KP TISSUE INC.

AUDITED FINANCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

KP Tissue Inc.
#200 – 1900 Minnesota Court, Mississauga Ontario L5N 5R5
www.kptissueinc.com

Independent auditor's report

To the Shareholders of KP Tissue Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KP Tissue Inc. (the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018 and 2017;
- the statement of comprehensive income (loss) for the years then ended;
- the statement of changes in equity for the years then ended;
- the statement of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the KP Tissue Inc. and Kruger Products L.P. Management's Discussion and Analysis of Results of Operations and Financial Position, which we obtained prior to the date of this auditor's report and the information, other than the financial statements of the Company and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 Company'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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Aneil Manji.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6, 2019

KP Tissue Inc.
Statement of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	December 31, 2018 $	December 31, 2017 $
Assets		
Current assets		
Distributions receivable	1,694	1,658
Receivable from Partnership	269	-
Income taxes recoverable	230	826
	2,193	2,484
Non-current assets		
Investment in associate (note 6)	103,143	98,674
Total Assets	105,336	101,158
Liabilities		
Current liabilities		
Dividend payable (note 8)	1,694	1,658
Payable to Partnership	-	52
Current portion of advances from Partnership (note 7)	-	309
	1,694	2,019
Non-current liabilities		
Advances from Partnership (note 7)	269	731
Deferred income taxes (note 7)	4,602	1,483
Total liabilities	6,565	4,233
Equity		
Common shares (note 8)	17,090	15,014
Contributed surplus	144,819	144,819
Deficit	(79,515)	(74,952)
Accumulated other comprehensive income	16,377	12,044
Total equity	98,771	96,925
Total liabilities and equity	105,336	101,158

Subsequent events (note 8)

Approved by the Board of Directors

/s/ James Hardy
Director

/s/ Michel Letellier
Director

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

KP Tissue Inc.
Statement of Comprehensive Income (Loss)
For the years ended December 31, 2018 and December 31, 2017

(tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

	2018 $	2017 $
Equity income (loss) (note 6)	1,390	(3,440)
Dilution gain (note 8)	196	190
Income (loss) before income taxes	1,586	(3,250)
Income taxes (note 7)	1,759	2,191
Net loss for the year	(173)	(5,441)
Other comprehensive income (loss)		
net of tax expense (recovery) (note 9)		
Items that will not be reclassified to net loss:		
Remeasurements of pensions	2,334	(3,846)
Remeasurements of post-retirement benefits	776	(270)
Items that may be subsequently reclassified to net loss:		
Cumulative translation adjustment	4,333	(3,774)
Total other comprehensive income (loss) for the year	7,443	(7,890)
Comprehensive income (loss) for the year	7,270	(13,331)
Basic loss per share	**(0.02)**	**(0.59)**
Weighted average number of shares outstanding	**9,319,683**	**9,162,508**

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

KP Tissue Inc.
Statement of Changes in Equity
For the years ended December 31, 2018 and December 31, 2017

(tabular amounts are in thousands of Canadian dollars, except share amounts)

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	#	$	$	$	$	$
As of January 1, 2017	9,091,598	13,176	144,819	(58,729)	15,818	115,084
Issuance of common shares (note 8)	121,315	1,772	-	-	-	1,772
Dividends payable	-	-	-	(1,658)	-	(1,658)
Dividends paid	-	-	-	(4,942)	-	(4,942)
Fair value adjustment (note 8)	-	66	-	(66)	-	-
Remeasurements of pensions	-	-	-	(3,846)	-	(3,846)
Remeasurements of post-retirement benefits	-	-	-	(270)	-	(270)
Cumulative translation adjustment	-	-	-	-	(3,774)	(3,774)
Net loss for the year	-	-	-	(5,441)	-	(5,441)
As of December 31, 2017	9,212,913	15,014	144,819	(74,952)	12,044	96,925
As of January 1, 2018	9,212,913	15,014	144,819	(74,952)	12,044	96,925
KPT's portion of KPLP change in accounting policy (note 4)	-	-	-	(748)	-	(748)
Restated total equity as of January 1, 2018	9,212,913	15,014	144,819	(75,700)	12,044	96,177
Issuance of common shares (note 8)	196,294	2,040	-	-	-	2,040
Dividends payable	-	-	-	(1,694)	-	(1,694)
Dividends paid	-	-	-	(5,022)	-	(5,022)
Fair value adjustment (note 8)	-	36	-	(36)	-	-
Remeasurements of pensions	-	-	-	2,334	-	2,334
Remeasurements of post-retirement benefits	-	-	-	776	-	776
Cumulative translation adjustment	-	-	-	-	4,333	4,333
Net loss for the year	-	-	-	(173)	-	(173)
As of December 31, 2018	9,409,207	17,090	144,819	(79,515)	16,377	98,771

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

KP Tissue Inc.
Statement of Cash Flows
For the years ended December 31, 2018 and December 21, 2017

(tabular amounts are in thousands of Canadian dollars)

	2018	2017
	$	$
Cash flows from (used in) operating activities		
Net loss for the year	(173)	(5,441)
Items not affecting cash		
Equity (income) loss	(1,390)	3,440
Dilution gain	(196)	(190)
Income taxes	1,759	2,191
Total items not affecting cash	173	5,441
Net change in non-cash working capital (note 11)	-	478
Tax (payments) refunds	462	(1,999)
Tax Distribution received	-	481
Advances received	274	1,040
Advances paid	(736)	-
Net cash from (used in) operating activities	-	-
Cash flows from investing activites		
Partnership unit distributions received	4,640	4,806
Net cash from investing activities	4,640	4,806
Cash flows used in financing activities		
Dividends paid	(4,640)	(4,806)
Net cash used in financing activities	(4,640)	(4,806)
Increase (decrease) in cash and cash equivalents during the year	-	-
Cash and cash equivalents - Beginning of year	-	-
Cash and cash equivalents - End of year	-	-

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

(tabular amounts are in thousands of Canadian dollars, except share amounts)

1 General information

KP Tissue Inc. (KPT or the Corporation) was incorporated by articles of incorporation under the Canadian Business Corporations Act on October 1, 2012. As of December 31, 2018, the Corporation held a 15.8% (December 31, 2017 – 16.0%) interest in Kruger Products L.P. (KPLP or the Partnership), whose principal business is to produce, distribute, market and sell a wide range of disposable tissue products, including bathroom tissue, facial tissue, paper towels and napkins for both the consumer and away-from-home markets in North America. The Corporation's headquarters are located in Mississauga, Ontario, Canada.

2 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and with interpretations of the International Financial Reporting Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. The financial statements have been prepared using the historical cost convention. The financial statements were approved by the board of directors on March 6, 2019.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are as follows:

(a) Investments in associates

Associates are entities over which the Corporation has significant influence but not control. The Corporation accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost and the carrying amount is adjusted for the Corporation's share of profits or losses of associates recognized in the statement of comprehensive income (loss) and its share of other comprehensive income (loss) of associates included in other comprehensive income (loss).

Unrealized gains on transactions between the Corporation and an associate are eliminated to the extent of the Corporation's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of comprehensive income (loss).

The Corporation assesses at each year-end whether there is any objective evidence that its interests in investments in associates are impaired. If so, the carrying value of the Corporation's share of the underlying assets of associates is written down to its net recoverable amount (being the higher of fair value, less cost to sell and value in use) and the loss is charged to the statement of comprehensive income (loss).

(b) Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in other comprehensive income (loss) or directly in equity, in which case the income tax is also recognized directly in other comprehensive income (loss) or equity, respectively.

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

(c) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

(d) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net income (loss) for the period attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation does not currently have any potentially dilutive instruments.

(e) Accounting standards issued but not yet applied

(i) IAS 1 and IAS 8, Definition of Material. In October 2018, the IASB issued amendments to the definition of material in IAS 1 and IAS 8 and provide guidance to improve consistency in the application of the concept whenever it is used. The mandatory effective date would be annual periods beginning on or after January 1, 2020, with early adoption permitted. The amended standards are not expected to have an impact on the financial statements.

(ii) IFRS 3, Definition of a Business. In October 2018, the IASB issued an amendment that revises the definition of a business. The amendment aims to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The mandatory effective date would be annual periods beginning on or after January 1, 2020, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on its financial statements.

4 KPT's portion of KPLP change in accounting policy

KPLP adopted IFRS 15, Revenue from Contracts with Customers on January 1, 2018 using the modified retrospective approach. The adoption of this standard had no significant impact on the consolidated financial statements of KPLP. The application of IFRS 15 resulted in a change in KPLP's revenue recognition related to dispensers and related revenue. KPLP recorded a transitional adjustment of $6.3 million in the deficit, to reduce the balance related to the dispensers recorded in Other long term assets at December 31, 2017. KPT's portion of KPLP's transitional adjustment was $0.7 million, net of tax, and was recognized in KPT's deficit on January 1, 2018. Refer to the statement of changes in equity on page 3 for the restated total equity as of January 1, 2018.

KPLP adopted IFRS 16, Leases on January 1, 2019 using the full retrospective approach. The adoption of this standard is expected to have a significant impact on the financial statements of KPLP. IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability reflecting future lease payments for virtually all lease contracts. The right-of-use asset and lease liability are expected to be material to the consolidated statement of financial position of KPLP. There is expected to be a change in presentation on the consolidated statement of comprehensive income (loss) and an increase in Adjusted EBITDA of KPLP, while there is not expected to be any material impact on KPLP's net income or cash flow. KPLP is expected to record a transitional adjustment at January 1, 2019, on adoption of IFRS 16. Accordingly, KPT is expected to record a portion of KPLP's transitional adjustment at January 1, 2019.

5 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the disclosure of contingencies at the dates of the statement of financial position, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, management reviews its estimates and judgements, including those related to fair value and the basis of accounting. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

Equity method of accounting

The equity method of accounting is being applied by the Corporation as it relates to its investment in KPLP. The conclusion to account for an investment using the equity method, particularly when the percentage of ownership is below 20%, is based on an assessment of several facts and circumstances and ultimately requires significant judgment in reaching a conclusion. Management has reviewed the agreements and made an assessment of the rights of the Corporation. Based on the Corporation having three of nine seats on the board of directors of KPGP Inc. (KPGP), management has concluded that the Corporation has the ability to exercise significant influence over KPLP.

Impairment test

Due to continued high pulp prices and unfavourable foreign exchange rates, the Corporation performed an impairment test at December 31, 2018 for its Investment in associate. As of December 31, 2018, no impairments were identified. Additional information is disclosed in note 6.

Partnership units

On December 13, 2012, in connection with the issuance of Partnerhip units to KPT, the Limited Partnership Agreement was amended to require KPLP, subject to compliance with contractual obligations and applicable law, to make distributions to its partners in such amounts as would enable KPT to discharge its obligation to pay federal and provincial income taxes (the Tax Distribution). Each partner is entitled to its share of the Tax Distribution made in respect of any given year.

Income taxes

The Corporation has not recognized at the date of acquisition the deferred tax assets and liabilities related to the differences between the accounting and tax basis of KPLP's assets and liabilities. Accordingly, the Corporation is tracking temporary differences that are subject to the initial recognition exemption and recognizes newly created temporary differences as they arise. The determination of the temporary differences that are subject to the initial recognition exemption requires significant judgment.

(tabular amounts are in thousands of Canadian dollars, except share amounts)

6 Investment in associate

Changes in the carrying amount of the investment were as follows:

	December 31, 2018 $	December 31, 2017 $
Opening balance	98,674	117,349
KPT's portion of KPLP change in accounting policy (note 4)	(1,010)	-
Investment in associate	2,040	1,772
Share of income	7,208	2,448
Depreciation of fair value increments	(5,818)	(5,888)
Share of other comprehensive income (loss)	8,878	(9,202)
Dilution gain	196	190
Tax Distribution	(309)	(1,395)
Partnership unit distributions	(6,716)	(6,600)
Closing balance	103,143	98,674

The equity income (loss) was comprised of the following components:

	2018 $	2017 $
Share of income	7,208	2,448
Depreciation of fair value increments	(5,818)	(5,888)
	1,390	(3,440)

The following summarizes financial information about the assets, liabilities, revenue and net income of KPLP, in which the Corporation holds a 15.8% interest as of December 31, 2018 (December 31, 2017 – 16.0%). The financial information was derived from the consolidated financial statements of KPLP for the year ended December 31, 2018. The assets and liabilities disclosed include the fair value adjustments made to the carrying amount of the assets and liabilities of the associate on its acquisition.

			December 31, 2018
	KPLP basis of accounting $	FV increment $	KPT basis of accounting $
Current assets	507,871	-	507,871
Non-current assets	997,039	466,047	1,463,086
Liabilities to non-unitholders	997,853	-	997,853
Partnership units liability	116,524	-	116,524
Net assets	390,533		

	Year ended December 31, 2018 $
Revenue	1,370,432
Net income	45,406
Other comprehensive income	50,505
Total comprehensive income	95,911

(tabular amounts are in thousands of Canadian dollars, except share amounts)

			December 31, 2017
	KPLP basis of accounting $	FV increment $	KPT basis of accounting $
Current assets	324,967	-	324,967
Non-current assets	974,788	497,088	1,471,876
Liabilities to non-unitholders	815,861	-	815,861
Partnership units liability	160,309	-	160,309
Net assets	323,585		

	Year ended December 31, 2017 $
Revenue	1,280,014
Net income	15,258
Other comprehensive loss	(52,088)
Total comprehensive loss	(36,830)

The following shows the reconciliation of KPT's portion of KPLP equity to the investment recorded in KPT:

	December 31, 2018 $	December 31, 2017 $
KPLP consolidated equity	390,533	323,585
Add back: Inception value of Partnership units liability	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(353,030)	(295,622)
Equity pertaining to KPT	156,065	146,525
Investment in associate recorded in KPT	103,143	98,674
Reconciling difference	52,922	47,851
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of FV increments	37,447	31,629
Currency translation adjustment in fair value increments	(3,926)	(3,066)
Tax Distribution	3,875	3,566
Gain on exercise of overallotment option	(375)	(375)
Dilution gain	(989)	(793)
Impairment in investment in associate	28,000	28,000
	-	-

With respect to KPT's investment in KPLP, the liability of KPT for the debts, liabilities and other obligations of KPLP is limited to KPT's capital contribution to KPLP.

On January 15, 2018, April 16, 2018, July 16, 2018, and October 15, 2018, in connection with the Corporation Distribution Reinvestment Plan (DRIP), the portion of the distributions received by the shareholders was used to acquire an additional 196,294 units of KPLP for proceeds of $2.0 million (note 8).

(tabular amounts are in thousands of Canadian dollars, except share amounts)

Impairment test

Due to continued high pulp prices and unfavourable foreign exchange rates, the Corporation performed an impairment test at December 31, 2018 for its Investment in associate. As of December 31, 2018, no impairments were identified. The recoverable amount of the Investment in associate was determined based on management's best estimate of the fair value less costs of disposal. The estimate of fair value was based on the net present value of future cash flows expected to be derived from KPLP, using a discount rate and terminal growth rate of 10.75% and 2.0%, respectively. A 0.5% increase/decrease in the discount rate would have resulted in a decrease/increase in the recoverable amount of $13.0 million and $14.7 million, respectively. A 1.0% increase/decrease in the terminal growth rate would have resulted in an increase/decrease in the recoverable amount of $1.0 million and $1.1 million, respectively.

7 Income taxes

The Corporation is required to pay income tax on its share of the taxable income of KPLP. The Corporation has not recognized at the date of acquisition the deferred tax assets and liabilities related to the differences between the accounting and tax basis of KPLP's assets and liabilities. Accordingly, the Corporation is tracking the temporary differences that were subject to the initial recognition exemption and recognizes newly created temporary differences as they arise.

The major components of income taxes recognized in the statement of comprehensive income (loss) were as follows:

	2018 $	2017 $
Current tax expense	75	289
Deferred tax expense	1,684	1,902
	1,759	2,191

Details of the provision for income taxes were as follows:

	2018 $	2017 $
Income tax at statutory rate of 26%	412	(845)
Permanent differences and other	64	(5)
Dilution gain	(51)	(49)
Taxed in hands of subsidiaries	593	145
Realization of previously unrecognized tax attributes	1,895	1,748
Change in basis of investment in associate	(1,154)	1,197
	1,759	2,191

(tabular amounts are in thousands of Canadian dollars, except share amounts)

Components of the deferred income tax liability were as follows:

	December 31, 2018 $	December 31, 2017 $
Deferred tax liability (asset)		
Pensions	(253)	(540)
Deferred finance fees	(23)	(46)
Property, plant and equipment	5,995	4,970
Other	(1,117)	(2,901)
	4,602	1,483

The analysis of the deferred tax liability were as follows:

	December 31, 2018 $	December 31, 2017 $
Deferred tax liabilities to be realized greater than 12 months	4,602	1,483
	4,602	1,483

In addition to the above, the Corporation has a deferred tax asset of $3.7 million (December 31, 2017 - $5.1 million) related to the Investment in associate which has not been recognized in the financial statements for year ended December 31, 2018.

The movement in the deferred tax liability was as follows:

	Year ended December 31, 2018 $	Year ended December 31, 2017 $
Opening balance	1,483	893
Charge to net loss	1,684	1,902
Charge to other comprehensive income (loss) - remeasurements of cumulative translation adjustment	647	(564)
Charge to other comprehensive income (loss) - remeasurements of post-retirement benefits	420	(173)
Charge to other comprehensive income (loss) - remeasurements of pensions	368	(575)
	4,602	1,483

On December 13, 2012, in connection with the issuance of Partnership units to KPT, the Limited Partnership Agreement was amended to require KPLP, subject to compliance with contractual obligations and applicable law, to make distributions to its partners in such amounts as would enable KPT to discharge its obligation to pay federal and provincial income taxes (the Tax Distribution). Each partner is entitled to its share of the Tax Distribution made in respect of any given year.

On February 28, 2018, KPT received a Tax Distribution of $0.3 million from KPLP for purposes of settling its obligation for federal and provincial taxes, for the year ended December 31, 2017. The Tax Distribution was used to partially settle the advances to KPT recorded during the year ended December 31, 2017. The excess advance over KPT's portion of the Tax Distribution, in the amount of $0.7 million, was paid by KPT to KPLP during the year ended December 31, 2018. The advances in the amount of $0.3 million are repayable by KPT and due to the Partnership on or before March 31, 2020.

(tabular amounts are in thousands of Canadian dollars, except share amounts)

During the year ended December 31, 2018, pursuant to the Tax Distribution as defined in the Partnership Agreement, KPT received an advance from KPLP of $0.3 million to pay the monthly tax instalments. The advance is non-interest bearing and non-recourse and will be settled when the Tax Distribution is declared annually.

8 Dividends

During the years ended December 31, 2018 and December 31, 2017, the Corporation paid a quarterly dividend of $0.18 per common share to shareholders. Pursuant to the Corporation Dividend Reinvestment Plan (DRIP), a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing common shares. The proceeds were used to acquire additional units of KPLP. The dividends paid, the additional common shares issued at the share price, and the gross proceeds were as follows:

				2018
	Dividends paid	Share price	Issuance of Common shares	Gross proceeds
Dividend Payment Date	$	$	#	$
January 15, 2018	1,658	13.50	38,122	514
April 16, 2018	1,665	10.70	47,482	508
July 16, 2018	1,674	9.72	50,670	493
October 15, 2018	1,683	8.74	60,020	525
	6,680		196,294	2,040

				2017
	Dividends paid	Share price	Issuance of Common shares	Gross proceeds
Dividend Payment Date	$	$	#	$
January 16, 2017	1,636	15.25	30,162	460
April 17, 2017	1,642	15.30	29,419	450
July 17, 2017	1,647	13.23	32,447	429
October 16, 2017	1,653	14.81	29,287	433
	6,578		121,315	1,772

On January 15, 2019, the Corporation paid a dividend of $1.7 million to shareholders at $0.18 per common share. Pursuant to the Corporation DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 65,308 common shares at a price of $8.36.

Subsequent to December 31, 2018, the Corporation declared a dividend of $0.18 per common share to shareholders, payable on April 15, 2019.

As a result of the DRIP and Kruger's reinvestment of its distribution from KPLP in units of KPLP, a dilution gain of $0.2 million was recorded during year ended December 31, 2018 (2017 - $0.2 million).

(tabular amounts are in thousands of Canadian dollars, except share amounts)

9 Income tax recovery (expense) on other comprehensive income (loss)

Income tax recovery (expense) on other comprehensive income (loss) were as follows:

	2018 $	2017 $
Items that will not be reclassified to net loss:		
Remeasurements of pensions	2,702	(4,421)
Income tax recovery (expense)	(368)	575
Net of income tax recovery (expense)	2,334	(3,846)
Remeasurements of post-retirement benefits	1,196	(443)
Income tax recovery (expense)	(420)	173
Net of income tax recovery (expense)	776	(270)
Cumulative translation adjustment	4,980	(4,338)
Income tax recovery (expense)	(647)	564
Net of income tax recovery (expense)	4,333	(3,774)
Total other comprehensive income (loss) for the year	7,443	(7,890)

10 Economic dependence

The Corporation was created to acquire, and its business is limited to holding, a limited partnership interest in the Partnership, which is accounted for as an investment in an associate using the equity method of accounting. As such, the Corporation is economically dependent on the Partnership and exposed to all the risks associated with the business of the Partnership, including, but not limited to, liquidity risk.

11 Non-cash working capital

The change in non-cash working capital on the statement of cash flows comprised the following:

	2018 $	2017 $
Decrease (increase) in receivable from Partnership	(269)	426
Increase in Income taxes	321	-
Increase (decrease) in payable to Partnership	(52)	52
	-	478

(tabular amounts are in thousands of Canadian dollars, except share amounts)

12 Cash flows used in financing activities

	Dividend payable $	Common shares $	Total $
As of January 1, 2017	1,636	13,176	14,812
Dividends paid	(6,578)	1,772	(4,806)
Dividends declared	6,600	-	6,600
Fair value adjustment	-	66	66
As of December 31, 2017	1,658	15,014	16,672
Dividends paid	(6,680)	2,040	(4,640)
Dividends declared	6,716	-	6,716
Fair value adjustment	-	36	36
As of December 31, 2018	1,694	17,090	18,784