

Flowtrend Europe ApS

Industrivej Vest 36
6600 Vejen
Business Registration No
34719624

Annual report 2017

The Annual General Meeting adopted the annual report on 26.04.2018

Chairman of the General Meeting

Name: Jan Højsgaard Hansen

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Entity details

Entity

Flowtrend Europe ApS
Industrivej Vest 36
6600 Vejen

Central Business Registration No (CVR): 34719624

Founded: 11.10.2012

Registered in: Vejen

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Jan Højsgaard Hansen
Joseph Lee Allman Jr.
Jacob Rosenkrands
Jens Martin Andersen

Executive Board

Jens Martin Andersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Flowtrend Europe ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Vejen, 26.04.2018

Executive Board

Jens Martin Andersen

Board of Directors

Jan Højsgaard Hansen

Joseph Lee Allman Jr.

Jacob Rosenkrands

Jens Martin Andersen

Independent auditor's report

To the shareholders of Flowtrend Europe ApS

Opinion

We have audited the financial statements of Flowtrend Europe ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 26.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jannick Kjersgaard

State Authorised Public Accountant

Identification No (MNE) mne29440

Management commentary

Primary activities

The Company's objective is trading and investing, especially trading in pumps, valves and other flow equipment.

Development in activities and finances

Flowtrend Europe ApS is a sister company to Flowtrend Inc. based in Houston Texas, USA. The Company manufactures and distributes replacement parts for OEM products and is thus an alternative for the European consumers of these products. The Company was established in 2012 in Denmark, and a distributors' network is being developed all over Europe. The development is positive, but there are inherent costs relating to the development of the network, which also appears from the financial statements. A strong growth rate and a considerably higher financial performance are expected for 2018. Generally, the possibilities that the Flowtrend product range has opened up for the customers are of great interest, and therefore expectations for the coming years' results are positive.

Outlook

The Company has lost its entire share capital at 31 December 2017 and now falls within the provisions of section 119 of the Danish Companies Act governing loss of capital. Management plans to re-establish the share capital through the future operating activities of the Company.

The shareholders have declared that they will continue to make the necessary funds available to the Company.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		1,838,276	1,712,450
Distribution costs	2	(1,680,992)	(1,449,561)
Administrative expenses		<u>(454,979)</u>	<u>(328,976)</u>
Operating profit/loss		(297,695)	(66,087)
Other financial expenses	3	<u>(16,170)</u>	<u>(32,736)</u>
Profit/loss before tax		(313,865)	(98,823)
Tax on profit/loss for the year		<u>(156,000)</u>	<u>10,000</u>
Profit/loss for the year		<u>(469,865)</u>	<u>(88,823)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(469,865)</u>	<u>(88,823)</u>
		<u>(469,865)</u>	<u>(88,823)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Manufactured goods and goods for resale		<u>898,856</u>	<u>806,366</u>
Inventories		<u>898,856</u>	<u>806,366</u>
Trade receivables		566,618	645,200
Deferred tax		0	156,000
Other receivables		73,653	148,013
Prepayments		<u>1,143</u>	<u>0</u>
Receivables		<u>641,414</u>	<u>949,213</u>
Cash		<u>217,162</u>	<u>3,451</u>
Current assets		<u>1,757,432</u>	<u>1,759,030</u>
Assets		<u>1,757,432</u>	<u>1,759,030</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		85,000	85,000
Retained earnings		<u>(563,337)</u>	<u>(93,472)</u>
Equity		<u>(478,337)</u>	<u>(8,472)</u>
Bank loans		0	69,369
Trade payables		1,977,073	1,462,143
Other payables		<u>258,696</u>	<u>235,990</u>
Current liabilities other than provisions		<u>2,235,769</u>	<u>1,767,502</u>
Liabilities other than provisions		<u>2,235,769</u>	<u>1,767,502</u>
Equity and liabilities		<u>1,757,432</u>	<u>1,759,030</u>
Going concern	1		
Assets charged and collateral	4		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	85,000	(93,472)	(8,472)
Profit/loss for the year	0	(469,865)	(469,865)
Equity end of year	85,000	(563,337)	(478,337)

Notes

1. Going concern

Since the beginning of 2012, the Company has been in a start-up phase where a distributors' network etc. has been developed. In the start-up phase the Company has generated considerable losses resulting from this development.

In 2014, the Company's equity was strengthened by a capital contribution.

Strong growth is expected in the level of activity in 2018, and a profit around DKK 0 is expected for 2018.

It is Management's assessment that the Company's prospects are extremely good.

A significant part of the Company's trade payables is to a sister company in the US. The sister company has agreed to offer much longer credit periods in order to secure the Company's cash resources in the start-up phase.

Also, the Company's shareholders have expressed their willingness to ensure that the Company has the capital necessary to continue as a going concern in 2018.

Based on the above, it is Management's assessment that the Company has sufficient credit facilities to carry out the budgeted operations in 2018.

	2017	2016
	DKK	DKK
2. Staff costs		
Wages and salaries	1,226,945	1,036,947
Pension costs	173,395	137,275
Other social security costs	29,789	24,698
Other staff costs	1,678	1,236
	1,431,807	1,200,156
Average number of employees	2	

	2017	2016
	DKK	DKK
3. Other financial expenses		
Other interest expenses	16,170	32,736
	16,170	32,736

Notes

4. Assets charged and collateral

Bank debt is secured by a floating charge of DKK 250k on inventories as well as trade receivables.

The carrying amount of mortgaged assets is DKK 217k.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Production costs

Commercial business: Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as depreciation and impairment losses relating to property, plant and equipment.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Company's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses etc as well as depreciation and impairment losses relating property, plant and equipment attached to the distribution process.

Administrative costs

Administrative expenses comprise expenses incurred for the Company's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as depreciation relating to property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial expenses

Other financial expenses comprise interest expenses, including, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.