


**PKC Group Canada Inc.**  
**Financial Statements**  
**December 31, 2018**


**PKC Group Canada Inc.**  
**Consolidated Balance Sheets**  
*(Canadian Dollars in Thousands, Unaudited)*

	December 31, 2018	December 31, 2017	Change	December 31, 2016
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 679	\$ 2,050	\$ (1,371)	\$ 2,164
Accounts Receivable - Affiliates	191	378	(188)	2,702
Prepaid and Other Current Assets	344	1	343	-
Total Current Assets	\$ 1,214	\$ 2,430	\$ (1,216)	\$ 4,866
<b>OTHER ASSETS:</b>				
Goodwill	4,229	4,229	-	4,229
Deferred Income Taxes - Asset	508	547	(39)	588
Total other assets	\$ 4,737	\$ 4,776	\$ (39)	\$ 4,817
<b>TOTAL ASSETS</b>	<b>\$ 5,951</b>	<b>\$ 7,205</b>	<b>\$ (1,255)</b>	<b>\$ 9,683</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable - Trade	\$ (5)	\$ (3)	\$ (2)	\$ 9
Accounts Payable - Affiliates	45	-	45	-
Taxes Payable	-	(251)	251	(171)
Other Current Liabilities	35	35	-	35
Total Current Liabilities	\$ 75	\$ (219)	\$ 294	\$ (127)
<b>SHAREHOLDERS' EQUITY:</b>				
Common Stock	\$ 14,126	\$ 14,126	\$ -	\$ 14,126
Additional Paid In Capital	(1,193)	655	(1,848)	3,196
Retained Earnings	(7,057)	(7,357)	300	(7,512)
Total Shareholders' Equity	\$ 5,876	\$ 7,424	\$ (1,549)	\$ 9,810
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,951</b>	<b>\$ 7,205</b>	<b>\$ (1,255)</b>	<b>\$ 9,683</b>

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**FKC Group Canada Inc.**  
**Consolidated Statements of Income**  
*(Canadian Dollars in Thousands, Unaudited)*

	Twelve Months Ended	
	December 31,	
	2018	2017
Net Sales and Operating Revenue	\$ 188	\$ 378
Cost of Sales	165	(7)
Gross Profit	<u>\$ 23</u>	<u>\$ 385</u>
General Admin and Selling Expense	9	23
NET MARGIN	<u>\$ 14</u>	<u>\$ 362</u>
Foreign exchange (gain) loss	\$ (278)	\$ 280
Taxes	(8)	(74)
Interest Expense	-	-
Non-Operating Expense / (Income), Net	-	-
INCOME AFTER TAXES	<u>\$ 300</u>	<u>\$ 156</u>

  
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**PKC Group Canada Inc.**  
**Consolidated Statements of Cash Flow**  
*(Canadian Dollars in Thousands, Unaudited)*

	Twelve Months Ended	
	December 31,	
	2018	2017
<b>Operating Activities</b>		
Net income	\$ 300	\$ 156
Adjustments to reconcile net income to net cash provided by operating activities		
Deferred taxes	39	41
Changes in assets and liabilities:		
Accounts receivable - affiliates	188	2,324
Prepaid expenses and other	(343)	(1)
Accounts payable - trade	(2)	(13)
Accounts payable - affiliates	45	0
Taxes payable	251	(80)
<b>Net cash provided by operating activities</b>	<b>\$ 477</b>	<b>\$ 2,427</b>
<b>Financing Activities</b>		
Dividends paid	(1,848)	(2,541)
<b>Net cash used by financing activities</b>	<b>\$ (1,848)</b>	<b>\$ (2,541)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$ (1,371)</b>	<b>\$ (114)</b>
Cash and cash equivalents at beginning of period	2,050	2,164
<b>Cash and cash equivalents at end of period</b>	<b>\$ 679</b>	<b>\$ 2,050</b>

  
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## **Notes to the financial statements**

### **Basis of Preparation and Accounting Policies**

#### **Basis of preparation**

The financial statements of PKC Group Canada Inc. are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at December 31, 2018.

The financial statements have been prepared on a historical cost basis unless otherwise indicated.

The financial statements are presented in Canadian Dollar and all values are rounded to the nearest thousand (CAD000), except when otherwise indicated.

#### **Accounting policies for the financial statements**

##### **(i) Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

##### **(ii) Use of estimates**

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions and which may include uncertainty, are impairment testing of goodwill, deferred tax assets of unused tax losses and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

The Company's management makes judgements concerning the adoption and application of the accounting policies for the financial statements. The management has used its judgement in selecting and applying the accounting policies.

##### **(iii) Foreign currencies**

The Company's functional currency is Canadian Dollar(CAD) and the financial statements are presented in CAD.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

##### **(iv) Cash and cash equivalents**

Cash and cash equivalent includes cash on hand, cash at banks and short term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

##### **(v) Events after the Financial Year**

The Company's management is not aware of any significant events occurring after 31 December 2018.