

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 2016 to
31 March 2017
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
BilMoG
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 2016 to 31 March 2017. 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 2016 to 31 March 2017 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, 2017, 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. As a result, the company's profit situation has increased significantly.

2. 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 increase is due to higher sales of 1.253,9 thousands euros or 9.5 percent compared to the previous year. Also cost of materials rose only by 685,3 thousand euros or 8.1 percent.

- Ad 2. Bank balances amount to 1.364 thousand euros as at 31 March 2017. The increase of 364 KEUR in liquid capital is due to an increase in the annual net profit.

Future development including significant opportunities and risks

1. Based on the positive development of building permits in residential construction, HEINZE expect an increase in residential building completion in the course of the current financial year 2017. Consequently, we assume that sales as well as the operating result will not show any significant negative changes compared to the reporting year. We therefore plan an operating result of at least TEUR 305.
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 1,8 % in 2017 and 1,7 % in 2018.
- 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 2017.

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 24 May 2017.

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 2016 to 31 March 2017 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 2016/2017 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 2016 to 31 March 2017 and signed in Karlsruhe on 24 May 2017, 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 2016 to 31 March 2017. 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 2016 TO 31 MARCH 2017 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 2016 to 31 March 2017 of Catnic GmbH, Sinsheim, in accordance with the legal requirements and German generally accepted standards for reporting on audits of financial statements.

Karlsruhe, 24 May 2017

INTEGRAL-TREUHAND AG
Wirtschaftsprüfungsgesellschaft



Marcus Spanrunft
Wirtschaftsprüfer
(German Public Auditor)

APPENDICES

Balance sheet to 31 March 2017

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

ASSETS Equity and liabilities

	EUR	Financial year EUR	Prior year EUR	EUR	Financial year EUR	Prior year EUR
A. Fixed assets				A. Equity		
I. Intangible fixed assets				I. Subscribed capital	25.564,59	25.564,59
Purchased concessions, industrial and similar rights and assets and licences in such rights and assets		71.764,00	40.316,00	II. Retained profits brought forward	5.248.753,18	5.033.256,62
II. Tangible fixed assets				III. Net income for the financial year	558.813,10	215.496,56
1. Land, land rights and buildings, including buildings on third-party land		6.459,00	8.108,00	B. Provisions		
2. Other equipment, operating and office equipment		119.331,00	139.783,00	1. Provisions for taxes	23.428,00	56.686,00
		125.790,00	147.891,00	2. Other provisions	1.390.110,00	1.228.161,13
B. Current assets					1.413.538,00	1.284.847,13
I. Inventories				C. Liabilities		
1. Finished goods and merchandise		1.206.358,95	1.090.865,35	1. Trade payables	533.410,15	336.745,96
				- of which due within one year EUR 533.410,15 (EUR 336.745,96)		
II. Receivables and other assets				2. Other liabilities	522.112,84	493.326,90
1. Trade receivables		3.871.338,81	3.776.692,57	- of which to shareholders EUR 1.785,13 (EUR 1.267,47) - of which taxes EUR 222.332,33 (EUR 119.264,77)	1.055.522,99	830.072,86
2. Other assets		1.620.675,03	1.287.378,56	- of which social security EUR 763,43 (EUR 1.137,10) - of which due within one year EUR 521.620,43 (EUR 492.383,76)		
III. Cash-in-hand, central bank balances, bank balances and cheques		1.364.161,26	1.000.695,48			
C. Prepaid expenses						
		42.103,81	45.398,80			
		<u>8.302.191,86</u>	<u>7.389.237,76</u>		<u>8.302.191,86</u>	<u>7.389.237,76</u>

Profit and Loss account from 01/04/2016 to 31/03/2017

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

	Financial year EUR	Prior year EUR
1. Sales	<u>14.491.542,25</u>	<u>13.237.642,23</u>
2. Gross revenue for the period	14.491.542,25	13.237.642,23
3. Other operating income		
a) Ordinary operating income		
Other ordinary income	136.269,83	66.701,72
b) Income from disposal of items of fixed assets and from reversal of write-downs of items of fixed assets	<u>0,00</u>	<u>251,59</u>
	136.269,83	66.953,31
4. Cost of materials		
Cost of raw materials, consumables and supplies and of purchased merchandise	9.180.626,38	8.495.311,08
5. Personnel expenses		
a) Wages and salaries	1.042.996,29	1.019.910,73
b) Social security, post-employment and other employee benefit costs	<u>517.429,99</u>	<u>461.946,79</u>
- of which in respect of old age pensions EUR 17.551,77 (EUR 18.099,94)	1.560.426,28	1.481.857,52
6. Depreciation, amortisation and write-downs		
Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets	82.819,39	54.609,69
7. Other operating expenses		
a) Ordinary operating expenses		
aa) Occupancy costs	252.145,85	229.187,22
ab) Insurance premiums, fees and contributions	20.793,98	13.506,63
ac) Cost of third-party repairs and maintenance	41.584,99	38.960,49
ad) Vehicle fleet expenses	147.596,53	134.664,80
ae) Advertising expenses	196.462,06	214.760,73
af) Selling and distribution expenses	1.946.145,55	1.781.242,09
ag) Miscellaneous other operating expenses	394.769,07	551.665,52
b) Losses on disposal of fixed assets	318,00	719,95
c) Losses on write-downs or on disposal of current assets and transfers to valuation allowances on receivables	19.220,86	2.700,00
d) Miscellaneous other ordinary operating expenses	<u>400,00</u>	<u>200,00</u>
	3.019.436,89	2.967.607,43
8. Other interest and similar income	4.073,44	607,30
Carry forward	788.576,58	305.817,12

Profit and Loss account from 01/04/2016 to 31/03/2017

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

	Financial year EUR	Prior year EUR
Carry forward	788.576,58	305.817,12
9. Taxes on income	227.101,48	87.879,56
10. Result after taxes	561.475,10	217.937,56
11. Other tax	2.662,00	2.441,00
12. Net income for the financial year	<u>558.813,10</u>	<u>215.496,56</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 2016/2017.

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 1.454 thousand euros.

3. Bank balances

The company's assets include bank deposits amounting to 43 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 (834 thousand euros), for personnel expenses (80 thousand euros) and management fee (209 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 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 1055.5 thousand euros (prior year: 830.1 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.

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 30. This includes 18 salaried members of staff and 12 further employees (prior year 27, this includes 18 salaried members of staff and 9 further employees).

4. Contingent liabilities

From its property leasing agreements, the company had leasing expenses amounting to 229 thousand euros (prior year 201 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 69 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.

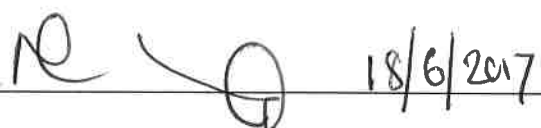
6. Appropriation of net result

It is proposed to carry forward the net profit in the amount of 558.813,10 euros together with the profit carried forward to new account.

Sinsheim, 24 May 2017

The Senior Management

Signed: Malcolm Boyles

 18/6/2017

Assets analysis

	book value 01.04.2016	addition	disposal	depreciation	book value 31.03.2017
	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	40.316,00	76.488,80	0,00	45.040,80	71.764,00
Total intangible fixed assets	40.316,00	76.488,80	0,00	45.040,80	71.764,00
II. Tangible fixed assets					
1. Land, land rights and buildings, including buildings on third- party land	8.108,00	0,00	0,00	1.649,00	6.459,00
2. Other equipment, operating and office equipment	139.783,00	24.431,59	8.754,00	36.129,59	119.331,00
Total tangible fixed assets	147.891,00	24.431,59	8.754,00	37.778,59	125.790,00
Total fixed assets	188.207,00	100.920,39	8.754,00	82.819,39	197.554,00

**Management report for the business year
from 1 April 2016 to 31 March 2017**

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 world economy remained subdued in 2016; while the situation in the emerging markets stabilised, the more advanced economies lost momentum. In the coming two years, the global economy is likely to regain momentum but a strong global upturn is not to be expected.

According to HEINZE, the gross domestic product (GDP) in the Euro zone shows a growth of 1.6% in 2016 and an expected increase in 2017 of 1.7%. In Germany, a GDP growth of 1.8% in 2017 and an increase of 1.7% in 2018 are expected.

In this respect, the economic outlook for 2017 and 2018 remain positive both for the euro zone as well as for Germany.

The construction industry in Germany recorded a substantial increase of 8.4% in sales in 2016. Building permits are a first indication for the future development of the construction industry in the near future. Experience indicates that only a few months pass between the issuing of a building permit and the, for Catnic significant, building phase.

According to HEINZE, building permits for housing construction are anticipated to grow further in 2016 and 2017, an increase of 7.4% for residential construction and 1.4% for non-residential construction are expected.

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.

2. Revenues

As a result, the company's profit situation has increased significantly. In the reporting year, the annual net profits were 558.8 thousand euros, which represents an increase of 159.3 percent compared to the previous year.

The increase in the annual net profit can primarily be attributed to higher sales of 1.253.9 thousands euros or 9.5 percent compared to the previous year. Also cost of materials rose only by 685.3 thousand euros or 8.1 percent.

Personnel expenses rose by 78.5 thousand euros in the reporting year. This was primarily due to an increase in the number of warehouse employees.

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 12 days (12 days in the previous year).

Short-term receivables rose by 428 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 equity ratio continued stabilised at ca. 70%. 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 533 thousand euros (337 thousand euros in the previous year).

Summary:

We look back on a very successful year 2016/17. The gross revenue increased from 4.3 up to 9.5 percent and the annual net profit rose by 159.3 percent.

4. Supplemental Report

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

5. Forecast

The steady positive development of economic growth, falling unemployment rates and increasing income continue to contribute to the growth of the construction sector in Germany in 2017/18.

Our company's position as one of the market leaders in the plaster profiles branch remains unchanged for the financial year 2017/18.

We continue to confront our competitors with our experience, innovation, reliability and high quality.

Significant changes in business policy are not 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, 24 May 2017

A handwritten signature in black ink, appearing to be 'M. B.' or similar, written in a cursive style.

18/6/2017

The Senior Management

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 2016, prepared by management were adopted by the shareholder meeting.

The management was granted discharge for the business year 2016/17.

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):

	2016/17	2015/16
Clerical employees	18	18
Workers	12	9
Apprentices	0	0
Total	30	27

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, 2017

DokID:

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 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 regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.