LS&B
LOVE, SCHERLE & BAUER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

The Grant Building • 310 Grant Street • Suite 1020 • Pittsburgh, Pennsylvania 15219-2295
(412) 281-8270 • www.lovescherlebauer.com • FAX (412) 281-7791

# IMPSA INTERNATIONAL, INC.

## Financial Statements

## September 30, 2019

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# INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
IMPSA International, Inc.
Pittsburgh, Pennsylvania

Management is responsible for the accompanying financial statements of IMPSA International, Inc. (a corporation), which comprise the statement of financial position as of September 30, 2019 and December 31, 2018, and the related statements of profit and loss, changes in stockholder's equity and cash flow for the 9 months then ended, and the related notes to the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the September 30, 2019 and September 30, 2018 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Joseph S. Scherle

Joseph S. Scherle, CPA

Pittsburgh, Pennsylvania
October 28, 2019

SWORN TO AND SUBSCRIBED BEFORE
ME THIS 28TH DAY OF OCTOBER 2019.

**COMMONWEALTH OF:**
**PENNSYLVANIA**
**COUNTY OF: ALLEGHENY**

Patricia M Zapf

Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
PATRICIA M ZAPF
Notary Public
CITY OF PITTSBURGH, ALLEGHENY COUNTY
My Commission Expires Feb 4, 2021

**IMPSA INTERNATIONAL, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**SEPTEMBER 30, 2019 AND DECEMBER 31, 2018**

| | NOTES | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| **ASSETS:** | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 2 and 5 | $ 8,809 | $ 5,363 |
| Accounts receivable – affiliated companies | 2 and 3 | 1,768,620 | 1,768,620 |
| Notes receivable - affiliated companies | 3 | 5,170,192 | 5,170,192 |
| Total Current Assets | | 6,947,621 | 6,944,175 |
| Non-Current Assets: | | | |
| Deferred income tax benefit | 2 and 4 | - | - |
| Total Non-Current Assets | | - | - |
| Total Assets | | $ 6,947,621 | $ 6,944,175 |
| **LIABILITIES:** | | | |
| Current Liabilities: | | | |
| Accounts payable | 7 | $ 1,948,834 | $ 1,945,646 |
| Accounts payable – affiliated companies | 3 | 3,492,470 | 3,416,944 |
| Income taxes payable | 4 | 3,000 | 3,000 |
| Total Current Liabilities | | 5,444,304 | 5,365,590 |
| **STOCKHOLDER'S EQUITY:** | | | |
| Common stock | | 100 | 100 |
| Additional paid-in capital | | 2,734,900 | 2,734,900 |
| Retained earnings (deficit) | | (1,231,683) | (1,156,415) |
| Total Stockholder's Equity | | 1,503,317 | 1,578,585 |
| Total Liabilities and Stockholder's Equity | | $ 6,947,621 | $ 6,944,175 |

## IMPSA INTERNATIONAL, INC.

## STATEMENT OF PROFIT OR LOSS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

| | NOTES | September 30, 2019 | September 30, 2018 |
|---|---|---|---|
| Net sales of goods and services | 2 and 3 | $ - | $ - |
| Interest income | 2 and 3 | - | - |
| Administrative expenses | 3 | (75,084) | (68,917) |
| Interest expense | 3 | - | (4,264) |
| Other | | (184) | 180 |
| Income (Loss) Before Income Taxes | | (75,268) | (73,001) |
| Income taxes | 2 and 4 | - | - |
| Income (Loss) For The Period | | $ (75,268) | $ (73,001) |
| Earnings (Loss) Per Share | | $ (753) | $ (730) |

**IMPSA INTERNATIONAL, INC.**

**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018**

| | Common Stock | Additional Paid-in Capital | Retained Earnings (Deficit) | Total of Shareholder's Equity |
|---|---|---|---|---|
| Balance as of December 31, 2017 | $ 100 | $ 2,734,900 | $ (1,056,415) | $ 1,678,961 |
| Loss for the 9 month period ended September 30, 2018 | - | - | (73,001) | (73,001) |
| Balance as of September 30, 2018 | 100 | 2,734,900 | (1,129,416) | 1,605,960 |
| Balance as of December 31, 2018 | 100 | 2,734,900 | (1,156,415) | 1,578,585 |
| Loss for the 9 month period ended September 30, 2019 | - | - | (75,268) | (75,268) |
| Balance as of September 30, 2019 | $ 100 | $ 2,734,900 | $ (1,231,683) | $ 1,503,317 |

* Par Value - $1 per share
Authorized - 1,000 shares
Issued - 100 shares

**IMPSA INTERNATIONAL, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018**

| | NOTES | September 30, 2019 | September 30, 2018 |
|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | |
| Income (loss) for the period | | $ (75,268) | $ (73,001) |
| Increase (decrease) in accounts payable | | 3,188 | (5,361) |
| Increase (decrease) in accounts payable - affiliated companies | | 75,526 | 73,376 |
| Interest expense recognized in profit or loss | | - | 4,264 |
| Cash Provided (Used) by Operations | | 3,446 | (722) |
| Interest Paid | | - | - |
| Net Cash Generated (Used) by Operating Activities | | 3,446 | (722) |
| **INVESTING ACTIVITIES:** | | | |
| Interest received | | - | - |
| Loans to affiliated companies | | - | - |
| Net Cash Generated (Used) by Investing Activities | | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 3,446 | (722) |
| Cash and Cash Equivalents - Beginning of Period | | 5,363 | 4,027 |
| Cash and Cash Equivalents - End of Period | 5 | $ 8,809 | $ 3,305 |
| **SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCIAL ACTIVITIES:** | | | |
| Transfer of debt to parent company | | $ - | $ 60,347 |

## NOTE 1 — GENERAL INFORMATION:

IMPSA International, Inc. is a wholly-owned subsidiary of IMPSA, an Argentine based company. IMPSA International, Inc. acquires material requisitioned by the parent and affiliated companies on a commission basis. The Company also receives a commission from the parent company for sales of equipment manufactured in Argentina and has sales to affiliated companies. The Company also provides wind energy consulting services on a worldwide basis. The Company is a United States of America corporation whose principal place of business is located in Pittsburgh, Pennsylvania.

## NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES:

Statement of Compliance – The financial statements have been prepared in accordance with International Financial Reporting Standards.

Currencies – The financial statements are presented in U.S. dollars, which is the functional currency of the Company. Monetary transactions denominated in foreign currencies are translated at the exchange rate on the transactions date and the resulting exchange differences are recognized in the income statement.

Basis of Preparation – The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for assets. The principal accounting policies are as follows:

Critical Accounting Judgments and Key Sources of Estimation Uncertainty – In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments by management in applying accounting policies and key sources of estimation uncertainty are disclosed in the relevant asset and liability notes to the financial statements.

Financial Instruments – Financial assets consist of cash and cash equivalents and accounts and notes receivable from affiliated companies. Cash and cash equivalents are described in Note 5. Accounts and notes receivable from affiliated companies are recognized at fair value based on amounts exchanged which equates to cost. Financial liabilities consisting of accounts payable and long-term debt are recognized at fair value based on amounts exchanged which equates to cost. Accounts payable are described in Note 7.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

## NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Concentrations of Credit Risk – Financial instruments potentially subject to concentrations of credit risk consist of cash in excess of federally insured limits and receivables. Receivables are due from the parent company and affiliates.

Revenue Recognition – Commission income is recognized at the time that a purchase order is placed for the parent company or affiliates or at the time cash is received for a sale when the Company successfully bids on a project for the parent company or affiliates. Income from sales to affiliated companies is recognized when billed.

Interest income on excess cash deposited is recognized when earned. Interest income on receivables from affiliated companies is accrued on a time basis, by reference to the amount outstanding and the applicable interest rate. Interest income on investments is accrued on a time basis and recognized on an effective yield basis.

Income Taxes – Income tax expense represents the sum of the tax currently payable and deferred tax.

Currently payable income taxes are based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates in effect at the balance sheet date.

The carrying amount of the deferred tax benefit is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax benefit is measured at the tax rates that are expected to apply in the period in which the asset is realized, based on tax rates in effect at the balance sheet date. The measurement of the deferred tax benefit reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover the carrying amount of its benefit.

Capital Risk Management – The Company in concert with its parent company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to its parent company. The capital structure of the Company consists of payables to affiliated companies and equity of the Company (comprising issued capital, reserves and retained earnings). The Company is not subject to any externally imposed capital requirements.

## NOTE 3 — RELATED PARTY TRANSACTIONS:

All advances, as well as accounts receivable, notes receivable and accounts payable from/to the parent company and affiliates, are made in U.S. dollars, and the exchange rate costs are accounted for by the parent company and/or affiliates. The amounts are included in the balance sheet as accounts receivable, notes receivable and accounts payable – affiliated companies. The balance due from the Company to its parent company at September 30, 2019 and December 31, 2018 was $2,924,466 and $2,841,941, respectively.

There were no commissions earned for either of the nine-month periods ending September 30, 2019 and September 30, 2018.

Notes receivable from an affiliated company currently consists of a note amounting to $5,170,192 at both September 30, 2019 and December 31, 2018. Since December 31, 2018, no interest is being charged on this note payable. Prior to December 31, 2017, 3% interest was being charged. There was no interest income on receivables from affiliated companies for either of the nine-month periods ending September 30, 2019 and September 30, 2018.

## NOTE 3 — RELATED PARTY TRANSACTIONS (CONTINUED):

Interest expense was being accrued at 3.5% on amounts due certain affiliated companies. These amounts, due to affiliates, were transferred to its parent company in 2018. There was no interest expense accrued for the nine months ended September 30, 2019. Total interest accrued for the nine months ended September 30, 2018 was $4,264.

There were no expenses charged back to the parent company for the nine months ended September 30, 2019 and there were no expenses charged back to the parent company for the nine months ended September 30, 2018.

The renumeration of key management personnel for the nine-month period ended September 30, 2019 and September 30, 2018:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Short-term benefits | $ 59,901* | $ 57,142* |

* $0 charged back to parent company

## NOTE 4 — TAXES ON INCOME:

Income taxes recognized in profit and loss for the nine-month periods ended September 30, 2019 and September 30, 2018:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Current | $ - | $ - |
| Deferred - net operating loss carryforwards | - | - |
| | $ - | $ - |

The income tax effects of temporary differences that gave rise to a net deferred tax asset were as follows:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Non Current Deferred Tax Asset: | | |
| Net operating loss carryforwards | $ 185,000 | $ 162,000 |
| Valuation allowance | (185,000) | (162,000) |
| | - | - |

At September 30, 2019 the Company had net operating loss carryforwards for federal income tax purposes of $176,000 which, under current tax law, have no expiration date. For state tax purposes, the Company had net operating loss carryforwards of $1,485,000 which are available to offset future taxable income through 2039.

The Company has recorded a valuation of allowance to reflect the amount of deferred tax asset which may not be realized due to expiration of the previously described net operation loss carryforwards for federal and state income tax purposes.

## NOTE 4 — TAXES ON INCOME (CONTINUED):

The income tax expense for the nine-month periods ended September 30, 2019 and September 30, 2018 can be reconciled to accounting profit as follows:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Profit (loss) before taxes per income statement | $ (75,268) | $ (73,001) |
| Income tax expense (credit) | $ (23,000) | $ (22,600) |
| Effect of nondeductible items | - | - |
| Valuation allowance | 23,000 | 22,600 |
| | $ - | $ - |

The income tax rate used for the above periods is the effective combined federal and state rate 31% for both 2019 and 2018 by the Company on taxable profits under tax law in the United States of America and the State of Pennsylvania.

## NOTE 5 — CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and bank balances | $ 8,809 | $ 5,363 |

## NOTE 6 — BUSINESS SEGMENTS:

The Company's primary business segment consists of acquiring materials requisitioned by its parent and affiliated companies on a commission basis and sales of equipment manufactured in Argentina on a commission basis. The Company also has sales to affiliated companies and provides wind energy consulting services.

All of the Company's business is conducted in the United States of America.

## NOTE 7 — ACCOUNTS PAYABLE:

Accounts payable consist of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Trade payables | $ 1,948,109 | $ 1,944,916 |
| Withheld payroll taxes | 725 | 730 |
| | $ 1,948,834 | $ 1,945,646 |

No interest is charged on accounts payable. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## NOTE 8 — FINANCIAL INSTRUMENTS:

Categories of financial instruments are:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | $ 8,809 | $ 5,363 |
| Accounts receivable-affiliated companies | 1,768,620 | 1,768,620 |
| Notes receivable-affiliated companies | 5,170,192 | 5,170,192 |
| **Financial Liabilities** | | |
| Accounts payable | $ 1,948,834 | $ 1,945,646 |
| Accounts payable – affiliated companies | 3,492,470 | 3,416,944 |
| Income taxes payable | 3,000 | 3,000 |

The Directors of the Company consider the carrying amounts of the above financial assets and financial liabilities approximate their fair values.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors in concert with its parent company, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company in concert with its parent company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities that the Company has at its disposal to further reduce liquidity risk.

The following table details the Company's remaining contractual maturity for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both principal and interest cash flows.

| September 30, 2019 | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years | Total |
|---|---|---|---|---|---|
| Accounts payable | $ 64,611 | $ 1,884,223 | $ - | $ - | $ 1,948,834 |
| Accounts payable -affiliated companies | - | 3,492,470 | - | - | 3,492,470 |
| Income taxes payable | - | 3,000 | - | - | 3,000 |
| | $ 64,611 | $ 5,379,693 | $ - | $ - | $ 5,444,304 |

## NOTE 8 — FINANCIAL INSTRUMENTS (CONTINUED):

| December 31, 2018 | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years | Total |
|---|---|---|---|---|---|
| Accounts payable | $ 70,466 | $ 1,875,180 | $ - | $ - | $ 1,945,646 |
| Accounts payable - affiliated companies | - | 3,416,944 | - | - | 3,416,944 |
| Income tax payable | - | 3,000 | - | - | 3,000 |
| | $ 70,466 | $ 5,295,124 | $ - | $ - | $ 5,365,590 |

The following table details the Company's expected maturity for its financial assets. The table below is based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

| September 30, 2019 | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 8,809 | $ - | $ - | $ - | $ 8,809 |
| Accounts receivable -affiliated companies | - | 1,768,620 | - | - | 1,768,620 |
| Notes receivable - affiliated companies | - | 5,170,192 | - | - | 5,170,192 |
| | $ 8,809 | $ 6,938,812 | $ - | $ - | $ 6,947,621 |

| December 31, 2018 | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 5,363 | $ - | $ - | $ - | $ 5,363 |
| Accounts receivable -affiliated companies | - | 1,768,620 | - | - | 1,768,620 |
| Notes receivable – affiliated companies | - | 5,170,192 | - | - | 5,170,192 |
| | $ 5,363 | $ 6,938,812 | $ - | $ - | $ 6,944,175 |

## NOTE 9 — PARENT COMPANY RESTRUCTURING:

IMPSA International, Inc.'s parent company, IMPSA, entered into a debt restructuring agreement with certain creditors ("Participating Creditors") which included the transfer of 65% of the parent company's capital shares to a trust for the benefit of the Participating Creditors and changes in certain management personnel. The parent's operation in Malaysia was severed from the parent company, and offices in China, Columbia and other places were closed. For now, it is expected that IMPSA International, Inc. will remain with the parent company after the reorganization due to its presence in the United States of America. As of the date of our report, the possible effect of the debt restructuring agreement on IMPSA International, Inc.'s financial statements cannot be determined. Certain receivables and payables are likely to be written off the books of the Company pending final resolution of the restructuring.