

MOTION WATER SPORTS EUROPE APS
Smedevænget 2
6310 Broager

Annual report for 2017
(1st Financial year)

Adopted at the annual general meeting on

 22/10/2018
chairman
JOHN EDWARD ARCHER

CVR-nr. 38 36 56 22

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The executive board has today discussed and approved the annual report of Motion Water Sports Europe ApS for the financial year 20 January - 31 December 2017.

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

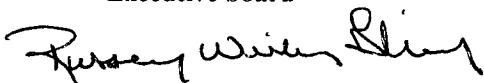
In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 20 January - 31 December 2017.


In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

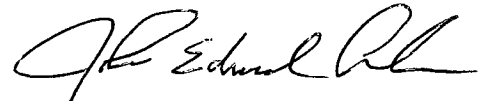
Management recommends that the annual report should be approved at the annual general meeting.

Sønderborg, 19 June 2018

Executive board


Russell William Gaskill


John Alan Clark


John Edward Archer

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Motion Water Sports Europe ApS

Auditors' Report on the Financial Statements

Opinion

We have audited the financial statements of Motion Water Sports Europe ApS for the financial year 20 January - 31 December 2017, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 20 January - 31 December 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 the 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 our report. We are independent of the company in accordance with the International Ethics Standards Board for 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company 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 judgment and maintain professional skepticism 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 company'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 company'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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Statement on management's review

Management is responsible for management's review.

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

INDEPENDENT AUDITOR'S REPORT

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

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

Based on the work we have performed, we conclude that management's review 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 management's review.

Report on other legal and regulatory requirements

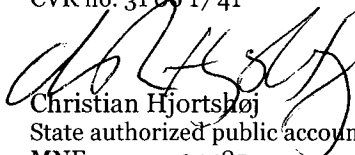
Violation of Danish VAT legislation

Contrary to Danish VAT legislation, the Company has not reported VAT on time 2 out of 4 times to the Danish Customs and Tax Administration, and Management may incur liability in this respect.

Copenhagen, 19 June 2018

MAZARS

Statsautoriseret Revisionspartnerselskab
CVR no. 31 06 17 41



Christian Hjortsø
State authorized public accountant
MNE no. mne34485

COMPANY DETAILS

The company	Motion Water Sports Europe ApS Smedevænget 2 6310 Broager
	CVR no.: 38 36 56 22
	Reporting period: 20 January - 31 December 2017
	Domicile: Sønderborg
Executive board	Russell William Gaskill John Alan Clark John Edward Archer
Auditors	Mazars Statsautoriseret Revisionspartnerselskab Østerfælled Torv 10, 2. sal 2100 København Ø

MANAGEMENT'S REVIEW

Business activities

The Company engages in production, sales and other related business.

Business review

The Company's income statement for the year ended 31 December shows a profit of DKK 1.255.104, and the balance sheet at 31 December 2017 shows equity of DKK 1.305.104.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

ACCOUNTING POLICIES

The annual report of Motion Water Sports Europe ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The annual report for 2017 is presented in DKK

As 2017 is the company's first reporting period, no comparatives have been presented.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

ACCOUNTING POLICIES

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Stocks

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production.

ACCOUNTING POLICIES

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

INCOME STATEMENT 20 JANUARY - 31 DECEMBER

	<u>Note</u>	<u>2017</u> DKK
Gross profit		2.094.016
Staff costs	1	<u>-1.252.374</u>
Profit/loss before financial income and expenses		841.642
Financial income		777.222
Financial costs		<u>-100</u>
Profit/loss before tax		1.618.764
Tax on profit/loss for the year	2	<u>-363.660</u>
Net profit/loss for the year		<u>1.255.104</u>
Retained earnings		<u>1.255.104</u>
		<u>1.255.104</u>

BALANCE SHEET 31 DECEMBER

	<u>Note</u>	<u>2017</u> DKK
ASSETS		
Finished goods and goods for resale		4.209.400
Stocks		<u>4.209.400</u>
Trade receivables		2.042.284
Other receivables		4.132
Receivables		<u>2.046.416</u>
Cash at bank and in hand		<u>1.765.569</u>
Current assets total		<u>8.021.385</u>
Assets total		<u><u>8.021.385</u></u>

BALANCE SHEET 31 DECEMBER

	<u>Note</u>	<u>2017</u> DKK
LIABILITIES AND EQUITY		
Share capital		50.000
Retained earnings		1.255.104
Equity	3	<u>1.305.104</u>
Trade payables		978.697
Payables to parent company		5.133.297
Corporation tax		363.660
Other payables		203.695
Deferred income		36.932
Short-term debt		<u>6.716.281</u>
Debt total		<u>6.716.281</u>
Liabilities and equity total		<u><u>8.021.385</u></u>
Rental agreements and lease commitments	4	
Related parties and ownership	5	

NOTES

	2017
	DKK
1 STAFF COSTS	
Wages and salaries	1.063.010
Pensions	78.639
Other staff costs	110.725
	1.252.374
Average number of employees	5

2 TAX ON PROFIT/LOSS FOR THE YEAR	
Current tax for the year	363.660
	363.660

3 EQUITY	Share capital	Retained earnings	Total
Equity at 20 January 2017	50.000	0	50.000
Net profit/loss for the year	0	1.255.104	1.255.104
Equity at 31 December 2017	50.000	1.255.104	1.305.104

4 RENTAL AGREEMENTS AND LEASE COMMITMENTS

The company has entered into contracts for rental of premises. The lease is non-terminable until March 1st 2020. The total lease obligation in the interminable period amounts to DKK'000 768.

NOTES

5 RELATED PARTIES AND OWNERSHIP

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Motion Water Sports, Inc.
433 Park Avenue S. New London
Ohio 44851
USA