

PKC Group USA Inc.
Financial Statements
December 31, 2018

Done
7/22/19

PKC Group USA
Balance Sheets
(Dollars in Thousands, Unaudited)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Change</u>	<u>December 31, 2016</u>
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 577	\$ 1,212	\$ (635)	\$ 2,133
Accounts Receivable - Affiliates	(666)	0	(666)	559
Prepaid and Other Current Assets	3	3	-	3
Total Current Assets	<u>\$ (86)</u>	<u>\$ 1,214</u>	<u>\$ (1,300)</u>	<u>\$ 2,695</u>
Investments	<u>\$ 59,599</u>	<u>\$ 59,599</u>	<u>-</u>	<u>\$ 59,599</u>
OTHER ASSETS:				
Goodwill	\$ 2,795	\$ 2,795	\$ -	\$ 2,795
Long Term Receivable - Affiliate	(51,772)	7,715	(59,487)	20,728
Total other assets	<u>\$ (48,977)</u>	<u>\$ 10,510</u>	<u>\$ (59,487)</u>	<u>\$ 23,523</u>
TOTAL ASSETS	<u><u>\$ 10,536</u></u>	<u><u>\$ 71,323</u></u>	<u><u>\$ (60,787)</u></u>	<u><u>\$ 85,817</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 6
Accounts Payable - Affiliates	2,030	2,029	1	1,930
Taxes Payable	-	(10)	10	0
Other Current Liabilities	0	0	-	5
Total Current Liabilities	<u>\$ 2,030</u>	<u>\$ 2,019</u>	<u>\$ 11</u>	<u>\$ 1,941</u>
LONG TERM LIABILITIES:				
Long Term Debt - Affiliate	\$ 165,819	\$ 212,108	(46,289)	\$ 213,165
SHAREHOLDERS' EQUITY:				
Common Stock	\$ 13,517	\$ 13,517	-	\$ 13,517
Additional Paid In Capital	520	520	-	520
Retained Earnings	(171,350)	(156,841)	(14,509)	(143,326)
Total Shareholders Equity	<u>\$ (157,312)</u>	<u>\$ (142,804)</u>	<u>\$ (14,509)</u>	<u>\$ (129,288)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 10,536</u></u>	<u><u>\$ 71,323</u></u>	<u><u>\$ (60,787)</u></u>	<u><u>\$ 85,817</u></u>

PKC Group USA
Statements of Income
(Dollars in Thousands, Unaudited)

	Twelve Months Ended	
	December 31,	
	2018	2017
General Admin and Selling Expense	-	(11)
NET MARGIN	\$ -	\$ 11
Foreign exchange loss (gain)	\$ 1	\$ 99
Interest Expense	<u>14,508</u>	<u>13,428</u>
INCOME AFTER TAXES	\$ (14,509)	\$ (13,515)

PKC Group USA
Statements of Cash Flow
(Dollars in Thousands, Unaudited)

	Twelve Months Ended	
	December 31,	
	2018	2017
Operating Activities		
Net income	\$ (14,509)	\$ (13,515)
Changes in assets and liabilities:		
Accounts receivable - affiliates	666	559
Prepaid expenses and other	0	0
Accounts payable - trade	0	(6)
Accounts payable - affiliates	1	99
Other current liabilities	0	(5)
Taxes payable	10	(10)
Net cash provided by operating activities	\$ (13,832)	\$ (12,878)
Financing Activities		
Long Term - Affiliate	\$ 13,197	\$ 11,957
Net cash used by financing activities	\$ 13,197	\$ 11,957
Net (decrease) increase in cash and cash equivalents	\$ (635)	\$ (921)
Cash and cash equivalents at beginning of period	1,212	2,133
Cash and cash equivalents at end of period	\$ 577	\$ 1,212

Notes to the financial statements

Basis of Preparation and Accounting Policies

Basis of preparation

The financial statements of PKC Group USA 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 USD and all values are rounded to the nearest thousand (\$000), 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 United States Dollar (USD) and the financial statements are presented in USD.

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.