

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
31 DECEMBER 2018 AND 2017

THRACE-LINQ, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Income	3
Statements of Recognized Income And Expenses	4
Balance Sheets	5
Statements of Changes in Stockholders' Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-30

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 2018 and 2017, 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 2018 and 2017, 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 2018. 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
8 March 2019

THRACE-LINQ, INC.
Statements of Income
For the Years Ended 31 December 2018 and 2017

	<u>Note</u>	<u>2018 Continuing Operations</u>	<u>2017 Continuing Operations</u>
Revenue		\$ 33,623,872	\$ 34,502,883
Cost of sales		<u>(32,824,168)</u>	<u>(32,983,089)</u>
Gross profit		799,704	1,519,794
Other operating income	3	1,024,563	1,003,575
Other operating expenses		<u>(5,325,411)</u>	<u>(5,170,911)</u>
Operating profit (loss)		(3,501,144)	(2,647,542)
Gain on sale of asset		10,796	-
Financial expenses	7	<u>(317,910)</u>	<u>(255,594)</u>
Profit (loss) before tax		(3,808,258)	(2,903,136)
Taxation	8	<u>(130,117)</u>	<u>1,014,740</u>
Profit (loss) for the year attributable to equity holders		<u><u>\$ (3,938,375)</u></u>	<u><u>\$ (1,888,396)</u></u>

THRACE-LINQ, INC.
Statements of Recognized Income and Expenses
For the Years Ended 31 December 2018 and 2017

	<u>2018</u>	<u>2017</u>
Foreign exchange translation differences	\$ -	\$ -
Actuarial gains and losses on defined benefit pension plans	-	-
Tax recognized on income and expenses recognized directly in equity	<u>-</u>	<u>-</u>
Net income recognized directly in equity	-	-
Profit (loss) for the year	<u>(3,938,375)</u>	<u>(1,888,396)</u>
Total recognized income and expense for period attributable to equity holders	<u><u>\$ (3,938,375)</u></u>	<u><u>\$ (1,888,396)</u></u>

THRACE-LINQ, INC.
Balance Sheets
At 31 December 2018 and 2017

	<i>Note</i>	2018	2017
Non-current assets			
Property, plant and equipment	9	\$ 12,209,123	\$ 11,024,585
Other non-current assets		59,882	83,887
Intangible assets	10	653,125	817,276
		<u>12,922,130</u>	<u>11,925,748</u>
Current assets			
Stocks	13	8,021,290	7,485,005
Income tax claims	8	88,891	217,001
Trade and other receivables	14	2,972,245	3,806,589
Cash and cash equivalents	15	466,125	625,487
		<u>11,548,551</u>	<u>12,134,082</u>
Total assets		<u><u>\$ 24,470,681</u></u>	<u><u>\$ 24,059,830</u></u>
Current Liabilities			
Trade and other payables	17	\$ 9,479,169	\$ 10,037,261
Note payable	16	783,921	147,693
		<u>10,263,090</u>	<u>10,184,954</u>
Non-current liabilities			
Note payable	16	9,352,241	5,072,732
Other non-current liabilities		24,017	32,436
		<u>9,376,258</u>	<u>5,105,168</u>
Total liabilities		<u><u>\$ 19,639,348</u></u>	<u><u>\$ 15,290,122</u></u>
Net assets		<u><u>\$ 4,831,333</u></u>	<u><u>\$ 8,769,708</u></u>
Equity attributable to equity holders			
Share capital	19	\$ 2,880	\$ 2,880
Share premium	19	18,966,832	18,966,832
Retained earnings	19	(14,138,379)	(10,200,004)
Total stockholders' equity		<u><u>\$ 4,831,333</u></u>	<u><u>\$ 8,769,708</u></u>

THRACE-LINQ, INC.
Statements of Changes in Stockholders' Equity
At 31 December 2018 and 2017

	<i>Note</i>	Share Capital		Share	Retained	
		Shares	Amount	Premium	Earnings	Total
Balances at 1 January 2017	19	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	19	-	-	-	(1,888,396)	(1,888,396)
Balances at 31 December 2017		288	2,880	18,966,832	(10,200,004)	8,769,708
Total recognized income and expense	19	-	-	-	(3,938,375)	(3,938,375)
Balances at 31 December 2018		<u>288</u>	<u>\$ 2,880</u>	<u>\$ 18,966,832</u>	<u>\$ (14,138,379)</u>	<u>\$ 4,831,333</u>

THRACE-LINQ, INC.
Statements of Cash Flow
For the Years Ended 31 December 2018 and 2017

	2018	2017
Cash flows from operating activities		
Profit (loss) for the year	\$ (3,938,375)	\$ (1,888,396)
<i>Adjustments for:</i>		
Cash received in merger of Thrace-LINQ and Delta	-	406,479
Depreciation, amortization, and impairment	1,578,619	1,592,715
Gain from disposition of fixed assets	(10,796)	-
Finance expense	317,910	255,594
Taxation	130,117	(1,014,740)
Operating profit (loss) before changes in working capital and provisions	(1,922,525)	(648,348)
Decrease (increase) in trade and other receivables	858,348	(1,149,176)
Decrease (increase) Increase in stocks	(536,285)	537,378
(Decrease) increase in trade and other payables	(566,510)	(2,276,241)
Cash generated from the operations	(2,166,972)	(3,536,387)
Interest paid	(289,357)	(281,762)
Tax paid, net of refunds	(30,560)	(127,277)
Net cash from operating activities	(2,486,889)	(3,945,426)
Cash flows from investing activities		
Acquisition of development intangible assets	(15,941)	(29,702)
Acquisition of other intangible assets	(56,476)	(397,369)
Acquisition of property, plant, and equipment	(2,546,792)	(35,951)
Proceeds of sale of property, plant, and equipment	30,999	-
Net cash used by investing activities	(2,588,210)	(463,022)
Cash flows from financing activities		
Principal payments on notes payable	-	(539,737)
Proceeds from notes payable	4,915,737	-
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	4,915,737	4,666,763
Net increase (decrease) in cash and cash equivalents	(159,362)	258,315
Cash and cash equivalents at 1 January	625,487	367,172
Cash and cash equivalents at 31 December	<u>\$ 466,125</u>	<u>\$ 625,487</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

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 8 March 2019.

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. 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 2018 and 2017

Note 1 – ACCOUNTING POLICIES (Continued)

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 2018 and several years prior. As of 31 December 2018, net loss was \$3,938,375. Management believes the following events have improved the Company's financial stability and provides for profitable future years:

- 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 2019 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.
- Continued investment in maximizing their 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 2018 and 2017

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 reasonably 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 2018 and 2017, the Company had no investments in jointly controlled or other entities.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

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 include 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:

• Buildings	25 years
• Building and land improvements	10 years
• Machinery, equipment, fixtures and fittings	10 years
• Computer software and hardware	3 years

Stocks

Stock values are calculated using the periodic weighted average cost method. This method assumes that all units are valued at a weighted average cost per unit, and it applies this calculated average to the cost of goods sold in addition to the units held in ending inventory. Under a periodic inventory system, the average cost method calculations are carried out at the end of the accounting period, with the weighted average cost based on the cost of the beginning inventory plus all purchases made during that period.

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 2018 and 2017

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 2018 and 2017

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 2018 and 2017

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.

	2018	2017
Total revenue from sales to external customers	\$ 33,623,872	\$ 33,351,386
Profit (loss) from operations	(3,501,144)	(2,647,542)
Gain (loss) on sale of asset	10,796	-
Net financing (costs) income	(317,910)	(255,594)
Income tax expense (refund)	(130,117)	1,014,740
Net profit (loss) for the year	\$ (3,938,375)	\$ (1,888,396)
Unallocated corporate assets	\$ 24,470,681	\$ 24,059,830
Total assets	\$ 24,470,681	\$ 24,059,830
Unallocated corporate liabilities	\$ 19,639,348	\$ 15,463,718
Total liabilities	\$ 19,639,348	\$ 15,463,718
Capital expenditures	\$ 2,546,792	\$ 35,951
Interest income	\$ -	\$ -
Depreciation	\$ 1,341,823	\$ 1,396,000

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 2 – SEGMENT REPORTING (Continued)

Geographical segments

2018	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>\$ 32,774,461</u>	<u>\$ 844,537</u>	<u>\$ 4,874</u>	<u>\$ -</u>	<u>\$ 33,623,872</u>
Segment assets					<u>\$ 24,470,681</u>
Capital expenditures					<u>\$ 2,546,792</u>

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>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 3 – OTHER OPERATING INCOME

Included in profit are the following:

	<u>2018</u>	<u>2017</u>
Rental income	\$ 549,205	\$ 456,777
Service income	451,243	508,590
Miscellaneous income	<u>24,115</u>	<u>38,208</u>
	<u>\$ 1,024,563</u>	<u>\$ 1,003,575</u>

Note 4 – EXPENSES AND AUDITOR'S REMUNERATION

Included in profit are the following:

	<u>2018</u>	<u>2017</u>
Operating lease rentals	<u>\$ -</u>	<u>\$ -</u>
<i>Auditors' remuneration:</i>	<u>2018</u>	<u>2017</u>
Audit of these financial statements	<u>\$ 68,000</u>	<u>\$ 70,000</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 2018</u>	<u>Number of employees 2017</u>
Manufacturing	44	54
Selling	6	6
Administrative	<u>23</u>	<u>19</u>
	<u>73</u>	<u>79</u>

The aggregate payroll costs of these persons were as follows:

	<u>2018</u>	<u>2017</u>
Wages and salaries	\$ 5,777,024	\$ 5,502,190
Social security costs	<u>380,672</u>	<u>412,664</u>
	<u>\$ 6,157,696</u>	<u>\$ 5,914,854</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

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>2018</u>	<u>2017</u>
Employee benefits	\$ 126,845	\$ 96,062
Salaries	<u>817,563</u>	<u>576,288</u>
	<u><u>\$ 944,408</u></u>	<u><u>\$ 672,350</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 2018 and 2017 other than compensation disclosed above.

Note 7 – FINANCE INCOME AND EXPENSE

	<u>2018</u>	<u>2017</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>	<u><u>\$ -</u></u>
Interest expense	\$ 289,357	\$ 217,928
Bank charges	<u>28,553</u>	<u>37,666</u>
Financial expenses	<u><u>\$ 317,910</u></u>	<u><u>\$ 255,594</u></u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 8 – TAXATION

Recognized in the income statement

	2018	2017
<i>Current tax expense</i>		
Current tax on income for the year	\$ 130,117	\$ (1,014,740)
Adjustment in respect of prior year	-	-
	<u>130,117</u>	<u>(1,014,740)</u>
<i>Overseas tax</i>		
Current tax on income for the year	-	-
	<u>130,117</u>	<u>(1,014,740)</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	-	-
Adjustment in respect of prior year	-	-
Other	-	-
	<u>-</u>	<u>-</u>
Pension scheme movements	-	-
	<u>-</u>	<u>-</u>
Total tax in income statement	<u>\$ 130,117</u>	<u>\$ (1,014,740)</u>

Reconciliation of effective tax rate

	2018	2017
Profit (Loss) before tax	<u>\$ (3,808,258)</u>	<u>\$ (2,903,136)</u>
Tax using the US corporation tax rate of 21% (2017: 35%)	(799,734)	(1,016,098)
Non-deductible expenses/(additional deductible expenses)	115,099	274,486
Adjustments in respect of prior year	128,110	(1,142,016)
Other tax paid	2,007	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	-	-
Current year losses for which no deferred tax asset was recognized	684,635	741,611
Change in unrecognized temporary differences	-	-
Other	-	-
	<u>-</u>	<u>-</u>
Total tax in income statement	<u>\$ 130,117</u>	<u>\$ (1,014,740)</u>

Income tax claims consist of:

	2018	2017
Refund of estimated income tax payments	<u>\$ 88,891</u>	<u>\$ 217,001</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 9 – PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and Equipment	Under Construction	Total
<i>Cost</i>				
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>
Balance at 1 January 2018	\$ 11,489,619	\$ 10,247,762	\$ 157,265	\$ 21,894,646
Acquisitions	-	82,627	2,464,165	2,546,792
Transfers	-	-	-	-
Disposals	-	(27,241)	-	(27,241)
Balance at 31 December 2018	<u>\$ 11,489,619</u>	<u>\$ 10,303,148</u>	<u>\$ 2,621,430</u>	<u>\$ 24,414,197</u>
<i>Depreciation and impairment</i>				
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>
Balance at 1 January 2018	\$ 4,031,822	\$ 6,838,239	\$ -	\$ 10,870,061
Depreciation charge for the year	445,265	896,558	-	1,341,823
Transfers	-	-	-	-
Impairment	-	-	-	-
Disposals	-	(6,810)	-	(6,810)
Balance at 31 December 2018	<u>\$ 4,477,087</u>	<u>\$ 7,727,987</u>	<u>\$ -</u>	<u>\$ 12,205,074</u>
<i>Net book value</i>				
At 1 January 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At 31 December 2017 and 1 January 2018	<u>\$ 7,457,797</u>	<u>\$ 3,409,523</u>	<u>\$ 157,265</u>	<u>\$ 11,024,585</u>
At 31 December 2018	<u>\$ 7,012,532</u>	<u>\$ 2,575,161</u>	<u>\$ 2,621,430</u>	<u>\$ 12,209,123</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 10 – INTANGIBLE ASSETS

	Development Costs	Software	Total
<i>Cost</i>			
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>
Balance at 1 January 2018	\$ 1,151,170	\$ 1,156,045	\$ 2,307,215
Transfers	-	-	-
Change in costs	15,941	56,476	72,417
Abandoned before commercialization	-	-	-
Change in reserve for abandonment	(2,181)	-	(2,181)
Balance at 31 December 2018	<u>\$ 1,164,930</u>	<u>\$ 1,212,521</u>	<u>\$ 2,377,451</u>
<i>Accumulated amortization</i>			
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>
Balance at 1 January 2018	\$ 718,018	\$ 771,921	\$ 1,489,939
Transfers	-	-	-
Amortization charge for the year	148,314	86,073	234,387
Balance at 31 December 2018	<u>\$ 866,332</u>	<u>\$ 857,994</u>	<u>\$ 1,724,326</u>
<i>Net book value</i>			
At 1 January 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At 31 December 2017 and 1 January 2018	<u>\$ 433,152</u>	<u>\$ 384,124</u>	<u>\$ 817,276</u>
At 31 December 2018	<u>\$ 298,598</u>	<u>\$ 354,527</u>	<u>\$ 653,125</u>

Note 11 – INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The Company has no investments in subsidiaries and jointly controlled entities (2017: \$-0-).

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 12 – DEFERRED TAX ASSETS AND LIABILITIES

Unrecognized deferred tax assets

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

	2018	2017
Tax losses	\$ 4,283,441	\$ 2,171,862
Inventory	-	-
Other temporary differences	-	-
Employee benefits	-	-
Net tax assets (liabilities)	<u>\$ 4,283,441</u>	<u>\$ 2,171,862</u>

The Company has tax loss carryforwards of \$20,397,337, of which \$17,137,171 expires in 2028 through 2037. 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.

On December 22, 2017, the Tax Cuts and Job Act ("Tax Reform") was signed into law and impacted individuals, pass through entities and corporations. The Company was impacted by the corporation changes. The corporate tax rate remained unchanged for the year ended 31 December 2017, with the new federal corporate rate reducing from a maximum 35% rate to a set 21% rate beginning in 2018. Current income tax expense is based on the new federal tax rate of 21%. IFRS requires the deferred tax components to be recorded at the rate in which the differences were expected to reverse which impacted tax expense for the year ended 31 December 2017. Based on the new federal corporate tax rate of 21% for 2018 and thereafter, the deferred tax assets and liabilities were revalued at the new tax rate and the adjustment of \$1,142,016 was recorded directly to expense in 2017.

Movement in unrecognized deferred tax assets during the Years ended 31 December 2018 and 2017

Deferred tax assets and their movements during the years ended 31 December 2018 and 2017 have not been recognized in respect of the following items:

	Year Ended 31 December 2018			
	1 January 2018	Additions	Recognition	31 December 2018
Tax losses	\$ 3,450,855	\$ 832,586	\$ -	\$ 4,283,441
Inventory	-	-	-	-
Other temporary differences	-	-	-	-
Net tax assets (liabilities)	<u>\$ 3,450,855</u>	<u>\$ 832,586</u>	<u>\$ -</u>	<u>\$ 4,283,441</u>

	1 January 2017	Additions	Recognition	31 December 2017
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>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 12 – 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	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	\$ -	\$ -	\$ (178,417)	\$ (999,989)	\$ (178,417)	\$ (999,989)
Intangible development costs	-	-	(34,472)	(33,793)	(34,472)	(33,793)
Tax losses	242,608	1,572,890	-	-	242,608	1,572,890
Bargain purchase gain	-	-	(29,719)	(539,108)	(29,719)	(539,108)
Interest expense limitation	-	-	-	-	-	-
Net tax assets (liabilities)	242,608	1,572,890	(242,608)	(1,572,890)	-	-
Offset of assets and liabilities	(242,608)	(1,572,890)	242,608	1,572,890	-	-
Net Deferred tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 2018 and 2017

	1 January 2018	Recognized in income	Recognized in equity	Exchange	31 December 2018
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Bargain purchase gain	-	-	-	-	-
Interest expense limitation	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Movement in deferred tax during the Years ended 31 December 2018 and 2017 (Continued)

	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>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 13 – STOCKS

	<u>2018</u>	<u>2017</u>
Raw materials and consumables	\$ 1,650,912	\$ 1,265,586
Work in progress	2,113	2,113
Semi-finished goods	3,502,315	3,399,143
Finished-goods	<u>2,865,950</u>	<u>2,818,163</u>
	<u>\$ 8,021,290</u>	<u>\$ 7,485,005</u>

Note 14 – TRADE AND OTHER RECEIVABLES

	<u>2018</u>	<u>2017</u>
Trade receivables due from third parties	\$ 2,834,012	\$ 3,688,855
Trade and other receivables due from related parties	158,233	117,734
Less: Allowance for doubtful accounts	<u>(20,000)</u>	<u>-</u>
	<u>\$ 2,972,245</u>	<u>\$ 3,806,589</u>

Note 15 – CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents per balance sheet	<u>\$ 466,125</u>	<u>\$ 625,487</u>
Cash and cash equivalents per cash flow statements	<u>\$ 466,125</u>	<u>\$ 625,487</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 16 – DEBT

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

	<u>2018</u>	<u>2017</u>
Note payable to related party, Synthetic Limited, \$8,720,425, interest payable at 3.00%. Principal and interest is paid in quarterly installments of \$103,000. The quarterly installments increase 3.00% per annum. Note matures 31 December 2027 secured by real property	<u>\$ 10,136,162</u>	<u>\$ 5,220,425</u>
Less: current portion	<u>783,921</u>	<u>147,693</u>
	<u><u>\$ 9,352,241</u></u>	<u><u>\$ 5,072,732</u></u>

Maturities of debt are as follows:

Year ending December 31,:	<u>Amount</u>
2019	\$ 783,921
2020	137,019
2021	154,046
2022	171,974
2023 and beyond	<u>8,889,202</u>
	<u><u>\$ 10,136,162</u></u>

Note 17 – TRADE AND OTHER PAYABLES

	<u>2018</u>	<u>2017</u>
Trade and other payables due to related parties	\$ 5,425,195	\$ 6,503,293
Trade and other payables due to third parties	<u>4,053,974</u>	<u>3,533,968</u>
	<u><u>\$ 9,479,169</u></u>	<u><u>\$ 10,037,261</u></u>

Note 18 – 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 \$18,500 for employees younger than 50 years of age, and a maximum of \$24,500 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 \$62,569 and \$52,931 during 2018 and 2017, respectively.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 19 – CAPITAL AND RESERVES

Reconciliation of movement in capital reserves

	Share capital	Share premium	Retained earnings	Total equity
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	<u>-</u>	<u>-</u>	<u>(1,888,396)</u>	<u>(1,888,396)</u>
Balance at 31 December 2017	<u>\$ 2,880</u>	<u>\$ 18,966,832</u>	<u>\$ (10,200,004)</u>	<u>\$ 8,769,708</u>
Balance at 1 January 2018	\$ 2,880	\$ 18,966,832	\$ (10,200,004)	\$ 8,769,708
Total recognized income and expense	<u>-</u>	<u>-</u>	<u>(3,938,375)</u>	<u>(3,938,375)</u>
Balance at 31 December 2018	<u>\$ 2,880</u>	<u>\$ 18,966,832</u>	<u>\$ (14,138,379)</u>	<u>\$ 4,831,333</u>

The aggregate current and deferred tax relating to items that are charged or credited to equity is \$-0- (2017: \$-0-).

Translation reserve

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

Share capital

	2018	2017
<i>Authorized</i>		
Ordinary shares	<u>288</u>	<u>288</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares	<u>288</u>	<u>288</u>

The number of shares outstanding at the beginning of the 2017 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 2018 and 2017

Note 20 – 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.

2018			
	Effective interest rate %	Total	0 to <1years
<i>Assets</i>			
Cash and cash equivalent	0.00%	\$ 466,125	\$ 466,125
<i>Liabilities</i>			
Related party note	3.00%	\$ 10,136,162	\$ 783,921
2017			
	Effective interest rate %	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

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 2018 and 2017

Note 20 – 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 2018, the Company purchased 57% (2017: 58% from three vendors) of its raw materials from three vendors totaling \$10,492,984 (2017: \$14,419,104). At 31 December 2018, 31% (2017: 23% from one customer) of accounts receivables totaling \$901,501 (2017: \$850,259) was due from one customer. During 2018, the Company received 27% (2017: 20% from one customer) of its gross sales from one customer totaling \$9,365,649 (2017: \$6,825,999).

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 2018, the Company's interest rate is fixed at 3.00% and is no longer variable. At 31 December 2017, the interest rate was variable, and it was estimated that a general increase of one percentage point in the interest rate would have reduced the Company's profit before tax by approximately \$52,204. 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 \$45,757 (2017: decrease by \$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 2018 totaled \$715,414.

Fair values

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

Note 21 – LEASE REVENUE

The Company leases out its building held under operating leases (See Note 9). The future minimum lease payments to be received under non-cancellable leases are as follows:

	2018	2017
Less than one year	\$ 499,758	\$ 262,267
Between one and five years	272,111	596,664
More than five years	-	-
	<u>\$ 771,869</u>	<u>\$ 858,931</u>

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 22 – OPERATING LEASE

The Company entered into an operating lease consisting of 9,500 square feet of warehouse space located in Philadelphia, Pennsylvania beginning 1 November 2018 and expiring on 31 October 2021. Aggregate approximate future minimum lease commitments related to the lease are as follows:

	2018	2017
Less than one year	\$ 54,692	\$ -
Between one and five years	94,631	-
More than five years	-	-
	<u>\$ 149,322</u>	<u>\$ -</u>

Upon expiration, the operating lease includes the option to renew for two additional annual periods if the Company wishes to extend the lease term.

Operating lease expense was approximately \$9,025 and \$0 for the years ended 31 December 2018 and 2017, respectively.

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.

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 and 2017

Note 23 – 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:

	Thrace Plastics Co SA	Synthetic Limited	Thrace Nonwovens & Geosynthetics	Lumite	Don & Low Ltd.
2018					
Revenue transactions					
Sales to	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	421,194	30,050	-
Purchases from	-	-	3,143,885	390,665	160,773
Rental expense	-	-	-	-	-
Sales expenses	-	-	-	4,871	-
Administrative expenses	330,697	-	-	69,071	-
Interest expense	-	264,057	-	-	-
Balances at the year end					
Debtors	-	-	158,233	-	-
Debtors - Equipment	-	-	-	-	-
Creditors - Stocks	-	-	5,351,681	35,594	37,920
Creditors - Other	-	-	-	-	-
Creditors - Notes Payable	-	10,136,162	-	-	-
	Thrace Plastics Co SA	Synthetic Limited	Thrace Nonwovens & Geosynthetics	Lumite	Don & Low Ltd.
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	-	-	-

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 2018 and 2017

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 \$289,357 and \$281,762 and income taxes of \$30,560 and \$127,277 in 2018 and 2017, respectively.

During 2018 and 2017, 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.