

ROTO PUMPS NORTH AMERICA, INC.

Financial Statements

Year Ended March 31, 2019

With

Independent Accountant's Compilation Report



ROTO PUMPS NORTH AMERICA, INC.

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Independent Accountant's Compilation Report

Board of Directors
Roto Pumps North America, Inc.
Tulsa, Oklahoma

Management is responsible for the accompanying financial statements of Roto Pumps North America, Inc. (a corporation), which comprise the statement of assets, liabilities, and stockholders' equity—income tax basis as of March 31, 2019, and the related statement of revenues, expenses, and retained earnings—income tax basis for the year then ended in accordance with the income tax basis of accounting, and for determining that the income tax basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

MORSE & CO., PLLC

Tulsa, Oklahoma
May 21, 2019

ROTO PUMPS NORTH AMERICA, INC.
STATEMENT OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY
- INCOME TAX BASIS
MARCH 31, 2019

ASSETS

Current assets	
BOA operating account	\$ 28,367
Petty cash	200
Accounts receivable	624,313
Inventories	
Inventory in transit	51,978
Inventory - other	797,609
Total current assets	<u>1,502,467</u>
Property, plant, and equipment	
Furniture and Equipment	
Computers and laptops	15,061
Computer software	783
Office furniture	7,868
Warehouse equipment	
Bins and shelving	2,118
Tools and equipment	7,371
Total property, plant, and equipment	33,201
Accumulated depreciation	<u>(30,962)</u>
Net property, plant, and equipment	<u>2,239</u>
Other assets	
Security deposit	10,000
Utility deposit	225
Total other assets	<u>10,225</u>
Total assets	<u><u>\$ 1,514,931</u></u>

See independent accountant's compilation report.

ROTO PUMPS NORTH AMERICA, INC.
STATEMENT OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY
- INCOME TAX BASIS
MARCH 31, 2019

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	
Accounts payable - RPI	\$ 1,029,364
Accounts payable - general	10,662
Credit card payable	2,296
Payroll liabilities	<u>5,505</u>
Total current liabilities	<u>1,047,827</u>
Stockholders' equity	
Common stock	50
Additional paid in capital	507,950
Retained earnings (deficit)	<u>(40,896)</u>
Total stockholders' equity	<u>467,104</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,514,931</u></u>

See independent accountant's compilation report.

ROTO PUMPS NORTH AMERICA, INC.
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS -
INCOME TAX BASIS
YEAR ENDED MARCH 31, 2019

		Percentage
Income		
Spares	\$ 1,939,488	85.92%
Pumps	132,687	5.88%
Spares - local	37,498	1.66%
Kits	130,823	5.80%
Freight	16,864	0.75%
Total income	2,257,360	100.00%
Cost of sales		
Spares	1,375,905	60.95%
Pumps	63,990	2.83%
Spares - local	32,168	1.43%
Kits	94,535	4.19%
Warehouse supplies	1,129	0.05%
Rework items	1,295	0.06%
Freight	33,998	1.51%
Total cost of sales	1,603,020	71.01%
Gross profit	654,340	28.99%
Employee expenses		
Recruitment expense	22,677	1.00%
Dental insurance - sales associate	2,058	0.09%
Health insurance - sales associate	24,782	1.10%
Workers compensation insurance	3,174	0.14%
Salaries and wages - executive	47,656	2.11%
Salaries and wages - sales associate	112,286	4.97%
Salaries and wages - warehouse associate	27,115	1.20%
Bonus	8,500	0.38%
Payroll taxes	13,440	0.60%
Payroll processing fee	2,180	0.10%
Uniforms	157	0.01%
Total employee expense	264,025	11.70%
Operating expenses		
Contract labor	1,875	0.08%
Advertising and exhibition	1,304	0.06%
Bad debt	3,546	0.16%
Computer expense	2,760	0.12%
Depreciation	1,927	0.09%
Insurance	12,292	0.54%
Bank fees	1,595	0.07%

See independent accountant's compilation report.

ROTO PUMPS NORTH AMERICA, INC.
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS -
INCOME TAX BASIS
YEAR ENDED MARCH 31, 2019

		Percentage
Operating expenses (continued)		
Licenses and fees	475	0.02%
Annual bond	400	0.02%
Office expense	882	0.04%
Cleaning expense	865	0.04%
Warehouse supplies	1,851	0.08%
Professional fees - Audit and tax preparation	4,852	0.21%
Printing and stationary	239	0.01%
Freight	19,490	0.86%
Office lease	29,865	1.32%
Repairs and maintenance - office	1,757	0.08%
Repairs and maintenance - warehouse	66	0.00%
Repairs and maintenance - equipment	6,194	0.27%
Taxes - property	5,539	0.25%
Taxes - other	915	0.04%
Telephone - business	1,013	0.04%
Telephone - cellular	2,362	0.10%
Telephone - internet and fax	3,747	0.17%
Travel - airfare	9,169	0.41%
Travel - fuel	6,535	0.29%
Travel - lodging	3,951	0.18%
Travel - meals and entertainment	2,990	0.13%
Travel - parking	33	0.00%
Travel - passports and visas	166	0.01%
Travel - taxis, cab, train and bus	1,983	0.09%
Utilities - electric	2,653	0.12%
Utilities - natural gas	1,020	0.05%
Utilities - security	264	0.01%
Utilities - waste	986	0.04%
Utilities - water	432	0.02%
Total operating expenses	135,993	5.94%
Total expenses	400,018	17.64%
Net income	254,322	11.35%
Retained earnings (deficit), beginning of year	(295,218)	
Retained earnings (deficit), end of year	\$ (40,896)	

See independent accountant's compilation report.

ROTO PUMPS NORTH AMERICA, INC.
STATEMENT OF CASH FLOWS - INCOME TAX BASIS
YEAR ENDED MARCH 31, 2019

Operating activities	
Net income	\$ 254,322
Adjustments to reconcile net income to net cash provided by (used for) operating activities:	
Depreciation	1,929
Change in assets and liabilities:	
Accounts receivable	(201,349)
Inventories	(387,886)
Due from related parties	563
Undeposited funds	8,964
Accounts payable	301,979
Credit card payable	(6,067)
Due to related parties	(412)
Accrued expenses	(4,894)
	<u>(32,851)</u>
Net cash provided by (used for) operating activities	<u>(32,851)</u>
Net change in cash and cash equivalents	(32,851)
Cash and cash equivalents, beginning of year	<u>61,418</u>
Cash and cash equivalents, end of year	<u><u>\$ 28,567</u></u>

See independent accountant's compilation report.