

THRACE-LINQ, INC.
SUMMERVILLE, SOUTH CAROLINA, USA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016

THRACE-LINQ, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Thrace-LINQ, Inc.
Summerville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Thrace-LINQ, Inc., which comprise the balance sheets as at 31 December 2017 and 2016, and the related statements of income, statements of changes in stockholders' equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Thrace-LINQ, Inc. as at 31 December 2017 and 2016, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred material net losses in the current and previous years. This condition, along with other matters raises substantial doubt about its ability to continue as a going concern at 31 December 2017. Management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
15 March 2018

THRACE-LINQ, INC.
Statements of Income
For the Years Ended 31 December 2017 and 2016

	<u>Note</u>	2017 Continuing Operations	2016 Continuing Operations
Revenue		\$ 34,502,883	\$ -
Cost of sales		<u>(32,983,089)</u>	<u>-</u>
Gross profit		1,519,794	-
Other operating income	3	1,003,575	993,796
Other operating expenses		<u>(5,170,911)</u>	<u>(784,355)</u>
Operating profit (loss)		(2,647,542)	209,441
Financial expenses	7	<u>(255,594)</u>	<u>(219,184)</u>
Profit (loss) before tax		(2,903,136)	(9,743)
Taxation	8	<u>1,014,740</u>	<u>10,578</u>
Profit (loss) for the year attributable to equity holders		<u><u>\$ (1,888,396)</u></u>	<u><u>\$ 835</u></u>

THRACE-LINQ, INC.
Statements of Recognized Income and Expenses
For the Years Ended 31 December 2017 and 2016

	2017	2016
Foreign exchange translation differences	\$ -	\$ -
Actuarial gains and losses on defined benefit pension plans	-	-
Tax recognized on income and expenses recognized directly in equity	-	-
Net income recognized directly in equity	-	-
Profit (loss) for the year	(1,888,396)	835
Total recognized income and expense for period attributable to equity holders	\$ (1,888,396)	\$ 835

THRACE-LINQ, INC.
Balance Sheets
At 31 December 2017 and 2016

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Non-current assets			
Property, plant and equipment	10	\$ 11,024,585	\$ -
Investment property	9	-	7,885,136
Other non-current assets		83,887	-
Intangible assets	11	817,276	-
		<u>11,925,748</u>	<u>7,885,136</u>
Current assets			
Stocks	14	7,485,005	-
Income tax claims	8	217,001	-
Trade and other receivables	15	3,806,589	-
Cash and cash equivalents	16	625,487	367,172
		<u>12,134,082</u>	<u>367,172</u>
Total assets		<u>\$ 24,059,830</u>	<u>\$ 8,252,308</u>
Current Liabilities			
Trade and other payables	18	\$ 10,037,261	\$ 163,042
Income taxes payable	8	-	5,509
Note payable	17	147,693	264,612
		<u>10,184,954</u>	<u>433,163</u>
Non-current liabilities			
Note payable	17	5,072,732	5,158,364
Deferred tax liabilities	13	-	945,675
Other non-current liabilities		32,436	-
		<u>5,105,168</u>	<u>6,104,039</u>
Total liabilities		<u>\$ 15,290,122</u>	<u>\$ 6,537,202</u>
Net assets		<u>\$ 8,769,708</u>	<u>\$ 1,715,106</u>
Equity attributable to equity holders			
Share capital	20	\$ 2,880	\$ 1,000
Share premium	20	18,966,832	(461,000)
Retained earnings	20	(10,200,004)	2,175,106
Total stockholders' equity		<u>\$ 8,769,708</u>	<u>\$ 1,715,106</u>

THRACE-LINQ, INC.
Statements of Changes in Stockholders' Equity
At 31 December 2017 and 2016

	Note	Share Capital		Share Premium	Retained Earnings	Total
		Shares	Amount			
Balances at 1 January 2016	20	1,000	\$ 1,000	\$ (461,000)	\$ 2,174,271	\$ 1,714,271
Total recognized income and expense	20	-	-	-	835	835
Balances at 31 December 2016		1,000	1,000	(461,000)	2,175,106	1,715,106
Equity movements due to merger of Thrace-LINQ and Delta	1	(712)	1,880	19,427,832	(10,486,714)	8,942,998
Total recognized income and expense	20	-	-	-	(1,888,396)	(1,888,396)
Balances at 31 December 2017		<u>288</u>	<u>\$ 2,880</u>	<u>\$ 18,966,832</u>	<u>\$ (10,200,004)</u>	<u>\$ 8,769,708</u>

THRACE-LINQ, INC.
Statements of Cash Flow
For the Years Ended 31 December 2017 and 2016

	2017	2016
Cash flows from operating activities		
Profit (loss) for the year	\$ (1,888,396)	\$ 835
<i>Adjustments for:</i>		-
Cash received in merger of Thrace-LINQ and Delta	406,479	-
Depreciation, amortization, and impairment	1,592,715	414,964
Loss from disposition of fixed assets	-	21,218
Finance expense	255,594	219,184
Taxation	(1,014,740)	(10,578)
Operating profit (loss) before changes in working capital and provisions	(648,348)	645,623
Decrease (increase) in trade and other receivables	(1,149,176)	-
Decrease (increase) Increase in stocks	537,378	-
(Decrease) increase in trade and other payables	(2,276,241)	3,043
Cash generated from the operations	(3,536,387)	648,666
Interest paid	(281,762)	(224,306)
Tax paid, net of refunds	(127,277)	(30,154)
Net cash from operating activities	(3,945,426)	394,206
Cash flows from investing activities		
Acquisition of development intangible assets	(29,702)	-
Acquisition of other intangible assets	(397,369)	-
Acquisition of property, plant, and equipment	(35,951)	-
Acquisition of investment property	-	(246,678)
Net cash used by investing activities	(463,022)	(246,678)
Cash flows from financing activities		
Principal payments on notes payable	(539,737)	(200,816)
Share premium due to merger of Thrace-LINQ and Delta	19,428,332	-
Share capital due to merger of Thrace-LINQ and Delta	(14,221,832)	-
Net cash provided (used) by financing activities	4,666,763	(200,816)
Net increase (decrease) in cash and cash equivalents	258,315	(53,288)
Cash and cash equivalents at 1 January	367,172	420,460
Cash and cash equivalents at 31 December	\$ 625,487	\$ 367,172

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 1 – ACCOUNTING POLICIES

Thrace-LINQ, Inc. (the “Company”) is 35% owned by Adfirmate Limited (“Adfirmate”), 34% owned by Pareen Limited. (“Pareen”) and 31% owned by Synthetic Holdings Limited (“Synthetic Limited”), which are, in turn, subsidiaries of Thrace Plastics Co. SA (“Thrace Plastics” or the “Ultimate Parent”). The Company was formed on August 10, 2017 and is domiciled in the United States of America. The address of the Company’s registered office is 2550 West Fifth North Street, Summerville, South Carolina 29483. The Company is engaged in the manufacture and sales of a diverse range of woven and nonwoven technical fabrics for a wide variety of textile applications throughout the North, Central and South Americas.

The Company’s financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods. The Company’s financial statements were authorized for issuance by the Board of Directors on 15 March 2018.

The Company’s financial statements present information about the Company as a separate entity.

Business Combination

During 2017, Delta Real Estate Investments, LLC a South Carolina limited liability company converted to a South Carolina corporation with the resulting corporation being Delta Real Estate Investments, Inc. (“Delta, Inc.”). As of 10 August 2017, Delta, Inc. merged with Thrace-LINQ, Inc. As a result, the surviving corporation was Delta, Inc. which had a capitalization of 288 authorized shares of \$10 par value common stock, of which 288 shares are issued and outstanding.

The primary reasons for this business combination were to merge the income tax positions of Delta Real Estate Investments, LLC and Thrace-LINQ, Inc. and eliminate duplicate operating expenses, which would increase profits and cash flow.

Delta Real Estate Investments, LLC was 100% owned by Adfirmate who was 100% owned by Synthetic Limited. Thrace-LINQ, Inc. was 71% owned by Pareen and 29% owned by Synthetic Limited. 1,422,321 \$10 par value common stock of Thrace-LINQ was transferred by Pareen and Synthetic Limited to Delta, Inc. in exchange for 98 and 90 shares of \$10 par value common stock, respectively. Adfirmate would retain 100 shares of Delta, Inc. Thrace-LINQ, Inc. also owed a related party \$5,206,500 in aged invoices that were paid for by Synthetic Limited during the merger and included in the share premium account.

The financial statements presented are prepared as though the merger occurred as of 1 January 2017 with 2016 comparative information for Delta Real Estate Investments, LLC. The following shows Thrace-LINQ, Inc.’s assets and equity acquired, and liabilities assumed as of 1 January 2017 and effect on Delta, Inc.

	Thrace-LINQ, Inc. 31 December 2016	Delta, Inc. 1 January 2017	Movements
Assets	\$ 16,256,580	\$ 16,256,580	\$ -
Liabilities	(12,520,082)	(7,313,582)	(5,206,500)
Share capital	(14,223,212)	(1,880)	(14,221,332)
Share premium	-	(19,427,832)	19,427,832
Retained earnings	10,486,714	10,486,714	-
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

After the merger, Delta, Inc. amended its Articles of Incorporation to adopt the name of Thrace-LINQ, Inc. for the surviving operating entity.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has incurred material net losses for 2017 and several years prior. As of 31 December 2017, net loss was \$1,888,396. Management believes the following events have improved the Company's financial stability and provides for profitable future years:

- The merger of Delta Real Estate Investments, LLC and Thrace-LINQ, Inc. provides a benefit from an income tax perspective and improves cash flow.
- Incorporation of processes and procedures for successful, efficient and high-quality operations going forward. The continued cost savings and investment in the production process should increase profitability during 2018 and beyond.
- Continued support and capital investment from the Ultimate Parent. The Company and its Ultimate Parent have invested in quality personnel not only in production but management positions who have improved current processes and procedures and implemented improvements to increase efficiency and in turn increase profits.
- New capital investment for expansion of manufacturing capabilities to meet the growing sales demand in the industrial products.
- New capital investment in an Enterprise Resource Planning (ERP) system that provides more accurate and timely production information for increased efficiencies and quality control.
- Continued efforts to shift to manufactured goods from geotextile civil and environmental nonwoven fabrics to industrial fabrics. These new industrial products will reduce the Company's competition, increase sales and improve profitability. The Company continues to develop new industrial fabrics for increased versatility in the industrial market and separate themselves from competition.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Reporting currency

The financial statements have been prepared using the United States dollar as the reporting currency.

Foreign currency

The Company conducted all transactions using the United States dollar, and therefore has no transactions requiring translation.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 1 – ACCOUNTING POLICIES (Continued)

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost.

Depreciation is recognized in profit or loss in the current and comparative period on a straight-line basis over an estimated useful life of 25 years. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation methods, useful lives, and residual values are reviewed at each reporting date.

During 2017, all investment property was transferred to property, plant and equipment due to the merger described above. A very small portion of the existing real property is being leased to third parties with the remainder used in the production or supply of goods. These two portions cannot be sold separately and therefore the entire amount was transferred as of 1 January 2017.

Classification of financial instruments issued

Following the adoption of IAS 32, financial instruments issued by the shareholders are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Investments in equity securities

During 2017 and 2016 the Company had no investments in jointly controlled or other entities.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 1 – ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs include expenditures directly related to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within “other income” in profit or loss.

Depreciation is charged to the income statement on a straight-line basis over the useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|---|----------|
| • Machinery, equipment, fixtures and fittings | 10 years |
| • Computer software and hardware | 3 years |

Stocks

Stocks are stated at the lower of cost and net realizable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term, highly liquid investments which are readily converted into cash within ninety (90) days of purchase.

Intangible assets

Product Development

Expenditure on development activities is recognized in profit and loss as incurred.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technical and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, these costs are recognized in profit and loss as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 1 – ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Software

Expenditures for the acquisition and implementation of software are capitalized in the year put into service with maintenance and support activities recognized in profit and loss as incurred.

Amortization

The intangible assets have finite lives and amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in profit and loss. The Company currently amortizes its development costs using the straight-line method over 36 months and software costs over 10 years.

Impairment

The carrying amounts of the Company's assets other than stocks and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 1 – ACCOUNTING POLICIES (Continued)

Trade and other payables

Trade and other payables are stated at their cost.

Revenue

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Rental Income

Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

Expenses

Operating lease payments

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

Financing Expense

Finance expense represents interest expense on borrowings. All borrowing costs are recognized in profit or loss using the effective interest method.

Interest income and interest payable is recognized in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in the statement of recognized income and expense.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recorded.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 1 – ACCOUNTING POLICIES (Continued)

Segment

A segment is a distinguishable component that is engaged in either providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Use of Estimates & Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimated are revised and in any future periods affected.

Note 2 – SEGMENT REPORTING

The Company is a supplier of woven and nonwoven polypropylene technical fabrics for a wide variety of textile applications in the Americas. External customers are defined as those that are not in the Thrace Group.

	<u>2017</u>	<u>2016</u>
Total revenue from sales to external customers	<u>\$ 33,351,386</u>	<u>\$ 405,556</u>
Profit (loss) from operations	(2,647,542)	209,441
Net financing (costs) income	(255,594)	(219,184)
Income tax expense (refund)	<u>1,014,740</u>	<u>10,578</u>
Net profit (loss) for the year	<u>\$ (1,888,396)</u>	<u>\$ 835</u>
Unallocated corporate assets	<u>\$ 24,059,830</u>	<u>\$ 8,252,308</u>
Total assets	<u>\$ 24,059,830</u>	<u>\$ 8,252,308</u>
Unallocated corporate liabilities	<u>\$ 15,463,718</u>	<u>\$ 6,537,202</u>
Total liabilities	<u>\$ 15,463,718</u>	<u>\$ 6,537,202</u>
Capital expenditures	<u>\$ 35,951</u>	<u>\$ 246,678</u>
Interest income	<u>\$ -</u>	<u>\$ -</u>
Depreciation	<u>\$ 1,396,000</u>	<u>\$ 414,964</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 2 – SEGMENT REPORTING (Continued)

Geographical segments

2017	USA Continuing Operations	North America Excluding USA Continuing Operations	Central and South America Continuing Operations	Europe Continuing Operations	Total
Total revenue from sales to external customers	<u>\$ 31,221,791</u>	<u>\$ 1,840,498</u>	<u>\$ 225,130</u>	<u>\$ 63,967</u>	<u>\$ 33,351,386</u>
Segment assets					<u>\$ 24,059,830</u>
Capital expenditures					<u>\$ 35,951</u>

Geographical segments

2016	USA Continuing Operations	North America Excluding USA Continuing Operations	Central and South America Continuing Operations	Europe Continuing Operations	Total
Total revenue from sales to external customers	<u>\$ 405,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,556</u>
Segment assets					<u>\$ 8,252,308</u>
Capital expenditures					<u>\$ 246,678</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 3 – OTHER OPERATING INCOME

Included in profit are the following:

	<u>2017</u>	<u>2016</u>
Rental income	\$ 456,777	\$ 993,796
Service income	508,590	-
Miscellaneous income	<u>38,208</u>	<u>-</u>
	<u>\$ 1,003,575</u>	<u>\$ 993,796</u>

Note 4 – EXPENSES AND AUDITOR'S REMUNERATION

Included in profit are the following:

	<u>2017</u>	<u>2016</u>
Operating lease rentals	<u>\$ -</u>	<u>\$ -</u>
<i>Auditors' remuneration:</i>	<u>2017</u>	<u>2016</u>
Audit of these financial statements	<u>\$ 70,000</u>	<u>\$ 13,500</u>

Note 5 – STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the year, analyzed by category, was as follows:

	<u>Number of employees</u>	<u>Number of employees</u>
	<u>2017</u>	<u>2016</u>
Manufacturing	54	-
Selling	6	-
Administrative	<u>19</u>	<u>-</u>
	<u>79</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows:

	<u>2017</u>	<u>2016</u>
Wages and salaries	\$ 5,502,190	\$ -
Social security costs	<u>412,664</u>	<u>-</u>
	<u>\$ 5,914,854</u>	<u>\$ -</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 6 – KEY MANAGEMENT PERSONNEL COMPENSATION

In addition to their salaries, the company also provides non-cash benefits to directors and executive officers. Key management personnel compensation comprised:

	<u>2017</u>	<u>2016</u>
Employee benefits	\$ 96,062	\$ -
Salaries	<u>576,288</u>	<u>-</u>
	<u>\$ 672,350</u>	<u>\$ -</u>

Directors of the Company do not control any of the voting shares of the Company. There were no transactions with key management personnel and directors during the years ended 31 December 2017 and 2016 other than compensation disclosed above.

Note 7 – FINANCE INCOME AND EXPENSE

	<u>2017</u>	<u>2016</u>
Interest income	\$ -	\$ -
Inter company interest	-	-
Expected return on defined benefit pension plan assets	-	-
Exchange gain on bank account	-	-
Exchange on bank loan	<u>-</u>	<u>-</u>
Financial income	<u>\$ -</u>	<u>\$ -</u>
Interest expense	\$ 217,928	\$ 219,184
Bank charges	<u>37,666</u>	<u>-</u>
Financial expenses	<u>\$ 255,594</u>	<u>\$ 219,184</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 8 – TAXATION

Recognized in the income statement

	<u>2017</u>	<u>2016</u>
<i>Current tax expense</i>		
Current tax on income for the year	\$ (1,014,740)	\$ 16,391
Adjustment in respect of prior year	-	-
	<u>(1,014,740)</u>	<u>16,391</u>
<i>Overseas tax</i>		
Current tax on income for the year	-	-
	<u>(1,014,740)</u>	<u>16,391</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	-	(27,036)
Adjustment in respect of prior year	-	-
Other	-	67
	<u>-</u>	<u>(26,969)</u>
Pension scheme movements	-	-
	<u>-</u>	<u>-</u>
Total tax in income statement	<u>\$ (1,014,740)</u>	<u>\$ (10,578)</u>

Reconciliation of effective tax rate

	<u>2017</u>	<u>2016</u>
Profit (Loss) before tax	<u>\$ (2,903,136)</u>	<u>\$ (9,743)</u>
Tax using the US corporation tax rate of 35% (2016: 39%)	(1,016,098)	(3,800)
Non-deductible expenses/(additional deductible expenses)	274,486	20,191
Adjustments in respect of prior year	(1,142,016)	-
Other tax paid	127,277	-
Deferred tax (benefit) not recognized in prior years	-	-
Effects of lower tax on overseas earnings	-	-
Current year tax income for which deferred tax asset was recognized	-	(27,036)
Current year losses for which no deferred tax asset was recognized	741,611	-
Change in unrecognized temporary differences	-	-
Other	-	67
	<u>-</u>	<u>67</u>
Total tax in income statement	<u>\$ (1,014,740)</u>	<u>\$ (10,578)</u>

Income tax claims consist of:

	<u>2017</u>	<u>2016</u>
Refund of estimated income tax payments	<u>\$ 217,001</u>	<u>\$ -</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 9 – INVESTMENT PROPERTY

<i>Cost</i>	Land & Buildings
Balance at 1 January 2016	\$ 11,258,885
Additions	336,748
Transfers and disposals	<u>(124,664)</u>
Balance at 31 December 2016	<u>\$ 11,470,969</u>
Balance at 1 January 2017	\$ 11,470,969
Acquisitions	-
Transfers and disposals	<u>(11,470,969)</u>
Balance at 31 December 2017	<u>\$ -</u>
<i>Depreciation and impairment</i>	
Balance at 1 January 2016	\$ 3,184,245
Depreciation charge for the year	414,964
Transfers and disposals	<u>(13,376)</u>
Balance at 31 December 2016	<u>\$ 3,585,833</u>
Balance at 1 January 2017	\$ 3,585,833
Depreciation charge for the year	-
Transfers and disposals	<u>(3,585,833)</u>
Balance at 31 December 2017	<u>\$ -</u>
<i>Net book value</i>	
At 1 January 2016	<u>\$ 8,074,640</u>
At 31 December 2016 and 1 January 2017	<u>\$ 7,885,136</u>
At 31 December 2017	<u>\$ -</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 10 – PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and Equipment	Under Construction	Total
<i>Cost</i>				
Balance at 1 January 2016	\$ -	\$ -	\$ -	\$ -
Acquisitions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at 1 January 2017	\$ -	\$ -	\$ -	\$ -
Acquisitions	18,650	-	157,265	175,915
Transfers	11,470,969	10,247,762	-	21,718,731
Disposals	-	-	-	-
Balance at 31 December 2017	<u>\$ 11,489,619</u>	<u>\$ 10,247,762</u>	<u>\$ 157,265</u>	<u>\$ 21,894,646</u>
<i>Depreciation and impairment</i>				
Balance at 1 January 2016	\$ -	\$ -	\$ -	\$ -
Depreciation charge for the year	-	-	-	-
Transfers	-	-	-	-
Impairment	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at 1 January 2017	\$ -	\$ -	\$ -	\$ -
Depreciation charge for the year	445,991	950,009	-	1,396,000
Transfers	3,585,831	5,888,230	-	9,474,061
Impairment	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2017	<u>\$ 4,031,822</u>	<u>\$ 6,838,239</u>	<u>\$ -</u>	<u>\$ 10,870,061</u>
<i>Net book value</i>				
At 1 January 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At 31 December 2016 and 1 January 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At 31 December 2017	<u>\$ 7,457,797</u>	<u>\$ 3,409,523</u>	<u>\$ 157,265</u>	<u>\$ 11,024,585</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 11 – INTANGIBLE ASSETS

	Development Costs	Software	Total
<i>Cost</i>			
Balance at 1 January 2016	\$ -	\$ -	\$ -
Transfers	-	-	-
Change in costs	-	-	-
Abandoned before commercialization	-	-	-
Change in reserve for abandonment	-	-	-
Balance at 31 December 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at 1 January 2017	\$ -	\$ -	\$ -
Transfers	1,124,280	758,676	1,882,956
Change in costs	29,701	397,369	427,070
Abandoned before commercialization	-	-	-
Change in reserve for abandonment	(2,811)	-	(2,811)
Balance at 31 December 2017	<u>\$ 1,151,170</u>	<u>\$ 1,156,045</u>	<u>\$ 2,307,215</u>
<i>Accumulated amortization</i>			
Balance at 1 January 2016	\$ -	\$ -	\$ -
Transfers	-	-	-
Amortization charge for the year	-	-	-
Balance at 31 December 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at 1 January 2017	\$ -	\$ -	\$ -
Transfers	537,361	758,676	1,296,037
Amortization charge for the year	180,657	13,245	193,902
Balance at 31 December 2017	<u>\$ 718,018</u>	<u>\$ 771,921</u>	<u>\$ 1,489,939</u>
<i>Net book value</i>			
At 1 January 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At 31 December 2016 and 1 January 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At 31 December 2017	<u>\$ 433,152</u>	<u>\$ 384,124</u>	<u>\$ 817,276</u>

Note 12 – INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The Company has no investments in subsidiaries and jointly controlled entities (2016: \$-0-).

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 13 – DEFERRED TAX ASSETS AND LIABILITIES

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>2017</u>	<u>2016</u>
Tax losses	\$ 2,171,862	\$ -
Inventory	-	-
Other temporary differences	-	-
Employee benefits	-	-
Net tax assets (liabilities)	<u>\$ 2,171,862</u>	<u>\$ -</u>

The Company has tax loss carryforwards of \$16,432,642 which expire in 2028 through 2035. Deferred tax assets have not been recognized in respect of these carryforward because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Movement in Unrecognized Deferred Tax Assets During the Year ended 31 December 2017

Deferred tax assets and their movements during the years ended 31 December 2017 and 2016 have not been recognized in respect of the following items:

	<u>Year Ended 31 December 2017</u>			
	<u>1 January 2017</u>	<u>Additions</u>	<u>Recognition</u>	<u>31 December 2017</u>
Tax losses	\$ -	\$ 5,009,009	\$ (1,558,154)	\$ 3,450,855
Inventory	-	-	-	-
Other temporary differences	-	-	-	-
Net tax assets (liabilities)	<u>\$ -</u>	<u>\$ 5,009,009</u>	<u>\$ (1,558,154)</u>	<u>\$ 3,450,855</u>

	<u>Year Ended 31 December 2016</u>			
	<u>1 January 2016</u>	<u>Additions</u>	<u>Recognition</u>	<u>31 December 2016</u>
Tax losses	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-
Other temporary differences	-	-	-	-
Net tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 13 – DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	\$ -	\$ 267,126	\$ (999,989)	\$ -	\$ (999,989)	\$ 267,126
Intangible development costs	-	-	(33,793)	-	(33,793)	-
Tax losses	1,572,890	-	-	-	1,572,890	-
Bargain purchase gain	-	-	(539,108)	(1,216,153)	(539,108)	(1,216,153)
Interest expense limitation	-	3,352	-	-	-	3,352
Net tax assets (liabilities)	1,572,890	270,478	(1,572,890)	(1,216,153)	-	(945,675)
Offset of assets and liabilities	(1,572,890)	(270,478)	1,572,890	270,478	-	-
Net Deferred tax assets	\$ -	\$ -	\$ -	\$ (945,675)	\$ -	\$ (945,675)

The deferred tax asset relates to the Company and has been recognized on the basis that the directors believe that there is sufficient evidence that the companies will generate suitable taxable profits in the future against which the assets can be recovered.

Movement in deferred tax during the Years ended 31 December 2017 and 2016

	1 January 2017	Recognized in income	Recognized in equity	Exchange	31 December 2017
Depreciation	\$ 267,126	\$ (267,126)	\$ -	\$ -	\$ -
Bargain purchase gain	(1,216,153)	1,216,153	-	-	-
Interest expense limitation	3,352	(3,352)	-	-	-
	<u>\$ (945,675)</u>	<u>\$ 945,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Movement in deferred tax during the year

	1 January 2016	Recognized in income	Recognized in equity	Exchange	31 December 2016
Depreciation	\$ 290,088	\$ (22,962)	\$ -	\$ -	\$ 267,126
Bargain purchase gain	(1,267,489)	51,336	-	-	(1,216,153)
Interest expense limitation	4,691	(1,339)	-	-	3,352
	<u>\$ (972,710)</u>	<u>\$ 27,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (945,675)</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 14 – STOCKS

	<u>2017</u>	<u>2016</u>
Raw materials and consumables	\$ 1,265,586	\$ -
Work in progress	2,113	-
Semi-finished goods	3,399,143	-
Finished-goods	<u>2,818,163</u>	<u>-</u>
	<u>\$ 7,485,005</u>	<u>\$ -</u>

Note 15 – TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
Trade receivables due from third parties	\$ 3,688,855	\$ -
Trade and other receivables due from related parties	117,734	-
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 3,806,589</u>	<u>\$ -</u>

Note 16 – CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents per balance sheet	<u>\$ 625,487</u>	<u>\$ 367,172</u>
Cash and cash equivalents per cash flow statements	<u>\$ 625,487</u>	<u>\$ 367,172</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 17 – DEBT

Long-term debt consisted of the following at December 31,

	<u>2017</u>	<u>2016</u>
Note payable to related party, Synthetic Limited, \$5,605,448, interest payable at LIBOR plus 3.50 which resulted in a 5.20% rate at 31 December 2017. Principal and interest is paid in quarterly installments of \$105,000. The quarterly installments increase 5% per annum. Note matures 31 October 2025 secured by real property	<u>\$ 5,220,425</u>	<u>\$ 5,422,976</u>
Less: current portion	<u>147,693</u>	<u>264,612</u>
	<u><u>\$ 5,072,732</u></u>	<u><u>\$ 5,158,364</u></u>

Maturities of debt are as follows:

Year ending December 31,:	<u>Amount</u>
2018	\$ 147,693
2019	244,144
2020	296,925
2021	351,822
2022	<u>4,179,841</u>
	<u><u>\$ 5,220,425</u></u>

Note 18 – TRADE AND OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
Trade and other payables due to related parties	\$ 6,503,293	\$ 8,787
Trade and other payables due to third parties	<u>3,533,968</u>	<u>154,255</u>
	<u><u>\$ 10,037,261</u></u>	<u><u>\$ 163,042</u></u>

Note 19 – EMPLOYEE BENEFITS

The Company has adopted a qualified salary deferral 401(k) plan. All employees that have completed at least 6 months of service are eligible to participate. The employee contributions can range from \$-0- to a maximum of \$18,000 for employees younger than 50 years of age, and a maximum of \$24,000 for employees with an age of 50 years or older.

The plan also provides for discretionary profit sharing contributions by the Company in such amounts as the Company may annually determine. The Company contributed \$52,931 and \$0 during 2017 and 2016, respectively.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 20 – CAPITAL AND RESERVES

Reconciliation of movement in capital reserves

	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2016	\$ 1,000	\$ (461,000)	\$ 2,174,271	\$ 1,714,271
Total recognized income and expense	-	-	835	835
Balance at 31 December 2016	<u>\$ 1,000</u>	<u>\$ (461,000)</u>	<u>\$ 2,175,106</u>	<u>\$ 1,715,106</u>
Balance at 1 January 2017	\$ 1,000	\$ (461,000)	\$ 2,175,106	\$ 1,715,106
Merger of Thrace-LINQ and Delta	1,880	19,427,832	(10,486,714)	8,942,998
Total recognized income and expense	-	-	(1,888,396)	(1,888,396)
Balance at 31 December 2017	<u>\$ 2,880</u>	<u>\$ 18,966,832</u>	<u>\$ (10,200,004)</u>	<u>\$ 8,769,708</u>

The aggregate current and deferred tax relating to items that are charged or credited to equity is \$-0- (2016: \$-0-).

Translation reserve

The Company has no foreign currency translation and no translation reserves.

Share capital

	2017	2016
<i>Authorized</i>		
Ordinary shares	<u>288</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares	<u>288</u>	<u>1,000</u>

The number of shares outstanding at the beginning of the financial year was 1,000 shares, par value of \$1 per share. Due to merger of Thrace-LINQ, Inc. and Delta Real Estate, LLC, the number of shares outstanding at the end of the year was 288 shares, par value of \$10 per share. See Note 1 for more information.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Dividends/Distributions

No dividends were paid or proposed in the current or preceding year.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 21 – FINANCIAL INSTRUMENTS

The Company did not have any outstanding forward exchange contracts at the end of the year.

Exposure to credit and interest rate risk arises in the normal course of the Company's business. No derivative financial techniques or formal hedging techniques are used by the Company.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

Interest rate risk

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

	Effective interest rate %	2017	
		Total	0 to <1years
<i>Assets</i>			
Cash and cash equivalent	0.00%	\$ 625,487	\$ 625,487
<i>Liabilities</i>			
Related party note	5.20%	\$ 5,220,425	\$ 147,693
	Effective interest rate %	2016	
		Total	0 to <1years
<i>Assets</i>			
Cash and cash equivalent	0.00%	\$ 367,172	\$ 367,172
<i>Liabilities</i>			
Third party note	4.36%	\$ 5,422,976	\$ 264,612

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. See Note 1 and 17 above for activity related to the debt obligations of the Company and risks associated.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. Credit risk is managed where a system of internal credit limit setting is followed using trade and bank references, credit applications and credit rating agencies. Consequently, credit risk is routinely evaluated and is not considered significant.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 21 – FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The Company is not exposed to foreign currency risk and no hedging is used since all sales and purchases are in United States Dollar.

Market risk

The principal market risk relates to fluctuations in the price of polymer raw material. Some risk also exists related to concentrations of vendors and customers. During 2017 the Company purchased 58% (2016: 0% from no vendors) of its raw materials from three vendors totaling \$14,419,104 (2016: \$0). At 31 December 2017, 23% (2016: 0%) of accounts receivables totaling \$850,259 (2016: \$0) was due from one customer. During 2017, the Company received 20% (2016: 0% from no customers) of its gross sales from one customer totaling \$6,825,999 (2016: \$0). During 2016, 59% of total rental revenue was received from a related party. At 31 December 2016, there was no balance in accounts receivable.

Sensitivity analysis

In managing interest rate and market risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in interest rates and raw material prices would have an impact on earnings. At 31 December 2017 it is estimated that a general increase of one percentage point in interest rates would reduce the Company's profit before tax by approximately \$52,204 (2016: reduce by \$54,230). It is estimated that a general increase of one percentage point in raw material prices would have decreased the Company's profit before tax by approximately \$61,658 before the increase could be passed through to the Company's customers.

Cash risk

The Company maintains cash and cash equivalent balances at a financial institution in Charleston, South Carolina, United States of America. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company's uninsured balances at 31 December 2017 totaled \$930,588.

Fair values

The fair values are equal to the carrying amounts of the appropriate items shown in the balance sheet.

Note 22 – LEASE REVENUE

The Company leases out its building held under operating leases (See Note 10). The future minimum lease payments to be received under non-cancellable leases are as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 262,267	\$ 845,137
Between one and five years	596,664	2,549,040
More than five years	-	-
	<u>\$ 858,931</u>	<u>\$ 3,394,177</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 23 – RELATED PARTIES

Identity of related parties

The Company is owned by Pareen, Synthetic Limited and Adfirmate which in turn are subsidiaries of Thrace Plastics Co. SA., which is the ultimate parent company incorporated in Greece. The ultimate controlling party is Thrace Plastics Co. SA.

The largest group in which the results of the Company are consolidated is that headed by Thrace Plastics Co. SA., incorporated in Greece. The financial statements of Pareen, Synthetic Limited and Adfirmate include the results of the Company. The consolidated financial statements of Thrace Plastics Co. SA. are available to the public and may be obtained from The Ministry of Development, Secretariat of Commerce, Kanigos Square, GR 10181, Athens, Greece.

Lumite Inc., Don & Low Ltd., Synthetic Holdings Limited, Adfirmate Limited, Thrace Nonwovens & Geosynthetics SA., and Pareen Ltd. are related companies under common control of the Ultimate Parent.

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THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 22 – RELATED PARTIES (Continued)

The related party transactions during the year and the balances as at the year end with these related parties are shown below:

	<u>Thrace Plastics Co SA</u>	<u>Synthetic Limited</u>	<u>Thrace Nonwovens & Geosynthetics</u>	<u>Lumite</u>	<u>Don & Low Ltd.</u>	
2017						
Revenue transactions						
Sales to	\$ -	\$ -	\$ 9,547	\$ -	\$ -	
Other income	-	-	301,657	54,165	134,115	
Purchases from	-	-	5,768,614	772,911	158,708	
Rental expense	-	-	-	-	-	
Sales expenses	-	-	420	9,026	-	
Administrative expenses	-	-	-	76,959	-	
Interest expense	-	217,928	-	-	-	
Balances at the year end						
Debtors	-	-	69,573	13,523	34,638	
Debtors - Equipment	-	-	-	-	-	
Creditors - Stocks	-	-	6,403,969	163,073	-	
Creditors - Other	-	-	-	-	-	
Creditors - Notes Payable	-	5,220,425	-	-	-	
	<u>Thrace LINQ Inc.</u>	<u>Thrace Plastics Co SA</u>	<u>Synthetic Limited</u>	<u>Thrace Nonwovens & Geosynthetics</u>	<u>Lumite</u>	<u>Don & Low Ltd.</u>
2016						
Revenue transactions						
Sales to	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Purchases from	-	-	-	-	-	-
Rental income	587,670	-	-	-	-	-
Transportation costs	-	-	-	-	-	-
Administrative expenses	84,394	-	-	-	-	-
Interest expense	-	-	181,998	-	-	-
Balances at the year end						
Debtors	-	-	-	-	-	-
Debtors - Equipment	-	-	-	-	-	-
Creditors - Stocks	-	-	-	-	-	-
Creditors - Other	5,967	-	-	-	-	-
Creditors - Notes Payable	-	-	5,623,792	-	-	-

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 and 2016

Note 24 – CAPITAL REQUIREMENTS

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total member interest.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Currently the Board has no targets to achieve relating to return on capital.

Note 25 – CASH FLOW INFORMATION

The Company paid interest of \$281,762 and \$224,306 and income taxes of \$127,277 and \$30,154 in 2017 and 2016, respectively.

During 2017 and 2016, the Company did not acquire land, vehicles and equipment in exchange for notes payable.

See Note 1 above for assets and liabilities acquired during a business combination.

Note 26 – FEE IN LIEU OF TAXES

On 2 October 2017, the Company entered into a fee-in-lieu-of-taxes ("FILOT") agreement with Dorchester County, South Carolina, which requires at least \$8.5 million of investments over a five-year period beginning 31 December 2018. The machinery and equipment are leased back to the Company for payments in lieu of property taxes. The agreement has a maximum expiration date of 31 December 2025.

The FILOT agreements have the effect of substantially reducing the Company's property taxes. The Company can re-acquire such property and terminate the agreements at a nominal price and, accordingly, the fixed assets have been recorded as owned assets. However, termination of the FILOT agreements would cause a significant increase in the amount of property taxes paid by the Company.