of credit in favour of suppliers and utilised bank loans, mortgages or registered pledges were subscribed on property, plant, equipment, installations, motor vehicles, including on the three out of the four vessels, owned by Group entities, with total net book value of BGN 209,272 thousand as at 30 June 2021 (2020: BGN 209,832 thousand) (Note 26). This amount includes also all property, plant and equipment of KRZ Port Bourgas AD of BGN 31,051 thousand (2020: BGN 31,312 thousand) – a company that is pledged to the benefit of a commercial bank as at 30 June 2021 for securing a credit limit for issuance of bank guarantees, letters of credit and working capital financing in favour of the parent company.

17. Property, plant and equipment (continued)

Assets under construction consist of assets not yet commissioned, as well as costs of major repairs of existing assets that were not completed by 30 June 2021. Segment breakdowns are as follows:

- Assets under construction in the „Maritime Transport" segment amounting to BGN 561 thousand (2020: BGN 381 thousand) – comprise expenses on class repair and installation of a ballast water system in the ships of the Group;
- Assets under construction in the „Shipbuilding and Ship repair" segment amounting to BGN 1,196 thousand (2020: BGN 574 thousand) – comprise expenses on the repair of buildings, etc;
- Assets under construction in the „Port Operations" segment amounting to BGN 2,468 thousand (2020: BGN 2,007 thousand) – comprise expenses on the repair of plant and equipment, projects for port extensions, construction of bulk warehouses, etc.;
- Assets under construction in the „Machine Building" segment amounting to BGN 70 thousand (2020: BGN 331 thousand) – comprise expenses on the construction of a solar park, etc.

18. Intangible assets

BGN'000	**Patents and trademarks**	**Software**	**Other intangible assets**	**Total**
Carrying amount				
At 1 January 2020	**2,223**	**304**	**253**	**2,780**
At 31 December 2020	**1,995**	**254**	**212**	**2,461**
At 30 June 2021	**1,920**	**264**	**224**	**2,408**

The amortization charge for intangible assets for the period ending 30 June 2021 amounts to BGN 155 thousand (2020: BGN 357 thousand).

The amount of patents and trademarks includes an intangible asset recognized in the business combination for the acquisition of Odessos PBM AD in connection with the certificate of use of the port. The carrying amount of the asset amounted to BGN 1,865 thousand as at 30 June 2021 (2020: BGN 1,898 thousand).

(i) Goodwill

BGN'000	**Goodwill**
At 31 December 2020	**9,130**
At 30 June 2021	**9,130**

19. Assets classified as held for sale

Assets, classified as held for sale are presented as follow:

	Land and buildings	Plant and equipment	Other assets	Total
Balance at 1 January 2020	**1,314**	**44**	**10**	**1,368**
Transfer from property, plant and equipment (Note 17)	-	3	-	3
Carrying amount of assets sold	(159)	(45)	(10)	(214)
Balance at 31 December 2020	**1,155**	**2**	**-**	**1,157**
Balance at 1 January 2021	**1,155**	**2**	**-**	**1,157**
Carrying amount of assets sold	-	(1)	-	(1)
Balance at 30 June 2021	**1,155**	**1**	**-**	**1,156**

20. Investment property

Investment property comprises trade and office properties, warehouses and others located in Varna city, which are leased out.

Fair value reconciliation

At 31 December 2020

BGN'000	Trade and office properties	Warehouses	Other assets	Total
At 1 January	4,458	7,650	-	12,108
Transfers from property, plant and equipment (Note 17)	313	45	725	1,083
Leasehold improvements	-	-	6	6
Gain/ (loss) on revaluation /(impairment) of investment property (Note 8)	(5)	32	2	29
At 31 December	**4,766**	**7,727**	**733**	**13,226**

At 30 June 2021

BGN'000	Trade and office properties	Warehouses	Other assets	Total
At 1 January	4,766	7,727	733	13,226
At 30 June 2021	**4,766**	**7,727**	**733**	**13,226**

Assets pledged

In connection with bank loans used, mortgages on investment properties owned by Group companies for the total carrying amount of BGN 6,493 thousand as at 30 June 2021 (2020: BGN 6,493 thousand) were registered (Note 26).

21. Inventories

BGN'000	**30 June 2021**	**2020**
Raw materials, materials and consumables	10,372	10,727
Work in progress	4,656	4,819
Finished products	1,669	1,350
Goods	-	1
	16,697	**16,897**

22. Trade and other receivables and contract assets

BGN'000	**30 June 2021**	**2020**
Trade receivables, net	6,559	5,691
Trade related party receivables (Note 35)	5	5
Advance payments and prepayments	1,297	488
Taxes receivable	1,159	398
Court receivables, net	80	74
Financing approved during the period, but not received (Note 28)	43	711
Other receivables	948	138
	10,091	**7,505**
Long-term portion	**21**	**24**
Short-term portion	**10,070**	**7,481**

Included in the balance of trade receivables net at 30 June 2021 and of court and awarded receivables net, BGN 31 thousand represents trade receivables under contracts with customers. Receivables under contracts with customers of BGN 5 thousand were included in the balance of trade receivables from related parties.

Included in the balance of trade receivables net at 31 December 2020 and of court and awarded receivables net, BGN 38 thousand represent trade receivables under contracts with customers. Receivables under contracts with customers of BGN 5 thousand were included in the balance of trade receivables from related parties.

Assets under contracts with customers
The Group's assets under contracts with customers as at 30 June 2021 amounted to BGN 291 thousand (2020: BGN 1,023 thousand) to which no provisions for expected credit losses were accrued.

23. Cash and cash equivalents

BGN'000	**30 June 2021**	**2020**
Cash with banks – related parties (Note 35)	4,532	4,489
Cash with banks	3,389	2,270
Cash on hand	212	183
Cash and cash equivalents recognised in the consolidated statement of financial position	**8,133**	**6,942**

24. Share capital and reserves

The share capital is measured at par value in accordance with the court registration.

BGN'000	30 June 2021	2020
107,400,643 ordinary shares with par value of BGN 1 each	107,400	107,400
	107,400	**107,400**

The share capital of the Group comprises 107,400,643 personal non-monetary 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 PLC who held over a 5% of the share capital of the Group as at 30 June 2021:

Shareholder	**Number of shares as at 30 June 2021**	**30 June 2021**	**2020**
BULLS AD	37,608,121	35.02%	35.02%
Venside Enterprises	7,089,320	6.60%	6.60%
DZH AD	8,957,874	8.34%	8.34%
Industrial Holding Bulgaria PLC*	10,592,226	9.86%	8.45%
Union-Group AD	14,127,347	13.15%	-
Other shareholders	29,025,755	27.03%	41.59%
	107,400,643	**100.00%**	**100.00%**

* Treasury shares redeemed - the voting rights attached to these shares are suspended until their transfer in accordance with Article 187a, paragraph 3 of the Commercial Act.

24. Share capital and reserves (continued)

Reconciliation of shares issued:	**Number of shares**	**Amount**
BGN'000		
Ordinary shares issued and fully paid		
At 1 January 2020	**107,400,643**	**107,400**
At 31 December 2020	**107,400,643**	**107,400**
At 30 June 2021	**107,400,643**	**107,400**

Reconciliation of premium reserve	**Amount**
BGN'000	
At 1 January 2020	30,604
At 31 December 2020	**30,604**
At 30 June 2021	**30,604**

Statutory reserves are set aside by joint-stock companies as profit distribution in accordance with the provisions of Art. 246 of the Commercial Act. They are set aside until they reach one-tenth or more of the capital. The sources that form the statutory reserves include at least one-tenth of the net profit, share premium and funds envisaged in the articles of association or decision of the General Meeting of Shareholders. The statutory and additional reserves amounted to BGN 5,124 thousand as at 30 June 2021 (2020 : BGN 4,974 thousand).

Treasury shares redeemed

In 2017, the General Meeting of Shareholders passed a decision to redeem treasury shares. Period of redemption – up to 5 (five) calendar years from the date of expiry of the term of redemption of treasury shares of Industrial Holding Bulgaria PLC approved by a previous decision of the General Meeting of Shareholders held on 17 December 2012, supplemented on 21 June 2016, and namely, as of 17 December 2017. The number of shares subject to redemption in every year for the entire five-year period is up to 3% of the registered capital of the Company for every calendar year, but not more than 10% in total for the entire period of redemption and not more than 10 % of the total capital of the Company. The redemption shall be made at a minimum buyback price of BGN 0.70 per share and a maximum buyback price of BGN 1.20 per share. The investment intermediary chosen is DSK Bank.

The total number of treasury shares held as at 31 December 2019 was 6,648,222 totalling BGN 6,536 thousand. Over the period 01 January 2020 – 31 December 2020, 2,425,246 treasury shares were bought for the total amount of BGN 2,132 thousand. The number of the treasury shares redeemed as at 31 December 2020 was 9,073,468 totalling BGN 8,668 thousand.

Over the period 01 January 2021 – 30 June 2021, 1,518,758 treasury shares amounting to BGN 1,512 thousand were bought back. The number of the treasury shares redeemed at 30 June 2021 was 10,592,226 for the total amount of BGN 10,180 thousand.

24. Share capital and reserves (continued)

Revaluation reserve
The revaluation reserve is used to record increases in the fair value of land, buildings and specialised equipment (net of any deferred tax effects), and decreases to the extent that such decreases relate to an increase of the value of the same asset previously recognised in other comprehensive income. The revaluation reserve amounted to BGN 79,959 thousand as at 30 June 2021 (2020: BGN 80,015 thousand).

Reserves from foreign currency translation of foreign operations
The reserves from foreign currency translation of foreign operations represent foreign exchange differences due to the foreign currency translation of financial statements of companies with functional currencies other than the Bulgarian lev, as also due to the foreign currency translation of net investments in foreign operations for the purposes of their consolidation. Such reserves are reclassified to profit or loss in the period of disposal of the relevant investments in foreign subsidiaries. The reserves from translation of financial statements of foreign operations amounted to BGN 11,411 thousand as at 30 June 2021 (2020: BGN 11,597 thousand).

Hedge reserve
The cash flow hedge reserve comprises the effective portion of cash flow hedge relationships, which have occurred as of the reporting date. The amount of BGN 171 thousand as at 30 June 2021 (2020: BGN 292 thousand) includes a loss on a derivative interest rate swap (net of taxes), which is considered an effective hedge (Note 27).

25. Basic net earnings per share

Basic net earnings per share are calculated by dividing the financial result for the period by the weighted average number of the shares held over the period.

The calculation of the basic net earnings per share at 30 June 2021 is based on the net loss attributable to the equity holders of the parent company of BGN 18,184 thousand (30 June 2020: a loss of BGN 8,733 thousand) and the weighted average number of the ordinary shares available during the period ending 30 June 2021 of 97,998,000 (30 June 2020: 99,832,000). The following calculations have been made:

	30 June 2021	**30 June 2020**
Net profit /(loss) for the period (BGN'000*)*	18,376	(8,520)
Net profit / (loss)for the period attributable to the equity owners of the parent company (BGN'000*)*	**18,184**	**(8,733)**
Weighted average number of ordinary shares (in thousand)	97,998	99,832
Basic net earnings / (loss) per share (in BGN)	**0.186**	**(0.087)**

The weighted average number of shares over the six months of 2021 and the six months of 2020 has been calculated on the basis of the movement in outstanding shares, as follows:

24. Basic net earnings per share (continued)

In thousands of shares	**30 June 2021**	**30 June 2020**
Ordinary shares issued at the beginning of the period	107,400	107,400
Shares redeemed at the beginning of the period	(9,073)	(6,648)
Number of shares in circulation at the beginning of the period	**98,327**	**100,752**
Shares redeemed over the period	(1,519)	(1,154)
Redeemed shares sold back during the period	-	-
Ordinary shares issued at the end of the period	107,400	107,400
Shares redeemed at the end of the period	(10,592)	(7,802)
Number of shares in circulation at the end of the period	**96,808**	**99,598**
Weighted average number of ordinary shares over the period	**97,998**	**99,832**

Diluted net earnings per share are not calculated as no financial instruments were issued that could result in changes in the capital structure and capital ratios.

26. Interest-bearing loans and other borrowings

This note contains information about the contractual terms and conditions of the Group’s loans.

Long-term

BGN’000	Currency	Interest rate, %	Maturity	30 June 2021	2020
Contract for the provision of a credit limit for the issuance of bank guarantees for working capital financing No. 319 of 30 November 2006	BGN	1 M EURIBOR +1.6%	2021	1,008	1,561
Syndicated bank loan agreement of 20 December 2011 – a long-term portion	US Dollar	1 M LIBOR + 1.59%	2022	8,815	9,972
Bank loan agreement No. 16 of 27 March 2018 – a long-term portion	EUR	1.9%	2023	3,259	5,215
Bank loan agreement No. 19F-002296 of 08 October 2019 – a long-term portion	EUR	1.6%	2026	769	862
Framework agreement for the provision of a revolving credit limit No. 48272 of 24 November 2020 – long-term portion	US Dollar	1 M LIBOR + 1.65%	2022	494	-
				14,345	**17,610**

Short-term

BGN’000	Currency	Interest rate, %	Maturity	30 June 2021	2020
Syndicated bank loan agreement of 20 December 2011- a short-term portion	US Dollar	1 M LIBOR + 1.59%	2022	5,526	7,353
Bank loan agreement No. 16 of 27 March 2018 – a short-term portion	EUR	1.9%	2023	3,916	3,917
Bank loan agreement No. 19F-002296 of 08 October 2019 -: a short-term portion	EUR	1.6%	2026	186	186
Framework agreement for the provision of a revolving credit limit No. 48272 of 24 November 2020 – a long-term portion	US Dollar	1 M LIBOR + 1.65%	2022	1,975	-
				11,603	**11,456**

The liabilities under interest-bearing loans and borrowings include principal and interest liabilities as follows:

BGN’000	30 June 2021	2020
Principal liabilities	25,922	29,037
Interest liabilities	26	29
	25,948	**29,066**

26. Interest-bearing loans and borrowings (continued)

The bank loans are secured by mortgages on land and buildings, and registered pledges imposed on plant, equipment and motor vehicles, including ships owned by Group companies, with a total carrying amount of BGN 215,795 thousand as at 30 June 2021 (31 December 2020: BGN 216,325 thousand). Also, KRZ Port Bourgas AD has been pledged as an entity.

At 30 June 2021, the bank loan payables under IAS 24 due by related parties amounted to BGN 16,316 thousand (2020: BGN 17,325 thousand). For further details on related party transactions, see Note 35.

The Group's unutilized limits on bank loans, in the form of a credit line for working capital financing under bank loans signed, amounted to BGN 4,492 thousand as at 30 June 2021.

Under the Syndicated bank loan agreement of 20 December 2011,the Group hedged its interest rate risk relating to interest payments by contracting an interest rate swap over 80% of cash flows for the entire term of the contract. Under the swap contract, the Group pays a fixed interest rate of 2.07% and receives a floating interest rate (1M LIBOR), as the settlement is made on a net basis. The maturity of the interest rate swap contract coincides with the loan maturity, namely December 2022.

In March 2021, the Group renegotiated the terms and conditions of a Syndicated bank loan of 20 December 2011, as six of the instalments due for 2020 had been deferred and transferred to the last repayment instalment to be paid in December 2022. By reagreeing the loan terms and conditions, the margin to be applied in forming the annual interest rate of 1.5% was changed to 1.59%, and now it is to be applied to the entire loan amount. The nominal contingent principal of the interest rate swap transaction had also been changed to reflect the new loan repayment plan, and the fixed interest rate percentage of 2.60% was reduced to 2.07%.

Thanks to the significant increase in freights on the shipping market in the second quarter of 2021, until 30 June 2021, the Group repaid early USD 900 thousand of the instalments being deferred, and over the period from 1 July 2021 to the date of issue of these financial statements another USD 1,453 thousand and thus, the delay was almost fully compensated.

In November 2020, the Group entered into Framework agreement for the provision of a revolving credit limit No. 48272 of 24 November 2020 for loans, bank guarantees and letters of credit in the total amount of USD 3,000 thousand for the needs of the companies-shipowners and the management company from the Maritime Transport segment. The sub-limit for disbursement in the form of loans amounts to USD 2,000 thousand. The term of the Framework agreement is until November 2025. The agreement is secured by a maritime mortgage on one of the Group's vessels.

In January 2021, the Group utilised USD 2,000 thousand under this Framework agreement for the purpose to settle claims for incorrectly delivered cargo by m/v Dimond Sky. The loan matures in September 2022 and is to be repaid in equal instalments commencing February 2021. The interest rate under the loans is 1M LIBOR plus a margin of 1.65%

27. Derivative financial liability

In 2018, the Group concluded a Framework agreement for financial transactions with a bank-related party under which an interest swap deal had been concluded. The purpose of the swap is to ensure protection against the risk of changes in future cash (cash flows hedging) relating to the payment of interest on a bank loan over 80% of the cash flows for the entire term of the contract. According to the swap contract, the Group pays a fixed interest rate of 2.88% and receives a variable interest rate (1M LIBOR), with the payments being made on a net basis. The maturities under the contract are set as one-month time periods. The first maturity commenced on 01 June 2018 and the last one is on 01 December 2022. The nominal value of the swap is USD 18,036 thousand, which is reduced by a fixed amount for each subsequent period.

The interest rate swap as at 30 June 2021 has been measured at fair value of BGN 288 thousand (2020: BGN 405 thousand) – a current liability of BGN 227 thousand (2020: BGN 282 thousand) and a non-current liability of BGN 61 thousand (2020: BGN 1923thousand) for the Group, thus leading to a positive hedge reserve of BGN 128 thousand (2020: a positive hedge reserve of BGN 54 thousand), net of decrease of a deferred tax asset of BGN 14 thousand (2020: net of decrease of a deferred tax asset of BGN 6 thousand). The cash flows hedge has been assessed as being highly effective and as at 30 June 2021 and 31 December 2020. The unearned profit of BGN 142 thousand in the first half of 2021 (2020: an unearned profit of BGN 60 thousand) and the corresponding deferred tax asset of BGN 27 thousand (2020: BGN 37 thousand) were recognised in other comprehensive income.

In 2021, in connection of revised terms and conditions under the syndicated bank loan agreement, the nominal provisional principal amounts under the interest swap transaction have been changed, as a result of the new repayment schedule of the loan and the fixed interest rate was reduced from 2.60% to 2.07%

28. Financing

BGN'000	**30 June 2021**	**2020**
At 1 January	**1,480**	**1,589**
Recognized in the consolidated income statement (Note 8)	(2,247)	(3,012)
Authorised and received over the period	2,150	2,192
Authorised but not received over the period	43	711
At the period-end	**1,426**	**1,480**
Long-term	1,317	1,371
Short-term	109	109

As of 30 June 2021, the Group reported grants and financings, the most significant being the following:

- Financing under Operational Programme Development of the Competitiveness of the Bulgarian Economy 2007-2013 for a project related to the purchase of new equipment. The total amount of the approved funding is BGN 1,059 thousand. The outstanding balance as of 30 June 2021 was BGN 223 thousand.
- Financing under Operational Program Development of the Competitiveness of the Bulgarian Economy 2007-2013 for a project for the supply of new equipment. The total amount of funding received is BGN 359 thousand. At 30 June 2020, the remaining balance was BGN 240 thousand.
- Financing under the Operational Program Development of the Competitiveness of the Bulgarian Economy 2007-2013 for a project for the introduction of an innovative technological process. The total amount of the funding received is BGN 529 thousand. The outstanding balance as at 30 June 2021 was BGN 367 thousand.

In connection with the measures taken by the government to support businesses and reduce the negative consequences of the spread of COVID-19 and the restrictions imposed, companies from the Group, eligible under the Employment Preservation Program of the Employment Agency, in the first half of 2021 were approved to receive funding of BGN 2,193 thousand, including BGN 2,150 thousand received throughout the period.

As of the approval date of the financial statements there were no unfulfilled conditions connected with the above financing.

29. Provisions

BGN'000	**Warranties**	**Provision for onerous contracts**	**Others**	**Total**
At 1 January 2020	**33**	**68**	**143**	**244**
Provisions accrued throughout the year (Note 14)	4	235	-	239
Provisions utilized throughout the year (Note 14)	-	(68)	-	(68)
Provisions reversed (Note 8)	-	-	(119)	(119)
Provisions utilized	(22)	-	(24)	(46)
At 31 December 2020	**15**	**235**	**-**	**250**
At 1 January 2021	**15**	**235**	**-**	**250**
Provisions utilized throughout the period (Note 14)	-	(235)	-	(235)
At 30 June 2021	**15**	**-**	**-**	**15**

Warranty provisions

The warranty provision of BGN 15 thousand relates to commitments taken to ensure the warranty maintenance under contracts completed in previous years by IHB Metal Castings AD. The calculations of the provision are based on judgments made on the grounds of historical data for warranties securing similar products. Warranties covering a period longer than one year as of the date of the financial statements are presented as long-term liabilities.

30. Retirement benefit liabilities

BGN'000	**30 June 2021**	**2020**
Present value of the liability at 1 January	804	784
Remuneration paid over the period	(107)	(258)
Expenses recognized in the income statement (Note 13)	-	64
Expenses recognized in the statement of comprehensive income	-	214
Present value of the liability at the period-end	**697**	**804**

31. Trade and other payables

BGN'000	**30 June 2021**	**2020**
Trade payables	4,081	5,663
Payables to related parties	9	9
Advances and prepayments	653	340
Payables to personnel	1,614	1,700
Social security payables	554	553
Payables to the State budget	350	328
Payables on out-of-court agreements	-	3,467
Other payables	1,128	1,286
	8,389	**13,346**
Long-term portion	93	146
Short-term portion	8,296	13,200

32. Contract liabilities

BGN'000	**30 June 2021**	**2020**
Short-term advance payments	3,946	3,334
	3,946	**3,334**

33. Lease

33a. The Group as a lessee

Right-of-use assets

BGN'000	**Buildings**	**Equipment**	**Motor vehicles**	**Total**
BOOK VALUE:				
Balance at 01 January 2020	**1,995**	**28**	**38**	**2,061**
Revaluation of the lease liability	(80)	1	-	(79)
Depreciation written off due to revaluation	(373)	-	(32)	(405)
Book value written off due to terminated contracts	-	-	(6)	(6)
At 31 December 2020	**1,542**	**29**	**-**	**1,571**
Balance at 01 January 2021	**1,542**	**29**	**-**	**1,571**
Revaluation of the lease liability	-	(5)	-	(5)
Depreciation written off due to revaluation	-	(13)	-	(13)
At 30 June 2021	**1,542**	**11**	**-**	**1,553**

	Buildings	**Equipment**	**Motor vehicles**	**Total**
DEPRECIATION:				
Balance at 01 January 2020	**79**	**6**	**10**	**95**
Depreciation charges for the period	318	5	23	346
Depreciation written off due to revaluation	(373)	-	(32)	(405)
Depreciation written off due to terminated contracts	-	-	(1)	(1)
At 31 December 2020	**24**	**11**	**-**	**35**
Balance at 01 January 2021	**24**	**11**	**-**	**35**
Depreciation charges for the period	152	3	-	155
Depreciation written off due to revaluation	-	(13)	-	(13)
At 30 June 2021	**176**	**1**	**-**	**177**
At 1 January 2020	**1,916**	**22**	**28**	**1,966**
At 31 December 2020	**1,518**	**18**	**-**	**1,536**
At 30 June 2021	**1,366**	**10**	**-**	**1,376**

33. Lease (continued)
33a. The Group as a lessee (continued)

Impairment of right-of-use assets
Based on the impairment testing of right-of-use assets at 30 June 2021, the Group's management has found no indications that the assets' carrying amount exceeds their recoverable amount.

Lease liabilities

BGN'000	**30 June 2021**	**2020**
Balance at the beginning of the period	**1,565**	**1,983**
Revaluation of the lease liabilities	(5)	(79)
Lease liabilities written off due to terminated contracts	-	(6)
Interest expenses for the period (Note 15)	12	32
Lease payments for the period	(165)	(365)
Balance at the period-end	**1,407**	**1,565**
Long-term portion	1,102	1,259
Short-term portion	305	306

The weighted average incremental interest rate used by the Group in respect of its lease liabilities for the first half of 2021 is 1.7 %.

34b. The Group as a lessor

The Group enters into lease contracts for buildings, mainly classified as investment property.

The Group also leases out open areas, which are classified as Property, plant and equipment.

The Group also concludes short-term time-charter contracts for ships, which are classified as Property, plant and equipment.

All lease contracts of the Group are classified as operating leases as they do not transfer all significant risks and rewards from the ownership of the leased-out assets.

The rental income recognized by the Group during the first six months of 2021 is BGN 6,081 thousand (the first six months of 2020: BGN 1,869 thousand.). For further details, see Note 7.

34. Financial instruments
Financial risk management

Overview
The Group is exposed to the following risks relating to the use of financial instruments:

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

This Note discloses information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing those risks, as also for managing the Group's capital.

34. Financial instruments (continued)

Financial risk management (continued)

General risk management considerations

The Group's risk management policy is elaborated in such a way as to identify and analyse the risks facing the Group, to set limits for assuming risks and controls, to monitor the risks and the compliance with the limits set. This policy is subject to regular review to identify possible changes in the market conditions and the Group's operations. The Group, through its training and management standards and procedures, aims to develop a constructive control environment where all employees understand their roles and duties.

The Audit Committee of Industrial Holding Bulgaria PLC observes the way management ensures compliance with the risk management policies and review the adequacy within the risk management framework regarding the risks facing the Group. The Internal Audit Department supports the Audit Committee of Industrial Holding Bulgaria PLC. The Internal Audit Department handles both planned and unannounced checks of the risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk
The credit risk, to which the Group is exposed, is the risk of possible financial loss if a client or a party to a financial instrument fails to perform its contractual obligations. The credit risk is mainly related to receivables from clients.

Trade and other receivables
The Group's credit risk exposure depends on the customer's individual characteristics, which vary from one sector to another. This exposure may also depend on the risk of non-payment specific to the industry or the markets in which the Group companies operate. As this risk is different for the different sectors, it is managed by sectors in view of the weight of each sector within the investment portfolio of Industrial Holding Bulgaria PLC. Therefore, the Group's risk is diversified. The credit policies of the Group companies require the solvency of each new customer to be analysed before offering standard terms of delivery and payment.

Guarantees
It is a policy of the Group to issue financial guarantees only to subsidiaries and only after obtaining the preliminary approval of the Managing and Supervisory Boards.

Liquidity risk
Liquidity risk is the probability that the Group will be unable to meet all its obligations, which are settled in cash or through another financial asset. The Group's approach to managing the liquidity risk is to secure sufficient liquidity, wherever possible, so as to cover its liabilities, in both ordinary and abnormal conditions, ensuring the Group will not suffer unacceptable losses or reputation damages.

The Group elaborates financial planning to cover its expenses and current payables for a period of 30 days, including settlement of financial liabilities; this planning excludes the potential effect of extraordinary circumstances that may not be foreseen under usual conditions.

Market risk
Market risk is the risk that affects the Group's revenue or the value of its investments due to fluctuations resulting from changes in market prices, such as exchange rates, interest rates or prices of equity instruments. The objective of market risk management is to control the exposure to market risk within acceptable limits through return rate optimization.

34. Financial instruments (continued)

Currency risk

The Group is exposed to currency risk for purchases and / or sales and / or borrowings denominated in a currency other than the functional currency of the subsidiaries. The functional currency of all subsidiaries is BGN except for shipping companies whose functional currency is USD and International Industrial Holding Bulgaria whose functional currency is CHF.

Interest on loans is denominated in the currency of the loan. Typically, loans are denominated in a currency that coincides with the currency of the cash flows from related activities of the other party to the loan agreement, most often in levs and euros, but also in dollars. This allows for the creation of a non-derivative economic hedge and as a result no hedge accounting is applied in these cases.

The Group's management has minimised the payments in currencies, other BGN, EUR and USD, aiming at minimizing the Group's exposure to currency risk. Some of the companies are exposed to limited currency risk on purchases and/or sales and/or receiving loans denominated in currencies other than the functional currency.

Interest rate risk

The Group companies are exposed to interest rate risk mainly with respect to its loans bearing floating (variable) interest rates corresponding to the current market prices. Interest rate risk is managed through using loans with fixed interest rates.

The Group manages the interest rate risk by signing fixed-rate loans.

Operating risk

Operating risk is the risk of direct or indirect losses due to lots of reasons relating to the processes, personnel, technologies and infrastructure of the Group, as well as to external factors, other than credit, market and liquidity risks, such as those originating from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operating risks arise from all transactions of the Group.

The Group's objective is to manage operational risk to avoid 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 developing and implementing operational risk control is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the operational risk management in the following areas:

- requirements for proper allocation of liabilities, including independent authorization of transactions
- requirements for reconcilement and monitoring of transactions
- compliance with the regulatory and other legal requirements
- control documentation and procedures
- requirements for periodic assessment of operating risks and adequacy of controls and procedures for dealing with risks identified
- requirements for reporting operating losses and proposed corrective measures
- training and professional development
- ethic and business standards
- risk diminishing, including insurance, where effective.

Compliance with the Group's standards has been supported by a program for periodic reviews to be carried out by the Internal Audit. The results from the reviews of Internal Audit are discussed with the managing staff of the business unit they relate to, in the form of summaries provided to the Audit Committee and top management of the Group.

34. Financial instruments (continued)

Capital management
The policy of the Managing Board (MB) is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The capital consists of share capital, reserves and retained earnings.

There were no changes in the Group's approach to capital management in both years of 2021 and 2020.

35. Related party disclosures

The Group's consolidated financial statements include the following entities:

		Equity interest	
	Country of registration	**30 June 2021**	**31 December 2020**
		%	%
Industrial Holding Bulgaria PLC	Bulgaria	Parent company	Parent company
Private Engineering EAD	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
IHB Metal Castings AD*	Bulgaria	100.00	100.00
IHB Electric AD (obliterated from the Register)	Bulgaria	-	97.87
KRZ Port Bourgas AD	Bulgaria	99.65	99.65
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 EAD	Bulgaria	61.00	61.00
Bulyard Shipping Industry AD	Bulgaria	100.00	100.00
IHB Shipping Co EAD	Bulgaria	100.00	100.00
Emona LTD (obliterated from the Register)	Marshall Islands	-	100.00
Karvuna LTD	Marshall Islands	100.00	100.00
Odria LTD	Marshall Islands	100.00	100.00
Tirista LTD	Marshall Islands	100.00	100.00
Serdika LTD	Marshall Islands	100.00	100.00
Bulport Logistics AD	Bulgaria	100.00	100.00
Odessos PBM EAD	Bulgaria	100.00	100.00
IHB Shipdesign AD	Bulgaria	70.00	70.00
IHB 3 Design AD	Bulgaria	51.00	51.00

On 22 January 2021, the General Meeting of Shareholders of IHB Electric AD (obliterated) accepted the results of the distribution of the company's assets after the completion of the liquidation process and preparation of the final liquidation balance sheet as of 30 November 2020, and took a decision to obliterate it from the Register. On 2 February 2021, the obliteration was entered in the Commercial Register at the Registry Agency.

On 31 May 2021 the obliteration of Emona Ltd, was registered as well, following the sale by the Company of its main asset - m/v Emona at the end of 2020.

35. Related party disclosures (continued)

The Group is of the opinion that in accordance with the definitions of IAS 24 it is a related party with:

I. Persons exercising control within the meaning of IAS 24

- Bulls AD, a company that as at 30 June 2021, directly or indirectly through a subsidiary, holds 41.62% of Industrial Holding Bulgaria PLC, a share, which in view of the scattered shareholding structure of Industrial Holding Bulgaria PLC as a former privatisation fund with more than 50,000 shareholders and the quorums at the General Meeting of Shareholders (GMS) over the last two years, have allowed that a majority vote and de facto control is exercised at the GMS of Industrial Holding Bulgaria PLC;
- Dimitar Zhelev, a person exercising control over Bulls AD and husband of Daneta Zheleva, the Chief Executive Officer of Industrial Holding Bulgaria PLC.

The judgement as to whether control is exercised, as described above, is subject to regular review.

II. Key management personnel

III. Entities under the joint control of the persons exercising control within the meaning of IAS 24 (under item i)

IV. Entities, over which the persons that have control within the meaning of IAS 24 (under item i) also exercise significant influence or are members of their key management personnel

Trade and other related party receivables

BGN'000	**Note**	**30 June 2021**	**2020**
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel		5	5
	22	**5**	**5**

Cash with banks – related parties

BGN'000	**Note**	**30 June 2021**	**2020**
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel		4,532	4,489
	23	**4,532**	**4,489**

Interest-bearing loans and borrowings from banks – related parties

BGN'000	**Note**	**30 June 2021**	**2020**
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel		16,810	17,325
	26	**16,810**	**17,325**

35. Related party disclosures (continued)

Loans from related parties (incl. interest)

BGN'000	**Note**	**30 June 2021**	**2020**
Persons exercising control within the meaning of IAS 24		157	5,004
		157	**5,004**
Long-term portion		-	2,437
Short-term portion		157	2,567
Principal		157	4,989
Interest		-	15

Trade and other payables to related parties

BGN'000	**Note**	**30 June 2021**	**2020**
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel		9	9
	31	**9**	**9**

Derivative financial liability to banks – related parties

BGN'000	**Note**	**30 June 2021**	**2020**
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel		288	405
	27	**288**	**405**

Over the period 01 January 2021 - 30 June 2021, interest expenses accrued under an interest rate swap contract with a bank related party amounted to BGN 176 thousand (01 January 2020 – 30 June 2021: BGN 163 thousand), and interest paid amounted to BGN 152 thousand (01 January 2020 – 30 June 2020: BGN 145 thousand).

35. Related party disclosures (continued)

Sales transactions

BGN'000	Type of transaction	**30 June 2021**	**30 June 2020**
Persons exercising control within the meaning of IAS 24	Rental expenses	1	-
		1	-
Entities under the joint control of the persons exercising control within the meaning of IAS 24	Sale of services	-	9
	Rental income	3	6
	Other sales	-	12
		3	27
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel	Sale of services	20	8
	Rental income	42	39
	Other sales	2	1
		64	48
		68	75

Purchase transactions

BGN'000	Type of transaction	**30 June 2021**	**30 June 2020**
Entities under the joint control of the persons exercising control within the meaning of IAS 24	Purchase of materials	-	3
	Purchase of hired services	-	1
		-	4
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel	Purchase of hired services	285	309
	Other finance costs	59	62
		344	371
		344	375

35. Related party disclosures (continued)

Movements in interest-bearing loans and borrowings from banks – related parties

BGN'000		Amounts received/ (granted)	Amounts (paid)/refunded	Interest (expenses)/ income	Interest paid
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel	30 June 2021	3,217	(4,286)	(164)	(166)
Entities, over which the persons that have control within the meaning of IAS 24 exercise significant influence or are members of their key management personnel	30 June 2020	-	(2,216)	(317)	(353)
	30 June 2021	**3,217**	**(4,286)**	**(164)**	**(166)**
	30 June 2020	**-**	**(2,216)**	**(317)**	**(353)**

Movements in loans from related parties

BGN'000		Amounts received/ (granted)	Amounts (paid)/refunded	Interest (expenses)/ income	Interest paid
Persons exercising control within the meaning of IAS 24	30 June 2021	-	(4,850)	(30)	(38)
Entities under the joint control of the persons exercising control within the meaning of IAS 24	30 June 2021	-	-	-	-
Persons exercising control within the meaning of IAS 24	30 June 2020	3,319	(3,446)	(111)	(62)
Entities under the joint control of the persons exercising control within the meaning of IAS 24	30 June 2020	1,246	(1,244)	-	-
	30 June 2021	**-**	**(4,850)**	**(30)**	**(38)**
	30 June 2020	**4,565**	**(4,690)**	**(111)**	**(62)**

35. Related party disclosures (continued)

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the year-end are unsecured (except for bank loans and derivative liabilities), interest free (except for loans) and the settlement is made in cash. There have been no guarantees provided to or received for related party payables or receivables, except for the ones listed below. For the period ended 30 June 2021, the Group had not written down related party receivables (2020: Nil). A review for expected credit losses due to impairment is made every financial year through examining the financial position of the related party and the market in which the related party operates.

36. Commitments and contingencies

Capital commitments

As at 30 June 2021 and 2020, the Group has no capital commitments.

Legal claims

In connection with a ship repair completed, Bulyard Shipbuilding Industry AD has filed a claim with the London Arbitration Court in accordance with the Rules of the Association of London Maritime Arbitrators (ALMA) for non-compliance by a client with its payment commitments. Accordingly, the client has filed a counterclaim challenging the term of completion of the service and the volume of activities performed. The case is pending and the court of arbitration has issued an order to the parties to secure the legal expenses on the claim.

Guarantees

According to Contract 319 of 30 November 2006 signed with a commercial bank for providing a credit limit for issuance of bank guarantees, letters of credit and working capital financing of the Holding and/or Group entities with a limit of BGN 10,000 thousand, as at 30 June 2021:

- Bank guarantees of BGN 20 thousand were issued to Group companies: IHB Metal Castings AD (31 December 2020: BGN 20 thousand);
- A guarantee was issued for a liability of KRZ Port Bourgas AD of BGN 3,000 thousand (31 December 2020: BGN 3,000 thousand);
- No letters of credit have been issued;
- A revolving credit line for working capital financing of BGN 5,500 thousand was opened (31 December 2020: BGN 5,500 thousand.). As at 30 June 2021, the amount utilised by the subsidiary ZMM Sliven AD under this credit line for working capital financing was BGN 23 thousand, Odessos PMB EAD: BGN 200 thousand, KRZ Port Bourgas AD: BGN 135 thousand, and ZMM Nova Zagora AD: BGN 650 thousand, respectively.

The unutilised limit in the form of a credit line for working capital financing amounted to BGN 4,492 thousand as at 30 June 2021. The contract with the bank is secured by a registered pledge on the commercial enterprise of KRZ Port-Bourgas AD, as a combination of rights, obligations and factual relations, with entry into the major assets into the relevant registers.

36. Commitments and contingencies (continued)

Collateral

In November 2020, in relation to Framework agreement for the provision of a revolving credit limit No. 48272 of 24 November 2020 for loans, bank guarantees and letters of credit totalling USD 3,000 thousand, the company-borrower and the company-co-debtor under the Framework agreement signed financial collateral contracts through a pledge of cash receivables, providing for a right to operate all their accounts with the bank-creditor in an amount that should be at least equal to the amount of the loan liability at the relevant moment.

In 2019, in relation to Bank loan agreement No. 19F-002296 of 08 October 2019 concluded for the purpose to finance the construction of a photovoltaic power plant, the company-borrower under the loan signed a financial collateral contract, through a pledge of receivables, providing for a right to operate all their accounts with the bank-creditor in an amount that should be equal to the amount of the loan liability at the relevant moment. In 2020, the company-co-debtor under the loan also signed a financial collateral contract in the same amount.

In 2018, in relation Bank loan agreement No. 16 of 27 March 2018 concluded for the purpose to finance partially a debenture loan, Industrial Holding Bulgaria PLC and the companies-guarantors under the contract signed financial collateral contracts, through a pledge of receivables, providing for a right to operate all their accounts with the bank-creditor in an amount that should be equal to the amount of the loan liability at the relevant moment.

Others

The Group's management believes that no material risks exist as a result of the dynamic fiscal and regulatory environment in Bulgaria, which might require adjustments in the financial statements for the period ended 30 June 2021.

39. Events after the reporting date

Over the period from 01 July 2021 to the date of issue of these financial statements, the Group early repaid liabilities under the Syndicated bank loan agreement of 20 December 2011 amounting to USD 2,289 thousand and in this connection, the nominal provisional principal under the interest rate swap contract was renegotiated as well.

On 02 July 2021, Industrial Holding Bulgaria PLC received a notification from Bulls AD, Sofia, according to Art. 154, para. 1 of POSA, accompanied by the final text of a tender offer made by Bulls AD in accordance with Art. 149b, para. 1 of the Public Offering of Securities Act, for the purchase of up to 25,000,000, but not less than 15,800,000 voting shares from the other shareholders of Industrial Holding Bulgaria PLC.

Besides the disclosed above, no other significant events have occurred after 30 June, which require additional adjustments and/or disclosures in the consolidated financial statements of the Group the period ended 30 June 2021.