
Southern Spars Europe A/S

Bergensvej 6, DK-6230 Rødekro

Annual Report for 1 January - 31 December 2015

CVR No 88 41 74 10

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
9 /6 2016

Torben Weis Jacobsen
Chairman



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report on the Financial Statements	2
Company Information	
Company Information	4
Management's Review	5
Financial Statements	
Income Statement 1 January - 31 December	6
Balance Sheet 31 December	7
Statement of Changes in Equity	9
Notes to the Financial Statements	10
Accounting Policies	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Southern Spars Europe A/S for the financial year 1 January - 31 December 2015.

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 financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Rødekro, 7 June 2016

Executive Board

Torben Weis Jacobsen

Executive Officer

Board of Directors

Richard James Huntley Lott

Trevor Arthur Jenkins

Torben Weis Jacobsen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Southern Spars Europe A/S

Report on the Financial Statements

We have audited the Financial Statements of Southern Spars Europe A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. 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 whether the Financial Statements are free from material misstatement.

An audit involves performing audit 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 misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 evaluating 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 financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Sønderborg, 7 June 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bjarne Bruun Sørensen

State Authorized Public Accountant

Company Information

The Company

Southern Spars Europe A/S
Bergensvej 6
DK-6230 Rødekro

Telephone: + 45 74620060
Facsimile: + 45 74630543
Website: www.southernspars.com

CVR No: 88 41 74 10
Financial period: 1 January - 31 December
Municipality of reg. office: Aabenraa

Board of Directors

Richard James Huntley Lott
Trevor Arthur Jenkins
Torben Weis Jacobsen

Executive Board

Torben Weis Jacobsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Ellegårdvej 25
DK-6400 Sønderborg

Bankers

Jyske Bank

Management's Review

Financial Statements of Southern Spars Europe A/S for 2015 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 rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The main activity has in accordance with previous years consisted of production and trading with advanced composit products, primarily to the yachting industry.

Development in the year

The income statement of the Company for 2015 shows a loss of DKK 4,035,667, and at 31 December 2015 the balance sheet of the Company shows negative equity of DKK 1,930,184.

The financial outcome is not satisfying.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Gross profit/loss		752.601	1.897.233
Staff expenses	2	-4.427.536	-5.372.247
Depreciation of plant and equipment		<u>-95.276</u>	<u>-184.795</u>
Profit/loss before financial income and expenses		-3.770.211	-3.659.809
Financial income	3	38.440	19.022
Financial expenses	4	<u>-303.896</u>	<u>-589.931</u>
Profit/loss before tax		-4.035.667	-4.230.718
Tax on profit/loss for the year		<u>0</u>	<u>0</u>
Net profit/loss for the year		<u>-4.035.667</u>	<u>-4.230.718</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>-4.035.667</u>	<u>-4.230.718</u>
		<u>-4.035.667</u>	<u>-4.230.718</u>

Balance Sheet 31 December

Assets

	Note	2015 DKK	2014 DKK
Plant and machinery		46.920	142.196
Property, plant and equipment		46.920	142.196
Other receivables		0	1.009.566
Fixed asset investments		0	1.009.566
Fixed assets		46.920	1.151.762
Finished goods and goods for resale		1.495.885	1.766.674
Prepayments for goods		1.274.137	3.320.797
Inventories		2.770.022	5.087.471
Trade receivables		4.677.581	2.910.864
Contract work in progress	5	0	1.277.210
Receivables from group enterprises		1.706.864	438.847
Other receivables		0	2.060
Prepayments		72.851	92.106
Receivables		6.457.296	4.721.087
Cash at bank and in hand		627.893	125.963
Currents assets		9.855.211	9.934.521
Assets		9.902.131	11.086.283

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKK	2014 DKK
Share capital		2.060.000	2.055.000
Retained earnings		-3.990.184	-2.183.995
Equity	6	-1.930.184	-128.995
Other provisions	9	124.447	0
Provisions		124.447	0
Credit institutions		0	123
Prepayments received from customers		0	503.790
Trade payables		916.037	2.082.834
Prepayments received recognised in debt	5	2.579.652	0
Payables to group enterprises		6.813.536	6.444.482
Other payables		1.398.643	2.184.049
Short-term debt		11.707.868	11.215.278
Debt		11.707.868	11.215.278
Liabilities and equity		9.902.131	11.086.283
Going concern	1		
Contingent assets, liabilities and other financial obligations	7		
Related parties and ownership	8		

Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	2.055.000	-2.183.995	-128.995
Exchange adjustments	0	-35.522	-35.522
Cash capital increase	5.000	2.265.000	2.270.000
Net profit/loss for the year	0	-4.035.667	-4.035.667
Equity at 31 December	<u>2.060.000</u>	<u>-3.990.184</u>	<u>-1.930.184</u>

Notes to the Financial Statements

1 Going concern

The financial statement has been prepared under a going concern condition. The ongoing activity is dependent of continuing financial support from the parent company. Management of the parent company has committed to provide the necessary financial support to Southern Spars Europe A/S.

The sharecapital of the company has been lost. Management has observed the legislative requirements of section 119 of the Danish Companies Act. Management expect to recover the equity through financial support from the parent company as well as through future income.

Management therefore consider the condition of going concern as fulfilled and has prepared the financial statement accordingly.

	<u>2015</u> DKK	<u>2014</u> DKK
2 Staff expenses		
Wages and salaries	4.176.492	4.915.049
Pensions	201.634	277.314
Other social security expenses	49.410	80.705
Other staff expenses	0	99.179
	<u>4.427.536</u>	<u>5.372.247</u>
Average number of employees	<u>8</u>	<u>9</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial income

Interest received from group enterprises	22.566	19.022
Other financial income	974	0
Exchange adjustments	14.900	0
	<u>38.440</u>	<u>19.022</u>

Notes to the Financial Statements

	2015	2014
	DKK	DKK
4 Financial expenses		
Interest paid to group enterprises	243.967	432.730
Other financial expenses	1.054	3.007
Exchange adjustments, expenses	58.875	154.194
	303.896	589.931

5 Contract work in progress

Selling price of production for the period	3.051.756	3.311.641
Payments received on account	-5.631.408	-2.034.431
	-2.579.652	1.277.210
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	0	1.277.210
Prepayments received recognised in debt	-2.579.652	0
	-2.579.652	1.277.210

6 Equity

The share capital consists of 2,060 shares of a nominal value of DKK 1,000. No shares carry any special rights.

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	2.055.000	2.045.000	2.030.000	2.001.000	2.001.000
Capital increase	5.000	10.000	15.000	29.000	0
Capital decrease	0	0	0	0	0
Share capital at 31					
December	2.060.000	2.055.000	2.045.000	2.030.000	2.001.000

Notes to the Financial Statements

7 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has a contractual liability for rent of production buildings of 300TDKK.

The company has entered leasing agreements with a remaining liability of 105 TDKK.

8 Related parties and ownership

Basis

Controlling interest

Southern Spars Group Partnership
630 Riverfront Drive, Suite 230
Sheboygan
WI 53081 USA

Controlling shareholder

Other related parties

Management and Board of Directors.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Southern Spars Group Partnership, 630 Riverfront Drive, Suite 230, Sheboygan, WI 53081 USA

Consolidated Financial Statements

The company is part of the Group Annual Report in the parent company: Southern Spars Group LLC.

The Group Annual Report of may be obtained at the following address: www.southernspars.com

Notes to the Financial Statements

	<u>2015</u> DKK	<u>2014</u> DKK
9 Other provisions		
<p>The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, warranty provisions of kDKK 124 (2014: kDKK 0) have been recognised for expected warranty claims.</p>		
Warranty provisions	<u>124.447</u>	<u>0</u>
	<u>124.447</u>	<u>0</u>

Accounting Policies

Basis of Preparation

The Annual Report of Southern Spars Europe A/S for 2015 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 rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Accounting Policies

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Depreciation

Depreciation comprise depreciation of plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

There has not been recognised current taxes or changes in deferred taxes in the income statement of the year.

Balance Sheet

Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	8-9 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of receivable deposits.

Inventories

Inventories are measured at the lower of cost under the weighted average method and net realisable value.

Accounting Policies

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning next financial year.

Accounting Policies

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.