

MOTION WATER SPORTS EUROPE APS
Thorsvej 6
6330 Padborg

Annual report for 2019
(3th Financial year)

Adopted at the annual general meeting on
31 July 2020


John Edward Archer
chairman

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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 1 January - 31 December 2019.

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

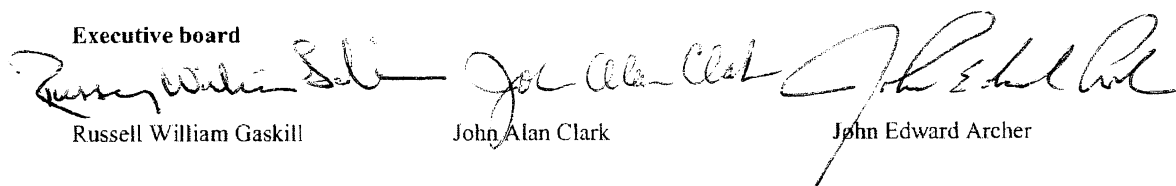
In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

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 by the company in general meeting.

Aabenraa, 31 July 2020

Executive board

The image shows three handwritten signatures in black ink. The first signature is on the left, the second is in the middle, and the third is on the right. Each signature is written in a cursive style.

Russell William Gaskill

John Alan Clark

John Edward Archer

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Motion Water Sports Europe ApS

Opinion

We have audited the financial statements of Motion Water Sports Europe ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. 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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019 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.

Emphasis of matter in the Financial Statements

We refer to the managements review and note 1, which reflect that Management intends to discontinue the Company's operations and commence voluntary liquidation in fall 2020. We have not modified our opinion in respect of this matter.

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 the 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.

INDEPENDENT AUDITOR'S REPORT

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.

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.

Copenhagen, 31 July 2020

MAZARS

Statsautoriseret Revisionspartnerselskab

CVR no. 31 06 17 41



Kurt Christensen
State authorized public accountant
MNE no. mne26824

COMPANY DETAILS

The company

Motion Water Sports Europe ApS
Thorsvej 6
6330 Padborg

CVR no.: 38 36 56 22

Reporting period: 1 January - 31 December 2019

Domicile: Aabenraa

Executive board

Russell William Gaskill
John Alan Clark
John Edward Archer

Auditors

Mazars
Statsautoriseret Revisionspartnerselskab
Midtermolen 1, 2.tv.
2100 København Ø

MANAGEMENT'S REVIEW

Business review

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

Financial review

The company's income statement for the year ended 31 December 2019 shows a loss of DKK 3.416.510, and the balance sheet at 31 December 2019 shows negative equity of DKK 2.409.341.

Management consider the result as unsatisfactory.

Going concern

Management have decided to liquidate the Company during fall 2020. The Financial Statement is therefore not prepared under the assumption of going concern.

Significant events occurring after the end of the financial year

Besides the above 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 2019 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, however with necessary adjustments as a result of the fact that the Company's Financial Statements do not comply with the going concern assumption, as Management have decided to liquidate the Company in fall 2020. As a result hereof all assets are recognized at realisable value.

The annual report for 2019 is presented in DKK

Comparison figures have not been restated following the decision to discontinue the operations.

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.

Financial assets and liabilities are measured at realisable value.

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 costs of raw materials and consumables and other external expenses.

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.

ACCOUNTING POLICIES

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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Stocks

Stocks are measured at expected realisable value.

Receivables

Receivables are measured at expected realisable value.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

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

ACCOUNTING POLICIES

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 1 JANUARY - 31 DECEMBER

	Note	2019 DKK	2018 TDKK
Gross profit		-960.351	2.075
Staff costs	2	-1.926.331	-1.539
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11.913	-12
Impairment of current assets		-189.366	0
Profit/loss before net financials		-3.087.961	524
Financial costs		-328.549	-822
Profit/loss before tax		-3.416.510	-298
Tax on profit/loss for the year		0	0
Profit/loss for the year		-3.416.510	-298
 Recommended appropriation of profit/loss			
Retained earnings		-3.416.510	-298
		-3.416.510	-298

BALANCE SHEET 31 DECEMBER

	Note	2019 DKK	2018 TDKK
ASSETS			
Other fixtures and fittings, tools and equipment		11.914	24
Tangible assets	3	11.914	24
Total non-current assets		11.914	24
Finished goods and goods for resale		2.243.883	6.094
Stocks		2.243.883	6.094
Trade receivables		3.138.233	2.147
Other receivables		40.381	30
Corporation tax		90.000	0
Prepayments		0	15
Receivables		3.268.614	2.192
Cash at bank and in hand		1.007.576	4.412
Total current assets		6.520.073	12.698
Total assets		6.531.987	12.722

BALANCE SHEET 31 DECEMBER

	Note	2019 DKK	2018 TDKK
EQUITY AND LIABILITIES			
Share capital		50.000	50
Retained earnings		-2.459.341	957
Equity		-2.409.341	1.007
Prepayments received from customers		131.358	0
Trade payables		93.154	213
Payables to parent company		8.541.558	11.334
Other payables		175.258	168
Total current liabilities		8.941.328	11.715
Total liabilities		8.941.328	11.715
Total equity and liabilities		6.531.987	12.722
Uncertainty about the continued operation (going concern)	1		
Related parties and ownership structure	4		

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2019	50.000	957.169	1.007.169
Net profit/loss for the year	<u>0</u>	<u>-3.416.510</u>	<u>-3.416.510</u>
Equity at 31 December 2019	<u><u>50.000</u></u>	<u><u>-2.459.341</u></u>	<u><u>-2.409.341</u></u>

NOTES

1 UNCERTAINTY ABOUT THE CONTINUED OPERATION (GOING CONCERN)

As regards uncertainties concerning the Company's ability to continue as a going concern, management has assumed, that parent company will continue to provide the necessary liquidity available to the company for the period up until liquidation in fall 2020.

	<u>2019</u> DKK	<u>2018</u> TDKK
2 STAFF COSTS		
Wages and salaries	1.736.859	1.333
Pensions	147.848	94
Other staff costs	<u>41.624</u>	<u>112</u>
	<u>1.926.331</u>	<u>1.539</u>
Average number of employees	<u>5</u>	<u>5</u>

3 TANGIBLE ASSETS

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2019	<u>35.740</u>
Cost at 31 December 2019	<u>35.740</u>
Impairment losses and depreciation at 1 January 2019	11.913
Depreciation for the year	<u>11.913</u>
Impairment losses and depreciation at 31 December 2019	<u>23.826</u>
Carrying amount at 31 December 2019	<u>11.914</u>

4 RELATED PARTIES AND OWNERSHIP STRUCTURE

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

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