



**BERKLEY RENEWABLES INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine months ended September 30, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Berkley Renewables Inc. ("**Berkley**" or the "**Company**") is a junior oil and gas exploration, production and development company based in Vancouver, BC. Additional information relating to the Company, including its audited annual financial statements, is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). Berkley is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Berkley's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "**BKS**", on the US OTC under the symbol "**BRKDF**" and on the Frankfurt Stock Exchange under the symbol "**W80**" and "**WKN 871666**".

The following Management's Discussion and Analysis ("**MD&A**") is dated November 30, 2015 and discloses specified information up to that date. The following discussion and analysis of the operations, results and financial position of the Company for the nine months ended September 30, 2015 should be read in conjunction with the unaudited financial statements for the nine months ended September 30, 2015 and the audited financial statements for the year ended December 31, 2014.

The Company is classified as a "Venture Issuer" for the purposes of National Instrument 51-102. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in Canada. Unless otherwise cited, references to dollar amounts are in Canadian dollars.

### **Forward-Looking Information**

Certain statements in this MD&A and the documents incorporated by reference contain forward-looking information, which includes forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are statements which relate to future events or our future performance, including our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", or "potential" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause the Company's or the industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking information and statements will occur or, if they do occur, what benefits the Company will obtain from them. This MD&A contains forward-looking information and statements, which may include but are not limited to: statements with respect to the financial and operating performance of the Company; investments objectives and strategies; the business goals and strategies; forecast operating and financial results; planned capital expenditures; potential future market for products; the Company's plans for, and results of, exploration and development activities; the Company's treatment under governmental regulatory and royalty regimes and tax laws; competitive advantages; business prospects and opportunities; costs and timing of developmental new projects; management's assessment of future plans and operations; and requirements for additional capital.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect management's current judgment regarding the direction of the business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this MD&A. These assumptions, which includes management's current expectations, estimates and assumptions about certain projects and the markets in which the Company operates, the global economic environment, interest rates, the successful and timely implementation of capital projects; the Company's ability to generate sufficient cash flow from operations to meet current and future obligations and other risks and uncertainties described from time to time in the filings made with securities regulatory authorities; the impact of increasing competition; the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the project in which the Company has interests to operate in a safe, efficient and effective manner; future commodity prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates may prove to be incorrect. A number of risks and uncertainties would cause the Company's actual results to differ materially from those expressed or implied by the forward-looking information and statements, including, but not limited to: the failure of the Company to execute business plans; general economic conditions affecting the Company; risks arising from operations generally; competition; accuracy of cost estimates; fluctuations in commodities prices; fluctuations in product supply and demand; risks associated with technology and its application to the business; changes in the applicable regulatory framework, including changes in regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws and regulations, or changes to the associated with compliance; the loss of key management employees; the Company's abilities to control operating costs, general administrative and other expenses; other factors beyond the Company's control; insufficient investor interest in the Company's securities which may impact its ability to raise additional financing as required.

These forward-looking statements are based on the estimates and opinions of management at the time they are made. Although management believes that the expectations reflected in these forward-looking statements are reasonable, future results, levels of activity, performance or achievements cannot be guaranteed. Readers of this MD&A are cautioned not to rely on these forward-looking statements. Except as required by applicable securities law, the Company does not intend to update any of the forward-looking statements in this MD&A to conform these statements to actual results.

## **Overview**

Berkley is a publicly-traded, Vancouver-based, oil and gas company engaged in the acquisition, development and production of petroleum and natural gas interests and the operations management of photovoltaic power generation projects. The Company has interests in producing natural gas wells in the Province of Alberta and manages clean energy projects.

The Company operates two divisions:

### ***Oil and Gas Division (“OG”)***

Operating under the name Berkley Renewables Inc., the OG division is involved in the development and production of oil and natural gas from petroleum and natural gas interests in Alberta, Canada.

### ***Solar Management Division (“SM”)***

Operating under the names Solar Flow-Through 2012-I Management Ltd., Solar Flow-Through 2013-I Management Ltd, Solar Flow-Through 2014-I Management Ltd. and Solar Flow-Through 2015-I Management Ltd., the SM division provides consulting services relating to the financing, strategy and operations management to companies in the renewable energy industry, specifically photovoltaic power generation.

## **Strategy**

Berkley's main focus is the exploration and development of its existing properties and diversification into renewable sources of energy. In addition to providing management consulting services for photovoltaic power generation projects, the Company is seeking opportunities to acquire and operate photovoltaic power generation projects within Canada.

## **Results of Operations**

### **Three months ended September 30, 2015 compared with the three months ended September 30, 2014**

The Company reports its results in two business segments: oil and gas and solar management. The discussion of segment operating results is set out below:

#### **OG Division**

**Revenue:** Revenue from the sale of oil and natural gas (net of royalties) increased from \$4,550 in the three months ended September 30, 2014 to \$9,297 in the three months ended September 30, 2015. The Company does not expect significant variance in future production revenues due to continued weak commodity pricing.

**Expenses:** Operating costs were \$9,344 in the three months ended September 30, 2015 compared with \$5,858 in the same quarter 2014.

**Net Oil and Gas Income:** Net oil and gas income includes a charge for depletion and depreciation expense, a non-cash charge to operations based on an estimate of changes to oil and gas reserves. The Company had a net loss of \$47 in the three months ended September 30, 2015 compared with a net loss of \$4,505 in the same quarter 2014.

**General and Administration Expenses:** General and administrative (“G&A”) expense was \$63,501 in the three months ended September 30, 2015 compared to \$132,188 in the three months ended

September 30, 2014, an increase of . The reduction was mainly due to decreased expenditures related to a lower amount of activity in this business segment.

#### **SM Division operations**

**Revenue:** The Company recorded revenue from operations management of \$468,094 in the three months ended September 30, 2015 compared to \$nil in the quarter ended September 30, 2014.

**General and Administration Expenses:** General and administrative (“G&A”) expense was \$24,000 in the three months ended September 30, 2015 compared to \$nil in the three months ended September 30, 2014 and consisted mainly of management consulting fees.

#### **Nine months ended September 30, 2015 compared with the nine months ended September 30, 2014**

**Revenue:** Revenue from the sale of oil and natural gas (net of royalties) decreased from \$22,166 in the nine months ended September 30, 2014 to \$9,297 in the nine months ended September 30, 2015. The Company does not expect significant variance in future production revenues due to continued weak commodity pricing.

**Expenses:** Operating costs were \$19,987 in the nine months ended September 30, 2015 compared with \$16,738 in the same period 2014.

**Net Oil and Gas Income:** Net oil and gas income includes a charge for depletion and depreciation expense, a non-cash charge to operations based on an estimate of changes to oil and gas reserves. The Company had a net loss of \$18,183 in the nine months ended September 30, 2015 compared with a net loss of \$4,424 in the same period 2014.

**General and Administration Expenses:** General and administrative (“G&A”) expense was \$278,517 in the nine months ended September 30, 2015 compared to \$424,405 in the nine months ended September 30, 2014, a decrease of \$145,888. The reduction was mainly due to continued cost containment initiatives as well as a reduction in corporate activity in the oil and gas segment resulting in decreased professional, consulting and administration fees.

#### **SM Division operations**

**Revenue:** The Company recorded revenue from operations management of \$777,683 in the nine months ended September 30, 2015 compared to \$nil in the period ended June 30, 2014.

**General and Administration Expenses:** General and administrative (“G&A”) expense was \$151,383 in the nine months ended September 30, 2015 compared to \$20,458 in the nine months ended September 30, 2014 and consisted mainly of professional and consulting fees with respect to fundraising efforts.

**MANAGEMENT DISCUSSION & ANALYSIS**  
For the nine months ended September 30, 2015

*Revenue and Expense Summary*

	<b>Sept. 30 2015 \$</b>	<b>June 30, 2015 \$</b>	<b>Mar. 31, 2015 \$</b>	<b>Dec. 31, 2014 \$</b>	<b>Sept. 30, 2014 \$</b>	<b>June 30, 2014 \$</b>	<b>Mar. 31, 2014 \$</b>	<b>Dec. 31, 2013 \$</b>
Revenue	477,391	305,060	4,189	1,020,118	4,550	7,263	10,353	771,075
Operating costs	7,056	5,131	7,559	9,257	5,858	1,606	9,273	27,910
Revenue after operating costs	470,335	299,929	(3,370)	1,010,861	(1,308)	5,657	1,080	743,165
Depletion and accretion expense	2,288	1,415	3,790	4,157	3,197	3,692	2,963	4,670
General and admin expense (recovery)	87,501	163,167	179,142	1,156,496	132,888	128,416	166,711	(410,959)
Income (loss) before other items	380,546	135,347	(186,302)	(154,215)	(137,219)	(128,840)	(168,097)	1,149,454
Other income (expenses) and comprehensive income	7,351	(130,060)	197,396	(522,915)	(136,572)	(29,691)	212,168	77,244
Total comprehensive income (loss) for the period	387,897	5,287	11,094	(677,130)	(273,291)	(158,531)	44,071	1,226,698

### Liquidity and Capital Resources

Berkley currently earns revenue from its oil and natural gas interests and operations management consulting from photovoltaic power generation projects. The Company invests its cash and cash equivalents with major Canadian financial institutions with investment grade credit ratings. Berkley has no outstanding bank debt or other interest bearing indebtedness as at September 30, 2015. On September 30, 2015, Berkley had \$487,345 in cash and cash equivalents (December 31, 2014 - \$328,418) and working capital of \$199,334 (December 31, 2014 – working capital of \$174,264). These balances will be used to fund future capital expenditures including photovoltaic power projects, office and administrative expenses and working capital requirements.

In order to undertake exploration and development programs, the Company will require further financial resources. Berkley assesses its financing requirements and its ability to access debt or equity markets on an ongoing basis. Given the current conditions of the financial markets, the company will seek to maintain financial flexibility and will monitor and assess its financing requirements as its activities progress. The Company's ability to access the equity or debt markets in the future may be affected by prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms, and within required timeframes, could have a materially adverse effect on the Company's financial condition, results of operations and prospects. Further discussion on these risks can be found in the "Risk Factors" section of the MD&A.

### Outstanding Share Data

As of the date of this MD&A, Berkley has the following securities outstanding:

- 10,411,451 common shares.

## **Financial Instruments and Business Risks**

### **Fair Values**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. At September 30, 2015 and December 31, 2014, the Company's financial instruments include cash and cash equivalents, trade and other receivables, marketable securities, investment in RepliCel Life Sciences, accounts payable and accrued liabilities and due to related parties.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Berkley classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

Cash and cash equivalents, marketable securities and the investment are recorded based on Level 1 of the fair-value hierarchy. Investment in RepliCel is recorded based on Level 1 of the fair value hierarchy for shares released from escrow and shares in escrow are recorded based on Level 2 of the fair value hierarchy.

The carrying value of trade and other receivables, due from related parties, accounts payable and accrued liabilities and due to related parties equals fair value due to the short-term nature of these balances.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with the risk management policies as set out herein:

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and cash equivalents and trade and other receivables represents the maximum credit exposure. A substantial portion of the Company's trade and other receivables are with natural gas and liquids marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. As at September 30, 2015, the maximum credit exposure is the carrying amount of the trade and other receivables of \$2,893

**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the nine months ended September 30, 2015**

(2014 – \$32,786). As at September 30, 2015, the Company had cash of \$487,345 (2014 - \$54,970) that is deposited in banks. Management has assessed the risk of loss to be minimal. As at September 30, 2015, the Company's receivables consisted of \$2,893 from revenue receivable from petroleum and natural gas marketers. The Company did not provide for any doubtful accounts nor was it required to write-off any receivables during the three months ended September 30, 2015 (2014 – nil).

The Company considers its trade and other receivables to be aged as follows:

	<b>June 30, 2015</b>
Past due by less than 30 days	\$ 962
Past due by less than 90 days	1,931
Past due by more than 90 days	-
	<b>\$ 2,893</b>

### Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity. The Company's financial liabilities are comprised of accounts payable and accrued liabilities and due to related parties, which have expected maturities of less than one year.

### Market risk

The significant market risk exposures affecting the financial instruments held by the Company are those related to foreign currency exchange rates and commodity price risk which are explained as follows:

i. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company enters into transactions denominated in United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2015, the following items are denominated in United States currency:

	<b>Sept. 30, 2015 CAD\$</b>
Cash and cash equivalents	487,345
Accounts payable and accrued liabilities	758,455

The Company's foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at September 30, 2015, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately \$4,439.



ii. Commodity price risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand.

The Company's financial performance is closely linked to crude oil and natural gas prices. While the Company may employ the use of financial instruments in the future to manage these price exposures, it currently does not have enough producing wells to hedge its production, and its crude oil and natural gas liquids are sold into spot markets. Given production levels, a 10% change in commodity prices would not have a material effect on earnings.

**Critical Accounting Estimates**

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the financial statements. These assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained and as the Company's operating environment changes.

Information about critical judgments in accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 2 – estimated useful lives and impairment of property and equipment

Note 11 – inputs used in estimating fair value for share-based payment transactions

Note 15 – provision for income taxes

Note 18 – valuation of trade and other receivables

**MANAGEMENT DISCUSSION & ANALYSIS**  
For the nine months ended September 30, 2015

**Related Party Transactions**

The consolidated financial statements include the financial statements of Berkley Renewables Ltd. and the subsidiaries listed below:

Name	Country of Incorporation	% equity interest	
		September 30, 2015	December 31, 2014
American Uranium Corp.	US	53%	53%
Solar Flow-Through 2012-I General Partner Ltd.	Canada	95%	95%
Solar Flow-Through 2012-I Management Ltd.	Canada	95%	95%
Solar Flow-Through 2013-I General Partner Ltd.	Canada	95%	95%
Solar Flow-Through 2013-I Management Ltd.	Canada	95%	95%
Solar Flow-Through 2014-I General Partner Ltd.	Canada	95%	95%
Solar Flow-Through 2014-I Management Ltd.	Canada	95%	95%
Solar Flow-Through 2015-I General Partner Ltd.	Canada	95%	-
Solar Flow-Through 2015-I Management Ltd.	Canada	95%	-

Balances and transactions between Berkley and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions with other related parties are disclosed below:

Due to related parties	Sept. 30, 2015	December 31, 2014
Directors (fees and expenses)	(70,604)	(67,104)
Solar Flow-Through 2012 Limited Partner	(100,000)	(341,490)
Solar High Yield Projects #1 (2012) Ltd.	(174,144)	(174,144)
Solar Flow-Through 2013 Limited Partner	(80,928)	(80,928)
Solar Flow-Through Project #1 (2013) Ltd.	(9,843)	(9,843)
Solar Flow-Through 2014 Limited Partnership	(160,064)	(373,745)
	(595,583)	(1,047,254)

Due from related parties	Sept. 30, 2015	December 31, 2014
Solar Flow-Through 2012 Limited Partner	280,000	274,000
Solar High Yield Projects #1 (2012) Ltd.	309,314	524,632
Solar Flow-Through 2013 Limited Partner	450,017	426,848
Solar Flow-Through Project #1 (2013) Ltd.	278,000	440,000
Solar Flow-Through 2014 Limited Partnership	121,853	121,853
Solar Flow-Through 2015-I Limited Partnership	93,322	-
	1,532,506	1,787,333

**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the nine months ended September 30, 2015**

Balances and transactions between Berkley and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions with other related parties are disclosed below:

- a) Due to related parties consists of \$70,604 (2014 - \$163,604) due to Directors of Berkley for Directors fees, consulting fees and expenses.
- b) Berkley takes part in a cost sharing arrangement to reimburse Oniva International Services Corporation ("Oniva"), a private company owned by public companies having common Directors, for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of Berkley, and to pay a percentage fee based on the total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Rent, administrative services, office supplies and accounting charges totalling \$30,775 were incurred by the Company to Oniva during the period ended September 30, 2015 (2014 - \$71,266).

Management and consulting fees totalling \$237,500 were paid or accrued to management and their private companies in the period ended September 30, 2015 (2014 - \$288,200).

Related party transactions were in the normal course of operations and have been measured at fair value, are non-interest bearing and are due on demand.

Related party transactions were in the normal course of operations and have been measured at fair value, are non-interest bearing and are due on demand.

***Compensation of key management personnel***

The remuneration of directors and other members of key management personnel during the nine months ended Sept. 30, 2015 and 2014 consisted of salaries and bonuses, as follows:

	Sept. 30, 2015 \$	Sept. 30, 2014 \$
Compensation	<b>237,500</b>	288,200
	<b>237,500</b>	288,200

***Recent accounting pronouncements***

Standards issued but effective for annual periods beginning after January 1, 2014 are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.

(i) IAS 1, "Presentation of Financial Statements": In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the consolidated financial statements, the use and presentation of subtotals in the statement of loss and comprehensive loss, and providing additional flexibility in the structure and disclosures of the consolidated financial statements to enhance understandability. The amendments to IAS may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

(ii) IFRS 9, "Financial Instruments": In July 2014, the IASB completed the final elements of IFRS 9. The standard supersedes earlier version of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, as single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for

**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the nine months ended September 30, 2015**

---

annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

(iii) IFRS 11, "Joint Arrangements": In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions be accounted for using the principles related to business combinations accounting, as outlined in IFRS 3 "Business Combinations". The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

(iv) IFRS 15, "Revenue from Contract with Customers": The IASB issued the standard to replace IAS 18 which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for the annual periods beginning on January 1, 2018, with the required retrospective application and earlier adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

(v) IAS 16, "Property, Plant and Equipment" and IAS 38, "Intangible Assets". In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.