

**CORUS BUILDING SYSTEMS  
BULGARIA AD**

**ANNUAL REPORT ON THE ACTIVITIES,  
INDEPENDENT AUDITOR'S REPORT  
AND ANNUAL FINANCIAL STATEMENTS**

**December 31, 2015**

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**ANNUAL REPORT ON THE ACTIVITIES**

**FOR 2015**

**ANNUAL REPORT ON THE  
ACTIVITIES  
OF**

**CORUS BUILDING SYSTEMS  
BULGARIA AD**

**FOR 2015**

The Annual report on the activities of **CORUS BUILDING SYSTEMS BULGARIA AD**, Pleven, for 2015 was prepared in accordance with the requirements of article 33 of the Accountancy Act, article 187d and article 247 of the Commercial Act, on the basis of development analysis, market share, the social, macro and microeconomic environment, the financial and economic condition of the Company in 2015 and the prospects for development.

**Corus Building Systems Bulgaria AD** (the Company) is a joint-stock company, entered in the Registry Agency on 19.06.2008 with Certificate No.20080715144620/15.07.2008 with seat and management address at 1, Gravishko schousse str., Pleven.

**Representative:** Borislav Ivanov Ivanov.

The Company has one-tier management system: **Board of Directors**.

**Board of Directors:** Roland Stark – citizen of Germany  
Xavier Blervaque – citizen of France  
Borislav Ivanov Ivanov

The Company shares comprise 1,169,330 ordinary, registered voting shares with face value of BGN 1 each.

**Shareholders:**

Fischer Profil GmbH: registered and operating according to the German legislation, registered in Siegen under № HRB 3038 and owner of 65% of the Company's capital.

Horizont-Ivanov EOOD, enlisted in the Trade Register at Pleven District Court under company file 1250/1994 with seat and management address Pleven, 1 Vardar Str., and owner of 35% of the Company's capital.

**The Company's main scope of activity** is production and sale of metal products, profiles and cassettes.

During 2015 reporting year the Company continues to develop its manufacturing activity, even though the Company has experienced high deficit of working capital and human capital resources. For the year ended at December 31, 2015 the total volume of realized production amounts to 1 387 tons, and the net income from sales amounts to BGN 1,870 thousand.

As of the date of the Financial Statement for the year ended at December 31, 2015 the shareholders of the Company are in process of negotiation regarding transferring the majority shares to the minority shareholder Horizont-Ivanov EOOD. If there is no non-binding offer submitted by Horizont-Ivanov EOOD until May 27, 2016 for the purchase of the shares of the majority shareholder or the offer is not accepted by the majority shareholder, the Board of Directors to immediately resolve on convocation of new General Meeting to resolve on termination of the Company and opening of insolvency proceedings.


**The financial and economic indicators achieved by the Company for 2015 compared to 2014, are as follows:**

N:	Indicator:	2015	2014
1	Financial result	(1,140)	(1,265)
2	Revenue from sales, net	1,870	2,695
3	Equity	(5,476)	(4,336)
4	Liabilities (non-current and current)	14,581	14,601
5	Total assets	9,105	10,265
6	Income	1,870	2,695
7	Expenses	3,010	3,943
8	Current assets	1,005	1,765
9	Current liabilities	14,581	14,601
10	Current receivables	651	844
11	Cash	122	296

<b>Financial indicators</b>			
<b>12</b>	Profit margin (1/2)	(0.609)	(0.469)
<b>13</b>	Return on Equity (ROE) (1/3)	0.208	0.291
<b>14</b>	Return on Capital Employed (ROCE) (1/4)	(0.078)	(0.086)
<b>15</b>	Return on Assets (ROA) (1/5)	(0.125)	(0.123)
<b>16</b>	Cost efficiency ratio (6/7)	0.621	0.683
<b>17</b>	Revenue efficiency ratio (7/6)	1.609	1.463
<b>18</b>	Current ratio (8/9)	0.068	0.12
<b>19</b>	Financial autonomy ratio (3/4)	(0.375)	(0.296)
<b>20</b>	Gearing ratio (4/3)	(2.662)	(3.367)

Date: April 28, 2016

Financial Manager:



(D. Boyanova)

Chief Executive Director:




(Borislav Ivanov)

**INDEPENDENT AUDITOR'S REPORT AND  
ANNUAL FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

*This document is a translation of the original text in Bulgarian,  
in case of divergence the Bulgarian text shall prevail.*

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Corus Building Systems Bulgaria AD

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of Corus Building Systems Bulgaria AD (the "Company"), which comprise the statement of financial position as of December 31, 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



### *Basis for Qualified Opinion*

6. As disclosed in note 10 to the accompanying financial statements, as of December 31, 2015 the Company has presented property, plant and equipment at carrying amount of BGN 8,100 thousand. The results of the Company's operations for the reporting period show indications for impairment, in accordance with IAS 36 Impairment of assets. According to IAS 36 plant and equipment at the amount of BGN 8,100 thousand should be presented at lower of their carrying amount or recoverable amount. As of December 31, 2015 the Company have not measured the recoverable amount of those assets. As a result, we were unable to satisfy ourselves, through other audit procedures, whether property and equipment with carrying amount of BGN 8,100 thousand are fairly presented and measured in the Company's financial statements as of December 31, 2015.
7. The Company has presented in the statement of financial position as of December 31, 2015 trade receivables amounting to BGN 651 thousand, of which BGN 526 thousand are overdue. Impairment of receivables is not recognized in the accompanying financial statements in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. As a result of our audit procedures, we were unable to convince ourselves whether the carrying amount of trade receivables does not exceed their recoverable amount as of December 31, 2015.

### *Qualified opinion*

8. In our opinion, except for the possible effects of the matter described in paragraphs 6 and 7 above, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the EU.

### *Emphasis of matter*

9. We draw attention to note 2.2 to the accompanying financial statements, which discloses that as of December 31, 2015 and 2014 the net current assets of the Company are negative amount of BGN 13,576 thousand and BGN 12,836 thousand, respectively. In addition, the net assets as of December 31, 2015 are negative at the amount of BGN 5,476 thousand and it is below the amount of registered equity. In accordance with article 252, paragraph 1, item 5 of the Commercial Law, if within one year the General shareholders' meeting does not pass a resolution for reduction of capital, legal transformation or termination, the Company may be dissolved by a Court decision. Further, as disclosed in note 19, the Company is exposed to increased liquidity risk in a period of 12 months. These circumstances indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Report on Other Legal and Regulatory Requirements – Annual report on the activities of the Company, according to the Accountancy Act**

10. Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual report on the activities of the Company. The Annual report on the activities of the Company, prepared by the management is not a part of the financial statements. The historical financial information presented in the Annual report on the activities of the Company, prepared by the management is consistent, in all material respects, with the financial information disclosed in the financial statements of the Company as of December 31, 2015, prepared in accordance with IFRS, as adopted by the EU. Management is responsible for the preparation of the Annual report on the activities of the Company, dated April 28, 2016.

*Deloitte Audit OOD*

Deloitte Audit OOD



Momchil Chergansky  
Registered Auditor  
Proxy to the Statutory manager Assen Dimov



Sofia  
June 20, 2016

CORUS BUILDING SYSTEMS BULGARIA AD

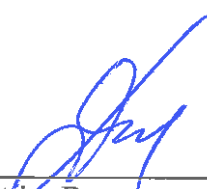
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015

All amounts are in thousands Bulgarian leva unless otherwise stated


	Notes	Year ended 31.12.2015	Year ended 31.12.2014
Revenue	4	1,848	2,723
Cost of sales	5	(1,942)	(2,740)
Gross profit/(loss)		(94)	(17)
Other income	6	22	(28)
Sales expenses	7	(32)	(131)
Administrative expenses	8	(616)	(638)
Finance costs, net	9	(420)	(451)
Loss before taxation (Expense for) / benefit from taxation		(1,140)	(1,265)
LOSS FOR THE PERIOD		(1,140)	(1,265)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(1,140)	(1,265)

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on April 28, 2016:

  
Borislav Ivanov  
Chief Executive Director

  
Dimitrina Boyanova  
Preparer

The accompanying notes from page 5 to page 20 are an integral part of these financial statements.

  
Momchil Chergansky  
Registered Auditor  
June 20, 2016



CORUS BUILDING SYSTEMS BULGARIA AD

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

All amounts are in thousands Bulgarian leva unless otherwise stated

	Notes	As of 31.12.2015	As of 31.12.2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and intangible assets	10	8,100	8,500
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,100</b>	<b>8,500</b>
<b>CURRENT ASSETS</b>			
Inventories	11	195	588
Trade receivables	12	651	844
Other receivables	13	37	37
Cash and cash equivalents	14	122	296
<b>TOTAL CURRENT ASSETS</b>		<b>1,005</b>	<b>1,765</b>
<b>TOTAL ASSETS</b>		<b>9,105</b>	<b>10,265</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	1,169	1,169
Additional reserves		2,769	2,769
Loss from prior years		(8,274)	(7,009)
Loss for the period		(1,140)	(1,265)
<b>TOTAL EQUITY</b>		<b>(5,476)</b>	<b>(4,336)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	3,628	3,648
Liabilities on loans received	16	10,953	10,953
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,581</b>	<b>14,601</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,105</b>	<b>10,265</b>

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on April 28, 2016:

Borislav Ivanov  
Chief Executive Director

Dimitrina Boyanova  
Preparer

The accompanying notes from page 5 to page 20 are an integral part of these financial statements.

Momchil Chergansky  
Registered Auditor  
June 20, 2016



CORUS BUILDING SYSTEMS BULGARIA AD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

All amounts are in thousands Bulgarian leva unless otherwise stated

	Year ended 31.12.2015	Year ended 31.12.2014
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Cash proceeds from customers	2,964	3,614
Payments to suppliers	(2,304)	(2,426)
Payments for remunerations	(207)	(289)
Cash from operating activity	(390)	(303)
Paid interest	(237)	(432)
<b>NET CASH FLOWS FROM OPERATING ACTIVITY</b>	<b>(174)</b>	<b>164</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Payments for loans received	-	(98)
Finance lease payments	-	(14)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITY</b>	<b>-</b>	<b>(112)</b>
Net increase of cash and cash equivalents for the year	(174)	52
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>296</b>	<b>244</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b> (see note. 14)	<b>122</b>	<b>296</b>

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on April 28, 2016:

\_\_\_\_\_  
Borislav Ivanov  
Chief Executive Director

\_\_\_\_\_  
Dimitrina Boyanova  
Preparer

The accompanying notes from page 5 to page 20 are an integral part of these financial statements.

\_\_\_\_\_  
Momchil Chergansky  
Registered Auditor  
June 20, 2016



CORUS BUILDING SYSTEMS BULGARIA AD

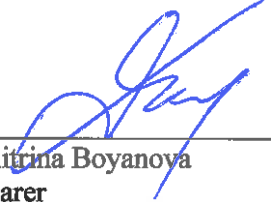
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2015

All amounts are in thousands Bulgarian levs unless otherwise stated


	Share capital	Reserve from issue of shares	Financial result	Total
BALANCE AS AT JANUARY 1, 2014	1,169	2,769	(7,009)	(3,071)
Loss for the period	-	-	(1,265)	(1,265)
Other comprehensive income	-	-	-	-
BALANCE AS OF DECEMBER 31, 2014	1,169	2,769	(8,274)	(4,336)
Loss for the period	-	-	(1,140)	(1,140)
Other comprehensive income	-	-	-	-
BALANCE AS OF DECEMBER 31, 2015	1,169	2,769	(9,414)	(5,476)

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on April 28, 2016:

  
Borislav Ivanov  
Chief Executive Director

  
Dimitrina Boyanova  
Preparer

The accompanying notes from page 5 to page 20 are an integral part of these financial statements.

  
Momchil Chergansky  
Registered Auditor  
June 20, 2016





## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

### 2.1 Basis of preparation of the financial statements (continued)

#### Changes in IFRS (continued)

#### *Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period*

- IFRIC 21 “Levies” adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Company’s financial statements.

#### *Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective*

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).



## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

### 2.1 Basis of preparation of the financial statements (continued)

#### Changes in IFRS (continued)

#### *New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS in full):

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),

The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

These financial statements are prepared on accrual basis, going concern assumption and historical cost.

## **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

### **2.2 Going concern**

The Company's financial statements have been prepared under the going concern assumption. The Company has reported losses for 2015 and 2014 at the amount of BGN 1,140 thousand and BGN 1,265 thousand, respectively and its net current assets are negative and amount of BGN 13,576 thousand and BGN 12,836 thousand, respectively. In addition, the net assets of the Company property as of December 31, 2015 are negative at the amount of BGN 5,476 thousand and it is below the amount of registered equity. As stated in note 19 as of December 31, 2015 the Company is exposed to a high liquidity risk for a period of 12 months. These facts indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

As of the date of the Financial Statement for the year ended at December 31, 2015 the shareholders of the Company are in process of negotiation regarding transferring the majority shares to the minority shareholder Horizont-Ivanov EOOD. If there is no non-binding offer submitted by Horizont-Ivanov EOOD until May 27, 2016 for the purchase of the shares of the majority shareholder or the offer is not accepted by the majority shareholder, the Board of Directors to immediately resolve on convocation of new General Meeting to resolve on termination of the Company and opening of insolvency proceedings.

### **2.3 Functional and presentation currency**

In accordance with the Bulgarian accounting legislation, the Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria – Bulgarian lev (BGN), which effective January 1, 1999 is pegged to the euro at BGN 1.95583 = EUR 1.

These financial statements are prepared in thousand Bulgarian leva (BGN'000).

### **2.4 Accounting assumptions and accounting estimates**

The preparation of financial statements in compliance with the IFRS requires management to apply certain accounting assumptions and accounting estimates that affect the reported value of assets, liabilities and disclosures of contingent assets and liabilities as at the date of the reporting period, as well as the reported value of income and expenses for the reported period. They all are based on the best estimate of the management as at the date of preparation of the financial statements. The actual results could differ from those specified in the present financial statements.

### **2.5 Accounting principles**

These financial statements have been prepared in accordance with the principles, historical cost convention and applying the same accounting policy in the reporting periods.

## **3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS**

### **3.1 Property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets are presented at historical cost less accumulated depreciation and impairment loss. Historical cost of property, plant and equipment and intangible assets includes purchase cost and all expenses directly incurred at the acquisition of the asset.

Subsequent expenses are added to the asset's carrying amount or are reported as a separate asset only when it is expected that the Company will receive future economic benefits related to the use of the asset and when their carrying amount can be reliably determined. All other maintenance and repair expenses are recorded in the statement of comprehensive income (through profit or loss) at the time they were incurred.

### 3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 3.1 Property, plant and equipment and intangible assets

Depreciation of other property, plant and equipment is accrued using the straight-line method by applying depreciation rate calculated on the basis of the remaining useful life of the asset. Based on the management's estimation of the useful life of the assets the following groups are adopted:

- |  |   |
|--|---|
| • Building   | 40 years                                  |
| • Computer equipment and software                                  | 2 years                                   |
| • High and Low Profiling (roll forming) machines and cassette line | 15 years                                  |
| • Production equipment   | from 3,33 to 25 years<br>(for the cranes) |
| • Vehicles   | 5 years                                   |

The residual value and the useful life are subject to review and, if necessary, as of each date of preparation of the financial statements the respective adjustments are performed.

The carrying amount of property, plant and equipment is subject to impairment review when there are events or changes in the circumstances which show that the carrying amount could differ constantly from their recoverable amount. If there are such indications that the approximate recoverable amount is lower than their carrying amount, then the latter is written-off to the recoverable amount of the assets.

The recoverable amount of property, plant and equipment is the higher: fair value less costs to sale or the value in use. In order to determine the value in use of assets future cash flows are discounted to their present value by applying discount rate prior to taxation which reflects the current market conditions and estimations of the timely value of cash and the risks specific for the respective asset. Impairment losses are reported directly in the statement of comprehensive income.

#### 3.2 Inventories

Initially inventories are recognized at cost, which comprise the purchase price, import duties and customs charges, as well as other expenses related to the delivery. Subsequently, inventories are measured at the lower of cost and the net realizable value. The net realizable value is the sale price in the normal course of activity less the completion and sale costs. Inventories are valued upon consumption (writing off) by applying the weighted average cost method.

In 2015 management defines a normal production capacity, representing the expected average production for several periods at normal conditions. The classification of fixed general expenses to the processing expenses is based on the normal capacity of the production. The amount of the permanent general expenses, accrued for each production item does not increase as a result of a lower production volume or when the company is in stagnation. Non-allocated general expenses are recognized in the period they occur. This principal is applied to the financial statements as of 2015.

#### 3.3 Financial instruments

##### *IFRS 13 Fair value measurement*

IFRS 13 is applied when other IFRS requires or allows fair value measurement or fair value measurement disclosure of both financial instruments and non-financial items. The standard is not applicable to transactions with share-based payments that are within the scope of IFRS 2 "Share-based payment", lease transactions that are within the scope of IAS 17 "Leases", as well as measurements that have some similarities to fair value but are not a fair value - net realizable value for the purposes of measuring inventories in accordance with IAS 2 "Inventories" or value in use for impairment assessment purposes, in accordance with IAS 36 "Impairment of assets".

### **3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS (CONTINUED)**

#### **3.3 Financial instruments (continued)**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

##### **3.3.1 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and cash in banks, as well as cash in transfer and short-term, easily convertible and highly liquid investments that are exposed to an insignificant risk of changes in their value.

##### **3.3.2 Trade payables**

Current liabilities are measured at the cost they are expected to be settled in future.

##### **3.3.3 Loans**

Loans are initially recognized at fair value. After initial recognition they are measured at amortized cost determined by applying the effective interest rate. All types of fees, commissions and other expenses, including discount and premiums associated with the loan, are included when calculating the amortized costs.

The Company should follow special contractual conditions for loans received from related parties. When there is non-compliance with these contractual conditions the loans become due earlier and are presented as short-term loans.

#### **3.4 Equity**

Equity consists of share capital which is stated at historical cost and is fully paid in.

#### **3.5 Income and expense recognition**

Income and expenses are accounted for on an accrual basis, regardless of cash receipts and payments. They are reported in compliance with the matching concept. Income is recognized at the fair value of the consideration received or expected to be received, less the amount of all discounts.

Upon sales of production, goods and materials income is recognized when all material risks and benefits from the ownership of goods are transferred to the buyer.

When the transaction result from service providing could be reliably measured, income is recognized depending on the phase of completeness of the transaction at the end of the reporting period. In case the result cannot be reliably measured income is recognized only to the extent that the incurred expenses are recoverable.

#### **3.6 Finance income and expenses**

Net finance income/(costs) include income from and expenses for interests on loans, net profit (loss) from operations in foreign currency. Loan expenses that could be directly referred to an asset for which the process of acquisition, building and production before its intended use or sale takes considerable time should be capitalized as part of the value of the asset. All other finance income and costs are recognized through profit or loss for all instruments measured at amortized cost using the effective interest method.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

All amounts are in thousands Bulgarian levs unless otherwise stated

**3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS (CONTINUED)****3.7 Taxation**

Income tax expenses comprise the amount of current and deferred taxes. The current taxes due are calculated on the basis of the annual taxable profit. The taxable annual profit is different from the profit reported in the financial statements since some revenue and expenditure items, taxable or deductible in other periods, as well as some items that are not taxable or deductible, are excluded from its amount. The Company's current tax liability is determined on the basis of the tax rate effective at the reporting date.

Deferred taxes are recognized for all differences between the tax base of assets and liabilities, used to calculate the taxable profit, and their carrying amount specified in the financial statements by applying the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and they are impaired to the extent to which it is foreseeable that there will be no sufficient taxable profit to allow the realization of the deferred tax asset in full or in part.

Deferred taxes are calculated at tax rates that are expected to be applicable for the period in which the tax assets are realized or the tax liabilities settled. Deferred taxes are included in the profit or loss except when the taxes arise from transactions or events which are credited or charged directly to equity. In such cases deferred taxes are recognized directly in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

**4. REVENUE**

	Year ended 31.12.2015	Year ended 31.12.2014
Income from sales of products	1,747	2,455
Income from sales of goods	93	257
Income from services	8	11
<b>TOTAL</b>	<b>1,848</b>	<b>2,723</b>

**5. COST OF SALES**

	Year ended 31.12.2015	Year ended 31.12.2014
Cost of materials used in production	1,653	2,232
Book value of sold goods	86	229
Salaries and social security to production employees	16	34
Depreciation/Amortization	132	176
Other direct production expenses	55	69
<b>TOTAL</b>	<b>1,942</b>	<b>2,740</b>

**6. OTHER INCOME**

	Year ended 31.12.2015	Year ended 31.12.2014
Sales of materials	526	629
Cost of materials sold	(504)	(657)
<b>TOTAL</b>	<b>22</b>	<b>(28)</b>

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**7. SALES EXPENSES**

	Year ended 31.12.2015	Year ended 31.12.2014
Vehicle maintenance and fuel	17	24
Depreciation/Amortization	-	6
Participations in fairs	-	-
Business trips expenses	5	7
Shipping of finished goods sold	10	93
Advertising materials and services	-	1
<b>TOTAL</b>	<b>32</b>	<b>131</b>

**8. ADMINISTRATIVE EXPENSES**

	Year ended 31.12.2015	Year ended 31.12.2014
Salaries and social security – administrative staff	129	151
Depreciation/Amortization – manufacturing	268	226
Salaries and social security - manufacturing	32	43
Legal services	6	8
Audit services	11	16
Consulting services	-	-
Telecommunication services	7	12
Representative expenses including taxation	1	1
Depreciation/Amortization - administrative staff	-	-
Expenses for central office TS Europe	59	33
Other administrative expenses	103	148
<b>TOTAL</b>	<b>616</b>	<b>638</b>

Other administrative expenses for 2015 include mainly expenses for the activity of the Production Director and Production Coordinator at the amount of BGN 23 thousand, building tax and garbage fee of BGN 33 thousand, insurance for industrial fire at the amount of BGN 2 thousand, expenses for security of BGN 29 thousand and other administrative expenses of BGN 16 thousand.

**9. FINANCE COSTS, NET**

	Year ended 31.12.2015	Year ended 31.12.2014
Interest on loans	400	432
Foreign exchange rate losses	42	23
Foreign exchange rate gains	(27)	(9)
Other finance costs	5	5
	<b>420</b>	<b>451</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

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**10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

	Land and buildings	Machines and equipment	Computers and software	Vehicles	Total
<i>Cost</i>					
As of December 31, 2013	6,423	4,219	18	141	10,801
As of December 31, 2014	6,423	4,219	18	141	10,801
As of December 31, 2015	6,423	4,219	18	141	10,801
<i>Depreciation/ amortization</i>					
As of December 31, 2013	(536)	(1,205)	(18)	(131)	(1,890)
Depreciation charged for 2014	(140)	(261)	-	(10)	(411)
As of December 31, 2014	(676)	(1,466)	(18)	(141)	(2,301)
Depreciation charged for 2015	(140)	(260)	-	-	(400)
As of December 31, 2015	(816)	(1,726)	(18)	(141)	(2,701)
<i>Net book value</i>					
As of December 31, 2014	5,747	2,753	-	-	8,500
As of December 31, 2015	5,607	2,493	-	-	8,100

**11. INVENTORIES**

	As of 31.12.2015	As of 31.12.2014
Basic materials	154	535
Impairment of auxiliary materials	-	(9)
Auxiliary and other materials	38	31
Finished goods	3	31
TOTAL	195	588

**12. TRADE RECEIVABLES**

	As of 31.12.2015	As of 31.12.2014
Receivables from customers	651	1,353
<i>Incl. related party receivables (Horizont Ivanov)</i>	641	739
Provision for doubtful and bad debts	-	(509)
TOTAL	651	844

An age analysis of overdue, but not impaired receivables is presented in the table below:

	As of 31.12.2015	As of 31.12.2014
Up to 30 days	1	58
31 – 120 days	93	39
121 - 360 days	31	-
Over 361 days	526	747
	651	844

The Company's management believes that the value at which the trade receivables are presented in the statement of financial condition is equal to their fair value as of December 31, 2015 and 2014.

As of the date of authorization for issue of these financial statements BGN 1 thousand of total overdue, but not impaired receivables has been paid.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

All amounts are in thousands Bulgarian levs unless otherwise stated

**13. OTHER RECEIVABLES**

In 2015, the Company has disclosed as other receivables the amount of BGN 37 thousand which represent state taxes paid and attorneys' fees for filing civil and executive lawsuits against Steel International Centre SRL – Romania.. The amount of material interest in this case is EUR 260 thousand.

	As of 31.12.2015	As of 31.12.2014
Recoverable VAT	-	-
Receivables on legal proceedings - fees for filing lawsuits	37	37
<b>TOTAL</b>	<b>37</b>	<b>37</b>

**14. CASH AND CASH EQUIVALENTS**

	As of 31.12.2015	As of 31.12.2014
Cash on hand	6	4
Cash at banks	116	292
<b>TOTAL</b>	<b>122</b>	<b>296</b>

**15. SHARE CAPITAL**

The share capital of the Company as of December 31, 2015 amounts to BGN 1,169,330 and is distributed into 1,169,330 shares with a nominal value of BGN 1 each.

As of December 31, 2015 the shareholders' equity is distributed, as follows in BGN thousands:

Shareholder	Registered capital	Paid-in capital
Fischer Profil GmbH	760	760
Horizont – Ivanov EOOD	409	409
<b>TOTAL</b>	<b>1,169</b>	<b>1,169</b>

**16. LOANS**

	As of 31.12.2015	As of 31.12.2014
<i>Short-term liabilities on related party loans</i>		
Long-term loans classified as short-term received from Tata Steel Belgium Services	-	-
Short-term loan received from Tata Steel Belgium Services	4,694	4,694
Short-term portion of long-term loan received from Tata Steel Belgium Services	3,717	3,717
Short-term loan received from Fischer Profil GmbH Germany	2,542	2,542
<b>TOTAL</b>	<b>10,953</b>	<b>10,953</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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**16. LOANS (CONTINUED)**

In 2008 the Company signed two agreements with Corus International Services Belgium (present name Tata Steel Belgium Services). The first one represents a long-term loan at the maximum amount of BGN 4,107 thousand, fully utilized by the Company as of December 31, 2008. The contracted interest rate is based on market indices plus a fixed margin of 2.25%. According to the terms and conditions of the agreement the loan shall be paid in seven equal annual payments. The first payment is due a year after the loan utilization and the last one is due in September 2015. All machines and equipment owned by the Company for the period of the loan have been pledged as collateral to secure the loan. In 2010, after an analysis of the investment expenses, the Company negotiated with the borrower the final tranche of the credit facility amounting to EUR 1,300 thousand to be transformed as a long-term loan with maturity date on September 15, 2015. As at December 31, 2015 the Loan has not been repaid by the Company.

The second loan agreement signed with Tata Steel Belgium Services represents a credit facility at a maximum amount of BGN 7,237 thousand (EUR 3,700 thousand) that expires in March 2014. The Company's liability as of December 31, 2014 and 2013 under this loan facility amounts to BGN 4,694 thousand. The contracted interest is based on EURIBOR plus a fixed margin of 1.75% changed to 3.25% effective as of April 28, 2009. The change is a result of the negative assessment of the creditworthiness of the Company related to its negative equity. The assessment was made after the financial year end as of March 31, 2009. According to the agreement the utilized amounts are due within a period of 15 days and three months. All inventories owned by the Company during the period of the loan facility have been pledged as collateral to secure the loan.

The loan agreement with Fischer Profil GmbH at the amount of BGN 1,300 thousand resulted from the aggregation of several short-term loans granted by the majority shareholder of the Company as follows: EUR 250 thousand granted in 2009, EUR 300 thousand granted on January 22, 2010, EUR 250 thousand granted on March 30, 2010 and EUR 500 thousand – on July 31, 2010. The interest rate is based on EURIBOR plus a 3.25% margin (applicable margin as set by Central Treasury of the Group). The loan matures on March 31, 2014. As at December 31, 2015 the Loan has not been repaid by the Company.

**17. TRADE AND OTHER PAYABLES**

	As of 31.12.2015	As of 31.12.2014
Payables to suppliers	3,324	3,463
<i>including payables to related parties (note 20)</i>	3,315	3,247
Payables on advances from customers	1	24
Payables on loan interests (note 20)	285	122
VAT payables	-	14
Payables to employees	13	17
<i>including payables on unused annual leaves according to IAS 19</i>	2	3
Payables on employees' income tax	1	2
Payables on social security	3	5
<i>including payables on unused annual leaves according to IAS 19</i>	-	-
Payables to the shareholders	1	1
<b>TOTAL</b>	<b>3,628</b>	<b>3,648</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

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**18. TAXATION**

Effective tax rate reconciliation is presented in the following table:

	As of 31.12.2015	As of 31.12.2014
Accounting loss before tax	(1,140)	(1,265)
Applicable tax rate	10%	10%
Tax benefit at applicable tax rate	114	127
Effect of non-deductible and not taxable items		
Unrecognized deferred tax assets from temporary differences	(27)	(81)
Unrecognized deferred tax assets from tax loss	(87)	(46)
Result of income tax recognized in the statement of comprehensive income	-	-

The Company apply tax rate determined by the Corporate Income Tax Law, effective from January 1, 2007 and set to 10%.

Deferred tax assets related to provisions and unused tax losses are not recognized as of December 31, 2015 due to lack of convincing evidence that there will be sufficient taxable profits in the next five years, against which the unused tax loss to be realized. The accumulated tax loss in 2015 may be utilized by 2020.

Accumulated tax losses as of December 31, 2015 are as follows:

Originated in	Amount	Tax effect (10% tax rate)	Expiring in
2011	396	40	2016
2012	154	15	2017
2013	356	35	2018
2014	457	46	2019
2015	867	87	2020
<b>TOTAL</b>	<b>2,230</b>	<b>223</b>	

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

In the normal course of its operations, the Company is exposed to currency, interest rate risk, capital and liquidity risk.

**Currency risk**

Currency risk is the risk that the financial instruments' value may change due to changes in foreign exchange rates.

For the year ended December 31, 2015 the Company is exposed to limited currency risk due to changes in the exchange rate of the British pound originating from exposures denominated in that foreign currency. The Company uses no special financial instruments for risk hedging.

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****Currency risk (continued)**

As of December 31, 2015 the Company's liabilities in original currency are, as follows (in thousands):

	EUR	GBP	USD	BGN	Total BGN'000
Trade payables	1,698	106	-	7	3,608
Loans	5,600	-	-	-	10,953

The following foreign exchange rates are used during the period:

	EUR	GBP
Average foreign exchange rate for the period January 1 - December 31, 2015	1.95583	2.61032
Foreign exchange rate as of the date of the statement of financial position	1,95583	2.65021

As of December 31, 2014 the Company's liabilities in original currency are, as follows (in thousands):

	EUR	GBP	USD	BGN	Total BGN'000
Trade payables	1,694	93	-	40	3,585
Loans	5,600	-	-	-	10,953

The following foreign exchange rates are used during the period:

	EUR	GBP
Average foreign exchange rate for the period January 1 - December 31, 2014	1.95583	2.42642
Foreign exchange rate as of the date of the statement of financial position	1,95583	2,5001

**Sensitivity analysis**

The Company believes it is exposed to insignificant currency risk and a possible 10% increase in the foreign exchange rates as of December 31, 2015 would not raise materially the respective finance costs.

The Bulgarian lev (BGN), is pegged to the euro at BGN 1.95583 = EUR 1 since January 1, 1999.

**Interest rate risk**

The interest rate risk is the risk that the value of financial instruments may change due to a change in market interest rates or that interest income and expenses deriving from the financial instruments with floating interest rate may change due to a change in the chosen base rate.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****Interest rate risk (continued)**

The Company is exposed to interest rate risk because of its long and short-term loans with a floating interest rate.

Interest rate analysis as of December 31, 2015

December 31, 2015	Non-interest bearing	Floating interest %	Fixed interest %	Total
<i>Financial assets</i>				
Cash and cash equivalents	122	-	-	122
<i>Financial liabilities</i>				
Loans received	-	10,953	-	10,953
Trade and other payables	3,628	-	-	3,628
Financial liabilities at amortized cost	3,750	10,953	-	14,581

Interest rate analysis as of December 31, 2014

31 December, 2014	Non-interest bearing	Floating interest %	Fixed interest %	Total
<i>Financial assets</i>				
Cash and cash equivalents	296	-	-	296
<i>Financial liabilities</i>				
Loans received	-	10,953	-	10,953
Trade and other payables	3,648	-	-	3,648
Financial liabilities at amortized cost	3,648	10,953	-	14,601

If the floating interest increase by 0.5% in 2015 that would increase the interest expenses for the year and respectively increase the loss at the amount of BGN 54 thousand, and vice versa, if the interest decrease by 0.5%.

**Credit risk**

The Company is exposed to credit risk in case the customers fail to settle their obligations.

**Liquidity risk**

Liquidity risk arises from negative situations in which the Company is unable to meet unconditionally all its liabilities on their maturity date. The Company is not affected by liquidity shortage. The Company's external sources of financing include related parties of Corus Group and other regular partners. To minimize the liquidity risk, the Company uses a system of alternative mechanisms for operation and forecasts, the ultimate effect of which is the maintenance of good liquidity and, respectively, the financing of its main activity. In addition the Company performs regular monitoring of maturity of assets and liabilities and control over cash outflows.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****Liquidity risk (continued)**

The Company's liabilities, analyzed as of December 31, 2015 as per their residual term at the reporting date are, as follows:

December 31, 2015	On demand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Total
Payables to suppliers	-	3,280	329	-	-	3,609
Loans received	-	-	10,953	-	-	10,953
<b>Total financial liabilities</b>	<b>-</b>	<b>3,280</b>	<b>11,282</b>	<b>-</b>	<b>-</b>	<b>14,562</b>

The Company's liabilities, analyzed as of December 31, 2014 as per their residual term at the reporting date are, as follows:

December 31, 2014	On demand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Total
Payables to suppliers	-	3,449	136	-	-	3,585
Loans received	-	-	10,953	-	-	10,953
<b>Total financial liabilities</b>	<b>-</b>	<b>3,449</b>	<b>11,089</b>	<b>-</b>	<b>-</b>	<b>14,538</b>

As of December 31, 2015 the Company is exposed to liquidity risk for period within 12 months. The Company's management plans to restructure loans received from related parties and considers increasing the share capital.

**Capital risk**

The Company manages its capital for the purpose of carrying out its operations as a going concern and to secure its future development.

The capital structure of the Company consists of long-term loans (note 16), cash and cash equivalents (note 14) and equity, comprising share capital and accumulated loss.

**Fair value measurement**

Fair value is defined as the amount for which an asset can be exchanged or a liability settled, between knowledgeable, willing and informed parties in an arm's length transaction.

The Company's financial assets comprise mainly trade receivables and cash at bank current bank accounts due to which it is considered the carrying amount approximates their fair value. Financial liabilities of the Company mainly consist of loans and trade payables due to which it is considered the carrying amount approximates their fair value.

The Company's management considers that at the existing circumstances the presented in the statement of financial position valuations of assets and liabilities are the most reliable, adequate and fair for financial reporting.

**19. RELATED PARTY TRANSACTIONS**

As of December 31, 2015 and 2014 the Company has the following related party transactions:

- Tata Steel Belgium Services, Belgium
- Horizont – Ivanov EOOD
- Fischer Profil GmbH
- Tata Steel IJmuiden – The Netherlands
- Corus Metal San – Turkey
- Tata Steel UK
- Montana Bausysteme – Switzerland
- Tata Steel Netherland Services – the Netherlands

As of December 31, 2015 and 2014 receivables and payables to related parties are as follows:

Type of transaction	Related party	As of 31.12.2015	As of 31.12.2014
<b>LONG-TERM AND SHORT-TERM PAYABLES</b>			
Payables on loans received	Tata Steel Belgium Services	8,410	8,410
Payables on loans received	Fischer Profil GmbH	2,542	2,542
Interest payables	Tata Steel Belgium Services	178	55
Interest payables	Fischer Profil GmbH	107	67
	Tata Steel IJmuiden. –		
Payables for delivered materials	The Netherlands	2,961	2,961
Payables for delivered materials	Corus Metal San Turkey	35	209
Payables for delivered materials	Fischer Profil GmbH	-	30
Expenses Head office	Tata Steel Netherland Services	197	186
Expenses Head office	Tata Steel UK	83	47
		14,513	14,507
<b>SHORT-TERM RECEIVABLES</b>			
Receivables on sales of finished goods	Horizont – Ivanov EOOD	641	739
		641	739

For the year ended December 31, 2015, the Company has accrued remunerations of the key management personnel at the amount of BGN 109 thousand (2014: 131 thousand).

**20. EVENTS AFTER THE REPORTING PERIOD END**

As of the date of the Financial Statement for the year ended at December 31, 2015 the shareholders of the Company are in process of negotiation regarding transferring the majority shares to the minority shareholder Horizont-Ivanov EOOD. If there is no non-binding offer submitted by Horizont-Ivanov EOOD until May 27, 2016 for the purchase of the shares of the majority shareholder or the offer is not accepted by the majority shareholder, the Board of Directors to immediately resolve on convocation of new General Meeting to resolve on termination of the Company and opening of insolvency proceedings (see note 2.2).