

Midwesco Filter Resources Denmark A/S

C.E. Christiansens Vej 56

4930 Maribo

CVR No. 20940441

Annual Report 2016/17

19. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on
JUNE 23, 2017



Chairman of the meeting

BRADLEY EDWARD MAUTNER

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Management's Statement

Today, Management has considered and adopted the Annual Report of Midwesco Filter Resources Denmark A/S for the financial year 1 February 2016 - 31 January 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 assets, liabilities and financial position of the Company at 31 January 2017 and of the results of the Company's operations for the financial year 1 February 2016 - 31 January 2017.

In our opinion, the 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.

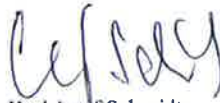
Niles, USA, 14 June 2017

Executive Board

Karl Josef Schmidt

Supervisory Board


Bradley Edward Mautner
Chairman


Karl Josef Schmidt


David Mansfield

Independent Auditor's Report

To the shareholders of Midwesco Filter Resources Denmark A/S

Opinion

We have audited the financial statements of Midwesco Filter Resources Denmark A/S for the financial year 1. februar 2016 - 31. januar 2017, which comprise an income statement, balance sheet and notes. 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 Company's financial position at 31. januar 2017 and of the results of its operations for the financial year 1. februar 2016 - 31. januar 2017 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, 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 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 considers 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- * Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.

Independent Auditor's Report

- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Information regarding breach of legislation

The company has not complied with the rules regarding Auditor Opinion and deadline filing paid interim dividend April 2016 TDKK 3.587. The Management can be responsible.

Maribo, 14. juni 2017

aage maagensen

statsautoriseret revisionsaktieselskab

CVR-no. 12901038



Thomas Henckel

State Authorised Public Accountant



Knud Engberg

Registered Public Accountant

Company details

Company	Midwesco Filter Resources Denmark A/S C.E. Christiansens Vej 56 4930 Maribo
CVR No.	20940441
Date of formation	1 April 1998
Registered office	Lolland
Financial year	1 February 2016 - 31 January 2017
Supervisory Board	Bradley Edward Mautner, Chairman Karl Josef Schmidt David Mansfield
Executive Board	Karl Josef Schmidt
Auditors	aage maagensen statsautoriseret revisionsaktieselskab C. E. Christiansens Vej 56 4930 Maribo CVR-no.: 12901038

Management's Review

The Company's principal activities

The Company's principal activities consist of investment and asset management.

Development in activities and financial matters

The profit for the year influenced by final adjustments to the salesprice subsidiary.

Expectations for the future

Management expects positive result in the financial year 2017/18.

Post financial year events

After the end of the financial year, no events have occurred which may change the financial position of the entity substantially.

Fundamental error Annual Report 2015/16

Referring to the paragraph on accounting policies (page 8) which explains the nature of the fundamental error.

Accounting Policies

Reporting Class

The Annual Report of Midwesco Filter Resources Denmark A/S for 2016/17 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with the adoption of individual rules from class C.

Correction of the fundamental error 2015/16

In the Annual Report for 2015/2016 is recognized to too much income of 6,066 DKK`000 regarding gain on sale of equity investment in subsidiary. The foregoing has no effect on the Annual Report 2016/2017. Comparative figures for the year 2015/2016 is corrected as follows:

Result for the year 2015/2016 as well as total assets and equity per January 31, 2016 is reduced with 6,066 DKK`000 as follows:

Result from 21,514 DKK`000 to 15,448 DDK`000

Assets from 48,394 DKK`000 to 42,328 DDK`000

Equity from 43,435 DKK`000 to 37,369 DKK`000

Other accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been 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 accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses comprise expenses regarding administration.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognized and measured at 22% applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

Balance Sheet

Receivables group enterprises

Receivables are measured to the nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2016/17 kr.	2015/16 kr.
Gross profit		-213.838	-71.680
Employee benefits expense	1	0	-1.075.000
Profit from ordinary operating activities		-213.838	-1.146.680
Income from investments in group enterprises and associates	2	-1.737.252	16.351.499
Other finance income from group enterprises		1.126.014	0
Other finance income	3	0	44.731
Finance expences	4	-257.971	0
Profit from ordinary activities before tax		-1.083.047	15.249.550
Tax expense on ordinary activities	5	-145.050	198.888
Profit		-1.228.097	15.448.438
Proposed distribution of results			
Interim dividend recognised in equity		26.199.970	0
Reserve for net revaluation according to equity method		0	-9.334.736
Retained earnings		-27.428.067	24.783.174
Distribution of profit		-1.228.097	15.448.438

Balance Sheet as of 31 January

	Note	2017 kr.	2016 kr.
Assets			
Long-term investments in group enterprises	6	0	0
Investments		<u>0</u>	<u>0</u>
Fixed assets		<u>0</u>	<u>0</u>
Short-term receivables from group enterprises		7.396.655	28.787.358
Short-term tax receivables		0	198.888
Receivables		<u>7.396.655</u>	<u>28.986.246</u>
Cash and cash equivalents		<u>4.215.231</u>	<u>13.340.990</u>
Current assets		<u>11.611.886</u>	<u>42.327.236</u>
Assets		<u>11.611.886</u>	<u>42.327.236</u>

Balance Sheet as of 31 January

	Note	2017 kr.	2016 kr.
Liabilities and equity			
Contributed capital		7.000.000	7.000.000
Retained earnings		2.941.012	30.369.079
Equity	7	9.941.012	37.369.079
Payables to group enterprises		180.466	0
Tax payables		128.802	0
Other payables		1.361.606	4.958.157
Short-term liabilities other than provisions		1.670.874	4.958.157
Liabilities other than provisions within the business		1.670.874	4.958.157
Liabilities and equity		11.611.886	42.327.236
Collaterals and assets pledges as security	8		
Ownership	9		
Related parties	10		

Notes

	2016/17	2015/16
1. Employee benefits expense		
Wages and salaries	0	1.075.000
	<u>0</u>	<u>1.075.000</u>
The Company has decided to omit certain information in accordance with section 98 b of the Danish Financial art.		
2. Income from investments in group enterprises and associates		
Gain/loss from disposal of subsidiary (2015/16)	-1.737.252	16.351.499
	<u>-1.737.252</u>	<u>16.351.499</u>
3. Finance income		
Finance income arising from group enterprises	0	37.042
Other finance income	0	7.689
	<u>0</u>	<u>44.731</u>
4. Finance expenses		
Finance expenses arising from group enterprises	180.466	0
Other finance expenses	77.505	0
	<u>257.971</u>	<u>0</u>
5. Tax expense		
Current tax	145.050	-15.038
Change in deferred tax	0	-183.850
	<u>145.050</u>	<u>-198.888</u>
6. Long-term investments in group enterprises		
Cost at the beginning of the year	0	12.574.975
Disposal during the year	0	-12.574.975
Cost at the end of the year	<u>0</u>	<u>0</u>
Revaluations at the beginning of the year	0	9.334.736
Reversal of revaluations of disposed assets	0	-9.334.736
Revaluations at the end of the year	<u>0</u>	<u>0</u>
Carrying amount at the end of the year	<u>0</u>	<u>0</u>

Notes

7. Statement of changes in equity

	Contributed capital	Retained earnings	Payed dividend	Proposed dividend	Total
Equity, beginning balance	7,000.000	36,435.631			43,435.631
Changes in equity of the beginning of the year		-6.066.552			-6.066.552
Interim dividend april 2016			-3.587.400	3.587.400	0
Interim dividend juli 2016			-10.400.000	10.400.000	0
Interim dividend january 2017			-12.212.570	12.212.570	0
Retained earnings 2016/17		-27.428.067			-27.428.067
	7.000.000	2.941.012	-26.199.970	26.199.970	9.941.012

The share capital has remained unchanged for the last 5 years.

8. Collaterals and securities

Bank account TDKK 3.474 provided as security for buyer of the subsidiary.

9. Ownership

The following shareholders hold more than 5% of the company's share capital:

Midwesco Filter Resources Inc., Virginia, USA

10. Related parties

Related parties with a controlling interest in the company:

Perma - Pipe International Holdings, Inc. (previously MFRI Inc.), Niles, Illinois, USA (the ultimate parent)

Midwesco Filter Resources Inc., Virginia, USA (group parent)

Midwesco Filter Resources Denmark A/S related parties with significant influence includes group companies and associated companies and the board of directors, management and managerial staff as well as these persons related family members. Related parties furthermore includes companies in which the first mentioned persons have significant interests.