INDUSTRIAL HOLDING BULGARIA PLC

INTERIM MANAGEMENT REPORT AND

SEPARATE FINANCIAL STATEMENTS

30 June 2022

INDUSTRIAL HOLDING BULGARIA PLC

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INDUSTRIAL HOLDING BULGARIA PLC

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INDUSTRIAL HOLDING BULGARIA PLC
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022

BGN'000	**Note**	**30 June 2022**	**30 June 2021**
Interest and dividend income	5	8,557	6,726
Other operating income	6	24	22
		8,581	**6,748**
Costs of personnel	7	(343)	(326)
Costs of hired services		(101)	(108)
Other operating expenses	9	(144)	(139)
Operating profit		**7,993**	**6,175**
Finance income	10	875	-
Finance costs	10	(91)	(116)
Profit before tax		**8,777**	**6,059**
Profit tax benefit	11	-	-
Profit for the period		**8,777**	**6,059**
Basic net earnings per share			
Basic net earnings per share (BGN)	17 (a)	0.091	0.062
Other comprehensive income / (loss)			
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods			
Subsequent valuation of defined benefit plans		-	-
Profit tax effect	11	-	-
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods, net of taxes		**-**	**-**
Total other comprehensive income / (loss) for the period, net of taxes		**-**	**-**
Total comprehensive income for the period, net of taxes		**8,777**	**6,059**

The notes on pages 6 to 43 form an integral part of these separate financial statements authorised for issue by resolution of the Management Board dated 22 July 2022.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
ASSETS			
Non – current assets			
Non-current tangible and intangible assets	12	75	102
Right-of-use assets	15	75	150
Investments in subsidiaries	13	191,759	192,031
Loans to related parties	21.1	52,173	64,255
Differed tax assets	11	6	7
Total non-current assets		**244,088**	**256,545**
Current assets			
Loans to related parties	21.1	8,727	264
Trade and other receivables	14	1,335	820
Cash and cash equivalents	16	14,127	3,644
Total current assets		**24,189**	**4,728**
TOTAL ASSETS		**268,277**	**261,273**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	96,808	107,400
Share capital reduction (pending registration)	17	-	(10,592)
Treasury shares redeemed	17	-	-
Share premium	17	31,016	31,016
Statutory and other reserves	17	9,661	9,661
Retained earnings		120,935	112,158
Total equity		**258,420**	**249,643**
Non-current liabilities			
Interest-bearing loans and borrowings	18	4,990	326
Lease liabilities	15	-	-
Loans and deposits from related parties	21.1	978	-
Retirement benefit liabilities	19	46	46
Total non-current liabilities		**6,014**	**372**
Current liabilities			
Interest-bearing loans and borrowings	18	3,592	3,588
Lease liabilities	15	83	166
Loans and deposits from related parties	21.1	124	7,418
Trade and other payables	20	44	86
Total current liabilities		**3,843**	**11,258**
Total liabilities		**9,857**	**11,630**
TOTAL EQUITY AND LIABILITIES		**268,277**	**261,273**

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Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC

SEPARATE CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2022

BGN'000	Note	30 June 2022	30 June 2021
Operating activity			
Dividends received		1,409	717
Cash loans repaid to related parties	21	11,170	4,485
Cash loans granted to related parties	21	(7,624)	(4,304)
Interest received on loans granted to related parties	21	567	358
Payments on the acquisition of shares and stocks	13	(2,820)	-
Proceeds from reduction of the capital of a subsidiary		3,092	-
Proceeds from customers		26	26
Remuneration related payments		(401)	(330)
Foreign currency differences		875	-
Cash provided as guarantees	16	(4,086)	-
Payments to suppliers, others		(133)	(209)
Net cash flows from operating activity		**2,075**	**743**
Investing activity			
Purchase of non-current tangible and intangible assets		-	(51)
Net cash flows used in investing activity		**-**	**(51)**
Financing activity			
(Payments on) / Proceeds from redemption of treasury shares, net		-	(1,512)
Bank loans received	18	6,296	-
Principal paid on bank loan		(1,630)	(1,956)
Interest paid on bank loan		(44)	(79)
Charges on bank loan		(13)	(5)
Lease liabilities paid	15	(83)	(77)
Interest on lease liabilities	15	(1)	(6)
Loans and deposits from related parties	21	1,727	3,650
Deposits from related parties refunded	21	(1,907)	(293)
Interest on deposits from related parties	21	(14)	-
Other proceeds and payments		(9)	(12)
Net cash flows used in financing activity		**4,322**	**(290)**
Increase / (Decrease) in cash and cash equivalents		6,397	402
Cash and cash equivalents on 1 January		3,644	749
Cash and cash equivalents on 31 December	16	**10,041**	**1,151**

The notes on pages 6 to 43 form an integral part of these separate financial statements authorised for issue by resolution of the Management Board dated 22 July 2022.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

INDUSTRIAL HOLDING BULGARIA PLC
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

BGN'000	Note	Share capital	Share capital reduction pending registration	Treasury shares redeemed	Share premium	Statutory and additional reserves	Retained earnings	**Total**
Balance as at 1 January 2021		**107,400**	**-**	**(8,668)**	**30,604**	**9,661**	**93,357**	**232,354**
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	6,059	**6,059**
Other comprehensive income for the period		-	-	-	-	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**6,059**	**6,059**
Transactions with shareholders recognised in equity								
Treasury shares redeemed (Note 17)		-	-	(1,512)	-	-	-	**(1,512)**
Total transactions with shareholders		**-**	**-**	**(1,512)**	**-**	**-**	**-**	**(1,512)**
Balance as at 30 June 2021	17	**107,400**	**-**	**(10,180)**	**30,604**	**9,661**	**99,416**	**236,901**
Balance as at 1 January 2022		**107,400**	**(10,592)**	**-**	**31,016**	**9,661**	**112,158**	**249,643**
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	8,777	**8,777**
Other comprehensive income for the period		-	-	-	-	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**8,777**	**8,777**
Transactions with shareholders recognised in equity								
Registered capital reduction		(10,592)	10,592	-	-	-	-	**-**
Total transactions with shareholders		**(10,592)**	10,592	**-**	**-**	**-**	**-**	**-**
Balance as at 30 June 2022	17	**96,808**	**-**	**-**	**31,016**	**9,661**	**120,935**	**258,420**

The notes on pages 6 to 43 form an integral part of these separate financial statements authorised for issue by resolution of the Management Board dated 22 July 2022.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

1. Corporate information

The separate financial statements of Industrial Holding Bulgaria PLC (the Company or the Holding or IHB PLC) for the period ended 30 June 2022 were authorised for issue by resolution of the Management Board dated 22 July 2022, which was approved by the Supervisory Board.

Industrial Holding Bulgaria PLC is a joint stock company (PLC), registered in the Republic of Bulgaria under Company File no. 13081 / 1996 with headquarters and registered office at 42 Damyan Gruev Str., Sofia, Bulgaria. The financial year of the Company ends on 31 December.

The Company was registered with the Commercial Register at the Registry Agency under identification code 121631219. It was registered under VAT Act. The shares of Industrial Holding Bulgaria are listed on the Bulgarian Stock Exchange, Sofia.

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 company and to change its name from Privatisation Fund Bulgaria PLC to Industrial Holding Bulgaria PLC. The Company’s registered capital amounts to BGN 96,808,417. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

The scope of activity of the Company includes acquisition, management, assessment and sale of shares in Bulgarian and foreign companies, acquisition, assessment and sale of patents, cession of licenses for usage of patents of companies in which the Company holds interests, financing of companies in which the Company holds interests, as well as any other activity not prohibited by law.

The activity of the Company is not limited by time or other condition of termination.

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

The separate 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 separate 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 financial statements are the separate financial statements of Industrial Holding Bulgaria PLC where investments in subsidiaries are stated at acquisition cost.

2.1 Basis of preparation (continued)

In accordance with the requirements of IFRS 10 Consolidated Financial Statements and the Accountancy Act, Industrial Holding Bulgaria PLC prepares and presents consolidated financial statements. The consolidated financial statements for the year ended 31 December 2021 were published on 29 April 2022, and for the period ended 30 June 2022 they will be presented by 29 August 2022.

Going concern

The financial statements of the Company have been prepared on the basis of the going concern principle-assumption.

2.2 Summary of significant accounting policies

a) Foreign currency translation

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

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. Foreign currency differences are recognised in profit or loss for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange 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 exchange rate as at the date when the fair value was determined.

b) Recognition of revenue from contracts with customers

The Company does not report revenue from contracts with customers as its activity relates to the acquisition, management, evaluation and sale of shares in Bulgarian and foreign entities.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Current income tax is recognised directly in the equity (and not in the statement of comprehensive income) 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 income tax

Deferred income 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.

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

2.2 Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax (continued)

- 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 Company and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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 Company 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 Company 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.

2.2 Summary of significant accounting policies (continued)

d) 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 Company and measured at the undiscounted amount of the expected cost of the benefit.

The Company 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 Company 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 Company recognises 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 within “Employee benefit expense”.

e) 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 Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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.

The Company does not report trade receivables originating from revenue from contracts with customers and measured in accordance with IFRS 15.

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.

2.2 Summary of significant accounting policies (continued)

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

Financial assets (continued)

Initial recognition and measurement (continued)

The Company'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 Company commits to purchase or sell the asset.

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 Company. The Company 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 related parties.

2.2 Summary of significant accounting policies (continued)

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

Financial assets (continued)

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 Company's statement of financial position) when:

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

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets

The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

2.2 Summary of significant accounting policies (continued)

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

Financial assets (continued)

Impairment of financial assets (continued)

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 (incl. deposits from related parties), including bank overdrafts.

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

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 statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 18.

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 statement of comprehensive income.

2.2 Summary of significant accounting policies (continued)

f) Investments in subsidiaries

In the separate financial statements of the Company, investments in subsidiaries are measured at cost less impairment losses (in accordance with IAS 27, par. 10 (a)). Investments in subsidiaries are written off and the net result (disposal proceeds less the carrying amount of the investment) is recognized in profit or loss for the period when the Company loses control or significant influence over the company in which has invested and disposes of the investment. Further details are disclosed in Note 13.

Information on the accounting policies applicable to impairment of investments in subsidiaries is presented in note o) Impairment of non-financial assets.

Dividend income

Dividend income is recognised when the right to receive it is established.

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 Company intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

h) Fair value measurement

The Company reports its financial instruments, such as, derivatives and available for sale financial assets, as well as non-financial assets, such as investment properties and property, plant and equipment, at fair value at each reporting date.

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

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

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

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

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

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

2.2 Summary of significant accounting policies (continued)

h) Fair value measurement (continued)

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 Company 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 Company'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 for valuation of the fair values of significant assets and liabilities. Involvement of valuation experts is decided upon annually by the Company's management. Selection criteria for external valuers include professional experience, qualities and reputation. Management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

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 Company'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. Moreover, management together with expert valuers compares the changes in the fair value of each asset or liability with suitable external sources in order to judge whether these changes are reasonable.

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

i) Share capital

The share capital is presented at the par value of shares issued and paid. Any proceeds from shares issued over their nominal value are stated as issue premium. Costs directly attributable to the issue of ordinary shares are recognised in decrease of equity, net of any tax effects.

j) Redemption of treasury shares

Own equity instruments that are redeemed (redeemed treasury shares) are recognised at the fair value of the consideration transferred and are deducted from equity. The Company recognises neither gain nor loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the nominal amount and the fair value of the consideration transferred, in the event of cancellation of redeemed shares, is recognised as decrease/increase of share premium. No dividends are allocated to redeemed voting shares. Any difference between the nominal amount and the fair value upon a sale of treasury shares is recognized in accumulated profits / losses.

2.2 Summary of significant accounting policies (continued)

k) Plant and equipment (non-current tangible assets)

Plant and equipment (non-current tangible assets) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, 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 Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and/or equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the assets, which are defined as follows:

Motor vehicles /cars/	8 years
Computers and computer equipment	3 years
Fixtures and fittings and other assets	2 - 7 years

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

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

2.2 Summary of significant accounting policies (continued)

l) Borrowings 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.

m) 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.

Intangible assets with finite useful lives are amortized on a straight line basis estimated useful lives as follows:

Patents and trademarks	4 – 7 years
Software	4 – 7 years

Intangible assets with finite lives are amortised over their useful lives and tested for impairment when there are indications that their value is impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

n) Impairment of non-financial assets

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

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

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

Impairment losses are recognised as other expenses in the statement of comprehensive income or as a separate item, if material.

2.2 Summary of significant accounting policies (continued)

n) Impairment of non-financial assets (continued)

At the end of each financial year, the Company assesses whether there is any indication that an impairment loss of an asset other than goodwill recognised in prior periods may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or the cash-generating unit. An impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor it exceeds the carrying amount (net of depreciation) that would have been determined, had no impairment loss been recognised for the asset in prior years. Such reversal of an impairment loss is recognised in profit or loss for the period, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and in bank accounts, 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.

p) Provisions

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

q) Basic net earnings per share

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

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 Company 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.

2.2 Summary of significant accounting policies (continued)

r) Leases (continued)

The Company as a lessee
The Company 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 Company 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 Company 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 Company 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.

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 Company 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 Company 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 Company 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	6 years and 3 months

The Company 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)

The Company as a lessee (continued)

Lease liabilities
At the commencement date the Company 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 Company 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 Company 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 Company'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 Company 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 Company 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);

2.2 Summary of significant accounting policies (continued)

r) Leases (continued)

The Company as a lessee (continued)

- 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 Company 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.

Short-term leases and leases where the underlying asset is a low-value asset
The Company 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 Company 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 Company as a lessor
Leases where the Company retains substantially all significant risks and economic benefits from the ownership of the underlying asset are classified as operating leases.

When the Company 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 Company 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 Company's statement of financial position.

5. Interest and dividend income

BGN'000	Note	30 June 2022	30 June 2021
Dividend income	21.2	8,063	6,255
Interest income	21.2	494	471
		8,557	**6,726**

Dividend income in the first half of 2022 amounts to BGN 8,063 thousand (in first half of 2021: BGN 6,255 thousand) and is distributed by:

BGN'000	Note	30 June 2022	30 June 2021
ZMM Bulgaria Holding AD		3,678	3,329
Privat Engineering EAD		2,266	-
KRZ Port Bourgas AD		1,405	2,092
IHB Shidesign AD		455	698
Maritime Holding AD		259	136
		8,063	**6,255**

Interest income of BGN 494 thousand (in the first half of 2021: BGN 471 thousand) accrued on interest-bearing receivables from subsidiaries under cash loans granted.

6. Other operating income

BGN'000	Note	30 June 2022	30 June 2021
Rental income	21.2	22	22
Income from financing		2	-
		24	**22**

7. Personnel expenses

BGN'000	30 June 2022	30 June 2021
Wages and salaries	(299)	(286)
Social security costs and other social payments	(44)	(40)
	(343)	**(326)**

9. Other operating expenses

BGN'000	Note	30 June 2022	30 June 2021
Depreciation and amortisation	12,15	(102)	(105)
Costs of materials		(17)	(16)
Other operating expenses		(25)	(18)
		(144)	**(139)**

10. Finance income and finance costs

BGN'000	Note	30 June 2022	30 June 2021
Finance income			
Foreign currency gains, net		875	-
		875	**-**
Finance costs			
Interest expenses on a bank loan		(46)	(78)
Interest expenses on deposits and loans from related parties	21.2	(22)	(13)
Interest expenses on leases	15	(1)	(6)
Bank loan charges		(13)	(5)
Other finance costs		(9)	(14)
Finance costs		**(91)**	**(116)**

10. Profit tax

The Company owes no income taxes for the periods ended 30 June 2022 and 30 June 2021.

The reconciliation of income tax expenses and accounting profit multiplied by the applicable rate for the periods ended 30 June 2022 and 30 June 2021 is as follows:

BGN'000	30 June 2022	30 June 2021
Accounting (loss) / profit before taxes	**8,777**	**6,059**
Income tax expense at the applicable tax rate of 10% for 2022 (2021: 10%)	(878)	(606)
Non-deductible expenses – dividends	806	626
Utilization of tax losses on which no deferred tax asset has been recognised	72	-
Tax loss, for which tax asset is not recognized	-	(20)
Income tax benefit at an effective tax rate of 0% (2021: 0 %)	**-**	**-**

12. Non-current tangible and intangible assets

BGN'000	**Computers and equipment**	**Transport vehicles**	**Fixtures and fittings, and other assets**	**Total**
Cost				
Balance as at 1 January 2021	**58**	**289**	**373**	**720**
Additions	47	-	3	**50**
Disposals	(46)	-	(4)	**(50)**
Balance as at 31 December 2021	**59**	**289**	**372**	**720**
Balance as at 1 January 2022	**59**	**289**	**372**	**720**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
Balance as at 31 December 2022	**59**	**289**	**372**	**720**
Depreciation/amortisation and impairment losses				
Balance as at 1 January 2021	54	221	365	640
Depreciation charges	13	36	3	52
Disposals	(46)	-	(4)	(50)
Balance as at 31 December 2021	**21**	**257**	**364**	**642**
Balance as at 1 January 2022	**21**	**257**	**364**	**642**
Depreciation charges	6	18	1	**25**
Disposals	-	-	-	**-**
Balance as at 30 June 2022	**27**	**275**	**365**	**667**
Net book value				
Balance as at 1 January 2021	**4**	**68**	**8**	**80**
Balance as at 31 December 2021	**38**	**32**	**8**	**78**
Balance as at 30 June 2022	**32**	**14**	**7**	**53**

The Company has no restrictions on the ownership of fixed tangible assets and no assets have been pledged as collateral for liabilities or otherwise.

Intangible assets
As the non-current intangible assets held by the Company represent an insignificant portion, no detailed note on their movement for the period has been prepared. The carrying amount of non-current intangible assets as at 30 June 2022 was BGN 22 thousand (2021: BGN 24 thousand). The amortisation charged on non-current intangible assets for the period was BGN 2,000 (2021: BGN 3,000).

Impairment of non-current tangible and intangible assets
Based on the impairment testing of non-current tangible and intangible assets, the Company's management has not identified indicators that the carrying amount of the assets exceeds their recoverable amount.

13. Investments in subsidiaries

Investments, held by the Company as of 30 June 2022 and 31 December 2021, were as follows:

		30 June 2022		**31 December 2021**	
BGN'000	Country of incorporation	Share amount	Share percentage	Share amount	Share percentage
ZMM Bulgaria Holding EAD	Bulgaria	4,795	100.000	7,885	99.998
Privat Engineering EAD	Bulgaria	45,601	100.000	45,601	100.000
KRZ Port Bourgas AD	Bulgaria	4,774	99.650	4,774	99.650
Maritime Holding AD	Bulgaria	400	61.000	400	61.000
International Industrial Holding Bulgaria AG	Switzerland	130	100.000	130	100.000
KLVK AD	Bulgaria	46,096	67.960	46,096	67.960
IHB Shipdesign AD	Bulgaria	70	70.000	70	70.000
Bulyard Shipbuilding Industry AD	Bulgaria	66,189	100.000	63,371	95.890
Odessos PBM EAD	Bulgaria	23,653	100.000	23,653	100.000
IHB 3Design AD (in liquidation)	Bulgaria	51	51.000	51	51.000
		191,759		**192,031**	

In November 2021, the General Meeting of Shareholders of IHB 3Design AD resolved on dissolving the company and declare it in liquidation. The term of the liquidation is 6 months as of 17 January 2022 - the date of publishing the notice to the Company's creditors in the Commercial Register.

In January 2022, Industrial Holding Bulgaria PLC purchased from its subsidiary the remaining shares of the capital of ZMM Bulgaria Holding EAD, thereby becoming the sole equity owner of the latter.

In March 2022, Industrial Holding Bulgaria PLC purchased from its subsidiary the remaining shares of the capital of Bulyard Shipbuilding Industry EAD, thereby becoming the sole equity owner of the latter.

In May 2022, the reduction of the capital of the subsidiary ZMM Bulgaria Holding EAD by the amount of BGN 3,092 thousand was entered into the Commercial Register, following a resolution of the sole owner Industrial Holding Bulgaria PLC.

14. Trade and other receivables

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
Dividend receivable from related parties	21.1	1,320	810
Services and advances prepaid		15	1
Prepaid costs of related parties	21.1	-	9
		1,335	**820**

15. Lease

The Company, as a lessee, recognized a right-of-use asset and a lease liability under a rental agreement. In 2021, the Company handed over an advance notice of termination of the lease contract in 2022. The Company subleases part of the rented office to its subsidiaries. The sublease contracts are classified as operating leases as they do not transfer substantially all the risks and rewards of ownership of the properties being subleased. The Company recognised income from subleasing for the period from January 2022 to June 2022 amounting to BGN 22 thousand (Note 21.2).

Right-of-use assets

BGN'000	**Buildings**
Book value	
Balance at 01 January 2021	**787**
Remeasurement of the lease liability	(480)
Depreciation written off due to remeasurement	(157)
Balance at 31 December 2021	**150**
Balance at 01 January 2022	**150**
Remeasurement of the lease liability	-
Depreciation written off due to remeasurement	-
Balance at 30 June 2022	**150**
Accumulated depreciation	-
Balance at 01 January 2021	**-**
Depreciation charge for the period	157
Depreciation written off due to remeasurement	(157)
Balance at 31 December 2021	**-**
Balance at 01 January 2022	**-**
Depreciation charge for the period	75
Depreciation written off due to remeasurement	-
Balance at 30 June 2022	**75**
Net book value	
Balance as at 1 January 2019	**787**
Balance as at 31 December 2021	**150**
Balance as at 30 June 2022	**75**

Impairment of right-of-use assets

Based on the impairment testing of right-of-use assets as at 30 June 2022, the Company's management had not identified any indicators that the carrying amount of the assets exceeded their recoverable amount.

15. Lease (continued)

The underlying lease assets cannot be used as collateral under other contracts.

Lease liabilities

BGN'000	30 June 2022	31 December 2021
Balance at the beginning of the period	**166**	**801**
Remeasurement of the lease liability	-	(480)
Interest expenses for the period	1	12
Lease payments for the period	(84)	(167)
Balance at the period-end	**83**	**166**
Long-term portion	-	-
Short-term portion	83	166

The average weighted incremental interest rate used by the Company upon the recognition of lease liabilities in the first half of 2022 is 1.7% (2021: 1.7%.).

16. Cash and cash equivalents

BGN'000	Note	30 June 2022	31 December 2021
Cash on hand		1	-
Cash with banks – related parties	21.1	9,113	3,083
Cash with banks – other		927	561
Cash and cash equivalents recognized in the Cash Flow Statement		**10,041**	**3,644**
Cash restricted as collateral under bank loans		4,086	-
Cash and cash equivalents recognized in the Statement of Financial Position		**14,127**	**3,644**

Cash in BGN is measured at its nominal amount, and cash in foreign currency - at the closing exchange rate of BNB at the end of the reporting period. Foreign currency gains and loss are reported as current income and expenses, respectively. Aiming at managing cash balances and earning yield thereof, the Company has entered into three-month deposits totalling USD 4,780 thousand.

In April 2022, the Company blocked USD 2,170 thousand as collateral under Bank loan No.: 22F-000155, and the funds will be freed after a mortgage is imposed on real estate (land and buildings) of a subsidiary. A three-month deposit is also established on the so-restricted amount.

17. Share capital and reserves

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

BGN'000	**30 June 2022**	**31 December 2021**
96,808,417 ordinary shares with a nominal value of BGN 1 each	96,808	107,400
	96,808	**107,400**

The extraordinary General Meeting of Shareholders held on 18 November 2021 took a decision to reduce the capital from BGN 107,400,643 to BGN 96,808,417 by invalidating 10,592,226 treasury shares redeemed with a nominal value of BGN 1 each. The reduction of the capital was entered into the Commercial Register on 7 March 2022, following the expiration of the statutory deadlines, and the treasury shares held were invalidated.

The capital of the Company as of 30 June 2022 comprises 96,808,417 dematerialised registered voting shares with a nominal value of BGN 1 each, listed on the Bulgarian Stock Exchange. The share capital has been subscribed at its nominal value and is fully paid. There are no preference or bearer shares.

Shareholders holding over 5% of the capital of Industrial Holding Bulgaria PLC as of 30 June 2022 are as follows:

Shareholder	**Number of shares as at 30 June 2022**	**30 June 2022**
BULLS AD	65,359,988	67.51%
DZH AD	9,657,874	9.98%
Others	21,790,555	22.51%
	96,808,417	**100.00%**

Shareholders holding over 5% of the capital of Industrial Holding Bulgaria PLC as of 31 December 2021 are as follows:

Shareholder	**Number of shares as at 31 December 2021**	**31 December 2021**
BULLS AD	65,173,554	60.68%
DZH AD	9,657,874	8.99%
Industrial Holding Bulgaria PLC (treasury shares redeemed pending invalidation)	10,592,226	9.86%
Others	21,976,989	20.47%
	107,400,643	**100.00%**

17. Share capital and reserves (continued)

Reconciliation of shares issued:	**Number of shares**	**Amount**
BGN'000		
Ordinary shares issued and fully paid		
At 1 January 2021	107,400,643	107,400
At 31 December 2021	**107,400,643**	**107,400**
Reduction of the capital by invalidating treasury shares redeemed	(10,592,226)	(10,592)
At 30 June 2022	**96,808,417**	**96,808**

Reconciliation of share premium	**Amount**
BGN'000	
At 1 January 2021	30,604
Difference between the nominal value and carrying amount of the treasury shares redeemed pending invalidation as of 31 December 2021	412
At 31 December 2021	**31,016**
At 30 June 2022	**31,016**

Statutory and additional reserves

Statutory reserves are set aside by joint-stock companies, such as Industrial Holding Bulgaria PLC, 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. As at 30 June 2022, the statutory and additional reserves amounted to BGN 9,961 thousand (2021: BGN 9,961 thousand).

17. Share capital and reserves (continued)

Treasury shares redeemed

By decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC of 18 November 2021, a new treasury shares redemption procedure was initiated under the following parameters:

- Number of shares subject to redemption in every year for a five-year period - 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.
- Minimum buyback price - BGN 1.00 per share;
- Maximum buyback price - BGN 3.00 per share.

The investment intermediary chosen is Allianz Bank Bulgaria AD.

The Company did not hold treasury shares redeemed as of 30 June 2022.

17 (a). Basic net earnings per share

Basic net earnings/losses per share are calculated by dividing the financial result for the period by the weighted average number of ordinary shares outstanding for the period (after deduction of the weighted average number of treasury shares redeemed).

The calculation of basic earnings per share as of 30 June 2022 is based on the net profit of BGN 8,777 thousand (30 June 2021: BGN 6,059 thousand) attributable to the ordinary shareholders and the weighted average number of the ordinary shares outstanding during the period ended 30 June 2022 of BGN 96,808 thousand (30 June 2021: BGN 97,998 thousand).

The following calculations were made:

	30 June 2022	**30 June 2021**
Profit for the period (BGN'000)	8,777	6,059
Weighted average number of ordinary shares (in thousands of shares)	96,808	97,998
Basic net earnings per share (BGN)	**0.091**	**0.062**

The weighted average number of shares during the first half of 2022 and in the first half of 2021 was calculated based on the movement of the number of shares in circulation, as follows:

17. Share capital and reserves (continued)

In thousands of shares	**30 June 2022**	**30 June 2021**
Ordinary shares issued at the beginning of the period	107,400	107,400
Treasury shares redeemed at the beginning of the period (pending invalidation as of 1 January 2022)	(10,592)	
Treasury shares redeemed at the beginning of the period		(9,073)
Number of shares in circulation at the beginning of the period	**96,808**	**98,327**
Treasury shares redeemed during the period	-	(1,519)
Registered invalidation of treasury shares redeemed	10,592	-
Ordinary shares issued at the end of the period	96,808	107,400
Treasury shares redeemed at the end of the period	-	(10,592)
Number of shares in circulation at the end of the period	**96,808**	**96,808**
Weighted average number of ordinary shares over the period	**96,808**	**97,998**

18. Interest-bearing loans and borrowings

Long-term

BGN'000	**Currency**	**Interest rate %**	**Maturity**	**30 June 2022**	**31 December 2021**
Bank Loan Agreement No.: 16 of 27 March 2018	EUR	1.9 %	2023	-	326
Bank Loan Agreement No.: № 22F-000155 of 24 February 2022	EUR	1.4 %	2028	4,990	-
				4,990	**326**

Short-term

BGN'000	**Currency**	**Interest rate %**	**Maturity**	**30 June 2022**	**31 December 2021**
Bank Loan Agreement No.: 16 of 27 March 2018	EUR	1.9 %	2023	2,283	3,588
Bank Loan Agreement No.: № 22F-000155 of 24 February 2022	EUR	1.4 %	2028	1,309	-
				3,592	**3,588**

BGN'000		**30 June 2022**	**31 December 2021**
Bank loans payable	Principal	8,578	3,912
	Interest	4	2
		8,582	**3,914**

Bank Loan Agreement No.: 16 of 27 March 2018, obtained for the purpose to refinance part of a debenture loan, is to be repaid in equal instalments, with the last one being due in January 2023. Subsidiaries are guarantors under the contract. The contract is secured by mortgages on real estate (land and buildings) of a subsidiary.

18. Interest-bearing loans and borrowings (continued)

In February 2022, Industrial Holding Bulgaria PLC signed contract No. 22F-000155 for a bank loan with the aim to provide loan funds for investments to a subsidiary in the amount of EUR 10,000 thousand. The loan matures in February 2028, with a 12-month repayment period, and is to be repaid in equal instalments commencing from March 2023. A fixed interest rate of 1.4% per annum has been agreed. Guarantors under the contract are subsidiaries. Collateral under the contract will be mortgages on real estate (land and buildings) of a subsidiary. In April 2022, the company blocked an amount of USD 2,170,000 as collateral in an account with the creditor bank, whereas the funds will be freed after the mortgages are imposed. As of 30 June 2022, Industrial Holding Bulgaria PLC has utilised EUR 3,219 thousand from this bank loan, and the amounts have been provided to the subsidiary for the gradual implementation of the investments.

The bank loan agreements require compliance with certain financial terms, namely:

- The Company should maintain a ratio of Equity to Total assets of not less than 60% (on a consolidated basis);
- The Company should maintain a ratio of EBITDA to Interest expense ratio of not less than 4 times (on a consolidated basis);
- For the year ended 31 December 2021, the Company should maintain leverage (the ratio of Financial liabilities to EBITDA) of not more than 3 times. The financial liabilities are calculated as the sum of the Company's liability only to the creditor bank and the guarantors' financial liabilities, and EBITDA – as the sum of the guarantors' EBITDA;
- The Company should maintain a DSCR (debt service coverage ratio) ratio of not less than 1.25 times until the loan is finally repaid. This condition is applicable only to the Company's liabilities under the loan and the EBITDA is that of the guarantors.

These financial terms are calculated on an annual basis. In cases of non-compliance, the creditor bank has the right to announce the loan early payable and/or proceed with enforced collection of the loan liabilities.

As of 31 December 2021, based on consolidated data and data of the subsidiaries- guarantors, the financial ratios are in accordance with the commitments taken. Moreover, the Company must comply with certain non-financial terms, with performance being tracked on an annual basis other than the calendar year.

19. Retirement benefit liability

The estimate of the retirement benefit liability in compliance with the requirements of the Labour Code and IAS 19 amounts to BGN 46 thousand as at 30 June 2022 (31 December 2020: BGN 46 thousand).

There are no reasonably expected changes in key assumptions which could have a material effect on the retirement benefit liability at the end of the reporting period.

20. Trade and other payables

BGN'000	Note	30 June 2022	31 December 2021
Payables to personnel		1	49
Payables to suppliers		29	22
Social security payables		10	10
Other payables		4	5
		44	**86**

21. Related party disclosures

The Company 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 directly holds 67.51% of Industrial Holding Bulgaria PLC.
- Dimitar Zhelev, a person exercising control over Bulls AD and husband of the Chief Executive Officer of Industrial Holding Bulgaria PLC - Daneta Zheleva.

II. Key management staff comprising the Management Board and the Supervisory Board of the Company

III. Entities under the joint control of the persons exercising control

IV. Entities, over which the persons that have control also exercise significant influence or are members of their key management staff

V. Subsidiaries

- *Direct subsidiaries*

The direct subsidiaries of Industrial Holding Bulgaria PLC as at 30 June 2022 and 31 December 2021 are disclosed in Note 13.

- *Indirect subsidiaries*

IHB Metal Castings EAD is an indirect subsidiary of Industrial Holding Bulgaria PLC as it is a subsidiary of the direct subsidiary of Industrial Holding Bulgaria PLC – ZMM Bulgaria Holding EAD. Tirista Ltd. and Karvuna Ltd. are indirect subsidiaries of Industrial Holding Bulgaria PLC because they are subsidiaries of Privat Engineering EAD, a direct subsidiary of Industrial Holding Bulgaria PLC. Bulport Logistics AD and Odria LTD are indirect subsidiaries of Industrial Holding Bulgaria PLC because they are subsidiaries of KLVK AD, a direct subsidiary of Industrial Holding Bulgaria PLC.

21. Related party disclosures (continued)

21.1 Receivables from and payables to related parties

Loans to related parties

BGN'000	**Type of transaction**	**30 June 2022**	**31 December 2021**
Subsidiaries	Principal	60,709	64,255
	Interest	191	264
		60,900	**64,519**
Long-term portion		52,173	64,255
Short-term portion		8,727	264

The loans granted are secured, by promissory notes, except for the loan to Odria Ltd of BGN 15,011 thousand and to Karvuna Ltd of BGN 4,475 thousand, which are secured by a sea mortgage established respectively on m/v Dimond Sky and m/v Karvuna, owned by the subsidiaries.

Trade and other receivables

BGN'000	**Type of transaction**	**30 June 2022**	**31 December 2021**
Subsidiaries	Dividends	1,320	810
Entities, over which the persons that have control also exercise significant influence or are members of their key management personnel	Prepaid expenses	-	9
		1,320	**819**

Cash with banks – related parties

BGN'000	**30 June 2022**	**31 December 2021**
Entities, over which the persons that have control also exercise significant influence or are members of their key management personnel	9,113	3,083
	9,113	3,083

Deposits and loans from related parties

BGN'000		**30 June 2022**	**31 December 2021**
Persons exercising control	Principal	978	-
	Interest	4	-
Subsidiaries	Principal	120	7,395
	Interest	-	23
		1,102	**7,418**
Long-term portion		978	-
Short-term portion		124	7,418

Deposits received from subsidiaries as at 30 June 2022 are not secured; they bear fixed interest rates and mature before 31 December 2022. The terms and conditions of deposits as at 31 December 2021 are the same and they mature at the end of 2022.
The loan received from a person exercising control as of 30 June 2022 is not secured and bears an interest rate of EURIBOR + 1%, but not less than 1%.

21. Related party disclosures (continued)

21.2 Related party transactions

Sales transactions

BGN'000	**Type of transaction**	**30 June 2022**	**30 June 2021**
Subsidiaries	Dividend income	8,063	6,255
	Rental income	22	22
		8,085	6,277

Purchase transactions

	Type of transaction	**30 June 2022**	**30 June 2021**
Entities, over which the persons that have control also exercise significant influence or are members of their key management personnel	Other finance costs	1	1
	Costs of hired services	2	2
		3	3

Loans to related parties

BGN'000		**Amounts given**	**Non-cash (increase) / decrease**	**Principal repaid**	**Interest income**	**Interest received**
Subsidiaries	30 June 2022	(7,624)	-	11,170	494	567
Subsidiaries	30 June 2021	(4,304)	-	4,485	471	358
	30 June 2022	**(7,624)**	**-**	**11,170**	**494**	**567**
	30 June 2021	**(4,304)**	**-**	**4,485**	**471**	**358**

The non-cash movements in deposits received from related parties represent a set-off of liabilities under deposits against receivables of the Company under participations throughout the current year.

The loans granted as of 30 June 2022 mature over the period 2023-2029. The agreed interest rates vary between 1% and 2%.

21. Related party disclosures (continued)

Deposits and loans from related parties

BGN'000		**Amounts received**	**Non-cash increase / (decrease)**	**Principal repaid**	**Interest expense**	**Interest paid**
Persons exercising control	30 June 2022	978	-	-	(4)	-
Persons exercising control	30 June 2021	-	-	-	-	-
Subsidiaries	30 June 2022	749	(6,144)	(1,907)	(18)	(14)
Subsidiaries	30 June 2021	3,650	(3,731)	(293)	(13)	-
	30 June 2022	**1,727**	**(6,144)**	**(1,907)**	**(22)**	**(14)**
	30 June 2021	**3,650**	**(3,731)**	**(293)**	**(13)**	**-**

The non-cash movements in deposits received from related parties represent a set-off of liabilities under deposits against receivables of the Company under participations throughout the current period.

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the period-end are unsecured (except for loans), 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 2022, the Company had not recognised related party receivables (2021: Nil). A review for impairment is made every financial year through examining the financial position of the related party and the market in which the related party operates.

22. Commitments and contingent liabilities

Legal claims

No significant legal claims have been initiated against the Company.

Guarantees
According to a contract 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 2022:

- Bank guarantees were issued to Group companies: to IHB Metal Castings AD for BGN 20 thousand and to Bulyard Shipbuilding Industry EAD for BGN 1,242 thousand (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 2021: BGN 3,000 thousand);
- A revolving credit line for working capital financing of BGN 5,500 thousand was opened (31 December 2021: BGN 5,500 thousand.). As at 30 June 2022, the amount utilised by the subsidiary Odessos PMB EAD under this working capital financing credit line was BGN 440 thousand (stated net).

The unutilised limit in the form of a credit line for working capital financing amounted to BGN 5,06 thousand as at 30 June 2022.

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.

Collateral

In relation to Bank Loan Agreement No.: 16 of 27 March 2018, obtained for the purpose to refinance part of a debenture loan, the Company signed a financial security agreement through a pledge of receivables providing for a right to use all its accounts with the bank-creditor in the amount of the loan liability as of the respective date.

In relation to Bank Loan Agreement No.: 22F-000155 of 24 February 2022, obtained for the purpose to provide loan funds for investments to a subsidiary, a contract for financial collateral was concluded, through a pledge of receivables providing for a right to use all its accounts with the bank-creditor in the amount of the loan liability as of the respective date.

Other
The Company’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 year ended 30 June 2022.

23. Financial instruments

Financial risk management

Overview

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

- credit risk
- liquidity risk;
- market risk

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

General risk management considerations

The Managing Board is responsible for identification and management of the risks to which the Company is exposed.

The Company's risk management policy is elaborated in such a way as to identify and analyse the risks facing the Company, 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 Company's operations. The Company, 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 the Company observes how management ensures compliance with the risk management policies and reviews the adequacy within the risk management framework regarding the risks facing the Company and their correct reporting and disclosure in the financial statements. The Internal Audit Department supports the Audit Committee of the Company. 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.

23. Financial instruments (continued)

The structure of financial assets and liabilities is as follows:

BGN'000	Note	30 June 2022	31 December 2021
Financial assets			
Financial assets at amortised cost			
Loans to related parties	21.1	60,900	64,519
Cash and cash equivalents	16	14,126	3,644
Trade and other receivables	14	1,320	810
Total financial assets		**76,346**	**68,973**
Financial liabilities			
Financial liabilities at amortised cost			
Interest-bearing loans and borrowings	18	8,582	3,914
Lease liabilities	15	83	166
Loans and deposits from related parties	21.1	1,102	7,418
Trade and other payables	20	29	22
Total financial liabilities		**9,796**	11,520

Credit risk

The credit risk, to which the Company 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 and related parties.

Credit risk exposure

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum credit risk exposure as at the date of the financial statements is as follows:

BGN'000	30 June 2022	31 December 2021
Cash and cash equivalents	14,126	3,644
Loans to related parties	60,900	64,519
Trade and other receivables	1,320	810
	76,346	**68,973**

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

The Company's receivables as at 30 June 2022 originate mainly from related parties in connection with the investments in shipping and ship-building. Each financing is subject to approval by the Managing Board of the Company.

23. Financial instruments (continued)

Credit risk (continued)

For the purposes of the assessment of net investments, the loans granted to subsidiaries represent part of the net investment of Industrial Holding Bulgaria PLC in these companies, as the expected free cash flows of the subsidiaries from their operating activities are used both to repay the loans received and to distribute dividends. In this regard, the Company monitors the collectability and risks of loan repayment, along with investments in subsidiaries.

The maximum exposure to credit risk as of the reporting date by geographic region was as follows:

BGN'000	**30 June 2022**	**31 December 2021**
Receivables from Group's companies registered in Bulgaria	42,734	39,781
Receivables from Group's companies registered in third countries	19,486	25,548
	62,220	**65,329**

Investments

Investments are mainly in businesses and companies where the Holding holds the control and power to determine their development strategy. With respect to portfolio investments, the ambition is to invest in liquid securities. Management does not expect any default on such investments.

Guarantees
It is a policy of the Company 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 Company will be unable to meet all its obligations, which are settled in cash or through another financial asset. The Company'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 Company will not suffer unacceptable losses or reputation damages.

The Company 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.

23. Financial instruments (continued)

Liquidity risk (continued)

Below are disclosed the financial liabilities with agreed maturity, including expected interest payment, net of the effect of any netting arrangements:

30 June 2022 *BGN'000*	**Book value**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivatives liabilities							
Trade and other payables	29	(29)	(29)	-	-	-	-
Interest-bearing loans and borrowings*	8,582	(9,768)	(2,024)	(1,682)	(3,978)	(2,084)	-
Lease liabilities	83	(83)	(83)	-	-	-	-
Loans and deposits from related parties	1,102	(1,166)	(130)	(5)	(10)	(29)	(992)
	9,796	**(11,046)**	**(2,266)**	**(1,687)**	**(3,988)**	**(2,113)**	**(992)**

* When calculating the agreed cash outflows from interest-bearing loans and borrowings, there has been included also the amount of EUR 514 thousand utilised over the period from 1 July 2022 to the date of issue of these separate financial statements.

31 December 2021 *BGN'000*	**Book value**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivatives liabilities							
Trade and other payables	22	(22)	(22)	-	-	-	-
Interest-bearing loans and borrowings	3,914	(3,963)	(1,665)	(1,971)	(327)	-	-
Lease liabilities	166	(167)	(84)	(83)	-	-	-
Loans and deposits from related parties	7,418	(7,454)	(7,103)	(351)	-	-	-
	11,520	**(11,606)**	**(8,874)**	**(2,405)**	**(327)**	**-**	**-**

It is not expected that the cash flows in the above table will occur much earlier or will be in amounts significantly different from those stated above.

Market risk

Market risk is the risk that affects the Company'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.

Currency risk

The Company is exposed to currency risk as it performs purchases and/or sales and/or receives loans in currencies, other than the functional currency - the Bulgarian lev. The main part of these transactions is denominated in EUR and USD. Effective 1999, the exchange rate BGN/EUR is fixed at ratio of EUR 1.0: BGN 1.95583.

23. Financial instruments (continued)

Currency risk (continued)

Interest on loans is denominated in the currency of the loan, usually in BGN and EUR.

Exposure to currency risk

The Company's exposure to currency risk based on provisional amount is as follows:

BGN'000	**BGN**	**EUR**	**USD**	**BGN**	**EUR**	**USD**
		30 June 2022			**31 December 2021**	
Loans to related parties	12,501	48,399	-	17,105	47,414	-
Cash and cash equivalents	403	8	13,715	482	225	2,937
Trade and other receivables	1,320	-	-	810	-	-
Lease liabilities	-	(83)	-	-	(166)	-
Interest-bearing loans and borrowings	-	(8,582)	-	-	(3,914)	-
Loans and deposits from related parties	(120)	(982)	-	(7,418)	-	-
Trade and other payables	(29)	-	-	(22)	-	-
	14,075	**38,760**	**13,715**	**10,957**	**43,559**	**2,937**

Financial instruments denominated in EUR are not exposed to currency risk because of the fixed exchange rate of the Bulgarian lev to EUR. The following significant exchange rates have been applied throughout the period:

	Average applicable exchange rate for the period		**Exchange rate as of the date of the financial statements**	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
USD	1.78957	1.65461	1.88296	1.72685

Sensitivity to foreign currencies

Set out in the following table is the sensitivity to any reasonable change in the exchange rates of the US Dollar against the Bulgarian lev, with all other variables held constant. The effect on the Company's profit before taxes is due to changes in the fair value of cash assets. The Company's exposure to changes in the exchange rates of all other currencies is not material.

BGN'000	**Change in the exchange rate of USD**	**Effect on profit before taxes**
30 June 2022	+1%	137
	-1%	(137)
31 December 2021	+1%	29
	-1%	(29)

23. Financial instruments (continued)

Interest rate risk

The interest rate profile of the Company's financial instruments is as follows:

BGN'000	**30 June 2022**	**31 December 2021**
Fixed rate instruments		
Financial assets	73,507	67,899
Financial liabilities	(8,781)	(11,473)
	64,726	**56,426**

BGN'000	**30 June 2022**	**31 December 2021**
Variable rate instruments		
Financial assets	1,328	-
Financial liabilities	(978)	-
	350	-

Sensitivity analysis of financial instruments bearing fixed interest rates

The following table presents a sensitivity analysis to possible changes in interest rates, with their effects on profit before taxes (through the impact on loans and borrowed funds bearing floating interest rates), with all other variables held constant. There is no effect on the other components of the Company's equity.

BGN'000	**Change in interest rate by**	**Effect on pre-tax profit**
30 June 2022	+1% percentage point	4
	-1% percentage point	(4)
31 December 2021	+1% percentage point	-
	-1% percentage point	-

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 equity consists of share capital, reserves and retained earnings. The MB seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Company's approach to capital management over the period.

23. Financial instruments (continued)

Set out below is the ratio of equity to interest-bearing liabilities as at 30 June 2022 and 31 December 2021:

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
Payables on bank loans	18	8,578	3,912
Loans and deposits from related parties	21	1,098	7,395
Lease liabilities	15	83	166
Total interest-bearing liabilities		**9,759**	**11,473**
Total equity	17	258,420	249,643
Equity / Interest-bearing liabilities ratio		**26.48**	**21.76**

25. Events after the reporting date

In July 2022, the amount utilised by the subsidiary Odessos PMB EAD under a working capital financing credit line of BGN 440 thousand was repaid fully.

Over the period from 01 July 2022 to the date of issue of these separate financial statements, Industrial Holding Bulgaria PLC utilised also EUR 514 thousand under Bank Loan Agreement No.: 22F-000155.

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