THRACE-LINQ, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

31 DECEMBER 2019 AND 2018

THRACE-LINQ, INC.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders
Thrace-LINQ, Inc.
Summerville, South Carolina

Opinion

We have audited the accompanying financial statements of Thrace-LINQ Inc., which comprise the balance sheets as of 31 December 2019 and 2018 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thrace-LINQ, Inc. as of 31 December 2019 and 2018, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements set by the International Ethics Standards Board for Accountants and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that Thrace-LINQ, Inc. has incurred material net losses in the current and previous years. This condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on Thrace-LINQ, Inc.'s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 28 of the financial statements, which describes events subsequent to the balance sheet date of 31 December 2019 but before our report date of 13 March 2020. Management has declared that the Company will cease manufacturing operations in March of 2020. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
13 March, 2020

THRACE-LINQ, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	Note	2019	2018
Revenue		$ 32,974,601	$ 33,623,872
Cost of sales		(31,727,409)	(32,824,168)
Gross profit		1,247,192	799,704
Other operating income (expenses)	*3*	(6,198,806)	(4,300,848)
Operating profit (loss)		(4,951,614)	(3,501,144)
Gain/(loss) on sale of asset		295,386	10,796
Financial expenses	*7*	(388,142)	(317,910)
Net other income (expenses)		(92,756)	(307,114)
Profit (loss) before tax		(5,044,370)	(3,808,258)
Taxation	*8*	(6,773)	(130,117)
Profit (loss) for the year attributable to equity holders		$ (5,051,143)	$ (3,938,375)

The accompanying notes are an integral part of these financial statements.

THRACE-LINQ, INC.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSES

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	2019	2018
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	(5,051,143)	(3,938,375)
Total recognized income and expense for period attributable to equity holders	$ (5,051,143)	$ (3,938,375)

THRACE-LINQ, INC.

BALANCE SHEETS

AT 31 DECEMBER 2019 AND 2018

	Note	2019	2018
Non-current assets			
Property, plant and equipment	9	$ 2,478,774	$ 12,209,123
Other non-current assets		44,233	59,882
Intangible assets	11	435,578	653,125
		2,958,585	12,922,130
Current assets			
Right of use assets	12	247,447	-
Non-current assets held for sale	10	6,914,106	-
Income tax claims	8	6,085	88,891
Stocks	15	2,780,937	8,021,290
Trade and other receivables	16	3,020,362	2,972,245
Cash and cash equivalents	17	3,187,258	466,125
		16,156,195	11,548,551
Total assets		$ 19,114,780	$ 24,470,681
Current liabilities			
Trade and other payables	19	8,841,433	9,479,169
Notes payable	18	10,493,157	783,921
		19,334,590	10,263,090
Non-current liabilities			
Notes payable	18	-	9,352,241
Other long term liabilities		-	24,017
		-	9,376,258
Total liabilities		$ 19,334,590	$ 19,639,348
Net assets		$ (219,810)	$ 4,831,333
Equity attributable to equity holders			
Share capital	21	2,880	2,880
Share premium	21	18,966,832	18,966,832
Retained earnings	21	(19,189,522)	(14,138,379)
Total stockholders' equity		$ (219,810)	$ 4,831,333

THRACE-LINQ, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

		Share Capital				
	Note	Shares	Amount	Share Premium Account	Retained Earnings	Total
Balances at 1 January 2018	*21*	288	$ 2,880	$ 18,966,832	$ (10,200,004)	$ 8,769,708
Total recognized income and expenses	*21*	-	-	-	(3,938,375)	(3,938,375)
Balances at 31 December 2018	*21*	288	2,880	18,966,832	(14,138,379)	4,831,333
Total recognized income and expenses	*21*	-	-	-	(5,051,143)	(5,051,143)
Balances at 31 December 2019		288	$ 2,880	$ 18,966,832	$ (19,189,522)	$ (219,810)

The accompanying notes are an integral part of these financial statements.

THRACE-LINQ, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Net income (loss) for the period	$ (5,051,143)	$ (3,938,375)
Adjustments for:		
Depreciation, amortization, and impairment	3,061,566	1,578,619
(Gain) loss from disposition of fixed assets	(295,386)	(10,796)
Finance expense	388,143	317,910
Taxation	6,773	130,117
Operating profit (loss) before changes in working capital and provisions	(1,890,047)	(1,922,525)
Decrease (increase) in trade and other receivables	(32,468)	858,348
Decrease (increase) in stocks	5,240,353	(536,285)
(Decrease) increase in trade and other payables	(907,319)	(566,510)
Cash generated from the operations	2,410,519	(2,166,972)
Interest paid	(31,147)	(289,357)
Tax paid, net of refunds	76,033	(30,560)
Net cash from operating activities	2,455,405	(2,486,889)
Cash flows from investing activities		
Acquisition of development intangible assets	-	(15,941)
Acquisition of other intangible assets	(41,576)	(56,476)
Acquisition of property, plant, and equipment	(275,927)	(2,546,792)
Proceeds of sale of property, plant and equipment	700,000	30,999
Net cash used by investing activities	382,497	(2,588,210)
Cash flows from financing activities		
Principal payments on leases	(116,769)	-
Proceeds from notes payable	-	4,915,737
Net cash from financing activities	(116,769)	4,915,737
Net cash increase (decreases) in cash and cash equivalents	2,721,133	(159,362)
Cash and cash equivalents at 1 January	466,125	625,487
Cash and cash equivalents at 31 December	$ 3,187,258	$ 466,125

THRACE-LINQ, INC.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

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 13 March 2020.

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

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 2019 and several years prior. As of 31 December 2019, net loss was $5,051,143. Management believes the following plans will allow the Company to continue operating for a reasonable period of time:

- Sell all real property and lease the facilities back from the buyer. As stated in subsequent events Note 27 below, the building and land was sold, and the net proceeds will be used to satisfy all obligations to date and fund future operations. As of the report date and revaluing real property based on its sale proceeds, total assets were $9,093,974 higher than liabilities including known obligations in the subsequent period.

- Discontinue manufacturing operations. The Company was still producing industrial fabrics at 31 December 2019; however, the volume of material produced at year end was significantly reduced. Two of the three non-woven lines that produce material had either been sold or in the process of being transferred to a related party. Manufacturing operations will continue until approximately March of 2020 due to the fulfillment of current orders. The remaining non-woven line has been listed for sale and proceeds used to satisfy current obligations and fund future operations. The results of this discontinued operation have not been segregated in our Statement of Income. This is because those operations are not readily segregated in the accounting records. After manufacturing operations have ceased, the sales and distribution of materials produced at other related parties will continue.

- Assignment of lease obligation in Philadelphia. The lease and inventory in Philadelphia, Pennsylvania will be assigned and sold to a third party, respectively. This will reduce expenses and obligations in the subsequent period.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

- Significant reduction in personnel costs. Although severance payments and contingent bonuses will be made to key employees, a significant reduction in personnel will allow the Company to create profits.

- Sale of non-essential machinery. With the discontinuance of manufacturing operations, all non-essential machinery will be sold, and net proceeds used to satisfy current obligations and fund future operations.

Changes in accounting policies

IFRS 15 "Revenues from Contracts with Customers"

The IFRS 15 supercedes the IAS 11 "Construction Contracts", IAS 18 "Revenues" and all the relevant interpretations for the revenues from contracts with customers unless these are governed by the application scope of other standards. The new standard establishes a model of five steps in determining the revenues from contracts with customers. According to the IFRS 15, revenues are being recognized based on the amount which an economic entity is entitled to receive in exchange for the transfer of goods or services towards a customer. Furthermore, the standard defines the accounting monitoring of the additional expenses incurred in order to undertake a contract and the direct expenses which are required for the completion of this contract. On 1st January 2018, the Company adopted the IFRS 15, by utilizing the adjusted / revised retroactive method, meaning that the effect from the transition was recognized cumulatively in the “Results carried forward”, whereas the comparative amounts were not restated. However the Company was not affected in terms of profitability or financial position during the first adoption of the IFRS 15. Therefore, no adjustment was made in the “Results Carried Forward” on 1st January 2018.

The revenues from the sale of goods are recognized when the control of the good is transferred to the customer, usually upon delivery of the good, and therefore all relevant obligations have been fulfilled meaning that the acceptance of the good by the customer cannot be negatively affected. The basic product categories are geosynthetics and industrial fabrics.

The Company accepts refunds only in the case of defective or non-standard products.

The receivable is recognized when the economic entity possesses the right to receive unconditionally the price amount in exchange for the executed obligations of the contract towards the customer. The conventional asset is recognized when the Company has satisfied its obligations towards the customer, and before the customer makes the respective payment or before the payment becomes claimable. The payment usually becomes claimable between 30 – 90 days.The conventional obligation is recognized when the Company receives an amount (price) from the customer (advance payment) or when it maintains the right over a price consideration which is unconditional (deferred income) prior to the execution of the obligations of the contract and the transfer of the goods or the services. The conventional obligation is de-recognized when all the terms of the contracts have been executed and the revenue has been recorded in the statement of income.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRS 16 "Leases"

The Company applied for the first time the IFRS 16 “Leases” which replaces the provisions of IAS 17 and sets the principles for the recognition, measurement, presentation and disclosures concerning the leases. The standard is mandatory for the accounting periods that begin on 1st January 2019 or after. The IFRS 16 has a significant effect on the financial statements of the Company, particularly in the total assets and total liabilities, the results, the net cash flows from operating activities, the net cash flows from financing activities, and the presentation of financial position.

The Company applied the new standard by utilizing the amended retroactive method, meaning that the impact was recognized on cumulative basis in the “Results carried forward”, whereas the comparative amounts were not restated. During the transition into the IFRS 16, the liabilities deriving from the existing operating leases are being discounted according to the relevant discount rate (or incremental borrowing rate). The present value that is calculated is then recognized as liability from lease. The right-of-use assets are being measured on equivalent basis with the liability from lease and are adjusted for any prepaid or accrued leases.

Regarding the options and the exemptions allowed according to IFRS 16, the Company adopted the following approach:

- The right-of-use assets and the liabilities from leases are depicted separately in the statements of financial position

- The requirements concerning the recognition, measurement and disclosures of IFRS 16 were applied in all leases except for the leases of “small value” and the leases with shorter term, meaning 12 months or less.

The Company used the option not to separate the parts of the contract which are not a lease (non-lease components) from the lease components and therefore treated each element of the lease and any related parts of it as a single lease.

We have determined that the affect on 1 January 2019 balances based on this was immaterial and no adjustments made. See Note 11 for detailed table on right-of-use assets.

Measurement convention

The financial statements have been prepared on the historical cost basis. Non-current assets are stated at the lover 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.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Foreign currency

The financial statements have been prepared using the United States dollar, and therefore has no transactions requiring translation.

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 2019 and 2018, the Company had no investments in jointly controlled or other entities

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.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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 life of 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, furniture and fixtures	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.

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.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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 discontinued 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 assets. 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.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Employee benefits

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

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.

Profit is recorded when the collection of the sale proceeds is reasonably assured.

Rental income

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

Expenses

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 elective 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 extend 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.

NOTE 1 - ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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.

THRACE-LINQ, INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 AND 2018

NOTE 2 - BUSINESS SEGMENTS

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.

	2019	2018
Total revenue from sales to external customers	$ (32,974,601)	$ (33,623,872)
Profit (loss) from operations	(4,951,614)	(3,501,144)
Gain (loss) on sale of assets	295,386	10,796
Financial Expenses	(388,142)	(317,910)
Taxation	(6,773)	(130,117)
Net profit (loss) for the year	$ (5,051,143)	$ (3,938,375)
Unallocated corporate assets	$ 19,114,780	$ 24,470,681
Total assets	$ 19,114,780	$ 24,470,681
Unallocated corporate liabilities	$ 19,334,590	$ 19,639,348
Total Liabilities	$ 19,334,590	$ 19,639,348
Capital expenditures	$ 275,927	$ 2,546,792
Interest income	$ 5,631	$ 9,573
Depreciation	$ 1,368,772	$ 1,341,823

Geographic Segments

	2019	2018
Revenue from sales to external customers		
USA	$ 31,409,738	$ 32,774,461
North America excluding USA	1,543,249	844,537
Central and South America	21,614	4,874
Europe	-	-
Total Revenue from sales to external customers	$ 32,974,601	$ 33,623,872
Segment assets	$ 19,114,780	$ 24,470,681
Capital expenditure	$ 275,927	$ 2,546,792

NOTE 3 - OTHER OPERATING INCOME

Included in profit are the following:

	2019	2018
Rental income	$ 656,971	$ 549,205
Service income	9,306	451,243
Miscellaneous income	11,309	24,115
	$ 677,586	$ 1,024,563

NOTE 4 - EXPENSES AND AUDITOR'S RENUMERATION

Included in profit are the following:

	2019	2018
Auditors' renumeration:		
Auditor's renumeration of financial statements	$ 75,000	$ 68,000

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:

	2019	2018
Manufacturing	24	44
Selling	2	6
Administrative	15	23
	41	73

The aggregate payroll costs of these persons were as follows:

	2019	2018
Wages and salaries	$ 4,950,379	$ 5,777,024
Social security costs	350,978	380,672
	$ 5,301,357	$ 6,157,696

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:

	2019	2018
Employee benefits	$ 133,413	$ 126,845
Salaries	640,244	817,563
	$ 773,657	$ 944,408

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 2019 and 2018 other than compensation disclosed above.

NOTE 7 - FINANCE INCOME AND EXPENSE

	2019	2018
Interest income	$ 5,631	$ 9,573
Inter company interest	-	-
Expected return on defined benefit pension plan assets	-	-
Exchange gain on bank account	-	-
Exchange on bank loan	-	-
Financial income	$ 5,631	$ 9,573
Interest expense	$ 356,995	$ 289,357
Bank charges	31,147	28,553
Financial expenses	$ 388,142	$ 317,910

NOTE 8 - INCOME TAXES

Recognized in the income statement:

	2019	2018
Current tax expense		
Current tax on income for the year	$ 6,773	$ 130,117
Adjustment in respect of prior year	-	-
	6,773	130,117
Overseas tax		
Current tax on income for the year	-	-
	6,773	130,117
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Adjustment in respect of prior year	-	-
Other	-	-
	-	-
Pension scheme movements	-	-
Total tax in income statement	$ 6,773	$ 130,117

NOTE 8 - INCOME TAXES (CONTINUED)

Reconciliation of effective tax rate

	2019	2018
Profit (loss) before tax	$ (5,044,370)	$ (3,808,258)
Tax using the US corporation tax rate of 21% (2018: 21%)	(1,059,318)	(799,734)
Non-deductible costs	99,973	115,099
Adjustments in respect of prior year	-	128,110
Other tax paid	6,773	2,007
Deferred tax (benefit) not recognized in prior years	-	-
Effects of lower tax on overseas earnings	-	-
Current year tax income for which no deferred tax asset was recognized	-	-
Current year losses for which no deferred tax asset was recognized	959,345	684,635
Change in unrecognized temporary differences	-	-
Other	-	-
	$ 6,773	$ 130,117

Income tax claims consists of:

	2019	2018
Refund of estimated income tax payments	$ 6,085	$ 88,891

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Under construction	Total
Cost				
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	$ 11,489,619	$ 10,303,148	$ 2,621,430	$ 24,414,197
Balance at 1 January 2019	$ 11,489,619	$ 10,303,148	$ 2,621,430	$ 24,414,197
Acquisitions	-	275,927	-	275,927
Transfers	(11,489,619)	2,417,124	(2,621,430)	(11,693,925)
Disposals	-	(2,527,169)	-	(2,527,169)
Balance at 31 December 2019	$ -	$ 10,469,030	$ -	$ 10,469,030
Depreciation and impairment				
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	$ 4,477,087	$ 7,727,987	$ -	$ 12,205,074
Balance at 1 January 2019	$ 4,477,087	$ 7,727,987	$ -	$ 12,205,074
Depreciation charge for the year	499,052	869,720	-	1,368,772
Transfers	(4,976,139)	-	-	(4,976,139)
Impairment	-	1,383,847	-	1,383,847
Disposals	-	(1,991,298)	-	(1,991,298)
Balance at 31 December 2019	$ -	$ 7,990,256	$ -	$ 7,990,256
Net book value				
At 1 January 2018	$ 7,457,797	$ 3,409,523	$ 157,265	$ 11,024,585
At 31 December 2018 and 1 January 2019	$ 7,012,532	$ 2,575,161	$ 2,621,430	$ 12,209,123
Balance at 31 December 2019	$ -	$ 2,478,774	$ -	$ 2,478,774

NOTE 10 - NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent the assets associated with the Company's real property sold subsequent to year end. The Company measures its assets held for sale at the lower of its carrying amount or estimated fair value less costs to sell.

NOTE 10 - NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

Non-current assets held for sale were comprised of the following:

Land and buildings	$ 11,862,282
Less: Accumulated depreciation	(4,948,176)
Net book value	$ 6,914,106

NOTE 11 - INTANGIBLE ASSETS

	Development costs	Software	Total
Cost			
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 commercilization	-	-	-
Change in reserve for abandonment	(2,181)	-	(2,181)
Balance at 31 December 2018	1,164,930	1,212,521	2,377,451
Balance at 1 January 2019	1,164,930	1,212,521	2,377,451
Transfers	-	-	-
Change in cost	-	45,730	45,730
Impairment	-	(764,905)	(764,905)
Change in reserve for abandonment	(110,450)	-	(110,450)
Balance at 31 December 2019	$ 1,054,480	$ 493,346	$ 1,547,826
Accumulated amortization			
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	866,332	857,994	1,724,326
Balance at 1 January 2019	866,332	857,994	1,724,326
Impairment	-	(760,751)	(760,751)
Amortization charge for the year	50,563	98,110	148,673
Balance at 31 December 2019	$ 916,895	$ 195,353	$ 1,112,248
Net book value			
At 1 January 2018	$ 433,452	$ 384,124	$ 817,576
Balance at 31 December 2018	$ 298,598	$ 354,527	$ 653,125
Balance at 31 December 2019	$ 137,585	$ 297,994	$ 435,579

NOTE 11 - INTANGIBLE ASSETS (CONTINUED)

NOTE 12 - RIGHT-OF-USE ASSETS

	Internal transportation	Machinery & equipment	Buildings	Total
Acquisition Cost				
Balance at 1 January 2019	$ -	$ -	$ -	$ -
Acquisitions	124,782	96,289	141,265	362,336
Sales - Disposals	-	-	-	-
Effect of movements in foreign exchange	-	-	-	-
Balance at 31 December 2019	$ 124,782	$ 96,289	$ 141,265	$ 362,336
Accumulated Depreciation				
Balance at 1 January 2019	$ -	$ -	$ -	$ -
Depreciation charge for the year	44,421	17,494	52,974	114,889
Sales - Disposals	-	-	-	-
Balance at 31 December 2019	$ 44,421	$ 17,494	$ 52,974	$ 114,889
Unamortized Value				
Balance at 1 January 2019	$ -	$ -	$ -	$ -
Balance at 31 December 2019	$ 80,361	$ 78,795	$ 88,291	$ 247,447

NOTE 13 - INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The Company has no investments in subsidiaries and jointly controlled entities. *(2018: $-0-).*

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Unrecognized deferred tax assets

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

	2019	2018
Tax losses	$ 5,167,238	$ 4,283,441
Inventory	-	-
Other temporary differences	-	-
Employee benefits	-	-
Net tax assets (liabilities)	$ 5,167,238	$ 4,283,441

The Company has tax loss carryforwards of $24,605,895, of which $20,030,812 expires in 2028 through 2038. 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 years ended 31 December 2019 and 2018

Deferred tax assets and their movements during the years ended 31 December 2019 and 2018 have not been recognized in respect of the following items:

	1 January 2019	Additions	Recognition	31 December 2019
Tax losses	$ 4,283,441	$ 883,797	$ -	$ 5,167,238
Inventory	-	-	-	-
Other temporary differences	-	-	-	-
Net tax assets (liabilities)	$ 4,283,441	$ 883,797	$ -	$ 5,167,238

	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)	$ 3,450,855	$ 832,586	$ -	$ 4,283,441

NOTE 14 - 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	
	2019	2018	2019	2018	2019	2018
Property, plant and equipment	$ -	$ -	$ 684,825	$ (178,417)	$ 684,825	$ (178,417)
Intangible development costs	-	-	(45,685)	(34,472)	(45,685)	(34,472)
Tax losses	(609,421)	242,608	-	-	(609,421)	242,608
Bargain purchase gain	-	-	(29,719)	(29,719)	(29,719)	(29,719)
Interest expense limitation	-	-	-	-	-	-
Net tax assets (liabilities)	(609,421)	242,608	609,421	(242,608)	-	-
Offset of assets and liabilities	609,421	(242,608)	-	242,608	-	-
Net deferred tax assets	$ -	$ -	$ -	$ -	$ -	$ -

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 Company will generate suitable taxable profits in the future against which the assets can be recovered.

Movement in deferred tax

Movement in deferred tax during the years ended 31 December 2019 and 2018

	1 January 2019	Recognized in income	Recognized in equity	Exchange	31 December 2019
Depreciation	$ -	$ -	$ -	$ -	$ -
Bargain purchase gain	-	-	-	-	-
Interest expense limitation	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -

	1 January 2018	Recognized in income	Recognized in equity	Exchange	2018
Depreciation	$ -	$ -	$ -	$ -	$ -
Bargain purchase gain	-	-	-	-	-
Interest expense limitation	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -

NOTE 15 - STOCKS

	2019	2018
Raw materials and consumables	$ 484,613	$ 1,650,912
Work in process	2,113	2,113
Semi-finished goods	885,119	3,502,315
Finished-goods	1,409,092	2,865,950
	$ 2,780,937	$ 8,021,290

NOTE 16 - TRADE AND OTHER RECEIVABLES

	2019	2018
Trade and receivables due from third parties	$ 2,954,130	$ 2,834,012
Trade and other receivables due from related parties	66,232	158,233
Less: Allowance for doubtful accounts	-	(20,000)
	$ 3,020,362	$ 2,972,245

NOTE 17 - CASH AND CASH EQUIVALENTS

	2019	2018
Cash and cash equivalents	$ 3,187,258	$ 466,125
Cash and cash equivalents per cash flow statement	$ 3,187,258	$ 466,125

NOTE 18 - DEBT

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

	2019	2018
Note payable to related party, Sythetic Limited, $8,720,425, interest payable 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.	$ 10,493,157	$ 10,136,162
Less: current portion	(10,493,157)	(783,921)
	$ -	$ 9,352,241

Maturities of debt are as follows:

Year ending December 31,:	Amount
2020	$ 10,493,157
2021	-
2022	-
2023	-
2024	-
	$ 10,493,157

NOTE 19 - TRADE AND OTHER PAYABLES

	2019	2018
Trade and other payables due to related parties	$ 6,835,440	$ 5,425,195
Trade and other payables due to third parties	2,005,993	4,053,974
	$ 8,841,433	$ 9,479,169

NOTE 20 - EMPLOYEE BENEFIT PLANS

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 $19,000 for employees younger than 50 years of age, and a maximum of $25,000 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 $20,440 and $62,569 during 2019 and 2018, respectively.

NOTE 21 - CAPITAL AND RESERVES

Reconciliation of movement in capital reserves

	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2018	$ 2,880	$ 18,966,832	$ (10,200,004)	$ 8,769,708
Total recognized income and expense	-	-	(3,938,375)	(3,938,375)
Balance at 31 December 2018	2,880	18,966,832	(14,138,379)	4,831,333
Balance at 1 January 2019	2,880	18,966,832	(14,138,379)	4,831,333
Total recognized income and expense	-	-	(5,051,143)	(5,051,143)
Balance at 31 December 2019	$ 2,880	$ 18,966,832	$ (19,189,522)	$ (219,810)

The aggregate current and deferred tax relating to items that are charged or credited to equity is $-0- *(2018: $-0-)*.

Translation reserve

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

Share capital

	2019	2018
Authorized		
Ordinary shares	288	288
Allotted, called up and fully paid		
Ordinary shares	288	288

NOTE 21 - CAPITAL AND RESERVES (CONTINUED)

Translation reserve (continued)

The number of shares outstanding at the beginning of the 2018 financial year was 288 shares, par value of $10 per share. No additional shares were issued during the year.

The holders of the 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.

NOTE 22 - 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.

	2019		
	Effective interest rate %	**Total**	**0 to <1 years**
Assets			
Cash and cash equivalent	0.00%	$ 3,187,258	$ 3,187,258
Liabilities			
Related party note	3.00%	$ 10,493,157	$ 10,493,157

NOTE 22 - FINANCIAL INSTRUMENTS (CONTINUED)

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

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 18 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.

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 2019, the Company purchased 77% *(2018: 57% from three vendors)* of its raw materials from five vendors totaling $11,439,391 *(2018: $10,492,984)*. At 31 December 2019, 44% of accounts receivables totaling $1,228,119 was due from two customers *(2018: 31% from one customer totaling $901,501)*. During 2019, the Company received 26% of its gross sales from one customer totaling $8,872,457 *(2018: 27% from one customer totaling $9,365,649).*

NOTE 22 - FINANCIAL INSTRUMENTS (CONTINUED)

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 2019, the Company's interest rate is fixed at 3.00% and is no longer variable. 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 $37,096 *(2018: decrease by $45,757)* 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 2019 totaled $3,021,411.

Fair values

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

NOTE 23 - LEASE REVENUE

The Company leases out its building held under operating leases (See Notes 9 & 10). The future minimum lease payments to be received under non-cancelable leases are as follows:

	2019	2018
Less than one year	$ 313,093	$ 499,758
Between one and five years	-	272,111
More than five years	-	-
	$ 313,093	$ 771,869

NOTE 24 - 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.

NOTE 24 - RELATED PARTIES (CONTINUED)

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.

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

	Thrace Plastics Co SA	Synthetic Limited	Thrace Nonwovens & Geosynthetics	Lumite	Don & Low Ltd.
2019					
Revenue transactions					
Sales to	$ -	$ -	$ 9,260	$ 22,741	$ -
Other income	-	-	-	-	-
Purchases from	295,465	-	988,865	436,163	144,990
Rental expense	-	-	-	-	-
Sales expenses	-	-	-	-	-
Administrative expenses	-	-	-	-	-
Interest expense	-	356,995	-	-	-
Balances at the year end					
Debtors	-	-	43,491	22,741	-
Debtors - Equipment	-	-	-	-	-
Creditors - Stocks	(13,947)	-	6,340,546	14,349	-
Creditors - Other	-	494,492	-	-	-
Creditors - Notes Payable	-	10,493,157	-	-	-

	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	-	-	-

NOTE 24 - RELATED PARTIES (CONTINUED)

Transactions with key management personnel

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

NOTE 25 - CAPITAL REQUIREMENTS

The Board's policy was 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.

NOTE 26 - CASH FLOW INFORMATION

The Company paid interest of $31,147 and $289,357 and income taxes of $6,773 and $30,560 in 2019 and 2018, respectively.

During 2019 and 2018, the Company did not acquire land, vehicles and equipment in exchange for notes payable.

NOTE 27 - 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 was terminated in 2019.

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. Due to the termination of the FILOT agreements, there was a significant increase in the amount of property taxes paid by the Company during 2019.

NOTE 28 - EVENTS AFTER THE REPORTING DATE

Subsequent to the balance sheet date of 31 December 2019 but before our report date of 13 March 2020, management declared the Company was to cease all manufacturing operations in March of 2020. The Company would retain the sales and distribution of products manufactured at related parties. Other than normal operating activity related to sales and distribution, this will result in expenditures of $167,428 to fulfill current operating lease obligations, $244,684 of severance and retention pay to personnel, and an increase in professional fees. As of the report date, management is not able to estimate the amount of professional fees that will be incurred. There is also the possibility of $160,000 in payments to personnel that are contingent on the successfully discontinuance of the manufacturing operation.

NOTE 28 - EVENTS AFTER THE REPORTING DATE (CONTINUED)

An agreement to sell all real property commenced in October 2019 and the contract was finalized in March 2020 with funding in April 2020. The purchase price was $17,500,000 and estimated commissions and miscellaneous closing costs will be $700,000 (4%). The sale of real property includes a leaseback provision which will result in insurance, utility and common area maintenance payments for the leased premises through August 31, 2020. As of our report date, management is not able to estimate the amount of expenses that will be incurred.