

IFRS Financial Statements

THALETEC GmbH
Thale

December 17, 2021 through March 31, 2022

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 MARCH, 2022

Component Name	THALETEC GmbH
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From: Reitbauer GmbH

Date: 05.05.2022

Subject: Component Audit of THALETEC GmbH for the year ended 31 March, 2022

To: N. Kashinath, M M Nissim & Co LLP, Mumbai

Independent Auditors' Report on Financial Statement of THALETEC GmbH ('the entity')

We have audited the accompanying Financial Statement of THALETEC GmbH ('the Entity', 'the Company') which comprise the balance sheet as at 31 March 2022, the statement of profit and loss, the cash flow statement and statement of changes in equity (collectively referred to as 'the Financial Statement') for the year then ended, annexed thereto, and a summary of significant accounting policies and other explanatory information, prepared in accordance with the group accounting policies followed by HLE Glascoat Limited ('HLE') ('the holding company of the group'). The Financial Statement has been prepared solely to enable the holding company, to prepare its consolidated Ind AS financial statements as at and for the year ended 31 March 2022.

Management's responsibility for the Financial Statement

The Company's Board of Directors is responsible for the preparation of the Financial Statement that give a true and fair view of the financial position, financial performance, financial cash flows of the entity, and a summary of significant account policies and other explanatory information, prepared in accordance with group accounting policies followed by the holding company of the group. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The Financial Statement has been prepared by the Management on the basis of instructions received in this regard from HLE solely for the use by HLE in preparation of its consolidated Ind AS financial statements in accordance with the group accounting policies followed by HLE.

Auditors' Responsibility

Our responsibility is to express an opinion on the Financial Statement and other information based on our audit. We set the scope of and performed our procedures at the materiality of INR [] million. We conducted our audit in accordance with Group Audit Instructions issued by you and in accordance with the International Standards on Auditing. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statement is free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Financial Statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Financial Statement.

We have communicated all matters of significance to you in the communications you requested in your Group referral instructions.

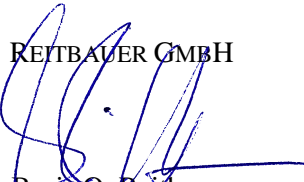
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statement of the entity have been prepared, in all material respects, as established by you, in accordance with group accounting policies followed by HLE and are suitable for inclusion in the consolidated Ind AS financial statements of HLE.

Limitation of Use

This report is intended solely for use by M M NISSIM & CO LLP, India in connection with its audit of consolidated Ind AS financial statements of HLE as at and for the year ended 31 March 2022 and should not be used for any other purpose.



REITBAUER GMBH

Boris O. Reitbauer

Wirtschaftsprüfer

(German Public Auditor)

THALETEC GmbH - Statement of profit or loss and other comprehensive income (in EUR)

For the year ended 31 March 2022

	Notes	Dec 17, 2021 - Mar 31, 2022	Jan 1, 2021 - Dec 16, 2021
Revenues	(1)	8.888.948,79	28.290.210,84
Inventory changes, unfinished goods		62.686,66	-231.092,17
Work performed by the entity and capitalized		0,00	0,00
Total operating performance		8.951.635,45	28.059.118,67
Other operating income	(2)	93.607,82	278.001,66
Material expenses	(3)	-3.148.576,47	-9.178.757,93
Personnel expenses	(4)	-3.159.584,02	-10.031.438,49
Other operating expenses	(5)	-1.386.328,73	-4.651.151,77
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)		1.350.754,05	4.475.772,14
Amortization/depreciation	(6)	-212.459,76	-621.865,57
Earnings Before Interest and Taxes (EBIT)		1.138.294,29	3.853.906,57
Finance income		0,00	18,18
Finance costs	(7)	-63.579,41	-120.803,91
Financial result		-63.579,41	-120.785,73
Earnings before taxes (EBT)		1.074.714,88	3.733.120,83
Income taxes	(8)	-349.244,98	-1.160.512,78
PROFIT OR LOSS		725.469,90	2.572.608,05
Revaluation of defined benefit pension plans	(20)	161.123,00	130.825,00
Tax effect resulting from revaluation of defined benefit pension plans	(22)	-50.800,00	-40.900,00
Total of expenditures and income recorded directly in equity without future reclassification with tax effect		110.323,00	89.925,00
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		835.792,90	2.662.533,05

THALETEC GmbH - Statement of profit or loss and other comprehensive income (in EUR)

For the Period January 1, 2022 to March 31, 2022 (1. Quarter)

	Jan 1, 2022 - Mar 31, 2022
Revenues	8.007.467,92
Inventory changes, unfinished goods	86.830,02
Work performed by the entity and capitalized	0,00
Total operating performance	8.094.297,94
Other operating income	93.095,00
Material expenses	-2.733.758,84
Personnel expenses	-2.906.797,80
Other operating expenses	-1.180.782,81
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	1.366.053,49
Amortization/depreciation	-187.342,56
Earnings Before Interest and Taxes (EBIT)	1.178.710,93
Finance income	0,00
Finance costs	-56.242,40
Financial result	-56.242,40
Earnings before taxes (EBT)	1.122.468,53
Income taxes	-364.972,94
PROFIT OR LOSS	757.495,59
Revaluation of defined benefit pension plans	161.123,00
Tax effect resulting from revaluation of defined benefit pension plans	-50.800,00
Total of expenditures and income recorded directly in equity without future reclassification with tax effect	110.323,00
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	867.818,59

THALETEC GmbH - Statement of financial position (in EUR)

For the year ended 31 March 2022

	Notes	March 31, 2022	December 16, 2021	December 31, 2020
ASSETS				
Non-Current Assets				
Intangible assets	(9)	71.697,00	43.103,00	30.206,00
Property, plant and equipment	(10)	2.240.716,09	2.344.386,63	1.764.487,61
Investment in subsidiaries	(11)	185.939,87	185.939,87	185.939,87
Deferred tax assets	(22)	45.726,76	0,00	125.000,00
Total non-current assets		2.544.079,71	2.573.429,50	2.105.633,48
Current Assets				
Inventories	(12)	6.161.665,12	4.975.268,18	3.833.467,20
Trade receivables	(13)	5.227.387,86	3.727.476,73	4.079.449,69
Contract assets	(14)	1.070.031,22	2.282.494,25	1.083.615,22
Other current assets	(15)	491.358,12	435.718,40	341.282,81
Cash and cash equivalents	(16)	3.048.858,32	4.314.157,95	1.480.836,45
Total current assets		15.999.300,64	15.735.115,51	10.818.651,37
TOTAL ASSETS		18.543.380,35	18.308.545,01	12.924.284,85
EQUITY AND LIABILITIES				
Equity				
Share capital		150.000,00	150.000,00	150.000,00
Retained earnings		5.100.889,77	4.375.419,87	2.402.811,82
Accumulated other comprehensive income		148.650,00	38.327,00	-51.598,00
Total Equity	(17)	5.399.539,77	4.563.746,87	2.501.213,82
Non-Current Liabilities				
Non-current financial liabilities	(18)	0,00	48.648,00	243.242,80
Non-current financial liabilities from leases	(19)	537.011,72	526.052,60	406.728,21
Pension provisions	(20)	919.334,95	1.060.290,19	1.196.762,95
Other non-current provisions	(21)	1.361.901,91	1.352.482,59	922.769,14
Other non-current liabilities		15.841,34	19.251,29	31.046,15
Deferred tax liabilities	(22)	0,00	90.000,00	0,00
Total non-current liabilities		2.834.089,91	3.096.724,66	2.800.549,25
Current Liabilities				
Current financial liabilities	(18)	194.594,50	210.811,38	713.233,00
Current financial liabilities from leases	(19)	184.004,12	212.452,50	182.323,41
Trade payables	(23)	2.483.389,80	1.329.618,22	1.579.121,09
Contract liabilities	(24)	4.921.055,06	6.024.846,01	2.010.356,46
Current income tax liabilities	(25)	761.524,02	759.598,29	570.423,92
Other current provisions	(26)	689.206,99	707.606,99	382.338,86
Other current liabilities	(27)	1.075.976,17	1.403.140,08	2.184.725,04
Total current Liabilities		10.309.750,66	10.648.073,47	7.622.521,77
TOTAL EQUITY AND LIABILITIES		18.543.380,35	18.308.545,01	12.924.284,85

THALETEC GmbH - Statement of changes in equity (in EUR)

For the year ended 31 March 2022

	Share capital	Retained Earnings	Accumulated other comprehensive income Revaluation of defined benefit pension plans	Total equity
Balance as at Jan 1, 2021	150.000,00	2.402.811,82	-51.598,00	2.501.213,82
Profit for the year		2.572.608,05		2.572.608,05
Other comprehensive income for the year			89.925,00	89.925,00
Total comprehensive income for the period	0,00	2.572.608,05	89.925,00	2.662.533,05
Dividends		-600.000,00		-600.000,00
Balance as at December 16, 2021	150.000,00	4.375.419,87	38.327,00	4.563.746,87
Balance as at Dec 17, 2021	150.000,00	4.375.419,87	38.327,00	4.563.746,87
Profit for the year		725.469,90		725.469,90
Other comprehensive income for the year			110.323,00	110.323,00
Total comprehensive income for the period	0,00	725.469,90	110.323,00	835.792,90
Dividends				0,00
Balance as at March 31, 2022	150.000,00	5.100.889,78	148.650,00	5.399.539,78

THALETEC GmbH - Statement of cash flows (in EUR)

For the year ended 31 March 2022

	Dec 17, 2021 to Mar 31, 2022	Jan 1, 2021 to Dec 16, 2021
1. Net profit after taxes	725.469,90	2.572.608,05
2. Amortization/depreciation	212.459,76	621.865,57
3. Increase (+) / decrease (-) of provisions	11.187,08	749.333,82
4. Interest income (-) and expenses (+)	63.579,41	120.785,73
5. Taxes on income and earnings	349.244,98	1.160.512,78
6. Other non-cash income (-) and expenses (+)	-12.332,93	-4.400,14
7. Gains (-) / losses (+) from disposal of assets	0,00	0,00
8. Increase (-) / decrease (+) in inventories, trade receivables, contract assets and other assets	-1.529.484,76	-2.083.142,64
9. Increase (+) / decrease (-) in trade payables, contract liabilities and other liabilities	-280.593,23	2.971.606,86
10. Received (+) / Paid income taxes (-)	-533.846,01	-797.238,41
11. Cash flow from operating activities (1)	-994.315,79	5.311.931,62
12. Interest received	0,00	18,18
13. Proceeds on disposal of fixed assets	0,00	0,00
14. Purchases of intangible assets and property, plant and equipment	-82.926,84	-874.560,67
15. Cash flow from investing activities (2)	-82.926,84	-874.542,49
16. Dividends paid	0,00	-600.000,00
17. Interest paid	-51.246,47	-116.403,78
18. Proceeds from non-current financial liabilities (bank loans)	0,00	0,00
19. Repayments of non-current financial liabilities (bank loans)	-48.648,00	-194.594,80
20. Proceeds from current financial liabilities (bank loans)		
21. Repayments of current financial liabilities (bank loans)	-16.216,88	-502.421,62
22. Repayment of lease liabilities	-71.945,64	-190.647,44
23. Cash flow from financing activities (3)	-188.056,99	-1.604.067,64
24. Cash and cash equivalents at the end of the period		
25. Net change in cash funds (subtotal 1-3)	-1.265.299,62	2.833.321,50
26. Cash and cash equivalents at the beginning of the period	4.314.157,95	1.480.836,45
27. Cash and cash equivalents at the end of the period	3.048.858,32	4.314.157,95

The cash flow statement is discussed in the notes

1. General information

THALETEC GmbH (the Company) is a limited liability company (Commercial Registration Stendal, Registration number HRB 6954) incorporated in Germany with its registered office at Steinbachstrasse 3 in 06502 Thale, Germany.

The Company is engaged in the business of manufacturing specialized glass lined process equipment/reactors and has its manufacturing facility in Germany. It offers sophisticated customized and innovative technical solutions with glass lining or service in chemical, pharmaceutical or environmental process industry and is one of the most reputed companies in the process equipment manufacturing segment in Europe. It has its headquarters in Thale, Sachsen-Anhalt, Germany with one additional service centres in Germany.

Effective, December 17, 2021 the Company has become a wholly owned subsidiary of HLE Glascoat Limited, Gujarat, India. HLE Glascoat Limited is a leading manufacturer of process equipment for the chemical and pharmaceutical industries. Over the last three decades, it has established itself as a market leader in Filtration and Drying Equipment and is a leading manufacturer of Glass Lined Equipment globally.

These financial statements are presented in EUR.

2. Adoption of new and revised Standards

The individual financial statements as at March 31, 2022 were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU. All mandatory standards and interpretations were taken into account. IFRS standards that have not yet been become mandatory are not applied.

The following standards, interpretations and amendments that have been published but are not yet mandatory are not expected to have any material impact on future financial statements:

- Amendments to IFRS 16 Covid-19 Related Rent Concessions: The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. Originally, these changes should apply until June 30, 2021. However, since the corona pandemic continues, on March 31, 2021, the IASB extended the period of application of the practical aid to June 30, 2022. There were no rental concessions at THALETEC GmbH, so the relief was not applied.
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 with regard to the effects of the IBOR reform (Phase 2): The changes offer users temporary relief regulations for the effects resulting from the replacement of the Interbank Offered Rates (IBOR) by alternative, almost risk-free interest rates (risk-free rates) on the financial reporting.

For the year ended March 31, 2022

The following published but not yet applicable standards, interpretations and amendments probably do not have any material effect on future financial statements:

- Amendments to IAS 1, Classifications of liabilities as current or non-current. To be applied to financial years beginning on or after January 1, 2023.
- Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies, effective for annual periods beginning on or after January 1, 2023.
- Amendments to IFRS 3, Reference to the Framework: Subsequent addition of the reference to the new framework of March 29, 2018, to be applied to business combinations beginning on or after January 1, 2022.
- Amendments to IAS 16, Revenue before an asset is ready for use. Revenue from the sale of goods produced before the item of property, plant and equipment is ready for use is no longer to be deducted from the cost of the item of property, plant and equipment, but is to be recognized together with the cost of the item of property, plant and equipment in the income statement. To be applied to financial years beginning on or after January 1, 2022.
- Amendments to IAS 12, Deferred Tax related to assets and liabilities arising from a single transaction. In the future, the initial recognition exemption will no longer apply to such transactions in which both deductible and taxable temporary differences of the same amount arise upon initial recognition. The changes are applicable to reporting periods beginning January 1, 2023.
- IFRS 17, Insurance Contracts: Changes upon first-time application (January 1, 2023). The changes relate to: Acquisition costs, dissolutions of the contractual service margin, risk reduction option, reinsurance contract and separate presentation of asset and liabilities.
- IFRS 17, Insurance Contracts: Recognition, Measurement, Disclosure and Presentation Principles for Insurance Contracts within the Scope of the Standard. Effective for annual periods beginning on or after January 1, 2023.
- Amendments to IAS 37, onerous contracts – costs of fulfilling a contract: Clarification of the costs to be taken into account when assessing whether a contract is onerous or lossmaking. To be applied to financial years beginning on or after January 1, 2022.
- Annual Improvements to IFRS 2018 – 2020. Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. To be applied for financial years beginning on or after January 1, 2022.
- Amendments to IAS 8, Definition of Accounting Estimates – In February 2021, the IASB published amendments to IAS 8, which introduced a new definition of accounting estimates. The changes clarify the extent to which changes in accounting estimates differ from changes in accounting policies and error corrections. They also explain how companies can make accounting estimates using measurement techniques and inputs. The changes apply to fiscal years beginning on or after January 1, 2023.

3. Significant accounting policies

Basis of accounting

The individual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards) which have been adopted by the European Union.

The Company's first-time adoption of IFRS has been on the reporting date December 16, 2021. In 2022, the end of the reporting period has been changed to March 31, 2022 in order to achieve uniformity with the reporting date of the parent company. For that reason, the Company presents financial

For the year ended March 31, 2022

statements for a period shorter than one year covering the period from December 17, 2021 to March 31, 2022 (previous period January 1, 2021 to December 16, 2021). The amounts presented in the financial statements are not entirely comparable.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (EUR) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue Recognition

Construction of glass lined process equipment

The company primarily generates revenues from customer-specific construction contracts. Such contracts are entered into before construction of the equipment begins. Under the terms of the contracts, the company has an enforceable right to payment for work done. The constructed equipment does not have any alternative use for the company.

For the year ended March 31, 2022

Revenue from construction of equipment is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs (Percentage of Completion). The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The company recognises a contract asset for any work performed. The contract price is paid by the customer according to the agreed Terms of Payment. If the payments according to the agreed Terms of Payment exceed the revenue recognised to date under the cost-to-cost method then the company recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the payment is always less than one year.

A trade receivable is the Company's unconditional right to receive consideration (i.e., it becomes due automatically as time passes). Implicit and payable claims to prepayments are recorded as receivables.

Other goods and services transferred at a point of time

The company derives its revenue also to a lesser extent from services and goods transferred at a point of time (e.g, sale of spare parts). Revenue relating to services and goods transferred at a point of time is recognized at the point of time at which the company has satisfied its performance obligation and has a present right to payment for the services.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 3 to 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Prepayments and Assets under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated.

Buildings, technical equipment and machinery and operating and office equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

For the year ended March 31, 2022

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following useful lives:

- Buildings 10 to 29 years
- Right-of-use assets (Buildings) 10 years
- Technical equipment and machinery 3 to 12 years
- Operating and office Equipment 1 to 10 years
- Right-of-use-assets (operating and office equipment 3 to 10 years)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Leases

The company assesses whether a contract is, or contains, a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. The incremental borrowing rate depends on the term and start date of the lease and is determined based on a series of inputs.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Investments in subsidiaries

The company holds 100% of shares in THALETEC USA Inc, Charlotte/NC, USA.

Investments in subsidiaries are accounted for at cost.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where required, cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The financial assets of the company consists mainly of trade receivables, contract assets and cash and cash equivalents which are related to its business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

The financial assets are measured subsequently at amortised cost. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is recognised in profit or loss and is included in the "finance income" line item.

For the year ended March 31, 2022

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Exchange differences are recognised in profit or loss in the “other operating income” or “other operating expenses” line item.

The Company generally recognises a loss allowance for expected credit losses in trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

The financial liabilities of the company consists mainly of current and non-current financial liabilities to banks, non-current and current liabilities from leases, trade payables and contract liabilities. The financial liabilities of the company are not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at fair value through profit or loss.

Therefore, all financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in the “other operating income” or “other operating expenses” line item.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

The primary condition of the government grants is to purchase non-current assets (property, plant and equipment). They are recognised as “other current liabilities” and “other non-current liabilities” in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

For the year ended March 31, 2022

Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Actuarial gains and losses are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Actuarial gains and losses recognised in other comprehensive income are not reclassified. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Current service cost
- Net interest expense or income
- Remeasurements

The Company recognises service costs within profit or loss as personnel expenses. Net interest expense or income is recognised within finance costs.

The Net defined Benefit Liabilities (Defined benefit obligation (DBO) less Fair value of plan assets) are shown as Pension provisions in the statement of financial position.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals supported by previous experience in respect of such activities.

As at March 31, 2022, no uncertain tax provisions have been recognized.

For the year ended March 31, 2022

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

THALETEC GmbH does not recognize deferred taxes on temporary differences arising from the recognition of right-of-use assets and lease liabilities in accordance with IFRS 16.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation. The provisions is calculated as a lump sum on the basis of the total sales revenues within the warranty period.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

4. Management estimates and judgments

In applying the Company's accounting policies, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Intangible assets and Property, Plant and equipment – Estimation of Useful life

Useful life of Property Plant and Equipment and Intangible Assets are based on the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support. The Company reviews the useful life of Property, Plant and Equipment and Intangible assets at the end of each reporting period. This reassessment may result in change in depreciation charge in future periods.

Revenues from agreements with customers - Estimation of the total contract costs

The use of the Percentage of Completion-Method is based on an estimation of the total contract costs. Due to the uncertainties, it is therefore possible, that the estimates of the expenses required until completion may have to be subsequently adjusted. Such adjustments to income and expenses are recognized in the period in which the need for adjustment is identified.

Uncertain tax positions

The Company's current tax liabilities relate to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the Tax Authorities. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation

The determination of the Company's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue

For the year ended March 31, 2022

size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year. Further information on the carrying amounts of the Company's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in section 6. "Notes to the financial position".

Provisions for warranties

Provisions for warranties are recognized in accordance with past history or the estimated future level of claims. Due to the uncertainties, it is therefore possible, that the estimates of the expenses required to settle the Company's obligation may have to be subsequently adjusted. Such adjustments to income and expenses are recognized in the period in which the need for adjustment is identified.

5. Notes to the Statement of profit or loss and other comprehensive income

(1) Revenues

The company primarily generates revenues from customer-specific construction contracts, which are recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs (Percentage of Completion). There is not considered to be a significant financing component in construction contracts with customers.

The company derives its revenue also to a lesser extent from services and goods transferred at a point of time. Revenue relating to services and goods transferred at a point of time is recognized at the point of time at which the company has satisfied its performance obligation and has a present right to payment for the services.

The total order backlog as at March 31, 2022 amounts to KEUR 23.043 (December 16, 2021 KEUR 24.302).

External revenue by timing of revenue

The company derives its revenue from goods and services transferred over time by 92% of total revenues (prior period 92%) and from goods and services transferred at a point of time by 8% (prior period 8%).

The revenue resulting by goods transferred over time for the period December 17, 2021 to March 31, 2022 amounts to KEUR 8.204 (prior period January 1, 2021 to December 16, 2021 KEUR 26.150). The transaction price allocated to partially unsatisfied performance obligations as at March 31, 2022 amounts to KEUR 21.400 (December 16, 2021 KEUR 18.977).

Management expects that the transaction price allocated to the unsatisfied contracts as at March 31, 2022 will be recognised as revenue during the next reporting period.

For the year ended March 31, 2022

Geographical information

The following is an analysis of the revenue by geographical location:

Revenues by region (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Germany	6.420.172	17.680.219
EU	1.101.474	4.453.529
Foreign countries outside EU	1.367.303	6.156.463
TOTAL	8.888.949	28.290.211

Information about major customers

No single customers contributed 10 per cent or more to the Company's revenue in either the period December 17, 2021 to March 31, 2022 or January 1, 2021 to December 16, 2021.

In August 2021, the company signed a material contract for the supply of 12 Glass lined Reactors with a customer based in Taiwan. The contract price is KEUR 7.200. The reactors will be delivered between August 2022 and April 2023. Revenue is recognised over time on a cost-to-cost method. It is expected, that this customer will contribute 10 per cent or more to the Company's revenue in the next period.

(2) Other operating income

Details are as follows:

Other operating income (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Income from the release of provision	75.303	217.793
Government grants	3.410	11.795
Exchange rate gains	14.895	35.607
Others	0	12.807
TOTAL	93.608	278.002

(3) Material expenses

Details are as follows:

Material expenses (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Cost of raw materials, consumables, and supplies, and of purchased merchandise	2.934.268	8.518.410
Cost of purchased services	214.309	660.348
TOTAL	3.148.576	9.178.758

For the year ended March 31, 2022

(4) Personnel expenses

Details are as follows:

Personnel expenses (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Wages and salaries	2.625.681	8.447.012
Social security, pension and other benefit costs	533.903	1.584.426
TOTAL	3.159.584	10.031.438

(5) Other operating expenses

Details are as follows:

Other operating expenses (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Outgoing freight and packaging material	297.963	628.694
Sales commission, advertising, trade fair	182.240	846.977
Services received	74.931	196.435
Provisions fire protection measures	0	757.000
Legal and consulting fees	164.902	386.881
Disposal costs	13.755	53.501
Maintenance costs	296.010	754.053
Warranty expenses and contractual penalties	38.767	115.436
Travel and car expenses	71.505	223.214
Insurance costs	66.651	133.216
IT costs	28.649	103.221
Patents and licenses	17.941	53.931
Other	133.014	398.593
TOTAL	1.386.329	4.651.152

The item "Others" consists mainly of contributions and fees, bank charges, costs for education and training and lease expenses for low value leases and short term leases.

(6) Amortisation/depreciation

Details are as follows:

Amortisation/depreciation (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Intangible Fixed assets	7.600	14.631
Property, plant, and equipment	133.660	411.385
Right-of-use assets from leases (PPE)	71.201	195.850
TOTAL	212.460	621.866

For the year ended March 31, 2022

(7) Finance costs

Details are as follows:

Finance costs (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Guarantee commissions	37.660	87.445
Interest costs from financial liabilities to banks	10.528	18.435
Interest component of long-term provisions	12.333	4.400
Finance costs from leases	3.074	10.869
Other	-15	-345
TOTAL	63.579	120.804

No borrowing costs have been included in the cost of qualifying assets during the reporting period or the prior reporting period.

(8) Income taxes

Details are as follows:

Income tax (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Corporate Income Tax (current period)	266.565	505.153
Corporate Income Tax (previous periods)	0	-4.629
Trade Tax (current period)	269.207	486.820
Trade Tax (previous periods)	0	-932
Deferred tax income (-) / expenses (+) from Origination and reversal of temporary differences	-186.527	174.100
TOTAL	349.245	1.160.513

The current income tax expense is calculated using the tax rates effective as of the balance sheet date. There has not been a material change in the tax rate between the current reporting period and the prior reporting period.

The charge for the current reporting period can be reconciled to the profit before tax as follows:

Tax reconciliation (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Earnings before taxes	1.074.715	3.733.121
Income tax rate of the Company	31,50%	31,27%
Expected income tax expenses	338.514	1.167.160
Tax effect of prior period taxes	0	-5.560
Tax effect of non-deductible expenses	10.732	-1.087
Tax expense of the year	349.245	1.160.513
<i>Effective tax rate</i>	<i>32,50%</i>	<i>31,09%</i>

For the year ended March 31, 2022

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognized in other comprehensive income:

Tax recognized in OCI (in EUR)	December 17, 2021 to March 31, 2022	January 1, 2021 to December 16, 2021
Deferred tax items that will not be reclassified subsequently to profit or loss		
Tax effect resulting from revaluation of defined benefit pension plans	-50.800	-40.900
Total income tax recognized in OCI	-50.800	-40.900

For the year ended March 31, 2022

6. Notes to the Balance Sheet

(9) Intangible Assets

Details are as follows:

Intangible Assets (in EUR)	Software	Total
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Cost

At January 1, 2021	181.944	181.944
Additions	27.528	27.528
Disposals		0
Reclassifications		0
At December 16, 2021	209.471	209.471
Additions	36.194	36.194
Disposals		0
Reclassifications		0
At March 31, 2022	245.665	245.665

Amortisation

At January 1, 2021	-151.738	-151.738
Charge for the year	-14.631	-14.631
At December 16, 2021	-166.368	-166.368
Charge for the year	-7.600	-7.600
At March 31, 2022	-173.968	-173.968

Carrying amount

At March 31, 2022	71.697	71.697
At December 16, 2021	43.103	43.103
At January 1, 2021	30.206	30.206

For the year ended March 31, 2022

(10) Property, plant, and equipment

Details are as follows:

Property, plant and equipment (in EUR)	Land and buildings	Right-of-use assets (buildings)	Technical equipment and machinery	Operating and office equipment	Right-of-use assets (operating and office equipment)	Prepayments and assets under construction	Total
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Cost

At January 1, 2021	172.951	245.609	1.775.207	2.078.982	526.009	7.679	4.806.436
Additions	9.022	234.562	144.820	427.924	105.539	265.268	1.187.134
Disposals		-35.865		-105.683	-42.704		-184.252
Reclassifications			170.000	75.315		-245.315	0
At December 16, 2021	181.973	444.306	2.090.027	2.476.538	588.844	27.631	5.809.318
Additions	0	0	0	46.733	54.456	0	101.190
Disposals					-26.342		-26.342
Reclassifications							0
At March 31, 2022	181.973	444.306	2.090.027	2.523.271	616.958	27.631	5.884.165

Accumulated depreciation and impairment

At January 1, 2021	-33.972	-39.687	-1.394.361	-1.426.855	-147.074	0	-3.041.949
Additions	-4.644	-38.412	-108.525	-298.216	-157.438		-607.235
Disposals		35.865		105.683	42.704		184.252
Reclassifications							0
At December 16, 2021	-38.616	-42.233	-1.502.886	-1.619.388	-261.808	0	-3.464.931
Additions	-1.504	-12.778	-38.090	-94.065	-58.423		-204.860
Disposals					26.342		26.342
Reclassifications							0
At March 31, 2022	-40.121	-55.011	-1.540.976	-1.713.453	-293.889	0	-3.643.449

Carrying amount

At March 31, 2022	141.853	389.295	549.051	809.818	323.069	27.631	2.240.716
At December 16, 2021	143.357	402.072	587.141	857.150	327.035	27.631	2.344.387
At January 1, 2021	138.979	205.922	380.846	652.127	378.934	7.679	1.764.488

Technical equipment and machinery with a carrying amount of KEUR 21 (as at December 16, 2021 KEUR 28) has been transferred by way of security for financial liabilities to banks. Furthermore, financial liabilities to banks are secured by a first-rank land charge of KEUR 1.000.

No impairment losses have been recognized during the reporting period or the prior reporting period.

(11) Investment in subsidiaries

THALETEC GmbH holds unchanged to previous reporting periods an investment of 100 % in THALETEC USA, Inc., Charlotte, USA. THALETEC USA disclosed for the reporting period January 1, 2021 to December 31, 2021 a net profit of USD 17.088 and equity of USD 328.451.

(12) Inventories

Details are as follows:

Inventories (in EUR)	At March 31, 2022	At December 16, 2021
Raw materials and supplies	4.854.373	3.730.662
Work in Progress	1.307.292	1.244.606
TOTAL	6.161.665	4.975.268

For the year ended March 31, 2022

The write-downs in Inventories result from obsolete and slow-moving items. Write-downs of raw materials and supplies to net realisable value as at March 31, 2022 amounted to KEUR 103 (December 16, 2021 KEUR 103). Write-downs of Work in Progress to net realisable value as at March 31, 2022 amounted to KEUR 155 (December 16, 2021 KEUR 155).

(13) Trade receivables

Details are as follows:

Trade receivables (in EUR)	At March 31, 2022	At December 16, 2021
Trade receivables from third parties	5.123.329	3.624.762
Trade receivables from subsidiaries	116.788	102.715
Loss allowances	-12.729	0
TOTAL	5.227.388	3.727.477

The financial liabilities to banks, bank guarantees and credit lines are secured by global assignment of particular trade accounts receivable.

The credit period on sales of goods is 30 to 60 days. No interest is charged on outstanding trade receivables.

The company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade receivables.

Risk Profile Trade Receivables (in EUR)	At March 31, 2022	At December 16, 2021
Not overdue	3.813.292	3.011.178
Overdue (1-30 days)	1.177.322	419.212
Overdue (31-60 days)	-12.720	285.674
Overdue (> 60 days)	262.223	11.413
Total Trade Receivables before loss allowance	5.240.117	3.727.477
loss allowance	-12.729	0
TOTAL	5.227.388	3.727.477

For the year ended March 31, 2022

(14) Contract assets

Details are as follows:

Contract assets (in EUR)	At March 31, 2022	At December 16, 2021
Manufacturing costs, including profit or loss on the construction contracts	1.866.187	3.904.075
Minus advance payments received	-796.155	-1.621.580
TOTAL	1.070.031	2.282.494

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the company receives payments from customers in line with agreed payment schedules. The company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to customer.

Loss allowances of contract assets developed as follows:

Contract assets - Loss allowance (in EUR)	At March 31, 2022	At December 16, 2021
As at Beginning of Period	82.500	82.500
Utilization	-82.500	-82.500
Reversal	0	0
Addition	50.386	82.500
As at End of period	50.386	82.500

(15) Other current assets

Details are as follows:

Other current assets (in EUR)	At March 31, 2022	At December 16, 2021
Prepaid expenses	261.831	87.230
Refund claim electricity tax	168.565	159.003
Creditors with debit balances	20.607	77.984
VAT receivables (following year)	0	61.548
Other	40.356	49.953
TOTAL	491.358	435.718

(16) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash accounts, and short-term bank deposits.

For the year ended March 31, 2022

(17) Equity

Changes in the equity and comprehensive income are presented separately in the “Statement of Changes in Equity”.

The share capital is fully paid.

Accumulated other comprehensive income consists of reserves for the revaluation of pension provisions.

(18) Financial liabilities

Financial liabilities consists of liabilities to banks from loan agreements. The loan agreements have a remaining term of less than one year and are measured at amortised cost.

The liabilities to banks are secured by a global assignment of particular trade accounts receivable, the transfer of technical machinery by way of security and by a first-rank land charge of KEUR 1.000.

(19) Lease liabilities

Details are as follows:

Lease Liabilities - Maturity Analysis (in EUR)	At March 31, 2022	At December 16, 2021
less than 1 year	194.748	216.525
1 to 2 years	149.273	123.896
2 to 3 years	101.957	103.128
3 to 4 years	58.765	54.176
4 to 5 years	52.048	52.048
more than 5 years	181.718	205.573
Total of non-discounted annual lease payments	738.509	755.345
less discounting	-17.494	-16.840
Total lease liabilities	721.016	738.505
<i>thereof current</i>	<i>184.004</i>	<i>212.453</i>
<i>thereof non-current</i>	<i>537.012</i>	<i>526.053</i>

The company does not face a significant liquidity risk with regard to its lease liabilities.

For the year ended March 31, 2022

(20) Pension provisions

The details are as follows:

Pension provisions (in EUR)	March 31, 2022	December 16, 2021
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Change in Defined Benefit Obligation (DBO)

DBO at end of prior period	1.403.019	1.503.521
Current service cost	16.986	48.200
Interest cost on the DBO	11.659	9.275
Actuarial Gain (-) / Losses (+)	-161.123	-130.825
Benefits paid directly by the Company	-8.268	-27.152
DBO at the end of current period	1.262.273	1.403.019

Change in plan assets

Fair value of plan assets at end of prior period	342.728	306.758
Contributions by employer	0	31.149
Interest income	1.196	1.885
Return on plan assets excluding interest income	-986	2.936
Fair value of plan assets at the end of current period	342.938	342.728

Net defined liability (pension provisions)	919.335	1.060.291
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The plan assets consist of reinsurance policies to cover the benefit obligations. The fair value of the plan assets is derived from the actuarial reserve calculated at the end of the insurance period, but at least from the guaranteed surrender value.

The effects of pension reserves in profit or loss and other comprehensive income are as follows:

Effects of pension reserves (in EUR)	At March 31, 2022	At December 16, 2021
in Profit or loss statement		
Current service costs	16.986	48.200
Net interest costs	10.463	7.390
in Other Comprehensive Income		
Actuarial Gains	161.123	130.825

The pension obligations of the company consists of two different pension commitments:

1. A direct commitment with reinsurance for two current managing directors.
2. A pension plan for all employees who were regular employees on January 1, 1997.

The current service costs is reported in personnel expenses while the interest cost is reported under finance costs.

The calculation of pension provisions was carried out based on the following underlying assumptions:

For the year ended March 31, 2022

Pension reserves - Assumptions	At March 31, 2022	At December 16, 2021
Discount rate (Pension Plan 1)	1,80%	1,10%
Pension increases (Pension Plan 1)	2,00%	2,00%

Discount rate (Pension Plan 2)	1,75%	1,10%
Pension increases (Pension Plan 2)	2,00%	2,00%

An increase or decline in key actuarial assumptions would have the following effect on the present value of financing status:

Pension reserves - Sensitivity analysis	Effect on DBO as at March 31, 2022	Effect on DBO as at December 16, 2021
Discount rate +0,5%	-94.682	-110.876
Discount rate -0,5%	106.058	127.765
Pension increases +0,25%	38.416	46.063
Pension increases -0,25%	-36.747	-41.421
Mortality +1year	45.090	55.402
Mortality -1year	-44.741	-52.056

The weighted average duration of DBO by pension plan is as follows:

Pension reserves - Weighted Average Duration of DBO	At March 31, 2022	At December 16, 2021
Plan 1		
DBO	429.754	486.729
Weighted Average Duration of DBO	20,5	21,8
Plan 2		
DBO	832.519	916.290
Weighted Average Duration of DBO	14,1	14,8

(21) Other non-current provisions

Details are as follows:

Other non-current provisions (in EUR)	At March 31, 2022	At December
Fire protections measures	727.558	745.000
Warranty provisions	205.293	191.176
Partial retirement	334.279	313.754
Jubilee Benefits	89.772	97.553
Other	5.000	5.000
TOTAL	1.361.902	1.352.483

The provision for fire protection measures results from requirements imposed by the authorities following a fire safety inspection. The measurement of the provision is based on cost estimates for measures that will be carried out in the next few years.

For the year ended March 31, 2022

The warranty provision represents management's best estimate of the company's liability under 24-months warranties granted based on past experience.

The development of other non-current provisions is as follows:

Other non-current provisions (in EUR)	Fire protection measures	Warranty provisions	Partial retirement	Jubilee benefits	Other	Total
At January 1, 2021	313.000	184.161	304.753	100.855	5.000	907.769
Additional provision	432.000	7.015	135.102	9.184		583.301
Utilisation of provision			-125.426	-13.108		-138.534
Discounting effects			-676	622		-54
At December 16, 2021	745.000	191.176	313.754	97.553	5.000	1.352.483
Additional provision		14.117	58.771	9.534		82.422
Utilisation of provision	-17.442		-37.952	-18.387		-73.781
Discounting effects			-293	1.072		779
At March 31, 2022	727.558	205.293	334.279	89.772	5.000	1.361.902

(22) Deferred tax

Details are as follows:

Deferred Tax assets (+) and liabilities (-) (in EUR)	Property, Plant and equipment	Contract assets / contract	Trade receivables	Pension provisions	Other current and non-current	Other	Total
At January 1, 2021	20.690	-151.429	-13.427	285.374	-21.367	5.159	125.000
Charge (+)/Credit (-) to profit or loss	-46	-165.841	1.453	3.628	-11.046	-2.247	-174.100
Charge to OCI				-40.900			-40.900
At December 16, 2021	20.643	-317.270	-11.974	248.102	-32.413	2.913	-90.000
Charge (+)/Credit (-) to profit or loss	154	82.197	1.369	7.552	88.120	7.135	186.527
Charge to OCI				-50.800			-50.800
At March 31, 2022	20.797	-235.073	-10.606	204.854	55.707	10.048	45.727

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

Deferred tax assets and liabilities are offset as follows:

Deferred Tax assets (+) and liabilities (-) (in EUR)	At Mar 31, 2022	At Dec 16, 2021
Deferred tax liabilities	-245.679	-361.658
Deferred tax assets	291.405	271.658
Deferred tax balances after offset	45.727	-90.000

(23) Trade payables

Details are as follows:

Trade payables (in EUR)	At March 31, 2022	At December 16, 2021
Trade payables to third parties	2.129.835	1.033.442
<i>thereof accruals for outstanding invoices</i>	<i>282.493</i>	<i>221.265</i>
Trade payables to subsidiaries	353.555	296.176
<i>thereof accruals for outstanding invoices</i>	<i>46.100</i>	<i>215.625</i>
TOTAL	2.483.390	1.329.618

For the year ended March 31, 2022

The credit period on purchase of goods and services generally is between 7 and 30 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

The trade payables consists of accruals for outstanding invoices.

(24) Contract liabilities

Details are as follows:

Contract liabilities (in EUR)	At March 31, 2022	At December 16, 2021
Manufacturing costs, including profit or loss on the construction contracts	1.593.742	790.922
Minus advance payments received	-6.514.797	-6.815.768
TOTAL	-4.921.055	-6.024.846

(25) Current income tax liabilities

Details are as follows:

Current income tax liabilities (in EUR)	At March 31, 2022	At December 16, 2021
Corporate income tax (Financial Year 2022)	146.183	0
Corporate income tax (Financial Year 2021)	220.451	283.218
Corporate income tax (Financial Year 2020)	0	102.130
Subtotal Corporate income tax	366.634	385.348
Trade tax (Financial Year 2022)	180.666	0
Trade tax (Financial Year 2021)	214.224	275.033
Trade tax (Financial Year 2020)	0	99.217
Subtotal Trade tax	394.890	374.250
TOTAL	761.524	759.598

(26) Other current provisions

Details are as follows:

Other current provisions (in EUR)	At Mar 31, 2022	At Dec 16, 2021
Fire protections measures	325.000	325.000
Warranty provisions	183.907	183.907
Contractual penalties	72.300	90.700
Accounting & Audit	70.000	70.000
Other	38.000	38.000
TOTAL	689.207	707.607

For the year ended March 31, 2022

The development of other current provisions is as follows:

Other non-current provisions (in EUR)	Fire protection measures	Warranty provisions	Contractual penalties	Accounting & Audit	Other	Total
At January 1, 2021	22.000	169.839	122.000	45.500	23.000	382.339
Additional provision	303.000	14.068	28.200	24.500	15.000	384.768
Reversal of provision			-59.500			-59.500
Utilisation of provision						0
At December 16, 2021	325.000	183.907	90.700	70.000	38.000	707.607
Additional provision			30.548			30.548
Reversal of provision			-48.948			-48.948
Utilisation of provision						0
At March 31, 2022	325.000	183.907	72.300	70.000	38.000	689.207

(27) Other current liabilities

Details are as follows:

Other current liabilities (in EUR)	At March 31, 2022	At December 16, 2021
Personnel-related liabilities	515.620	1.005.493
Sales commission	296.900	226.376
VAT liabilities	89.410	-104.315
Payroll and church tax	110.969	113.482
Other	63.078	162.103
TOTAL	1.075.976	1.403.140

For the year ended March 31, 2022

7. Notes to the Cash Flow Statement

In accordance with IAS 7 Cash Flow Statements, cash flows are distinguished between operating activities, investing activities and financing activities.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet position.

The cash inflows and outflows from investing and financing activities are presented in accordance with the direct method. On the other hand, cash inflows and outflows from operating activities are derived indirectly from the net profit. For this purpose, the net profit is adjusted by non-cash expenses and income, mainly depreciation and changes in non-current provisions and deferred taxes and supplemented by changes in operating assets and liabilities.

Investing and financing transactions which have not led to a change in cash are not part of the cash flow statement.

The table below details changes in the company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	January 1, 2021	Financing cash flows	Non-cash changes (new leases)	December 16, 2021
Development of liabilities from financing activities (in EUR)				
Financial liabilities (Bank loans)	956.476	-697.016		259.459
Financial liabilities from leases	589.052	-190.647	340.101	738.505
Total liabilities from financing activities	1.545.527	-887.664	340.101	997.964

	December 17, 2021	Financing cash flows	Non-cash changes (new leases)	March 31, 2022
Development of liabilities from financing activities (in EUR)				
Financial liabilities (Bank loans)	259.459	-64.865		194.595
Financial liabilities from leases	738.505	-71.946	54.456	721.016
Total liabilities from financing activities	997.964	-136.811	54.456	915.610

8. Report on Financial Instruments

Financial instruments are measured at amortised cost. The carrying amounts of the financial instruments are therefore assumed to equate approximately to their fair market values.

Financial risk management

As a company which operates internationally, the company is exposed to credit, liquidity, and market risks during the course of its ordinary business activities. Market risks particularly result from changes to exchange rates and interest rates. Financial risk management measures are designed to manage and limit these market risks within the scope of operating and financial activities. The basis principles of the financial policy are regularly determined by the Managing Directors.

Credit risks

Credit risk is the risk that business partners will not be able to meet their contractual obligations, resulting in a financial loss. Within the scope of its operating activities, the company is particularly exposed to default risks when it comes to trade receivables, as well as risks associated with its financing activities, including cash investments with banks.

The credit risk from receivables from customers is monitored continuously. In project business, the risk of default is minimized by advance payments. If default risks are significant, these risks are recognized by means of loss allowances. The risk of default with regard to cash investments is reduced by distributing the investments across various banks.

The maximum credit risk of financial assets corresponds to the carrying amount recognized in the balance sheet.

In certain cases, the company may assume that a financial asset will default if there are internal or external indications that the outstanding amounts will not be paid in full. Such information is available, e.g. if the debtor's financial difficulties become known or if the borrower becomes insolvent or goes bankrupt. A financial asset is impaired if there is certainty that the contractual cash flows will not be realized.

There were no indications of an impairment requirement for the trade receivables that were not impaired. This assessment is based on the long-standing business relationship with most of the customers and the creditworthiness of the customers.

The other assets are not overdue.

Liquidity risks

Liquidity risks, i.e., the risk that the company will not be able to fulfil its financial obligations, were limited by setting up financial reserves and using appropriate financial instruments to manage our future liquidity situation.

The company has sufficiently high bank balances and cash credit lines.

The total amount of bank guarantees and credit lines as at March 31, 2022 is KEUR 14.460. Thereof, an amount of KEUR 11.022 has been used. The bank guarantees and credit lines are secured by global assignments of particular trade accounts receivable, the transfer of technical machinery by way of security, the pledge of particular bank deposits, and by a first-rank land charge of KEUR 1.000.

For the year ended March 31, 2022

In general, to reduce liquidity and financing risks, the company is required to process orders “cash positive” as far as possible. As usual in project-based business, delays in incoming orders or payments have significant effects on liquidity of the company. In order to recognize these risks from delayed payments in a timely manner, the company works with rolling liquidity forecasts. The company thus achieves a balance between covering its financial requirements and ensuring flexibility through the use of bank overdrafts, bank loans and leases. The company has sufficient sources of finance at its disposal.

Currency risks

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. Currency risks are limited by invoicing almost exclusively in EURO.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. In order to minimize the risk, existing credit agreements are continuously reviewed with regard to their terms and conditions and adjusted if necessary.

9. Events after Reporting Date

To what extent the Russia-Ukraine conflict will affect the company cannot be reliably estimated at the present due to considerable uncertainty and the high dynamics. The company has only a few direct business relationships with business partners in Russia or in the Ukraine. So far, there have been no direct effects on the company’s accounting resulting from the war in the Ukraine or from the sanctions imposed by Russia. The specific impact of the indirect effects, e.g. cost increases, are difficult to evaluate at present.

10. Related party transactions

IAS 24 requires disclosures of relationships, transactions and outstanding balances (including obligations) with related parties.

The related parties include the parent company HLE Glascoat Limited, Gujarat, India, the 100% subsidiary THALETEC USA Inc, Charlotte/NC, USA, and the managing directors.

Transactions with the parent company

Disclosure of related party transactions with HLE Glascoat Limited:

- Transactions KEUR 0 (prior period KEUR 0)
- Outstanding balances, including commitments KEUR 0 (prior period KEUR 0)
- Provisions for doubtful debts related to the amount of outstanding balances KEUR 0 (prior period KEUR 0)
- Expense recognised during the period in respect of bad or doubtful debts due from related parties KEUR 0 (prior period KEUR 0).

For the year ended March 31, 2022

Transactions with subsidiaries

Disclosure of related party transactions with THALETEC USA Inc:

- Sales commissions recognised in other operating expenses (cost plus method) KEUR 49 (prior period KEUR 216)
- Outstanding balances, including commitments
 - Trade receivables KEUR 117 (prior period KEUR 103)
 - Trade payables including accruals KEUR 354 (prior period KEUR 296)
- Provisions for doubtful debts related to the amount of outstanding balances KEUR 0 (prior period KEUR 0)
- Expense recognised during the period in respect of bad or doubtful debts due from related parties KEUR 0 (prior period KEUR 0).

Managing Directors

The following persons were appointed as Managing Directors in the period January 1, 2021 to March 31, 2022:

- Dr. Jürgen Reinemuth, Managing Director of THALETEC GmbH,
- Alexander Barkow, Managing Director of THALETEC GmbH,
- Karl Heinz Bergmann (until November 30, 2021).

There were no business transactions between the company and the managing directors outside the remuneration for their services to the company.

9/15/22  

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

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*) [*Translators 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.