

PRIVATE COMPANY INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017

*Private and Confidential*

PRIVATE COMPANY INC.  
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DECEMBER 31, 2017

Notice to Reader

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Future Prospects

# Accountant & Co.

Chartered Professional Accountants

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**To the Shareholders of Private Company Inc.**

## NOTICE TO READER

Based on information provided by management, we have compiled the non-consolidated balance sheet of Private Company Inc. as at December 31, 2017 and the non-consolidated statements of retained earnings, income and cash flow for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

*Accountant & Co.*

Chartered Professional Accountants

January 30, 2018

New York, NY

## PRIVATE COMPANY INC.

## INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016	2015	2014	2013
<b>Revenue</b>	<b>\$150,772</b>	<b>\$ 142,341</b>	<b>\$ 131,345</b>	<b>\$ 118,086</b>	<b>\$ 102,007</b>
Cost of Goods Sold	56,710	52,654	49,123	48,004	39,023
<b>Gross Profit</b>	<b>94,062</b>	<b>89,687</b>	<b>82,222</b>	<b>70,082</b>	<b>62,984</b>
<b>Expenses</b>					
Salaries and Benefits	25,245	23,002	23,872	22,658	26,427
Rent and Overhead	11,412	11,020	10,087	10,125	10,963
Depreciation & Amortization	16,080	16,544	17,205	18,150	19,500
Interest	1,500	1,500	1,500	2,500	2,500
<b>Total Expenses</b>	<b>54,237</b>	<b>52,066</b>	<b>52,664</b>	<b>53,433</b>	<b>59,390</b>
<b>Earnings Before Tax</b>	<b>39,825</b>	<b>37,622</b>	<b>29,558</b>	<b>16,649</b>	<b>3,594</b>
Taxes	11,598	10,908	8,483	4,858	1,120
<b>Net Earnings</b>	<b>\$28,227</b>	<b>\$ 26,713</b>	<b>\$ 21,075</b>	<b>\$ 11,791</b>	<b>\$ 2,474</b>

## PRIVATE COMPANY INC.

## BALANCE SHEET

DECEMBER 31, 2017

	2017	2016	2015	2014	2013
<b>Assets</b>					
Cash	\$ 139,550	\$ 111,069	\$ 83,715	\$ 81,210	\$ 67,971
Accounts Receivable	7,539	7,117	6,567	5,904	5,100
Inventory	11,342	10,531	9,825	9,601	7,805
Property & Equipment	37,521	38,602	40,145	42,350	45,500
<b>Total Assets</b>	<b>\$ 195,951</b>	<b>\$ 167,319</b>	<b>\$ 140,252</b>	<b>\$ 139,065</b>	<b>\$ 126,376</b>
<b>Liabilities</b>					
Accounts Payable	\$ 5,671	\$ 5,265	\$ 4,912	\$ 4,800	\$ 3,902
Debt	30,000	30,000	30,000	50,000	50,000
<b>Total Liabilities</b>	<b>35,671</b>	<b>35,265</b>	<b>34,912</b>	<b>54,800</b>	<b>53,902</b>
<b>Shareholder's Equity</b>					
Equity Capital	70,000	70,000	70,000	70,000	70,000
Retained Earnings	90,280	62,053	35,340	14,265	2,474
<b>Shareholder's Equity</b>	<b>160,280</b>	<b>132,053</b>	<b>105,340</b>	<b>84,265</b>	<b>72,474</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$ 195,951</b>	<b>\$ 167,319</b>	<b>\$ 140,252</b>	<b>\$ 139,065</b>	<b>\$ 126,376</b>

PRIVATE COMPANY INC.  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016	2015	2014	2013
<b>Operating Cash Flow</b>					
Net Earnings	28,227	26,713	21,075	11,791	2,474
Plus: Depreciation & Amortization	16,080	16,544	17,205	18,150	19,500
Less: Changes in Working Capital	827	903	775	1,702	9,003
<b>Cash from Operations</b>	<b>43,480</b>	<b>42,354</b>	<b>37,505</b>	<b>28,239</b>	<b>12,971</b>
<b>Investing Cash Flow</b>					
Investments in Property & Equipment	15,000	15,000	15,000	15,000	15,000
<b>Cash from Investing</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Financing Cash Flow</b>					
Issuance (repayment) of debt	-	-	(20,000)	-	-
Issuance (repayment) of equity	-	-	-	-	70,000
<b>Cash from Financing</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>70,000</b>
Net Increase (decrease) in Cash	28,480	27,354	2,505	13,239	67,971
Opening Cash Balance	111,069	83,715	81,210	67,971	-
<b>Closing Cash Balance</b>	<b>139,550</b>	<b>111,069</b>	<b>83,715</b>	<b>81,210</b>	<b>67,971</b>

## MANAGEMENT'S DISCUSSION OF FUTURE PROSPECTS

### **Revenue Growth**

Upon reviewing the company's financial performance and market conditions, we expect our revenue to grow by 10.0% for the next five years.

### **Working Capital**

We forecast our accounts receivable days and accounts payable days to be 18 days and 37 days respectively for 2018 to 2022. We expect the number of days it takes to sell our inventory to be 80 days in 2018, 90 days in 2019, and 100 days from 2020 to 2022.

### **Costs and Expenses**

We are facing increasing pressure from higher raw material costs and transportation costs, which will impact our gross margin by raising the cost of goods sold to 42.0%, 47.0%, 50.0%, 36.0% and 35.0% of revenue each year respectively in 2018 to 2022. Labor costs and benefits will remain constant at 17.0% of revenue throughout 2018 to 2022. Rent and overhead expenses are expected to be flat at \$15 million each year.

### **Capital Assets**

With a plan to purchase \$15 million of property, plant, and equipment (PP&E) every year, we expect depreciation and amortization expense to be 35.0% of total opening PP&E for the next five years.

### **Debt and Interest**

We have a schedule to repay \$20 million in term debt in 2020. We will have an interest expense of 10.0% of total term debt for the next five years.

### **Taxes**

The applicable tax rate based on our operating income is 28.0% for the coming five years.