INDUSTRIAL HOLDING BULGARIA PLC
INTERIM MANAGEMENT REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
30 June 2022

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INDUSTRIAL HOLDING BULGARIA PLC
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2022

BGN'000	Notes	30 June 2022	30 June 2021
Revenue	7	67,638	58,569
Other operating income	8	2,432	2,951
		70,070	**61,520**
Changes in stock of work in progress and finished goods	9	2,267	131
Self-constructed assets in progress	10	817	159
Costs of materials	11	(18,994)	(14,566)
Costs of hired services	12	(9,408)	(10,605)
Depreciation/amortisation expenses	17,18,33	(6,775)	(6,353)
Costs of personnel	13	(16,017)	(13,811)
Other operating expenses	14	(1,347)	(632)
Operating profit		**20,613**	**15,843**
Finance income	15	1,980	3,719
Finance costs	15	(141)	(557)
Profit before taxes		**22,452**	**19,005**
Profit tax expense	16	(727)	(629)
Profit for the period		**21,725**	**18,376**
Attributable to:			
Equity holders of the parent		21,515	18,184
Non-controlling interests		210	192
Basic net earnings per share			
Basic net earnings per share, attributable to the equity owners of the parent (in BGN)	25	0.222	0.186

The notes on pages 9 to 60 form an integral part of these consolidated financial statements, authorised for issue by resolution of the Management Board dated 26 August 2022.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

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

BGN'000	Notes	30 June 2022	30 June 2021
Profit for the period		**21,725**	**18,376**
Other comprehensive income			
Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of financial statements of foreign operations		11,807	(186)
Profit tax effect		-	-
		11,807	(186)
Net change in cash flow hedge	27	-	142
Profit tax effect	16	-	(14)
		-	128
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of taxes		**11,807**	**(58)**
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 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		**11,807**	**(58)**
Total comprehensive income for the period, net of taxes		**33,532**	**18,318**
Attributable to:			
Equity holders of the parent		33,322	18,126
Non-controlling interests		210	192

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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 2022

BGN'000	Notes	30 June 2022	31 December 2021
Assets			
Non – current assets			
Property, plant and equipment	17	334,256	315,476
Intangible assets	18	2,421	2,496
Goodwill	18	9,130	9,130
Investment properties	20	13,075	13,075
Right-of-use assets	33	151	296
Deferred tax assets	16	36	38
Trade and other receivables	22	15	18
Total non-current assets		**359,084**	**340,529**
Current assets			
Inventories	21	23,553	17,960
Trade and other receivables	22	11,882	9,229
Contract assets	22	672	469
Profit tax receivable		7	57
Cash and cash equivalents	23	30,944	14,857
Total current assets		**67,058**	**42,572**
Assets classified as held for sale	19	626	626
TOTAL ASSETS		**426,768**	**383,727**

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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 2022

(Continued)

BGN'000	Notes	30 June 2022	31 December 2021
Equity			
Share capital	24	96,808	107,400
Decrease in share capital (pending registration)	24	-	(10,592)
Treasury shares redeemed	24	-	-
Share premium	24	31,016	31,016
Other reserves	24	84,824	84,948
Reserve on currency translation of financial statements of foreign operations	24	28,216	16,409
Retained earnings		141,259	118,735
		382,123	347,916
Non-controlling interests		1,171	2,229
Total equity		**383,294**	**350,145**
Liabilities			
Non – current liabilities			
Interest-bearing loans and other borrowings	26	6,013	1,003
Loans from related parties	35	978	-
Lease liabilities	33	2	4
Trade and other payables	31	59	66
Government financing	28	1,209	1,261
Retirement benefit liability	30	821	930
Deferred tax liabilities	16	10,735	10,488
Total non-current liabilities		**19,817**	**13,752**
Current liabilities			
Interest-bearing loans and other borrowings	26	3,778	3,774
Loans from related parties	35	161	157
Lease liabilities	33	166	325
Trade and other payables	31	11,080	9,583
Contract liabilities	32	7,883	5,676
Provisions	29	6	118
Government financing	28	109	109
Profit tax liability		474	88
Total current liabilities		**23,657**	**19,830**
Total liabilities		**43,474**	**33,582**
TOTAL EQUITY AND LIABILITIES		**426,768**	**383,727**

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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 2022

BGN'000	Notes	30 June 2022	30 June 2021
Operating activities			
Receipts from customers		69,080	65,437
Payments to suppliers		(31,930)	(34,387)
Payments related to staff remuneration		(15,498)	(13,804)
Corporate profit tax paid		(90)	(107)
Other taxes refunded/(paid)		728	235
Exchange rate differences		1,623	(26)
Government financing received	28	588	2,730
Cash deposited as guarantees		(4,086)	-
Other payments		(968)	(5,283)
Net cash flows from operating activities, net		**19,447**	**14,795**
Investing activities			
Payments on the acquisition of property, plant and equipment, and self-construction of such assets		(12,999)	(2,644)
Proceeds from sale of property, plant and equipment		163	32
Other (payments) / proceeds		-	-
Net cash flows used in investing activity		**(12,836)**	**(2,612)**
Financing activity			
Payments for redemption of treasury shares	24	-	(1,512)
Interest-bearing loans and other borrowings received		7,714	3,422
Interest-bearing loans and other borrowings repaid		(1,723)	(11,943)
Lease liabilities paid	33	(162)	(153)
Dividends paid		(311)	(254)
Interest paid on loans and other borrowings		(52)	(298)
Interest paid on lease contracts	33	(2)	(12)
Fees and commissions paid on loans		(13)	(15)
Amounts paid under an interest rate swap contract		-	(152)
Other payments		(74)	(99)
Net cash flows used in financing activities, net		**5,377**	**(11,016)**
Net increase in cash and cash equivalents		11,988	1,167
Cash and cash equivalents at 1 January	23	14,857	6,942
Effect of foreign currency translation		13	24
Cash and cash equivalents at 30 June	23	**26,858**	**8,133**

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Daneta Zheleva	Ivan Rashkov
Chief Executive Officer	*Preparer*

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

BGN'000	Attributable to the equity holders of the parent											
	Share capital	**Decrease of share capital pending registration**	**Treasury shares redeemed**	**Share premium**	**Additional and statutory 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 2022	**107,400**	**(10,592)**	**-**	**31,016**	**5,124**	**79,824**	**16,409**	**-**	**118,735**	**347,916**	**2,229**	**350,145**
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	21,515	**21,515**	210	21,725
Other comprehensive income for the period	-	-	-	-	-	-	11,807	-	-	**11,807**	-	11,807
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**11,807**	**-**	**21,515**	**33,322**	**210**	**33,532**
Transactions with shareholders recognised in equity												
Distribution of profit to reserves	-	-	-	-	(330)	-	-	-	330	**-**	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	**-**	(383)	(383)
Acquisition of treasury shares (note 24)	-	-	-	-	-	-	-	-	-	**-**	-	-
Acquisition of non-controlling interest	-	-	-	-	163	109	-	-	120	**392**	(392)	-
Registration of capital decrease	(10,592)	10,592	-	-	-	-	-	-	-	**-**	-	-
Total transactions with owners	**(10,592)**	**10,592**	**-**	**-**	**(167)**	**109**	**-**	**-**	**450**	**392**	**(775)**	**(383)**
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(66)	-	-	66	**-**	-	-
Other transfers	-	-	-	-	-	-	-	-	493	**493**	(493)	-
At 30 June 2022	**96,808**	**-**	**-**	**31,016**	**4,957**	**79,867**	**28,216**	**-**	**141,259**	**382,123**	**1,171**	**383,294**
Ha 1 January 2021	**107,400**	**-**	**(8,668)**	**30,604**	**4,974**	**80,015**	**11,597**	**(299)**	**75,971**	**301,594**	**2,258**	**303,852**

The notes on pages 9 to 60 form an integral part of these consolidated financial statements, authorised for issue by resolution of the Management Board dated 26 August 2022.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

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

BGN’000	**Attributable to the equity holders of the parent**											
	Share capital	**Decrease of share capital pending registration**	**Treasury shares redeemed**	**Share premium**	**Additional and statutory 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												
Total comprehensive income for the period	-	-	-	-	-	-	-	-	18,184	**18,184**	192	18,376
Profit for the period	-	-	-	-	-	-	(186)	128	-	**(58)**	-	(58)
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(186)**	**128**	**18,184**	**18,126**	**192**	**18,318**
Total comprehensive income for the period												
Transactions with shareholders recognised		-										
in equity	-		-	-	150	-	-	-	(150)	**-**	-	-
Distribution of profit to reserves	-	-	-	-	-	-	-	-	-	**-**	(405)	(405)
Dividends distributed	-	-	(1,512)	-	-	-	-	-	-	**(1,512)**	-	(1,512)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	**-**	-	-
Distribution of liquidation share	-	-	-	-	-	-	-	-	-	**-**	-	-
Total transactions with owners	**-**	-	**(1,512)**	**-**	**150**	**-**	**-**	**-**	**(150)**	**(1,512)**	**(405)**	**(1,917)**
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(56)	-	-	56	**-**	-	-
At 30 June 2021	**107,400**	-	**(10,180)**	**30,604**	**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

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 2022 were authorised for issue by resolution of the Management Board dated 26 August 2022, 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, Republic of Bulgaria. No changes to the name of the Company were made during the reporting period.

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 amounts to BGN 96,808,417. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

As of 30 June 2022, Industrial Holding Bulgaria PLC had 10 direct subsidiaries (2021: 10), no associates (2021: Nil), and 10 indirect subsidiaries (2021: 10 indirect subsidiaries), collectively referred to as "the Group". For further details, see Note 35.

The ultimate parent company of Industrial Holding Bulgaria PLC is Bulls AD (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, except for IHB 3Design AD (in liquidation), the assets of which were distributed among the shareholders and a closing liquidation balance sheet was prepared in July 2022 (after the expiry of the statutory deadline for filing claims by the Company's creditors).

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.

2.1. Basis of preparation (continued)

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 2021, published on 29 April 2022.

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 2022.

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.

A 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 2022, 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 authorised for issue by resolution of the Managing Board dated 22 July 2022, approved by the Supervisory Board.

Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis. For further details, see Note 3 „Significant accounting judgments, estimates and assumptions“, „Judgements“ section, „Going concern“ subsection.

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.

2.2 Summary of significant accounting policies (continued)

a) Business combinations and goodwill (continued)

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.

For further details on the significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers, see Note 3.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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). (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. (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

For further details on the impairment of financial assets, see Disclosure of significant assumptions (Note 3).

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.

2.2 Summary of significant accounting policies (continued)

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

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 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. The fair values of financial instruments measured at amortised cost are disclosed in Note 37.

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 recognised asset or liability or an unrecognised 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 recognised asset or liability or a highly probable forecast transaction, or an unrecognised 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 recognised 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 recognised at fair value of the consideration transferred and deducted from equity. The Group does not recognise 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 recognised 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 recognised 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 amortised 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 recognised as an equity instrument. The conversion option recognised 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 recognises 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 recognised as a revaluation reserve in the other comprehensive income. However, the revaluation surplus is recognised in the income statement insofar as it restores a revaluation impairment of the same asset recognised as an expense in the income statement. Decrease in the carrying amount of an asset as a result of revaluation is recognised 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 recognising 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 Group assesses whether the useful lives of each intangible assets is 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)

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 at the level of an asset is required, the Group determines the recoverable amount of this asset or of the cash-generating unit, to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asse, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount of the CGU, to which the asset belongs, is determined.

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/CGU'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 of an asset/CGU 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 recognised 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/CGU other than goodwill recognised 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 amortisation) that would have been determined had no impairment loss been recognised for asset in previous years. The reversal of an impairment loss is recognised 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 recognised 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 recognised 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 recognised 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 (continues)

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 financing (grants)

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

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 nob-controlling interests and effects of dissolved companies

Acquisition of subsidiaries in the first six months of 2022 and 2021

During the first six-month period of 2022, as well as in the comparable period of 2021, the Group had not acquired or established new entities.

Acquisition of additional shares in first six months of 2022 and 2021

During the period from January 2022 to June 2022, as well as in the comparable period of 2021, the Group had not acquired additional shares in Group subsidiaries.

In January 2022, the General Meeting of Shareholders of ZMM Nova Zagora AD resolved on increasing the capital of the company. In this procedure, only the parent company ZMM Bulgaria Holding EAD subscribed shares, while the other shareholders waved their rights. As a result, the Group’s share in ZMM Nova Zagora AD increased from 93.57% to 99.24%; the effects of the acquisition are presented in the following table:

	BGN’000
Agreed price for payment in cash	-
Transfer to revaluation reserve	109
Transfer to additional and statutory reserves	163
Carrying amount of the additional interest in ZMM Nova Zagora AD	(392)
Difference recognised in retained earnings	**(120)**

7. Revenue

BGN’000	**30 June 2022**	**30 June 2021**
Revenue from manufacture of metal-cutting machines, components and details	15,926	15,362
Revenue from cargo transportation under voyage charter contracts	15,617	19,295
Revenue from time-charter contracts	16,394	7,502
Revenue from repair and reconstruction of ships	9,228	8,627
Revenue from design services	1,746	1,151
Revenue from cargo processing	5,065	3,526
Revenue from cargo storage	975	752
Quay rentals	366	426
Property rentals	1,073	1,052
Revenue from other services	1,248	876
	67,638	**58,569**

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 2022**	**30 June 2021**
Revenue from charter of vessels under time charter contracts	12,181	5,029
Revenue from services on operation of vessels under time charter contracts	4,213	2,473
	16,394	**7,502**

7. Revenue (continued)

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

BGN'000	**30 June 2022**	**30 June 2021**
Revenue from contracts with customers	54,384	52,488
Rental income	13,254	6,081
	67,638	**58,569**

Set out below is the Group's revenue by segments for the first half of 2022:

BGN'000	**Maritime transport**	**Shipbuilding and ship repair**	**Port Operations**	**Machine building**	**Other activities**	**Total**
Revenue from production of machine tools, components and parts	-	-	-	15,926	-	**15,926**
Revenue from cargo transportation under voyage charter contracts	15,617	-	-	-	-	**15,617**
Revenue from time-charter contracts	16,394	-	-	-	-	**16,394**
Revenue from repair and reconstruction of ships	-	9,228	-	-	-	**9,228**
Revenue from design services	-	1,746	-	-	-	**1,746**
Revenue from cargo handling	-	-	5,065	-	-	**5,065**
Revenue from cargo storage	-	-	975	-	-	**975**
Revenue from quay rent	-	11	355	-	-	**366**
Revenue from property rentals	-	621	439	13	-	**1,073**
Revenue from other services	73	217	42	307	609	**1,248**
	32,084	**11,823**	**6,876**	**16,246**	**609**	**67,638**
incl. revenue from contracts with customers	19,903	11,202	6,437	16,233	609	54,384
incl. rental income	12,181	621	439	13	-	13,254

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 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

7. Revenue (continued)

Contract balances

BGN'000	**30 June 2022**	**31 December 2021**
Trade receivables (Note 22)	6,486	5,837
Trade receivables related parties (Note 22)	9	6
Contract assets (Note 22)	672	469
Contract liabilities (Note 32)	7,883	5,676

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 transformed as trade receivables.

The contract liabilities include short-term advance payments.

According to paragraph 116 of IFRS 15, the Group has recognised revenue of BGN 2,962 thousand (30 June 2021: BGN 2,776 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.

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 2022**	**30 June 2021**
Income from government financing (Note 28)	1,335	2,247
Gain on sale of fixed assets classified as held for sale	142	47
Gain on sale of materials and scrap	818	545
Other income	137	112
	2,432	**2,951**

Income from financing in the amount of BGN 1,335 thousand reported for the first half of 2022 (first half of 2021: BGN 2,247 thousand), includes revenue of BGN 474 thousand (in the first half of 2021: BGN 2,193 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. In the first six months of 2022, income from financing amounts to BGN 809 thousand (first six months of 2021: Nil) and is received under the Program for compensating the costs of electricity for non-residential end consumers.

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

BGN'000	**30 June 2022**	**30 June 2021**
ZMM Sliven AD	2,147	348
IHB Metal Castings EAD	(18)	(23)
ZMM Nova Zagora AD	138	(194)
	2,267	**131**

10. Self-constructed assets in progress

BGN'000	**30 June 2022**	**30 June 2021**
Serdika Ltd	2	19
Bulyard Shipbuilding Industry	116	120
Bulport Logistics AD	1	1
Odria Ltd	698	11
IHB Metal Castings EAD	-	8
	817	**159**

These expenses mainly relate to capitalised costs of self-constructed assets' repair and maintenance in the Group companies and/or among the Group companies.

11. Expenses on materials

BGN'000	**30 June 2022**	**30 June 2021**
Raw materials	(9,149)	(8,098)
Fuel for ships	(4,560)	(3,644)
Electricity	(2,539)	(1,013)
Auxiliary materials	(1,779)	(846)
Spare parts	(654)	(650)
Other expenses	(313)	(315)
	(18,994)	**(14,566)**

The costs of electricity have grown significantly as a result of the sharp increase in the price of this energy source, despite the positive effect of the solar parks commissioned in two of the subsidiaries.

12. Expenses on hired services

BGN'000	**30 June 2022**	**30 June 2021**
Port expenses	(2,513)	(3,548)
Services from subcontractors	(2,896)	(3,715)
Insurances	(804)	(648)
Intermediary services	(579)	(336)
Security	(436)	(423)
Repairs	(421)	(509)
Software maintenance on subscription	(366)	(137)
Civil contracts	(127)	(218)
Legal services	(45)	(119)
Other expense	(1,221)	(952)
	(9,408)	**(10,605)**

13. Personnel expenses

BGN'000	**30 June 2022**	**30 June 2021**
Wages and salaries	(12,398)	(10,764)
Social security contributions	(1,941)	(1,714)
Management contracts	(900)	(759)
Social and health security contributions on management contracts	(56)	(53)
Other personnel expenses	(722)	(521)
	(16,017)	**(13,811)**

The average number of staff of the Group for the period January 2022 - June 2022 is 1,065 employees (January 2021 - June 2021: 1,063 employees).

14. Other operating expenses

BGN'000	**30 June 2022**	**30 June 2021**
Business trips and changes of crew	(385)	(328)
Local taxes and fees, tax on expenses and VAT	(373)	(307)
Notarial, judicial and other fees	(269)	(114)
Expenses on scraping and liquidation of fixed tangible assets	(120)	(17)
Provisions charged (Note 29)	105	235
Other expenses	(305)	(101)
	(1,347)	**(632)**

15. Finance income and finance costs

BGN'000	**30 June 2022**	**30 June 2021**
Finance income		
Foreign currency gains, net	1,970	3,716
Other finance income	10	3
	1,980	**3,719**
Finance costs		
Interest expenses (Note 15a)	(60)	(475)
Other finance costs	(81)	(82)
	(141)	**(557)**

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 2022**	**30 June 2021**
Interest expenses on bank loans received	(53)	(257)
Interest expenses on loans from related parties (note 35)	(5)	(30)
Interest expenses on interest rate swap	-	(176)
Interest expenses on lease liabilities (Note 33)	(2)	(12)
	(60)	**(475)**

16. Income tax

The major components of profit tax expense relating to the corporate profit tax for the periods ended 30 June 2022 and 30 June 2021 include:

Consolidated income statement	**30 June 2022**	**30 June 2021**
BGN'000		
Current profit tax expense	(477)	(493)
Deferred tax relating to origination and reversal of temporary differences	(250)	(136)
Profit tax expense reported in the consolidated income statement	**(727)**	**(629)**

17. Property, plant and equipment

BGN'000	**Land and buildings**	**Plant and equipment**	**Other non-current assets**	**Ships**	**'As in progress**	**Total**
COST:						
At 1 January 2021	**134,921**	**75,076**	**9,895**	**167,171**	**3,293**	**390,356**
Additions	836	1,192	215	-	5,516	7,759
Disposals	-	(1,875)	(574)	-	-	(2,449)
Transfers among classes	937	2,067	635	2,103	(5,742)	-
Transfers to intangible assets	-	-	-	-	(16)	(16)
Other movements	-	980	592	-	-	1,572
Effect of foreign currency translation	-	17	-	14,039	27	14,083
At 31 December 2021	**136,694**	**77,457**	**10,763**	**183,313**	**3,078**	**411,305**
At 1 January 2022	**136,694**	**77,457**	**10,763**	**183,313**	**3,078**	**411,305**
Additions	-	141	106	-	13,412	13,659
Disposals	(78)	(583)	(213)	-	-	(874)
Transfers among classes	-	2,000	11	2,113	(4,124)	-
Other movements	(58)	58	-	-	-	-
Effect of foreign currency translation	-	19	-	16,685	11	16,715
At 30 June 2022	**136,558**	**79,092**	**10,667**	**202,111**	**12,377**	**440,805**

17. Property, plant and equipment (continued)

BGN'000	**Land and buildings**	**Plant and equipment**	**Other non-current assets**	**Ships**	**ΓAs in progress**	**Total**
DEPRECIATION:						
At 1 January 2021	**1,860**	**30,430**	**7,215**	**41,039**	**-**	**80,544**
Depreciation charge for the period	1,018	3,000	590	7,615	-	12,223
Disposals	-	(1,715)	(454)	-	-	(2,169)
Other movements	-	962	510	-	-	1,472
Effect of foreign currency translation	-	4	-	3,755	-	3,759
At 31 December 2021	**2,878**	**32,681**	**7,861**	**52,409**	**-**	**95,829**
At 1 January 2022	**2,878**	**32,681**	**7,861**	**52,409**	**-**	**95,829**
Depreciation charge for the period	524	1,534	298	4,175	-	6,531
Disposals	(14)	(555)	(211)	-	-	(780)
Other movements	(8)	8	-	-	-	-
Effect of foreign currency translation	-	6	-	4,963	-	4,969
At 30 June 2022	**3,380**	**33,674**	**7,948**	**61,547**	**-**	**106,549**
Net book value:						
At 1 January 2021	**133,061**	**44,646**	**2,680**	**126,132**	**3,293**	**309,812**
At 31 December 2021	**133,816**	**44,776**	**2,902**	**130,904**	**3,078**	**315,476**
At 30 June 2022	**133,178**	**45,418**	**2,719**	**140,564**	**12,377**	**334,256**

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 and equipment with total net book value of BGN 58,546 thousand as at 30 June 2022 (2021: BGN 79,959 thousand) (Note 26). This amount includes also all property, plant and equipment of KRZ Port Bourgas AD of BGN 30,605 thousand (2021: BGN 30,735 thousand) – a company that is pledged to the benefit of a commercial bank as at 30 June 2022 for securing a credit limit for issuance of bank guarantees, letters of credit and working capital financing in favour of the parent company.

Property, plant and equipment in progress

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 2022. Segment breakdowns are as follows:

- Assets under construction in the „Port Operations“ segment amounting to BGN 10,769 thousand (2021: BGN 2,356 thousand) – comprise expenses on the projects for extension of ports, construction of bulk warehouses, etc.;
- Assets under construction in the „Shipbuilding and ship repair“ segment amounting to BGN 903 thousand (2021: BGN 289 thousand) – comprise expenses on repair of buildings, etc.
- Assets under construction in the „Machine Building“ segment amounting to BGN 705 thousand (2021: BGN 122 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 2021	1,995	254	212	2,461
At 31 December 2021	1,861	219	416	2,496
At 30 June 2022	**1,822**	**360**	**239**	**2,421**

The amortisation charge for intangible assets for the period ending 30 June 2022 amounts to BGN 98 thousand (2021: BGN 260 thousand).

The amount of patents and trademarks includes an intangible asset recognised in the business combination for the acquisition of Odessos PBM AD in connection with the certificate of use of the port effective until 30 May 2049. The carrying amount of the asset amounted to BGN 1,801 thousand as at 30 June 2022 (2021: BGN 1,834 thousand).

(i) Goodwill

BGN'000	**Goodwill**
At 31 December 2021	**9,130**
At 30 June 2022	**9,130**

19. Assets classified as held for sale

The most significant assets, classified as held for sale are presented as follow:

	Land and buildings	**Plant and equipment**	**Other assets**	**Total**
Balance at 1 January 2021	**1,155**	**2**	**-**	**1,157**
Impairment through the income statement (Note 14a)	(387)	-	-	(387)
Carrying amount of assets sold	-	(1)	-	(1)
Transfer to inventories	(143)	-	-	(143)
Balance at 31 December 2021	**625**	**1**	**-**	**626**
Balance at 1 January 2022	**625**	**1**	**-**	**626**
Balance at 30 June 2022	**625**	**1**	**-**	**626**

20. Investment property

Investment property comprises trade and office properties, warehouses and others located in Varna city, which are leased out. The disclosure of the fair value hierarchy is presented in Note 37.

Fair value reconciliation

BGN'000	**Trade and office properties**	**Warehouses**	**Other assets**	**Total**
At 1 January 2021	**4,766**	**7,727**	**733**	**13,226**
Transfers from property, plant and equipment (Note 17)	-	-	-	-
Costs of improvement	-	-	23	23
Gain / (loss) on revaluation / (impairment) of investment property (Note 8)	1	(150)	(25)	(174)
At 31 December 2021	**4,767**	**7,577**	**731**	**13,075**
At 1 January 2022	**4,767**	**7,577**	**731**	**13,075**
At 30 June 2022	**4,767**	**7,577**	**731**	**13,075**

Assets pledged
In connection with bank loans used, mortgages on investment properties owned by Group companies for the total carrying amount of BGN 90 thousand as at 30 June 2022 (2021: BGN 90 thousand) were registered (Note 26).

21. Inventories

BGN'000	**30 June 2022**	**31 December 2021**
Raw materials, materials and consumables	15,770	12,438
Work in progress	5,894	4,722
Finished products	1,889	800
	23,553	**17,960**

22. Trade and other receivables and contract assets

BGN'000	**30 June 2022**	**31 December 2021**
Trade receivables, net	7,792	6,061
Trade related party receivables (Note 35)	9	7
Advance payments and prepayments	1,677	946
Taxes receivable, other than income tax	1,292	746
Court receivables, net	116	96
Government financing authorised but not received during the period (Note 28)	115	280
Other receivables	896	1,111
	11,897	**9,247**
Long-term portion	**15**	**18**
Short-term portion	**11,882**	**9,229**

Included in the balance of *Trade receivables, net* of BGN 6,463 thousand at 30 June 2022 and of *Court and awarded receivables net* of BGN 23 thousand represents trade receivables under contracts with customers. Receivables under contracts with customers of BGN 6 thousand are included in the balance of *Trade receivables from related parties*.

Included in the balance of *Trade receivables, net* of BGN 5,814 thousand at 31 December 2021 and of *Court and awarded receivables net* of BGN 23 thousand represent trade receivables under contracts with customers. Receivables under contracts with customers of BGN 9 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 2022 amount to BGN 672 thousand (2021: BGN 469 thousand).

23. Cash and cash equivalents

BGN'000	**30 June 2022**	**31 December 2021**
Cash with banks – related parties (Note 35)	23,685	12,409
Cash with banks	2,930	2,240
Cash on hand	243	208
Cash and cash equivalents recognised in the consolidated statement of cash flows	**26,858**	**14,857**
Cash restricted as collateral on bank loans	4,086	-
Cash and cash equivalents recognised in the consolidated statement of financial position	**30,944**	**14,857**

Cash in BGN are measured at their nominal value, and those in foreign currency at the closing exchange rate of the BNB at the end of the reporting period. Foreign exchange gains and losses are reported as current revenue, respectively expenses. To manage cash balances and achieve yield from them, the Company has entered into quarterly deposits with a total value of USD 10,580 thousand.

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

24. Share capital and reserves

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

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

The share capital of the parent company, Industrial Holding Bulgaria PLC, comprises 96,808,417 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.

The extraordinary General Meeting of Shareholders of Industrial Holding Bulgaria PLC, 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.

Shareholders in Industrial Holding Bulgaria PLC who held over a 5% of the share capital of the Group as at 30 June 2022:

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%
Other shareholders	21,790,555	22.51%
	96,808,417	**100.00%**

Shareholders in Industrial Holding Bulgaria PLC who held over a 5% of the share capital of the Group as at 31 December 2021:

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 as at 31 December 2021)	10,592,226	9.86%
Other shareholders	21,976,989	20.47%
	107,400,643	**100.00%**

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 2021	**107,400,643**	**107,400**
At 31 December 2021	**107,400,643**	**107,400**
Capital reduction through invalidation of treasury shares redeemed	(10,592,226)	(10,592)
At 30 June 2022	**96,808,417**	**96,808**

Reconciliation of shares issued:	**Number of shares**	**Amount**
BGN'000		
Ordinary shares issued and fully paid		
Difference between nominal value and carrying amount of treasury shares redeemed pending invalidation as at 31 December 2021		412
At 31 December 2021		**31,016**
At 30 June 2022		**31,016**

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 4,957 thousand as at 30 June 2022 (2021 : BGN 4,957 thousand).

Treasury shares redeemed

By decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC of 18 November 2021, the then current treasury shares redemption procedure was discontinued and a new 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.

Revaluation reserve
The revaluation reserve is used to record increases in the fair value of land, buildings and specialised equipment upon revaluation (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 79,867 thousand as at 30 June 2022 (2021: BGN 79,824 thousand).

24. Share capital and reserves (continued)

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 28,216 thousand as at 30 June 2022 (2021: BGN 16,409 thousand).

17 (a). Basic net earnings / (loss) per share

Basic net earnings/(loss) per share are calculated by dividing the net financial result for the period attributable to the equity holders of the parent company by the weighted average number of ordinary shares outstanding for the period.

The calculation of basic net earnings per share as of 30 June 2022 is based on the net profit for the period of BGN 21,515 thousand attributable to the equity holders of the parent company (30 June 2021: BGN 18,184 thousand) 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 have been made:

	30 June 2022	**30 June 2021**
Net profit for the period (BGN'000)	21,725	18,376
Net profit for the period attributable to the equity holders of the parent company (BGN'000*)*	**21,515**	**18,184**
Weighted average number of ordinary shares (in thousand)	96,808	97,998
Basic net earnings / (loss) per share (in BGN)	**0.222**	**0.186**

The weighted average number of shares over the six months of 2022 and the six months of 2021 has been calculated on the basis of the movement in outstanding shares, as follows:

In thousands of shares	**30 June 2022**	**30 June 2021**
Ordinary shares issued at the beginning of the period	107,400	107,400
Shares redeemed at the beginning of the period	(10,592)	(9,073)
Number of shares in circulation at the beginning of the period	**96,808**	**98,327**
Shares redeemed over the period	-	(1,519)
Registered invalidation of shares redeemed	10,592	-
Ordinary shares issued at the end of the period	96,808	107,400
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**

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

The contractual terms and conditions of the Group's loans are presented below. For further details on the Group's exposure to interest and currency risk, see Note 34.

Long-term

BGN'000	**Currency**	**Interest rate %**	**Maturity**	**30 June 2022**	**31 December 2021**
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%	2022	440	-
Bank loan agreement No. 16 of 27 March 2018 – a long-term portion	EUR	1.9%	2023	-	326
Bank loan agreement No. 19F-002296 of 08 October 2019 – a long-term portion	EUR	1.6%	2026	583	677
Bank Loan Agreement No. 22F-000155 of 24 February 2022	EUR	1.4%	2028	4,990	-
				6,013	**1,003**

Short-term

BGN'000	**Currency**	**Interest rate %**	**Maturity**	**30 June 2022**	**31 December 2021**
Bank loan agreement No. 16 of 27 March 2018 – a short-term portion	EUR	1.9%	2023	2,283	3,588
Bank loan agreement No. 19F-002296 of 08 October 2019 – a short-term portion	EUR	1.6%	2026	186	186
Bank Loan Agreement No. 22F-000155 of 24 February 2022	EUR	1.4	2028	1,309	-
				3,778	**3,774**

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

BGN'000	**30 June 2022**	**31 December 2021**
Principal liabilities	9,787	4,775
Interest liabilities	4	2
	9,791	**4,777**

26. Interest-bearing loans and borrowings (continued)

In February 2022, the Group signed a bank loan agreement No. 22F-000155 with the aim to invest in a project for the extension of one of the ports 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. The loan applicant is Industrial Holding Bulgaria PLC and guarantors under the contract are Group subsidiaries. Collateral under the contract will be mortgages on real estate (land and buildings) of a Group subsidiary. In April 2022, the company blocked an amount of USD 2,170 thousand as collateral in an account with the creditor bank, whereas the funds will be freed after the mortgages are established. As of 30 June 2022, the Group has utilised EUR 3,219 thousand from this bank loan.

The bank loan agreements No. 22F-000155 and Mo. 19F-002296 require compliance with certain financial terms, namely:

- Industrial Holding Bulgaria PLC should maintain a ratio of Equity to Total assets of not less than 60% (on a consolidated basis);
- Industrial Holding Bulgaria PLC should maintain a ratio of EBITDA to Interest expense ratio of not less than 4 times (on a consolidated basis);
- Industrial Holding Bulgaria PLC 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;
- Industrial Holding Bulgaria PLC 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.

The bank loans are secured by mortgages on land, buildings, and ships, and registered pledges imposed on plant and equipment owned by Group companies, with a total carrying amount of BGN 58,636 thousand as at 30 June 2022 (31 December 2021: BGN 80,049 thousand). Also, KRZ Port Bourgas AD has been pledged as an entity.

There is no bank loan payables under IAS 24 due by related parties as of 30 June 2022 (2021: Nil). For further details on related party transactions, see Note 35.

The Group's unutilized limits in the form of a credit line for working capital financing under bank loans signed amount to BGN 5,060 thousand – under contract No. 319 of 30 November 2006.

28. Government financing

BGN'000	**30 June 2022**	**31 December 2021**
At 1 January	**1,370**	**1,480**
Recognised in the consolidated income statement (Note 8)	(1,335)	(3,725)
Government financing authorised and received over the period	359	3,105
Government financing authorised but not received during the period	115	229
Government financing authorised during the period in the form of payables to suppliers	809	281
At the period-end	**1,318**	**1,370**
Long-term	1,209	1,261
Short-term	109	109

As of 30 June 2022, the Group received and reported government 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 2022 was BGN 612 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 2022, the remaining balance was BGN 207 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 2022 was BGN 346 thousand.

During the first half of 2022, aiming at preserving their staff, the Group companies that had met the requirements applied for and were approved to receive government grants in the form of compensation to preserve employment under the Act on the Measures and Actions during the State of Emergency ('60:40' mechanism). The total amount of recognised income in the first six months of 2022 under this program is BGN 474 thousand, and the amount received during the period is BGN 588 thousand, including BGN 359 thousand from financing authorised in the first six months of 2022 and BGN 229 thousand from the financing authorised in 2021. The approved but not received part of this financing as of 30 June 2022 amounts to BGN 115 thousand.

In the first six months of 2022, the Group recognised income of BGN 809 thousand from financing under the Program for compensating the costs of electricity for non-residential end consumers i. The compensatory mechanism provided by the State in this program is non-monetary, namely by reducing the obligations of end customers to the company selling electricity.

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 2021	**15**	**235**	**-**	**250**
Provisions accrued during the period (Note 14)	-	105	-	105
Provisions utilized during the period (Note 14)	-	(235)	-	(235)
Provisions utilized	(2)	-	-	(2)
At 31 December 2021	**13**	**105**	**-**	**118**
At 1 January 2022	**13**	**105**	**-**	**118**
Provisions utilized during the period (Note 14)	-	(105)	-	(105)
Provisions utilized	(7)	-	-	(7)
At 30 June 2022	**6**	**-**	**-**	**6**

30. Retirement benefit liability

BGN'000	30 June 2022	31 December 2021
Present value of the liability at 1 January	930	804
Remuneration paid over the period	(109)	(231)
Expenses recognized in the income statement (Note 13)	-	64
Expenses recognized in the statement of comprehensive income	-	293
Present value of the liability at the period-end	**821**	**930**

31. Trade and other payables

BGN'000	30 June 2022	31 December 2021
Trade payables	6,653	4,742
Payables to related parties	9	132
Advances and prepayments	288	528
Payables to personnel	2,040	2,333
Social security payables	659	669
Payables to the State budget	387	221
Other payables	1,103	1,024
	11,139	**9,649**
Long-term portion	59	66
Short-term portion	11,080	9,583

32. Contract liabilities

BGN'000	**30 June 2022**	**31 December 2021**
Short-term advance payments	7,883	5,676
	7,883	**5,676**

33. Lease

33a. The Group as a lessee

Right-of-use assets

BGN'000	**Buildings**	**Equipment**	**Motor vehicles**	**Total**
Balance at 1 January 2021				
Revaluation of the lease liability	**1,542**	**29**	**-**	**1,571**
Depreciation written off due to revaluation	(927)	(5)	-	(932)
Book value written off due to terminated contracts	(327)	(13)	-	(340)
At 31 December 2021	**288**	**11**	**-**	**299**
Balance at 1 January 2022	**288**	**11**	**-**	**299**
Revaluation of the lease liability	-	1	-	1
Depreciation written off due to revaluation	-	(3)	-	(3)
At 30 June 2022	**288**	**9**	**-**	**297**

	Buildings	**Equipment**	**Motor vehicles**	**Total**
DEPRECIATION:				
Balance at 01 January 2021	**24**	**11**	**-**	**35**
Depreciation charges for the period	303	5	-	308
Depreciation written off due to revaluation	(327)	(13)	-	(340)
At 31 December 2021	**-**	**3**	**-**	**3**
Balance at 1 January 2022	**-**	**3**	**-**	**3**
Depreciation charges for the period	144	2	-	146
Depreciation written off due to revaluation	-	(3)	-	(3)
At 30 June 2022	**144**	**2**	**-**	**146**
At 1 January 2021	**1,518**	**18**	**-**	**1,536**
At 31 December 2021	**288**	**8**	**-**	**296**
At 30 June 2022	**144**	**7**	**-**	**151**

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 2022, the Group's management has found no indications that the right-of-use assets' carrying amount exceeds their recoverable amount.

Lease liabilities

BGN'000	**30 June 2022**	**31 December 2021**
Balance at 01 January	**329**	**1,565**
Revaluation of lease liabilities	1	(932)
Interest expenses for the period (Note 15)	2	24
Lease payments for the period	(164)	(328)
Balance at 31 December	**168**	**329**
Long-term portion	2	4
Short-term portion	166	325

The weighted average incremental interest rate used by the Group in respect of its lease liabilities for the first half of 2022 is 1.7 %.

33b. 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 recognised by the Group during the first six months of 2022 is BGN 13,254 thousand (the first six months of 2021: BGN 6,081 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.

General risk management considerations

The Group's risk management policy is elaborated and implemented 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 and assessed 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.

34. Financial instruments (continued)

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.

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.

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.

35. Related party disclosures

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

		Equity interest	
	Country of registration	**30 June 2022**	**31 December 2021**
		%	%
Industrial Holding Bulgaria PLC	Bulgaria	Parent company	Parent company
Private Engineering EAD	Bulgaria	100.00	100.00
ZMM Bulgaria Holding EAD	Bulgaria	100.00	100.00
ZMM Sliven AD	Bulgaria	95.98	95.98
ZMM Nova Zagora AD	Bulgaria	99.24	93.57
IHB Metal Castings EAD*	Bulgaria	100.00	100.00
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
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 (in liquidation)	Bulgaria	51.00	51.00

In July 2022, after the expiration of the statutory period for submitting claims from creditors, the property of IHB 3Design AD (in liquidation) was distributed among the shareholders and a closing liquidation balance sheet of the company was prepared. A decision by the shareholders to strike off the company from the Register is pending.

In January 2022, the General Meeting of Shareholders of ZMM Nova Zagora AD resolved on increasing the capital of the company. In this procedure, only the parent company ZMM Bulgaria Holding EAD subscribed shares, while the other shareholders waved their rights. As a result, after the entry of the increase in the Commercial Register in March 2022, the Group's share in the company reached 99.24%.

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 holds directly 67.51% 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.

II. Key management personnel

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 personnel

Trade and other related party receivables

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
Entities, over which the persons that have control exercise significant influence or are members of their key management personnel		9	7
	22	**9**	**7**

Cash with banks – related parties

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
Entities, over which the persons that have control exercise significant influence or are members of their key management personnel		23,685	12,409
	23	**23,685**	**12,409**

Loans from related parties (incl. interest)

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
Persons exercising control		1,139	157
		1,139	**157**
Long-term portion		978	-
Short-term portion		161	157
Principal		1,135	157
Interest		4	-

Trade and other payables to related parties

BGN'000	**Note**	**30 June 2022**	**31 December 2021**
Entities, over which the persons that have control exercise significant influence or are members of their key management personnel		9	132
	31	**9**	**132**

35. Related party disclosures (continued)

Sale transactions

BGN'000	Type of transaction	**30 June 2022**	**30 June 2021**
Persons exercising control	Rental income	1	1
		1	1
Entities under the joint control of the persons exercising control	Rental income	3	3
	Other sales	-	-
		3	3
Entities, over which the persons that have control exercise significant influence or are members of their key management personnel	Sale of services	27	20
	Rental income	42	42
	Other sales	7	2
		76	64
		80	68

Purchase transactions

BGN'000	Type of transaction	**30 June 2022**	**30 June 2021**
Entities, over which the persons that have control exercise significant influence or are members of their key management personnel	Purchase of hired services	344	285
	Purchase of fixed assets	41	-
	Other finance costs	33	59
		418	344

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 exercise significant influence or are members of their key management personnel	30 June 2022	-	-	-	-
Entities, over which the persons that have control exercise significant influence or are members of their key management personnel	30 June 2021	3,217	(4,286)	(164)	(166)
	30 June 2022	**-**	**-**	**-**	**-**
	30 June 2021	**3,217**	**(4,286)**	**(164)**	**(166)**

35. Related party disclosures (continued)

Movements in loans from related parties

BGN'000		Amounts received/ (granted)	Amounts (paid)/refunded	Interest (expenses)/ income	Interest paid
Persons exercising control	30 June 2022	978	-	(5)	(1)
Persons exercising control	30 June 2021	-	(4,850)	(30)	(38)
	30 June 2022	**978**	**-**	**(5)**	**(1)**
	30 June 2021	**-**	**(4,850)**	**(30)**	**(38)**

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 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. For the period ended 30 June 2022, the Group had not written down related party receivables (2021: Nil). A review for expected credit losses due to impairment is made every financial year through examining the financial position of the related party, economic environment, and the market in which the related party operates.

36. Commitments and contingencies

Capital commitments

As at 30 June 2022 and 2021, the Group has no capital commitments.

Legal claims

No significant legal claims are brought against the Group.

Guarantees

According to Contract No. 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 2022:

- Bank guarantees were issued to Group companies: IHB Metal Castings AD of BGN 20 thousand and Bulyard Shipbuilding Industry EAD of 1,242 thousand (31 December 2021: BGN 20 thousand);
- A guarantee was issued to cover 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 revolving credit line for working capital financing was BGN 440 thousand.

The unutilised limit in the form of a credit line for working capital financing amounted to BGN 5,060 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. 22F-000155 of 24 February 2022 concluded for the purpose to finance investments in a subsidiary, Industrial Holding Bulgaria PLC, the companies-guarantors and the company-co-debtor under the loan 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.

In relation to Bank loan agreement No. 19F-002296 of 8 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 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.

The above-described collateral is valid until the date of full repayment of the loan liabilities it secures and/or the date of terminating the revolving limits.

Other

The Group's management has not found other material risks as a result of the dynamic fiscal and regulatory environment in Bulgaria, which might require adjustments in the consolidated financial statements for the period ended 30 June 2022.

39. 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 consolidated 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 2022, which require additional adjustments and/or disclosures in the consolidated financial statements of the Group the period ended 30 June 2022.