

Free Translation of the Original German Audit Report

**Report on the audit of the annual financial
statements and the management report
for the financial year
from 1 April 2015 to
31 March 2016
of
Catnic GmbH
Sinsheim**

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Please note that small deviations may occur due to the commercial rounding of figures and percentages.

LIST OF ABBREVIATIONS

Abbreviations

AktG
ATZG
AuS
BiMoG
EStG
GmbHG
HGB
HGrG
PublG

English translation of German law

German Stock Corporation Act
German Partial Retirement Act
Audit Standard
Accounting Law Modernisation Act
Income Tax Act
Limited Liability Company Act
German Commercial Code
Budgetary Principles Act
German Disclosure Act

I. AUDIT ENGAGEMENT

At the shareholders' meeting of

Catnic GmbH, Sinsheim
(hereinafter also referred to as "Catnic" or "company")

we were appointed the auditor for the financial year from 1 April 2015 to 31 March 2016. Thereupon, the management of the company engaged us to audit the annual financial statements including the bookkeeping and the management report for the financial year from 1 April 2015 to 31 March 2016 in accordance with § 316 et seqq. of the HGB.

In accordance with § 321(4a) of the HGB we confirm that we observed the applicable independence requirements while auditing the annual financial statements.

The company is a medium-sized corporation as defined in the commercial law regulations.

We have prepared this audit report in accordance with the German generally accepted standards for reporting on the audits of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e. V. [Institute of Public Auditors in Germany], Düsseldorf, (IDW AuS 450).

The performance of the audit and our responsibility - also towards third parties - are governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (Public Audit Firms) as amended on January 1, 2002, as attached to this report in Appendix IV.

II. GENERAL STATEMENTS

1. Position of the company

1.a) Comments on the legal representatives' assessment of the company's position

From the annual financial statements and management report prepared by the management, we would like to point out the following statements that we believe are of particular importance for assessing the economic position of the company:

Economic position and course of business

1. The previous year's gross profit was not achieved due to increased freight costs and higher purchasing prices (aluminum), which could not be recharged in view of the market situation
2. The company's profit situation was in decline. In the reporting year, the annual net profits were 216 thousand euros, which represents a reduction of 58.5 percent compared to the previous year.
3. The company had sufficient liquid assets at its disposal, both on the accounting date and at all other times throughout the fiscal year. There are currently no risks with regard to liquidity.

As auditors of the company, we comment on these statements as follows:

- Ad 1. The gross profit is almost the same like last year. The slight decline is a result of a disproportionate rise by the cost of materials ratio.
- Ad 2. The negative development in the company's profit situation is due to higher personnel expenses as well as higher other operating expenses. While the increase in other operating expenses can be attributed to higher distribution costs in connection with the higher sales figures, the increase in personnel expenses was caused by an increase in the number of warehouse employees.
- Ad 3. Bank balances amount to 1,001 thousand euros as at 31 March 2016. The decrease of 618 KEUR in liquid capital is due to an increase in a short-term awarded loan as well as the expansion of accounts receivable by L & L and stock levels.

Future development including significant opportunities and risks

1. With regard to the completion of residential construction projects, HEINZE predicts slight growth in the on-going fiscal year 2016. This projection is based on the positive trends in residential building permits, the number of which will again rise slightly in the current fiscal year. Accordingly, the company does not anticipate either the profits or the operative income to be significantly lower in comparison to the reporting year, and expects to see an operative income of at least 432 thousand euros.
2. Should the global turbulences on the financial markets intensify, and should this weaken the economy, it could have a negative impact on the customers' financial situations, thus reducing demand. This scenario could in turn jeopardise the company's profits.

As auditors of the company, we comment on these statements as follows:

- Ad 1. The forecast of the company does not conflict with the information available on the the sector related growth forecasts, the existing orders and the development in construction approvals. In Germany, the GDP is expected to grow by 2.0% in 2016 and 2.2% in 2017.
- Ad 2. The risks described are regular sector-specific risks depending on the overall economic development.

Summarised assessment

As auditors of the company, we believe that the presentation and assessment of the position of the company as well as the assessment of its future development including its significant opportunities and risks as set forth in the annual financial statements and the management report as prepared by the management are suitable.

III. SUBJECT, NATURE AND SCOPE OF THE AUDIT

1. Subject of the audit

The subject of our audit was the accounting and the annual financial statements – comprising the balance sheet, the income statement and the notes to the annual financial statements – prepared in accordance with German commercial law and the management report of the company.

The management is responsible for the accounting and the information provided to us. Our responsibility is to evaluate these documents as well as the information provided to us in the scope of our audit, thereby including the bookkeeping and the underlying documents.

2. Nature and scope of the audit

We conducted the audit in accordance with § 316 et seqq. of the HGB and with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of a company's net assets, financial position and results of operations in the annual financial statements prepared in accordance with German principles of proper accounting standards and the management report are detected with reasonable assurance.

The starting point of our audit was the annual financial statements as of 31 March 2016 prepared by tax company Liducia Treuhand GmbH Steuerberatungsgesellschaft and adopted by the shareholders.

Our risk based audit approach, which also complies with international auditing standards, is based on the development of an audit strategy. The risk assessment thereby required is based on assessing the company's position, business risks and environment as well as the accounting-related internal control system of the company.

While assessing the risk of material misstatements in the annual financial statements and the management report, we identified and assessed risks at both the financial statement level as well as at the assertion level. Moreover, we categorised these risks into different types of risks, highlighting significant risks requiring special consideration during the audit and risks for which substantive procedures alone do not provide sufficient audit evidence. By definition in the auditing standards, significant risks also include the risk of management overriding controls as well as the risk of fraud in revenue recognition.

On the basis of our risk assessment, we determined the relevant audit areas and criteria (financial statement assertions) as well as the key audit areas and developed audit programmes. The nature and scope of the various audit procedures were detailed in the audit programmes.

The audit procedures for obtaining audit evidence comprised substantive analytical procedures and test of details (other substantive procedures).

As key audit areas, we determined the following:

- Audit of the financial reporting closing process
- Audit of the receivables
- Completeness and valuation of other provisions
- Audit of the cut-off in revenue recognition

In order to assess the accounting-related internal control system over the company's financial reporting, we evaluated the design and implementation of the accounting-related controls.

The insights we gained from assessing the accounting-related internal control system were used for assessing the risks of material misstatements in the annual financial statements and the management report and for selecting the nature, extent and timing of the analytical audit procedures and tests of details to be performed for the individual audit areas and criteria.

Sampling was used for performing tests of details. The selection of the samples was based on the understanding we had obtained from assessing the accounting-related internal control system as well as our understanding of the nature and extent of the transactions.

We did not observe the physical inventory count because we were appointed as the auditor of the company's annual financial statements after the process had already been completed. We obtained sufficient and appropriate audit evidence regarding the existence, the completeness and the nature of the inventories through alternative audit procedures.

In the scope of the tests of details, we obtained bank balance confirmations or statements and third-party information on a sample basis from customers and suppliers as well as from banks.

In the scope of our audit of the management report, we examined whether the company's management report was consistent with the annual financial statements and with the findings we had made during the course of our audit. Furthermore, we audited whether the management report, as a whole, provided a suitable view of the company's position and suitably presented the opportunities and risks of future development.

We performed the audit during the month of May 2016.

The management of the company provided us with all information and evidence requested and confirmed their completeness as well as the completeness of the bookkeeping and the annual financial statements and the management report in a written letter of representation dated 13 May 2016.

IV. ACCOUNTING-RELATED FINDINGS AND EXPLANATIONS

1. Propriety of accounting

1.a) Bookkeeping and other audited documents

We found that the bookkeeping complied with legal regulations including the German principles of proper accounting. The information taken from the other audited documents were properly shown in the bookkeeping and in the annual financial statements and in the management report.

According to our findings, the accounting-related internal control system is, in principle, suitable to ensure the complete and proper recording, the processing, the documenting and the storing of the bookkeeping.

1.b) Annual financial statements

The annual financial statements for the financial year from 1 April 2015 to 31 March 2016 audited by us are attached to this report in Appendix I. In our opinion based on the findings of our audit, they comply with the legal requirements including the German principles of proper accounting.

In preparing the annual financial statements, the legal representatives made appropriate use of the size-related exemptions given in §§ 276, 288 of the HGB.

By making use of the protection clause of § 286(4) of the HGB, the notes to the annual financial statements do not contain any disclosures of the remuneration received by any of the members of the company's governing bodies as required in § 285(9a) of the HGB. The protection clause has been rightfully claimed.

Balance sheet and income statement were properly derived from the bookkeeping and the audited underlying documents. The opening balance sheet figures were properly carried over from the prior year's annual financial statements. The recognition, presentation and measurement regulations applicable for corporations as stated in § 264a (1) of the HGB were adhered to. The notes to the annual financial statements include the required disclosures for the individual items of the balance sheet and the income statement and with the exception of the disclosure of executive remuneration reflect other mandatory information disclosures accurately and completely.

1.c) Management report

The management report for the financial year 2015/2016 audited by us is attached to this report in Appendix II. It complies with the legal requirements. The management report is consistent with the annual financial statements and the findings we made in the course of our audit and, as a whole, provides a suitable view of the company's position. The significant opportunities and risks of future development are suitably presented and the disclosures made in accordance with § 289(2) and (4) of the HGB are complete and suitable.

2. Overall conclusion of the annual financial statements

In preparing the annual financial statements, there is a scope of given legal options requiring a number of accounting and measurement decisions on the part of the management of the company. In accordance with § 321(2) sentence 4 of the HGB, we comment on the material measurement bases as well as on the effects that changes in the measurement bases including the utilisation of scopes of discretion and structuring measures have overall on the company's net assets, the financial position and the results of operations.

2.a) Material measurement bases

In accordance with § 284 of the HGB, the accounting policies and the measurement methods including any changes therein made during the reporting period are described in the notes to the annual financial statements (Appendix I).

In the following we point out those accounting policies and measurement methods that we believe to be material:

Fixed assets were assessed at their purchase / manufacturing prices minus allowances for depreciation. These allowances were calculated on the basis of the assets' projected period of use and in keeping with applicable taxation regulations in a linear progression.

The inventory was assessed at the respective purchase / manufacturing prices. If the daily values were lower on the accounting date, these lower values were used.

Principally speaking, the assessment of accounts receivable was performed on the basis of nominal value. All clearly recognisable non-payment risks were reflected in the form of individual value adjustments. To better reflect general credit risks, a blanket value adjustment was also applied to other receivables from deliveries and services, amounting to 1% of the nominal value less VAT.

Provisions are listed with corresponding values in keeping with reasonable estimates. Generally speaking, provisions with a remaining term of more than one year were discounted with the average market interest rate for their remaining term.

Accounts payable were assessed at the amount to be repaid.

Assets included in the year-end account that are listed in or involve foreign currencies were converted to euros using the average exchange rates on the end of accounting date.

2.b) Findings regarding the overall conclusion of the annual financial statements

Our audit has led to the conclusion that, as a whole, the annual financial statements give a true and fair view of the company's net assets, financial position and results of operations in accordance with German principles of proper accounting.

V. THE AUDITOR'S REPORT

We have issued an unqualified auditor's report on the annual financial statements and the management report of Catnic GmbH, Sinsheim, for the financial year from 1 April 2015 to 31 March 2016 and signed in Karlsruhe on 13 May 2016, as attached to this report in Appendices I (Annual Financial Statements) and II (Management Report). The translation of the original German auditor's report states as follows:

"Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Catnic GmbH, Sinsheim, for the business year from 1 April 2015 to 31 March 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development."

FREE TRANSLATION OF THE ORIGINAL GERMAN AUDIT REPORT
FOR THE FINANCIAL YEAR FROM 1 APRIL 2015 TO 31 MARCH 2016 OF
CATNIC GMBH, SINSHEIM

We issued this report on the audit of the annual financial statements and the management report for the financial year from 1 April 2015 to 31 March 2016 of Catnic GmbH, Sinsheim, in accordance with the legal requirements and German generally accepted standards for reporting on audits of financial statements.

Karlsruhe, 13 May 2016

INTEGRAL-TREUHAND AG
Wirtschaftsprüfungsgesellschaft



A handwritten signature in blue ink, appearing to read 'Marcus Spanrunft'.

Marcus Spanrunft
Wirtschaftsprüfer
(German Public Auditor)

APPENDICES

Profit and Loss account from 01/04/2015 to 31/03/2016

Catnic GmbH Produktion von und Handel mit Baustoffen aller Art, 74889 Sinsheim

	Financial year EUR	Prior year EUR
1. Sales	<u>13.237.642,23</u>	<u>12.692.636,95</u>
2. Gross revenue for the period	13.237.642,23	12.692.636,95
3. Other operating income		
a) Ordinary operating income		
Other ordinary income	36.607,56	32.749,59
b) Income from disposal of items of fixed assets and from reversal of write-downs of items of fixed assets	251,59	6.720,05
c) Other income from ordinary activities	<u>30.094,16</u>	<u>20.685,05</u>
	66.953,31	60.154,69
4. Cost of materials		
Cost of raw materials, consumables and supplies and of purchased merchandise	8.495.311,08	7.918.316,19
5. Personnel expenses		
a) Wages and salaries	1.019.910,73	973.073,46
b) Social security, post-employment and other employee benefit costs	<u>461.946,79</u>	<u>440.902,77</u>
	1.481.857,52	1.413.976,23
- of which in respect of old age pensions EUR 17.551,77 (EUR 18.099,94)		
6. Depreciation, amortisation and write-downs		
Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets	54.609,69	53.754,61
7. Other operating expenses		
a) Ordinary operating expenses		
aa) Occupancy costs	229.187,22	223.241,28
ab) Insurance premiums, fees and contributions	13.506,63	23.448,44
ac) Cost of third-party repairs and maintenance	38.960,49	28.124,13
ad) Vehicle fleet expenses	134.664,80	119.759,09
ae) Advertising expenses	214.760,73	200.755,52
af) Selling and distribution expenses	1.781.242,09	1.529.024,41
ag) Miscellaneous other operating expenses	551.665,52	579.934,81
b) Losses on disposal of fixed assets	719,95	47.002,00
c) Losses on write-downs or on disposal of current assets and transfers to valuation allowances on receivables	2.700,00	13.100,00
d) Miscellaneous other ordinary operating expenses	<u>200,00</u>	<u>4.583,73</u>
	2.967.607,43	2.768.973,41
8. Other interest and similar income	607,30	3.860,84
Carry forward	<u>305.817,12</u>	<u>601.632,04</u>

Profit and Loss account from 01/04/2015 to 31/03/2016

Catnic GmbH Produktion von und Handel mit Baustoffen aller Art, 74889 Sinsheim

	Financial year EUR	Prior year EUR
Carry forward	305.817,12	601.632,04
9. Interest and similar expenses	<u>0,00</u>	<u>245,00</u>
10. Result from ordinary activities	305.817,12	601.387,04
11. Extraordinary income	0,00	930.676,62
12. Extraordinary expenses	<u>0,00</u>	<u>820.918,47</u>
13. Extraordinary result	0,00	109.758,15
14. Taxes on income	87.879,56	190.040,20
15. Other taxes	<u>2.441,00</u>	<u>2.334,00</u>
	<u>90.320,56</u>	<u>192.374,20</u>
16. Net income for the financial year	<u><u>215.496,56</u></u>	<u><u>518.770,99</u></u>

Notes to the financial statements

I. General remarks on the year-end account

The financial statements have been prepared on the basis of the classification, accounting and valuation rules of the HGB (German Commercial Code). In addition to these regulations, the provisions of the limited-liability company law have been considered.

As of the reporting date, Catnic GmbH displayed the characteristics of a medium-sized limited-liability company as defined in § 267 Par. 2 of the HGB. In addition to the year-end balance and profit-and-loss statement, the year-end account includes notes as required by § 264 Par. 1 of the HGB. According to § 264 Par. 1 of the HGB, due to the size characteristics, the company is required to prepare a Management Report.

The preparation of financial statements was conducted in accordance with the classification requirements by § 266 following of the HGB.

II. Accounting and assessment methods and notes to the balance sheet

ASSETS

A. Fixed assets

1. Intangible fixed assets

Acquired intangible assets were assessed at their purchase costs and, where depreciation was applicable, allowances were calculated according to standard depreciation rates. The depreciation is calculated using the straight-line method. The expected useful life is 5 years.

2. Tangible fixed assets

Fixed assets were assessed at their purchase / manufacturing prices minus allowances for depreciation. These allowances were calculated on the basis of the assets' projected period of use and in keeping with applicable taxation regulations in a linear progression. The expected useful life is between 2 and 14 years.

Low-value assets with purchase / manufacturing prices of up to 410,00 Euros were fully depreciated in the year of acquisition 2015/2016.

Low-value assets for the period from 01.01.2008 to 31.03.2011, the depreciation per year was carried out with 20.0% of the purchase cost.

B. Current assets

1. Inventories

The inventory was assessed at the respective purchase / manufacturing prices. If the daily values were lower on the accounting date, these lower values were used.

2. Receivables and other assets

All receivables listed in the balance sheet have a term of less than one year, in keeping with the year-end account from the previous year. Other assets include a deposit amounting to 10 thousand euros, which have a term of more than one year.

Principally speaking, the assessment was performed on the basis of nominal value. All clearly recognisable non-payment risks were reflected in the form of individual value adjustments. To better reflect general credit risks, a blanket value adjustment was also applied to other receivables from deliveries and services, amounting to 1% of the nominal value less VAT.

Other assets also include a short-term, interest-bearing credit extended to a sister company, amounting to 1.000 thousand euros.

3. Bank balances

The company's assets include bank deposits amounting to 51 thousand euros, which are not always available.

EQUITY AND LIABILITIES

A. Equity

The share capital amounting to 25.564,59 euros has been paid in full. The 100% shareholder is Catnic Limited, London.

B. Provisions

Provisions are listed with corresponding values in keeping with reasonable estimates. Generally speaking, provisions with a remaining term of more than one year were discounted with the average market interest rate for their remaining term. The other provisions contain provisions worth mentioning for bonus (558 thousand euros), for personnel expenses (65 thousand euros) and management fee (375 thousand euros).

Provisions for taxation were assessed at amounts deemed necessary from the perspective of good business sense for corporate and trade taxes.

C. Liabilities

Accounts payable were assessed at the amount to be repaid.

Assets included in the year-end account that are listed in or involve foreign currencies were converted to euros using the average exchange rates on the end of accounting date.

The liabilities from deliveries and services include liabilities towards the shareholder amounting to 70 thousand euros.

The amount of accounts payable with a remaining term of more than 5 years is 0.0 euros (prior year: 0.0 euros).

The amount of accounts payable with a remaining term of less than 1 year is 830.1 thousand euros (prior year: 550.8 thousand euros).

For the reported amounts in the financial statement liabilities, no collateral was given.

III. Notes to the income statement

In accordance with § 275 Par. 2 of the HGB, the Profit and Loss Statement is structured using total cost accounting.

The other operating expenses comprise expenses related to other fiscal periods of 1 thousand euros.

IV. Supplementary information

1. Management

All company business was managed by Mr Malcolm Boyles, CEO, in the reporting year; no additional decision-making bodies apply for the purposes of the reporting year.

2. Remuneration of management

In accordance with § 286 par. 4 of the HGB, the remuneration of the decision-making bodies must not be specified.

3. Number of employees

The average number of employees during the fiscal year was 27. This includes 18 salaried members of staff and 9 further employees (prior year 24, this includes 18 salaried members of staff and 6 further employees).

4. Contingent liabilities

From its property leasing agreements, the company had leasing expenses amounting to 201 thousand euros (prior year 200 thousand euros) in the fiscal year. In future years, the yearly financial obligations will amount to about the same.

Furthermore, in the course of normal operations the company has concluded leasing agreements for various assets, resulting in expenditures amounting to 61 thousand euros for the reporting year. In future years, the yearly financial obligations will amount to about the same, also due to new contracts for replacements.

5. Group affiliation

The company is a 100% subsidiary of Catnic Limited, London. The Corporate Group Year-end Account will be prepared by Tata Steel, Mumbai.

6. Appropriation of net result

It is proposed to carry forward the net profit in the amount of 215,496.56 euros together with the profit carried forward to new account.

Sinsheim, 13 May 2016

The Senior Management



Signed: Malcolm Boyles

Assets analysis

	book value 01.04.2015	addition	disposal	depreciation	book value 31.03.2016
	Euro	Euro	Euro	Euro	Euro
A. Fixed assets					
I. Intangible fixed assets					
1. Purchased concessions, industrial and similar rights and asstes, and licences in such rights and assets	44.331,00	18.335,25	0,00	22.350,25	40.316,00
Total intangible fixed assets	44.331,00	18.335,25	0,00	22.350,25	40.316,00
II. Tangible fixed assets					
1. Land, land rights and buildings, including buildings on third-party land	9.757,00	0,00	0,00	1.649,00	8.108,00
2. Other equipment, operating and office equipment	98.479,51	78.919,34	7.005,41	30.610,44	139.783,00
Total tangible fixed assets	108.236,51	78.919,34	7.005,41	32.259,44	147.891,00
Total fixed assets	152.567,51	97.254,59	7.005,41	54.609,69	188.207,00

**Management report for the business year
from 1 April 2015 to 31 March 2016**

1. Business and Framework Conditions

General Remarks

Catnic GmbH is part of the globally active Tata Steel AG (incorporated company), based in England, and is specialised in the manufacture of high-quality construction components.

The company's business chiefly involves the sale and distribution of products and systems for dry and prefabricated construction. Its product range above all includes interior and exterior plaster profiles, reveal profiles, thermal insulation profiles, and sealing systems. The company headquarters are in Sinsheim, which is also home to its administrative offices, storage and logistics facilities.

The company is not involved in product development.

General Economic and Sector-specific Framework Conditions

The development of the global economy in 2015/2016 was and is above all shaped by lower oil prices and an expansive monetary policy. Though the political hot spots haven't disappeared, they have become much less of an imminent threat.

As in the past, the growth dynamic continued to primarily stem from the developed economies; though the newly industrialised countries tended to hinder economic growth, the demand from industrialised countries had a stabilising effect on the economies of the newly industrialised countries.

According to HEINZE, the GDP (gross domestic product) in the Euro-Zone recorded 1.5% growth; an additional 1.9% growth is expected for 2017. In Germany, the GDP is expected to grow by 2.0% in the course of 2016, and by 2.2% in 2017.

Accordingly, the economic prospects for 2016 and 2017 remain positive, both for the Euro-Zone and for Germany.

In 2015 and in the ongoing 2016 fiscal year, the main construction trade in Germany has seen a minor rise in the number of projects submitted; as a result, the real construction volumes for the segments residential construction, commercial construction and public construction in 2016 will be ca. 1.6% higher than in the previous year.

The construction permits offer an initial indicator for the development of the construction business in the near future. In our experience, the time between granting of the construction permit and the construction phase relevant for Catnic is normally no longer than a few months.

According to HEINZE, the number of construction permits for residential construction grew in 2015 and will continue to grow in 2016; in 2016 alone, an estimated 300,100 residential projects will be approved. Minor growth is also expected in non-residential construction in 2016 and 2017; the

construction volume in 2016 is estimated at ca. 268 million m³, representing a slight decrease in volume. This is expected to stabilise in 2017.

Field of Business and Development

The development of our own business largely reflects the market trends described above; both the incoming orders and backlog were at very high levels.

Thanks to our nation-wide service and delivery network in Germany, and to the established reputation of the Catnic-Group in neighbouring Western and Eastern European countries, we successfully remained competitive in the reporting year. We were also able to realise our high quality standards in the form of internal monitoring for our processes and product quality.

Both our competitive position and the conditions on our sales and procurement markets remained stable in the reporting year.

The previous year's gross profit was not achieved due to increased freight costs and higher purchasing prices (aluminum), which could not be recharged in view of the market situation.

2. Revenues

As a result, the company's profit situation was in decline. In the reporting year, the annual net profits were 216 thousand euros, which represents a reduction of 58.5 percent compared to the previous year.

The increase in operating expenses can primarily be attributed to higher distribution costs in connection with the increased revenues, and to higher service costs within the Catnic Group.

Personnel expenses rose by 68 thousand euros in the reporting year. This was primarily due to an increase in the number of warehouse employees.

Despite the increased equity, the return on equity decreased slightly from 10.2% in the previous year to 4.1% due to the lower annual net profits.

3. Assets and Financial Situation

The company had sufficient liquid assets at its disposal, both on the accounting date and at all other times throughout the fiscal year. There are currently no risks with regard to liquidity.

The amount of stock in inventory was again kept at a low level. As such, the average days of inventory were only 21 days (21 days in the previous year).

Short-term receivables rose by 780 thousand euros in the reporting year. This was due on the turnover-based rise in receivables from deliveries and the increase of a short term loan.

The decrease of 618 KEUR in liquid capital is due to an increase in a short-term awarded loan as well as the expansion of accounts receivable by L & L and stock levels.

The equity ratio continued stabilised at ca. 71%. This figure, which is extremely conservative, places the company well above all standard levels for its market and sector.

Given the company's excellent liquidity, financial liabilities were paid in a timely manner, taking advantage of prompt-payment discount agreements. As a result, on the end of reporting date our open liabilities for deliveries and services rendered were only 337 thousand euros (138 thousand euros in the previous year).

Summary:

Despite the lower result of operations, we still look back on a successful year 2015/16 as certain expenditures and costs were once-off this year. These expenses are to be seen as an investment for future business. The turnover increased marginally this year once again by just under 3,00%.

4. Supplemental Report

There have been no significant developments to report since the end of the fiscal year.

5. Forecast

The consistently positive growth trends in Germany, declining unemployment rates and rising incomes will also account for moderate growth in the country's construction sector in 2016/2017.

With regard to the completion of residential construction projects, HEINZE predicts slight growth in the ongoing fiscal year 2016. This projection is based on the positive trends in residential building permits, the number of which will again rise slightly in the current fiscal year. Accordingly, we do not anticipate either the profits or the operative income to be significantly lower in comparison to the reporting year, and expect to see an operative income of at least 432 thousand euros.

Our company's position as one of the market leaders in the field of dry and prefabricated construction can be considered secure for the fiscal year 2016/2017.

We will continue to measure up to our competition, thanks to our combination of experience, innovations, dependability and high quality standards.

No significant changes in our business policies are planned.

6. Risks

Sector-specific Risks:

Should the global turbulences on the financial markets intensify, and should this weaken the economy, it could have a negative impact on our customers' financial situations, thus reducing demand. This scenario could in turn jeopardise our profits.

Earnings-oriented Risks:

Given that our products offer true cost benefits and competitive benefits, we believe our risks have declined in this regard.

Financial Risks:

In light of our company's stable situation with regard to liquidity and equity, no liquidity-based risks can be discerned. The company is exclusively financed through equity.

The company's liquidity is highly satisfactory; we do not anticipate any bottlenecks.

Sinsheim, 13 May 2016

The Senior Management

A handwritten signature in black ink, appearing to read 'MB', is positioned to the right of the recipient's name.

Malcolm Boyles

Legal, economic and tax position

Legal position

The company was founded on 12 February 1992. Its registered seat is in Sinsheim. Branch offices do not exist.

The partnership agreement of 21 January 2011 is applicable.

The company is registered with the commercial register of the Mannheim county court under No. HRB 341153.

The business year covers the period from 01 April to 31 March.

The purpose of the company is production and sale of building materials.

The nominal capital amounts to EUR 25.564,59.

The financial statements as of 31 March 2015, prepared by management were adopted by the shareholder meeting.

The management was granted discharge for the business year 2015/16.

The company is a medium-sized company limited by shares in terms of sec 267 para. 2 HGB.

The members of management are listed in the notes (Appendix I).

Economic position

The company operates its business in leased office premises at the registered seat of the company in Sinsheim. The company has no permanent establishments/branch offices.

On average, the company employed the following staff during the business year (the figures do not include management):

	2015/16	2014/15
Clerical employees	18	18
Workers	9	6
Apprentices	0	0
Total	27	24

A company pension scheme does not exist for the employees of the company.

Tax position

The company is subject to corporate income tax in accordance with section 1 of the Körperschaftsteuergesetz (KStG) [German Corporate Income Tax Act].

The company is subject to standard taxation in accordance with sections 16 - 18 of the Umsatzsteuergesetz (UStG) [German VAT Act].

The trade or business is subject to trade tax in accordance with section 2 para. 1 of the Gewerbesteuergesetz (GewStG) [German Trade Tax Act].

The last tax audit covered the years 2009 to 2011. The results are shown in the tax audit report dated 05 April 2013.

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's Intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
- b) examination of tax assessments in relation to the taxes mentioned in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
- e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

- a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
- b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
- c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.

