HERTI AD
Separate financial statements
For the year ended 31 December 2014
With independent Auditor’s Report Thereon

Unofficial translation from original
Bulgarian
separate financial statements

Separate statement of financial position

In thousands of BGN	*Note*	**31 December 2014**	**31 December 2013**
Assets			
Property, plant and equipment	*15*	19,314	17,063
Intangible assets	*16*	522	522
Investments in subsidiaries and associates	*17*	333	333
Other investments	*17*	3	3
Total non-current assets		20,172	17,921
Inventories	*18*	5,660	4,901
Related party receivables	*28*	2,667	2,572
Trade and other receivables	*19*	7,857	9,026
Cash and cash equivalents	*20*	224	527
Total current assets		16,408	17,026
Total assets		36,580	34,947
Equity			
Share capital	*21*	12,014	12,014
Share premium		29	29
Reserves		487	455
Retained earnings		927	337
Total equity		13,457	12,835
Liabilities			
Loans and borrowings	*22*	5,283	4,528
Deferred tax liabilities	*23*	860	859
Employee benefits	*24*	46	41
Government grants	*26*	1,156	1,326
Total non-current liabilities		7,345	6,754
Related party payables	*28*	322	463
Loans and borrowings	*22*	9,405	9,631
Government grants	*26*	170	173
Trade and other payables	*25*	5,881	5,091
Total current liabilities		15,778	15,358
Total liabilities		23,123	22,112
Total equity and liabilities		36,580	34,947

The notes on pages from 5 to 38 are an integral part of these financial statements.

Chief Executive Officer:

Zahari Zahariev

Chief Accountant

Violeta Yankova

In accordance with an Independent Auditors' Report:
KPMG Bulgaria OOD

Gilbert McCaul
Manager

Tsvetelinka Koleva
Registered auditor

Separate statement of profit or loss and other comprehensive income

For the year ended 31 December	*Note*	**2014**	**2013**
In thousands of BGN			
Revenue	*7*	29,114	27,886
Other operating income	*8*	3,182	2,764
Net carrying amount of materials and goods sold		(2,564)	(2,472)
Increase (decrease) of finished goods and work in progress		747	114
Capitalized expenses		47	219
Expenses for materials	*9*	(19,465)	(19,136)
Hired services	*10*	(2,684)	(2,473)
Depreciation and amortization	*15,16*	(1,915)	(1,411)
Personnel expenses	*11*	(4,268)	(3,861)
Other operating expenses	*12*	(846)	(495)
Profit from operating activities		1,348	1,135
Finance expenses		(801)	(787)
Finance income		121	-
Net finance costs	*13*	(680)	(787)
Profit before tax		668	348
Income tax income (expense)	*14*	(46)	(31)
Profit for the period		622	317
Other comprehensive income		-	-
Total comprehensive income for the period		622	317
Earnings per share (in BGN)	*29*	0.052	0.026

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Separate statement of changes in equity

In thousands of BGN	Share Capital	Share premium	Legal reserves	Additional reserves	Retained earnings	Total
Balance at 1 January 2013	12,014	29	27	382	66	12,518
Total comprehensive income for the period						
Profit for the period	-	-	-	-	317	317
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	317	317
Transfer between reserves based on decision of the shareholders	-	-	46	-	(46)	-
Balance at 31 December 2013	12,014	29	73	382	337	12,835
Balance at 1 January 2014	12,014	29	73	382	337	12,835
Total comprehensive income for the period						
Profit for the period	-	-	-	-	622	622
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	622	622
Transfer between reserves based on decision of the shareholders	-	-	32	-	(32)	-
Balance at 31 December 2014	12,014	29	105	382	927	13,457

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Separate statement of cash flows

For the year ended 31 December

In thousands of BGN	*Note*	2014	2013
Cash flows from operating activities			
Cash receipts from customers		32,031	30,684
Cash paid to suppliers		(25,523)	(25,719)
Net cash flow for salaries and wages of personnel		(4,394)	(3,950)
Taxes paid/refunded indirect taxes		601	982
Net cash from operating activities		2,715	1,997
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		833	324
Acquisition of property, plant and equipment		(3,914)	(4,156)
Proceeds from government grants		1,201	346
Net cash used in investing activities		(1,880)	(3,486)
Cash flows from financing activities			
Loans and borrowings received		3,490	5,144
Repayment of loans and borrowings		(3,549)	(2,464)
Payment of finance lease liabilities		(387)	(198)
Interest paid		(611)	(603)
Transaction costs and other financial costs		(138)	(124)
Other cash flows from financing activities		-	36
Net cash (used in)/from financing activities		(1,195)	1,791
Net (decrease)/increase in cash and cash equivalents		(360)	302
Cash and cash equivalents at 1 January		527	234
Effect of exchange rate fluctuations on cash held		57	(9)
Cash and cash equivalents at 31 December	*20*	224	527

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Notes to the separate financial statements

1. Reporting entity

Herti AD (the "Company") is a joint stock company domiciled in Bulgaria and has its address of management at Shumen, 38 Antim I Str. The Company is registered in Bulgaria under court case No. 567/2007 of Shumen District Court in compliance with the Commercial Law of Republic of Bulgaria. The Company is registered with the Commercial Register at the Bulgarian Registry Agency with ID code 127631592.

The main activities of the Company consists of production of aluminium screw caps, production of plastic caps, varnishing and lithography on metal sheets and thermo-contractible capsules for wine bottles.

2. Basis of preparation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union.

The separate financial statements were authorized for issue by the Board of Directors on 19 February 2015. The Company prepares also consolidated financial statements.

Deleted: a

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the defined benefit obligation, which is reported at present value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in Bulgarian Lev (BGN), which is the Company's functional currency. All financial information presented in BGN has been rounded to the nearest thousand, unless stated otherwise.

(d) Use of estimates and judgements

Judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is included in the following notes:

• Note 15 – Property, plant and equipment, main assumptions for the expected useful life;

• Note 18 – Inventory, regarding an estimate of the net realizable value

(e) Going concern

These financial statements are prepared on a going concern principle assuming that the Company is able to continue its operations in foreseeable future. Trend of the sales of the company in 2015 are favourable for increasing the margins and maximising the profit. The Management considers that the existing capital resources and financing sources (cash flows from sales and financing contracts) will be adequate to the liquidity needs during the next 2015.

2. Basis of preparation, continued

(f) Changes in accounting policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IFRIC 21 Levies
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (2011), IAS 28 *Investments in Associates and Joint Ventures* (2011)

a) Amendments to IAS 36

As a result of the amendments to IAS 36, the Company expanded its disclosures in terms of recoverable amounts (see note 12).

b) IFRIC 21 Levies

This change in the accounting policy had no material impact on the financial statements of the Company.

c) Amendments to IAS 32

The amendments to IAS 32 had no impact on the financial statements since the Company does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

d) New set of consolidation standards

The Company has applied IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (2011), IAS 28 *Investments in Associates and Joint Ventures* (2011) with a date of initial application - 1 January 2014.

The application of these new/amended standards had no material impact on the financial statements, since it did not result in a change of the accounting policy.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Investments in subsidiaries and associates

(i) Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the separate financial statements of the Company, investments in subsidiaries are recognised at cost less accumulated impairment losses.

(ii) Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. In the separate financial statements of the Company, investments in associates are recognised at cost less accumulated impairment losses.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not retranslated.

Effective 1 January 1999, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

(c) Financial instruments

The Company classifies non-derivative financial assets into the following categories: loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

3. Significant accounting policies, continued

(c) Financial instruments, continued

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition, continued

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

(iii) Non-derivative financial liabilities– measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

3. Significant accounting policies, continued

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured initially at cost less accumulated depreciation and any accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent measurement

Non-current assets are presented in the statement of financial position at their historical cost less accumulated depreciation and impairment losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

■ buildings	25 - 30 years;
■ machinery and equipment	2 – 30 years;
■ vehicles	5 - 15 years;
■ fixtures and fittings	5 - 20 years;

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies, continued

(e) Intangible assets

(i) Intangible assets

Intangible assets, acquired by the Company, which have finite useful lives, are measured at acquisition cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

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

- software 2 years.
- patents and trade marks 15 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company’s other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated

3. Significant accounting policies, continued

(g) Leased assets

Assets held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(i) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

3. Significant accounting policies, continued

(i) Impairment, continued

(i) Non-derivative financial assets, continued

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets (other than investment property, inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

3. Significant accounting policies, continued

(i) Impairment, continued

(ii) Non-financial assets, continued

Impairment losses are recognised in profit or loss for non-revalued assets. Impairment losses on a revalued asset is recognised in OCI to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted.

The Company has obligation to pay certain amounts to each employee who retires with the Company in accordance with Art. 222, § 3 of the Labor Code in Bulgaria. According to these regulations in the LC, when a labor contract of a company's employee, who has acquired a pension right, is ended, the employer is obliged to pay him compensations amounted to two gross monthly salaries. In case the employee's length of service in the company equals to or is greater than 10 or more years, as at retirement date, then the compensation amounts to six gross monthly salaries. As at balance sheet date, the Management of the Company estimates the approximate amount of the potential expenditures for every employee. The estimated amount of the obligation is disclosed to the financial statements in note 24.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

(k) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3. Significant accounting policies, continued

(l) Revenue

(i) Revenue from sale of production and goods

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For the major part of the Company's production sales, the transfer is usually made thorough delivering the goods to the buyer from the Company's premises.

(ii) Services

The Company recognizes revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

(iii) Commissions

If the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(m) Government grants

The Company recognizes government grants initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(n) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

At inception or upon reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

3. Significant accounting policies, continued

(n) Leases, continued

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability of the asset(s).

(o) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest rate method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

(p) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3. Significant accounting policies, continued

(p) Income tax, continued

(ii) Deferred tax, continued

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(q) Earnings per share, net

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Company’s primary format for segment reporting is based on geographical segments. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and Company’s general expenses.

3. Significant accounting policies, continued

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in the annual period ended 31 December 2014, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC:

- Annual improvements to IFRSs *2010-2012 and 2011-2013 Cycles.* The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. None of these amendments are expected to have a significant impact on the financial statements of the Entity;

- Amendments to IAS 19 – *Defined benefit plans: Employee contributions*. The entity does not expect the Amendments to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European Commission, and therefore are not taken into account in preparing these consolidated financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

- IFRS 9 *Financial instrument (issued 24 July 2014)*;
- IFRS 14 *Regulatory Deferral Accounts (issued 30 January 2014)*;
- IFRS 15 *Revenue from contracts with customers (issued 28 May 2014)*;
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception (issued on 18 December 2014)*;
- Amendments to IAS 1 *Disclosure initiative (issued 18 December 2014)*;
- *Annual improvements to IFRSs 2012-2014 Cycle (issued 25 September 2014)*
- Amendments to IFRS 10 and IAS 28: *Sale or contribution of assets between an investor and its associated or jointly controlled investee (issued 11 September 2014)*;
- Amendments to IAS 27 – *Equity method in separate financial statements (issued 12 August 2014)*;
- Amendments to IAS 16 and IAS 41 – *Bearer plants (issued 30 June 2014)*;
- Amendments to IAS 16 and IAS 38 – *Clarification for acceptable methods of depreciation and amortization (issued 12 May 2014)*;
- Amendments to IFRS 11 – *Accounting for acquisitions of interests in joint operations (issued 6 May 2014).*

4. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services is used to measure fair values, then the Company assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 27 – Financial instruments

5. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

5. Financial risk management, continued

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk arises principally from the Company's receivables from customers and investment securities.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. This exposure may also depend on the default risk of the industry and the internal market on which the Company operates. Approximately 64% of the Company's revenue for 2014 is attributable to sales transactions with ten clients (2013: 59%), and 82 % of the Company's revenue for 2014 is attributable to export transactions in (2013: 81%). According to the Company's established credit policy each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery items and conditions are offered. The Company's policy includes granting of credit period in accordance with the market type, customer's size and whether the customer is long standing. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. The Company does not require collateral in respect of trade and other receivables. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Guarantees

The Company's policy is to provide financial guarantees only upon a decision of the owner. At 31 December 2014 Bulgarian banks have issued bank guarantees on behalf of Herti AD in favour of third parties (see note 30).

Liquidity risk

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

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; The company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Company maintains lines of credits at amounts sufficient to ensure liquidity for its activities (see note 22).

5. Financial risk management, continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

As a whole, the Company has limited exposure to currency risk as:

- purchases of main goods and materials used in the Company's trading activities as well as production are denominated in euro or leva
- export sales also are denominated mainly in euro.

Interest rate risk

The Company manages its interest rate risk by determining its loans to be generally with variable interest rate and fixed margin.

Capital management

The Management's policy 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 Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a return on capital of between 8 and 10 percent; in 2014 the return was positive - 4,6 % (2013: positive 2,6 %). In comparison the weighted average interest expense on interest-bearing borrowings was 4,90% (2013: 4,90%). To prevent loss increase and own equity decrease, the Management takes measures for optimization of production process aiming at gross profit margin. Also efforts are made for decrease of operational expenses and mostly those for hired services, administrative and management expenses.
During the year there were no changes in Company's capital management.

In accordance with the provisions of art. 252 of the Commercial Act, the Company must maintain the value of its net assets above the value of its share capital. As at 31 December 2014 the Company is in compliance with these requirements, since its net assets are at the amount of BGN 13,457 thousand and the value of share capital is BGN 12,014 thousand.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.
The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk.

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

6. Segment reporting

The Company has three main segments, as described below, which are the Company's strategic geographical divisions of company operations. Different strategic divisions are managed separately because they require different marketing strategies. For each of the strategic divisions, the Board of Directors (the chief operating decision maker) reviews internal management reports on at least a quarterly basis. Information regarding the results of each reportable segment is included below. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these geographic segments.

	Russia		EU(excluding Bulgaria)		Bulgaria		Other		Entity as a whole	
In thousands of BGN	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue from external clients:										
Sales	5,593	6,061	14,192	13,080	4,104	4,078	5,225	4,667	29,114	27,886
Other income – sale of waste	-	-	77	370	1,313	1,060	-	-	1,390	1,430
Total income	5,593	6,061	14,269	13,450	5,417	5,138	5,225	4,667	30,504	29,316
Segment result	503	334	2,066	1,351	366	610	1,172	867	4,107	3,162
Unallocated revenue									1,792	1,334
Unallocated expenses									(4,551)	(3,361)
Profit from operations									1,348	1,135
Net financial cost									(680)	(787)
Income tax expense									(46)	(31)
Profit for the period									622	317
Segment assets	4,701	4,246	3,346	3,370	1,114	1,305	935	727	10,096	9,648
Unallocated assets									26,484	25,299
Total assets									36,580	34,947
Unallocated liabilities									23,123	22,112
Total liabilities									23,123	22,112
Capital expenditures									4,165	4,701
Depreciation									1,915	1,411

7. Revenue from sale of production and goods

In thousands of BGN	**2014**	**2013**
Aluminium caps	22,173	20,982
Plastic caps	1,478	2,163
Composite caps	1,996	2,123
Proportioning devices	182	126
Goods for resale	2,565	2,354
Other	720	138
	29,114	27,886

8. Other operating income

In thousands of BGN	*Note*	**2014**	**2013**
Income from sale of aluminium waste		1,390	1,430
Income from sales of materials		80	181
Transport services provided to clients		996	774
Discounts from suppliers		114	116
Proceeds from government grants	*26*	173	48
Other		429	215
		3,182	2,764

9. Expenses for materials

In thousands of BGN	**2014**	**2013**
Aluminium	9,763	9,495
Polish	2,229	2,504
Polythene HDPE; LDPE	2,020	2,114
Packing	2,147	2,044
Electricity	734	831
Methane	583	537
Other	1,989	1,611
	19,465	19,136

10. Hired services

In thousands of BGN	**2014**	**2013**
Transport	1,603	1,467
Services from repairs work and external subcontractors	220	184
Advertising and consulting services	136	193
Rents	182	149
Communication services	72	61
Commissions	66	55
Insurance	24	21
Other	381	343
	2,684	2,473

11. Employee benefit expenses

In thousands of BGN	**2014**	**2013**
Wages and salaries	3,626	3,296
Social security contributions	598	544
Freelance contracts	-	25
Provision for unused paid vacations (net)	39	(1)
Provision for retirement benefits (net)	5	(3)
	4,268	3,861

Average number of employees as at 31 December 2014 is 382 (2013: 366).

12. Other operating expenses

In thousands of BGN	2014	2013
Business trips	72	58
Scrap of finished goods	171	10
Food vouchers, medicines and antidote	263	249
Scrap of inventories	120	7
Impairment of receivables	38	-
Other	182	171
	846	495

13. Net finance expense

In thousands of BGN	2014	2013
Dividend income	44	-
Net profit from foreign currency exchange	77	-
Finance income	121	-
Interest expense	(665)	(623)
Bank charges	(136)	(127)
Net loss from foreign currency exchange	-	(37)
Finance costs	(801)	(787)
Net finance expense	(680)	(787)

14. Income tax expense

Recognized in the Income statement

In thousands of BGN	2014	2013
Current tax expense		
Current year	45	8
Deferred tax expense		
Origination and reversal of temporary differences	1	23
Total income tax expense (income) in the income statement	46	31

Reconciliation of effective tax rate

In thousands of BGN	2014	2014	2013	2013
Profit (loss) before tax		668		348
Corporate income tax using the Company’s domestic tax rate	10%	67	10%	35
Non-deductible expenses	0.2%	1	0.3%	1
Tax exempt income	(3.3%)	(22)	(1.4%)	(5)
	6.9%	46	8.9 %	31

15. Property, plant and equipment

In thousands of BGN	**Land and buildings**	**Plant and equipment**	**Fixtures and fittings**	**Expense for acquisition of PPE**	**Total**
Cost					
Balance at 1 January 2013	8,112	14,130	160	723	23,125
Additions	17	495	9	3,700	4,221
Transfers	250	2,994	1	(3,245)	-
Disposals	-	-	-	(340)	(340)
Balance at 31 December 2013	8,379	17,619	170	838	27,006
Balance at 1 January 2014	8,379	17,619	170	838	27,006
Additions	-	666	4	3,484	4,154
Transfers	-	1,388	-	(1,497)	(109)
Disposals	-	-	-	-	-
Balance at 31 December 2014	8,379	19,673	174	2,825	31,051
Depreciation and impairment losses					
Balance at 1 January 2013	1,590	6,874	115	-	8,579
Depreciation charge for the year	263	1,090	11	-	1,364
Disposals	-	-	-	-	-
Balance at 31 December 2013	1,853	7,964	126	-	9,943
Balance at 1 January 2014	1,853	7,964	126	-	9,943
Depreciation charge for the year	273	1,508	13	-	1,794
Disposals	-	-	-	-	-
Balance at 31 December 2014	2,126	9,472	139	-	11,737
Carrying amount					
At 1 January 2013	6,522	7,256	45	723	14,546
At 31 December 2013	6,526	9,655	44	838	17,063
At 1 January 2014	6,526	9,655	44	838	17,063
At 31 December 2014	6,253	10,201	35	2,825	19,314

Plant and machinery under finance lease

The Company has acquired production equipment under a finance lease agreement. At 31 December 2014, the carrying amount of leased plant and machinery is BGN 1,600 thousand (2013: BGN 664 thousand). The leased equipment secures lease obligations.

Property, plant and equipment (PPE) with a carrying amount of BGN 12,272 thousand serve as a collateral for the bank loans of the Company (see note 22).

Prepayments with a carrying amount of BGN 1,651 thousand related to purchases of assets, which are part of bank loan collateral, are included in the expenses for acquisition of PPE.

16. Intangible assets

In thousands of BGN	Software	Patents and trademarks	Development costs	Total
Cost				
Balance at 1 January 2013	76	93	96	265
Additions	475	5	-	480
Disposals	-	-	(96)	(96)
Balance at 31 December 2013	551	98	-	649
Balance at 1 January 2014	551	98	-	649
Additions	12	-	-	12
Transfers	109			109
Balance at 31 December 2014	672	98	-	770
Amortisation and impairment losses				
Balance at 1 January 2013	74	6	96	176
Amortisation for the year	41	6	-	47
Written-off amortisation during the period	-	-	(96)	(96)
Balance at 31 December 2013	115	12	-	127
Balance at 1 January 2014	115	12	-	127
Amortisation for the year	115	6	-	121
Balance at 31 December 2014	230	18	-	248
Carrying amount				
As at 1 January 2013	2	87	-	89
As at 31 December 2013	436	86	-	522
As at 1 January 2014	436	86	-	522
As at 31 December 2014	442	80	-	522

17. Investments

The Company has the following investments:

	Country	Ownership in shares 31.12.2014	Ownership in shares 2013	Ownership in thousands of BGN 31.12.2014	Ownership in thousands of BGN 2013
Subsidiaries and associates					
Herti Group International	Romania	49%	49%	1	1
Herti France	France	100%	100%	82	82
Herti UK	UK	100%	100%	16	16
Herti Germany	Germany	100%	100%	57	57
Tihert EAD	Bulgaria	100%	100%	177	177
				333	333
Other investments					
Ecopack AD	Bulgaria	5.6%	5.6%	3	3
				3	3

18. Inventories

In thousands of BGN	**2014**	**2013**
Raw materials and consumables	2,675	2,595
Work in progress	1,009	444
Finished goods	1,480	1,318
Materials in transit	306	391
Goods	190	153
	5,660	4,901

19.Trade and other receivables

In thousands of BGN	*Note*	**2014**	**2013**
Trade receivables		7,429	7,078
Advances given		82	473
Tax receivables		276	147
Personnel receivables		3	3
Litigation and claims		67	124
Government grants receivables	*26*	-	1,201
		7,857	9,026

Credit risk, currency risk and impairment risk of trade and other receivables are disclosed in Note 27.

20. Cash and cash equivalents

In thousands of BGN	**2014**	**2013**
Cash in hand	1	2
Bank balances	223	518
Cash equivalents	-	7
Cash and cash equivalents in the statement of cash flows	224	527

21. Capital and reserves

Share capital

At 31 December 2007 Herti AD's registered share capital amounts BGN 12 million, comprising of 12 million ordinary shares.

On 25 January 2008, Herti AD has realized initial public offering of 3 million ordinary shares with nominal value of 1 BGN and price of 3.10 BGN, calculated by the bookbuilding method.

At 31 December 2014 Herti AD's registered share capital amounts BGN 12,013,797, comprising of 12,013,797 shares. The owners of the Company are as follows:

	Number of shares		**Thousands of BGN**	
	2014	**2013**	**2014**	**2013**
IGM Holding	4,072,400	4,072,400	4,073	4,073
Alexander Blagoev Yuliyanov	3,953,920	3,953,920	3,954	3,954
Zahari Ganev Zahariev	2,993,122	2,993,122	2,993	2,993
Elena Petkova Zaharieva	960,000	960,000	960	960
Other individuals	34,355	34,355	34	34
	12,013,797	12,013,797	12,014	12,014

21. Capital and reserves, continued

	Ordinary shares	
In thousands of BGN	**2014**	**2013**
On issue at 1 January	12,014	12,014
Issued for cash	-	-
On issue at 31 December – fully paid	12,014	12,014

22. Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings.

In thousands of BGN	**2014**	**2013**
Long-term liabilities		
Secured bank loans	4,638	4,295
Finance lease liabilities	645	233
	5,283	4,528
Short-term liabilities		
Current portion of secured long-term bank loans	9,100	9,503
Current portion of finance lease liabilities	305	128
	9,405	9,631
Total loans and borrowings	14,688	14,159

The bank loans are secured with items of property, plant and equipment with a carrying amount of BGN 12,272 thousand, inventories with carrying amount of BGN 1,467 thousand (EUR 750 thousand) and trade receivables amounting to BGN 4,594 thousand (EUR 2,349 thousand).

The amount of BGN 1,651 thousand in the carrying amount of assets under construction is the amount of prepayments for purchase of assets, which are part of bank loan collateral.

22. Loans and borrowings, continued

Terms and debt repayment schedule

In thousands of BGN	Currency	Nominal interest	Year of maturity	31 December 2014 Nominal	31 December 2014 Carrying amount	31 December 2013 Nominal	31 December 2013 Carrying amount
Secured long-term investment loan	Euro	3M Euribor + margin	2020	1,280	1,280	2,447	2,447
Secured long-term investment loan	Euro	1M Euribor + margin	2018	1,857	1,857	2,458	2,458
Secured long-term investment loan	Euro	6M Euribor + margin	2017	678	678	369	369
Secured long-term investment loan	BGN	3M Sofibor + margin	2021	1,618	1,618	-	-
Secured short-term loan	Euro	1M Euribor + margin	2015	3,912	3,912	3,912	3,912
Secured short-term loan	Euro	1M Euribor + margin	2016	316	316	247	247
Secured short-term loan	Euro	6M Euribor + margin	2014	-	-	367	367
Bank overdraft	Euro	1M Euribor + margin	2016	1,173	1,173	1,173	1,173
Bank overdraft	Euro	6M Euribor + margin	2015	2,904	2,904	2,825	2,825
Finance lease liabilities	Euro	3M Euribor + margin	2015	52	52	118	118
Finance lease liabilities	Euro	3M Euribor + margin	2014	-	-	3	3
Finance lease liabilities	Euro	3M Euribor + margin	2018	182	182	240	240
Finance lease liabilities	Euro	3M Euribor + margin	2019	626	626	-	-
Finance lease liabilities	Euro	3M Euribor + margin	2017	90	90	-	-
				14,688	14,688	14,159	14,159

The value of the margin for the loans stated above is no greater than 5.00 percentage points per year.

Finance lease liabilities
Finance lease liabilities are payable as follows:

In thousands of BGN	Future Minimum lease payments 2014	Interest 2014	Present value of minimum lease payments 2014	Future Minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 2013
Less than one year	345	40	305	143	15	128
Between one and five years	689	44	645	249	16	233
	1,034	84	950	392	31	361

Under the terms of the lease agreements, no contingent rents are payable.

23. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
In thousands of BGN	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Property, plant and equipment	-	-	886	877	886	877
Employee benefits	(15)	(10)	-	-	(15)	(10)
Trade and other receivables	(11)	(8)	-	-	(11)	(8)
Tax (assets) liabilities	(26)	(18)	886	877	860	859
Set off of tax	26	18	(26)	(18)	-	-
Net tax (assets) liabilities	-	-	860	859	860	859

Movement in temporary differences during the year

In thousands of BGN	**Balance 1 Jan 2014**	**Recognized in the Income statement**	**Recognized directly in equity**	**Balance 31 Dec 2014**
Property, plant and equipment	877	9	-	886
Employee benefits	(10)	(5)	-	(15)
Trade and other receivables	(8)	(3)	-	(11)
	859	1	-	860

In thousands of BGN	**Balance 1 Jan 2013**	**Recognized in the Income statement**	**Recognized directly in equity**	**Balance 31 Dec 2013**
Property, plant and equipment	890	(13)	-	877
Employee benefits	(11)	1	-	(10)
Trade and other receivables	(15)	7	-	(8)
Tax loss carry-forwards	(28)	28	-	-
	836	23	-	859

24. Employee benefits

In thousands of BGN	**2014**	**2013**
Retirement benefits provision	46	41
	46	41

The estimated amount of the obligation as at each reporting date and the expenses for retirement compensations recognised are based on an actuarial report. The principal actuarial assumptions at the reporting date include a discount rate of 5% as at 31 December 2014 (31 December 2013: 4.5 %) and future salary increase of 0% (2013: 0%).

25. Trade and other payables

In thousands of BGN	**2014**	**2013**
Trade payables	5,046	4,186
Advances received	342	517
Tax payables	80	41
Payables to personnel	262	245
Social security payables	140	90
Other payables	11	12
	5,881	5,091

Currency risk and liquidity risk related to Trade and other payables are disclosed in Note 27.

26. Government grants

In 2012 the Company entered into two agreements with the Ministry of Economy and Energy for financial grant under the Operational programme "Development of the Competitiveness of the Bulgarian Economy" for the period 2007-2013. The first project "Enhancing the competitiveness of Herti AD through the implementation of an integrated information system for business process management" has a total amount of the project of up to BGN 634 thousand and a total amount of the grant of up to BGN 375 thousand. At the end of 2013, after an inspection by the Ministry of Economy and Energy of the reports, presented by the Company, the amount of BGN 346 thousand, representing the part of the financial grant for the project, was transferred to the Company. In 2013 proceeds from grants at the amount of BGN 31 thousand have been recognized, and accordingly as at 31 December 2013 the liability is at the amount of BGN 315 thousand. In 2014 proceeds from grants at the amount of BGN 73 thousand have been recognized, and accordingly as at 31 December 2014 the liability is at the amount of BGN 242 thousand, from which current liability at the amount of BGN 70 thousand and non-current liability at the amount of BGN 172 thousand.

The second project "Investments for reducing the energy consumption in the production system of Herti AD" has a total amount of BGN 2,450 thousand, and an amount of the grant of up to BGN 1,225 thousand. In December 2013 the Company has presented the Ministry a report with the performed actions, as well as a request for payment of the grant as per the signed agreement, and has recognized a receivable due at the amount of BGN 1,201 thousand. In March 2014, after a verification of the investments made, the amount of BGN 1,201 thousand was paid to the Company. In 2014 proceeds from grants at the amount of BGN 100 thousand (2013: BGN 17 thousand) have been recognized, and accordingly as at 31 December 2014 the liability is at the amount of BGN 1,084 thousand (2013: BGN 1,184 thousand). Current liability - BGN 100 thousand and non-current liability - BGN 984 thousand.

27. Financial instruments

Credit risk

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

In thousands of BGN	*Note*	**2014**	**2013**
Trade and other receivables	*19*	7,429	8,279
Related party trade receivables	*28*	2,667	2,572
Litigation and claims	*19*	67	124
Cash and cash equivalents	*20*	223	518
Other investments	*17*	3	3
		10,389	11,496

In 2014 Bulgarian banks have issued bank guarantees as Herti AD's guarantors in favour of third parties (see note 30).

The maximum exposure to credit risk as at the balance sheet date for the trade receivables, other receivables and trade receivables from related parties of the Company by geographic regions are:

In thousands of BGN	**2014**	**2013**
Domestic	1,114	2,508
European Union (excluding Bulgaria)	3,346	3,370
Russia	4,701	4,246
Other	935	727
	10,096	10,851

27. Financial instruments, continued

Impairment losses

The aging of trade receivables, other receivables and related party receivables at the reporting date was as follows:

In thousands of BGN	**2014 Gross**	**2014 Impairment**	**2013 Gross**	**2013 Impairment**
Not past due	3,886	-	5,363	-
Past due 0-30 days	2,286	-	1,862	-
Past due 31-360 days	2,981	-	3,038	-
More than one year	1,057	114	664	76
	10,210	114	10,927	76

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

In thousands of BGN	**2014**	**2013**
Balance at 1 January	76	154
Impairment for the year	38	-
Impairment reversed during the year	-	-
Total in the income statement	38	-
Written-off receivables	-	(78)
Impairment at 31 December	114	76

The Company believes that the amounts past due are collectible in full, based on historic payment behaviour and extensive analyses of customer credit risk for each customer. The credit quality of trade and other receivables is assessed based on a credit policy established by the management. The credit risk is assessed on individual base. Based on the Company's analysis of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Liquidity risk

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

31 December 2014 *In thousands of BGN*	**Book value**	**Agreed cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Secured long-term bank loans	6,606	7,170	742	1,476	2,373	2,040	539
Secured short-term bank loan	3,912	4,038	84	3,954	-	-	-
Short-term bank loans	316	334	7	7	320	-	-
Finance lease	950	1,034	181	164	280	409	-
Bank overdraft	2,904	2,967	2,967	-	-	-	-
Trade and other payables	5,057	5,057	5,057	-	-	-	-
Other related party payables	322	322	322	-	-	-	-
	20,067	20,922	9,360	5,601	2,973	2,449	539

27. Financial instruments, continued

Liquidity risk, continued

31 December 2013

In thousands of BGN	Book value	Agreed cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured long-term bank loans	6,447	7,166	1,841	601	1,168	3,182	374
Secured short-term bank loan	4,279	4,447	424	4,023	-	-	-
Short-term bank loans	247	287	9	9	18	251	-
Finance lease	361	393	73	69	119	132	-
Bank overdraft	2,825	3,008	3,008	-	-	-	-
Trade and other payables	4,198	4,198	4,198	-	-	-	-
Other related party payables	463	463	463	-	-	-	-
	18,820	19,962	10,016	4,702	1,305	3,565	374

Foreign currency risk

Exposure to foreign currency risk

The Company's exposure to foreign currency risk is insignificant because 20 % of the sales for 2014 are realized on local markets in Bulgarian leva (2013: 19%); and 68% of the sales for 2014 are realized in Euro (2013: 74 %).

The import of goods in 2014 and 2013 is realized completely in Euro. Loans, denominated in foreign currency, are granted in Euro and Bulgarian leva.

Sensitivity analysis

A sensitivity analysis for changes in the exchange rates of the BGN and Euro against other currencies would have limited impact on the Company's financial statements due to the facts stated above.

The Company's exposure to foreign currency risk is as follows:

	BGN	EUR	USD	GBP	BGN	EUR	USD	GBP
	31 December 2014				31 December 2013			
Trade and other receivables	736	6,549	-	144	2,059	6,073	-	147
Litigation and claims	67				124			
Related party receivables	378	1,358	-	931	447	999	-	1,126
Cash and cash equivalents	29	194	-	-	394	124	-	-
Trade and other payables	(1,836)	(3,130)	(91)	-	(1,496)	(2,537)	(165)	-
Related party payables	(275)	(47)	-	-	(234)	(229)	-	-
Finance lease	-	(950)	-	-	-	(361)	-	-
Bank loans	(1,618)	(12,120)	-	-	-	(13,798)		
Net exposure	(2,519)	(8,146)	(91)	1,075	1,294	(9,729)	(165)	1,273

The following foreign currency rates have been applied during the year:

	Average rate		Rate at the balance sheet date	
	2014	**2013**	**2014**	**2013**
(USD)	1,47437	1,47362	1,60841	1,41902
(GBP)	2,42721	2,30321	2,50010	2,33839

Increase of the GBP with 10% against the BGN at 31 December would have increased equity and profit or decreased loss with BGN 107 thousands (2013: BGN 127 thousands). Increase with 10% of the USD against the BGN at 31 December would have decreased equity and profit or increased loss with 9 thousand (2013: BGN 17 thousand). The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

27. Financial instruments, continued

Interest rate risk

The book values of financial instruments according to the type of interest rate are as follows:

In thousands of BGN	2014	2013
Fixed rate instruments		
Financial assets	223	518
Financial liabilities	(950)	(361)
	(727)	157
Variable rate instruments		
Financial liabilities	(13,738)	(13,798)
	(13,738)	(13,798)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit and loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

Effect from change of 1% in interest rate for variable rate instruments:

In thousands of BGN	**Effects of change in the income statement**		**Effects of change in equity**	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
31 December 2014				
Variable rate instruments	(137)	137	-	-
Cash flow sensitivity (net)	(137)	137	-	-
31 December 2013				
Variable rate instruments	(138)	138	-	-
Cash flow sensitivity (net)	(138)	138	-	-

27. Financial instruments, continued

Fair values versus carrying amounts

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2014

In thousands of BGN	*Note*	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value								
Trade and other receivables	*19*	7,429		7,429	-	-	-	-
Litigation and claims	*19*	67		67				
Related party receivables	*28*	2,667		2,667	-	-	-	-
Cash and cash equivalents	*20*	224		224	-	-	-	-
Other investments	*17*	3		3	-	-	-	-
		10,390		10,390	-	-	-	-
Financial liabilities not measured at fair value								-
Bank overdraft	*22*	-	(2,904)	(2,904)	-	-	-	-
Secured bank loans	*22*	-	(10,834)	(10,834)	-	-	-	-
Finance lease liabilities	*22*	-	(950)	(950)	-	-	-	-
Trade and other payables	*25*	-	(5,057)	(5,057)	-	-	-	-
Related party payables	*28*	-	(322)	(322)	-	-	-	-
		-	(20,067)	(20,067)	-	-	-	-

31 December 2013

In thousands of BGN	*Note*	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value								
Trade and other receivables	*19*	8,279	-	8,279	-	-	-	-
Litigation and claims	*19*	124	-	124	-	-	-	-
Related party receivables	*28*	2,572		2,572	-	-	-	-
Cash and cash equivalents	*20*	527	-	527	-	-	-	-
Other investments	*17*	3	-	3	-	-	-	-
		11,505	-	11,505	-	-	-	-
Financial liabilities not measured at fair value								-
Bank overdraft	*22*	-	(2,825)	(2,825)	-	-	-	-
Secured bank loans	*22*	-	(10,973)	(10,973)	-	-	-	-
Finance lease liabilities	*22*	-	(361)	(361)	-	-	-	-
Trade and other payables	*25*	-	(4,198)	(4,198)	-	-	-	-
Related party payables	*28*	-	(463)	(463)	-	-	-	-
		-	(18,820)	(18,820)	-	-	-	-

28. Related parties

Identity of related parties

The Company has a related party relationship with the following parties:

	Country	Ownership 2014	2013
Subsidiaries and associates			
Herti Group International	Romania	49%	49%
Herti France	France	100%	100%
Herti UK	UK	100%	100%
Herti Germany	Germany	100%	100%
Tihert	Bulgaria	100%	100%
Shareholders/Partners			
IGM Holding	Austria	33,90%	33,90%
Companies under common control			
Timshel OOD	Bulgaria	-	-
Raifen OOD	Bulgaria	-	-

The Company has a related party relationship with its shareholders, members of the Board of Directors and executive directors.

Short-term receivables from related parties

In thousands of BGN	2014	2013
Herti Group International	393	284
Herti Group International - dividends	44	-
Herti France	725	597
Herti UK	930	1,126
Herti Germany	196	118
Tihert EAD	374	445
Raifen OOD	5	2
Timshel OOD	-	-
Short-term receivables from related parties	2,667	2,572

None of the receivables is secured.

Related party payables

Short-term trade payables to related parties

In thousands of BGN	2014	2013
IGM Holding – trade payables	47	229
Timshel OOD	92	57
Raifen OOD	21	24
Tihert EAD	141	132
Josef Mayer	6	6
Alexander Yuliyanov	6	6
Zahari Zahariev	6	6
Svetoslav Stamenov	3	3
Short-term payables to related parties	322	463

28. Related parties, continued

Transactions with related parties

During the period 01.01 -31.12.2014 the Company has realized the following transactions with related parties:

Sales

In thousands of BGN	**Type of transaction**	**Amount**
Herti Group International	Sale of production	1,808
Herti UK	Sale of production	2,814
Herti France	Sale of production	3,956
Herti Germany	Sale of production	457
Tihert EAD	Sale of services, reinvoiced expenses	213
Timshel	Sale of services	2
Reifen	Sale of services	3

Purchases

IGM Holding	Purchase of fixed assets	89
Herti UK	Transport and commission services	61
Herti Germany	Commission services	4
Herti Group International	Purchase of goods	21
Tihert EAD	Spare parts purchase	382
Tihert EAD	Received services	174
Tihert EAD	Manufacture of fixed assets	681
Timshel	Rental expenses	78
Reifen	Transport services received	770
Members of Board of Directors	Fees paid	15

Other related party transactions

IGM Holding	Other expenses	7
Herti France	Other expenses	3
Herti UK	Other expenses	2

Transactions with key management personnel

The key management personnel compensations are as follows:

The total remuneration is included in "Personnel Expenses" (see note 11):

In thousands of BGN	**2014**	**2013**
Executive Directors and Board of Directors	281	288
	281	288

Transactions with related parties

During the period 01.01 -31.12.2013 the Company has realized the following transactions with related parties:

Sales

In thousands of BGN	**Type of transaction**	**Amount**
Herti Group International	Sale of production	1,674
Herti UK	Sale of production	3,016
Herti France	Sale of production	3,384
Herti Germany	Sale of production	147
Tihert EAD	Sale of services, reinvoiced expenses	137
Timshel	Sale of services	3
Reifen	Sale of services	3

28. Related parties, continued

Purchases

IGM Holding	Purchase of materials	608
IGM Holding	Purchase of fixed assets	54
Herti UK	Transport and commission services	69
Herti Group International	Purchase of materials	7
Tihert EAD	Spare parts purchase	407
Tihert EAD	Received services	170
Tihert EAD	Manufacture of fixed assets	313
Timshel	Rental expenses	78
Reifen	Transport services received	726
Members of Board of Directors	Fees paid	15

29. Earnings per share

Earnings per share at 31 December 2014 is calculated on the basis of net profit of ordinary shareholders of the Company amounting BGN 622 thousand (2013: profit of BGN 317 thousand) by the weighted average number of ordinary shares outstanding during the period ending 31 December 2014 – 12,013,797 (2013: 12,013,797 ordinary shares).

30. Contingencies

In 2014 Bulgarian banks as guarantors of Herti AD have issued, under bank loan agreement securing bank guarantees, a loan amounting to BGN 316 thousand (2013: BGN 247 thousand). Bank guarantees from this loan have not been issued as at 31 December 2014. The bank loan is secured with assets as part of the pledge of company assets for bank loans.

31. Engagements for acquisition of property, plant and equipment

The Company has signed an agreement for acquisition of property, plant and equipment at the amount of BGN 4,262 thousand (2013: BGN 1,063 thousand).

32. Subsequent events

No subsequent events, that require adjustments or disclosures in the financial statements, have occurred during the period from the reporting date to the date the financial statements were authorised for issue by the Board of Directors.