

**Flowtrend Europe ApS
Central Business Registration No
34719624
Industrivej Vest 36
6600 Vejen**

Annual report 2015

The Annual General Meeting adopted the annual report on 17.05.2016

Chairman of the General Meeting

Name: Jan H. Hansen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's reports	3
Management commentary	5
Accounting policies	6
Income statement for 2015	9
Balance sheet at 31.12.2015	10
Statement of changes in equity for 2015	12
Notes	13

Entity details

Entity

Flowtrend Europe ApS
Industrivej Vest 36
6600 Vejen

Central Business Registration No: 34719624

Founded: 11.10.2012

Registered in: Vejen

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

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

Executive Board

Jens Martin Andersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Frodesgade 125
Postboks 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 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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, 12.05.2016

Executive Board

Jens Martin Andersen

Board of Directors

Jan Højsgaard Hansen

Joseph Lee Allman Jr.

Jacob Rosenkrands

Jens Martin Andersen

Independent auditor's reports

To the owners of Flowtrend Europe ApS

Report on the financial statements

We have audited the financial statements of Flowtrend Europe ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements 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 the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Emphasis of matter affecting the financial statements

As specified in note 1, Management believes that the outlook for the Entity are particularly fine and that the Entity has adequate credit facilities available to it. Consequently, the financial statements have been prepared on a going concern basis. We concur with Management's view.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Esbjerg, 12.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jannick Kjersgaard
statsautoriseret revisor

CVR-nr. 33963556

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 2016. 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.

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.

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.

Accounting policies

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.

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 to property, plant and equipment attached to the distribution process.

Administrative expenses

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 income

Other financial income comprises interest income received, net capital gains relating to transactions in foreign currencies as well as repayment under the Danish Tax Prepayment Scheme etc.

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.

Income taxes

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.

Accounting policies

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.

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.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Gross profit		1.927.342	789.910
Distribution costs	2	(1.533.380)	(1.034.624)
Administrative costs		<u>(258.673)</u>	<u>(174.884)</u>
Operating profit/loss		135.289	(419.598)
Other financial income	3	0	352
Other financial expenses	4	<u>(23.644)</u>	<u>(25.085)</u>
Profit/loss from ordinary activities before tax		111.645	(444.331)
Tax on profit/loss from ordinary activities	5	<u>(35.400)</u>	<u>105.400</u>
Profit/loss for the year		<u>76.245</u>	<u>(338.931)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>76.245</u>	<u>(338.931)</u>
		<u>76.245</u>	<u>(338.931)</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Manufactured goods and goods for resale		708.980	456.749
Inventories		708.980	456.749
Trade receivables		1.327.575	559.007
Deferred tax assets		146.000	181.400
Other short-term receivables		246.216	0
Prepayments		27.782	14.471
Receivables		1.747.573	754.878
Cash		121.659	146.831
Current assets		2.578.212	1.358.458
Assets		2.578.212	1.358.458

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital	6	85.000	85.000
Retained earnings		<u>(4.649)</u>	<u>(80.894)</u>
Equity		<u>80.351</u>	<u>4.106</u>
Bank loans		575.577	390.651
Trade payables		1.714.834	808.620
Other payables		<u>207.450</u>	<u>155.081</u>
Current liabilities other than provisions		<u>2.497.861</u>	<u>1.354.352</u>
Liabilities other than provisions		<u>2.497.861</u>	<u>1.354.352</u>
Equity and liabilities		<u>2.578.212</u>	<u>1.358.458</u>
Going concern	1		
Unrecognised rental and lease commitments	7		
Assets charged and collateral	8		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	85.000	(80.894)	4.106
Profit/loss for the year	0	76.245	76.245
Equity end of year	85.000	(4.649)	80.351

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 2016, and consequently, a profit is expected for 2016.

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 2016.

Based on the above, it is Management's assessment that the Company has sufficient credit facilities to carry out the budgeted operations in 2016.

	2015	2014
	DKK	DKK
2. Staff costs		
Wages and salaries	1.057.853	659.334
Pension costs	130.960	107.250
Other social security costs	17.083	12.861
Other staff costs	1.580	0
	1.207.476	779.445

	2015	2014
	DKK	DKK
3. Other financial income		
Interest income	0	352
	0	352

Notes

	2015 DKK	2014 DKK
4. Other financial expenses		
Interest expenses	23.644	19.295
Other financial expenses	0	5.790
	23.644	25.085

	2015 DKK	2014 DKK
5. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	35.400	(105.400)
	35.400	(105.400)

	Number	Par value DKK	Nominal value DKK
6. Contributed capital			
Ordinary shares	85	1.000,00	85.000
	85		85.000

	2015 DKK	2014 DKK	2012/13 DKK
Changes in contributed capital			
Contributed capital beginning of year	85.000	80.000	0
Increase of capital	0	5.000	80.000
Contributed capital end of year	85.000	85.000	80.000

Notes

	2015	2014
	DKK	DKK
7. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	32.686	98.058

8. Assets charged and collateral

Bank debt is secured by a floating charge of DKK 250k on intellectual property rights, other fixtures and fittings, tools and equipment, inventories as well as trade receivables.

The carrying amount of mortgaged assets is DKK 2.457k.