

IMPSA INTERNATIONAL, INC.

Financial Statements **March 31, 2020**

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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 March 31, 2020 and December 31, 2019, and the related statements of profit and loss, changes in stockholder's equity and cash flow for the 3 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 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.

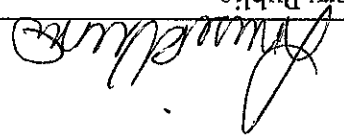


Joseph S. Scherle, CPA

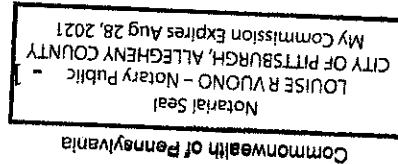
SWORN TO AND SUBSCRIBED BEFORE
ME THIS 19th DAY OF MAY 2020.

COMMONWEALTH OF:
PENNSYLVANIA
COUNTY OF: ALLEGHENY

Notary Public



Pittsburgh, Pennsylvania
May 19, 2020



IMPSA INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2020 AND DECEMBER 31, 2019

	NOTES	MARCH 31, 2020	DECEMBER 31, 2019
ASSETS:			
Current Assets:			
Cash and cash equivalents	2 and 5	216	2,472
Accounts receivable - affiliated companies	2 and 3	1,918,300	1,918,300
Notes receivable - affiliated companies	3	5,170,192	5,170,192
Total Current Assets		7,088,708	7,090,964
Non-Current Assets:			
Deferred income tax benefit	2 and 4	-	-
Total Non-Current Assets		-	-
Total Assets		\$ 7,088,708	\$ 7,090,964
LIABILITIES:			
Current Liabilities:			
Accounts payable	7	\$ 1,885,216	\$ 1,883,443
Accounts payable - affiliated companies	3	3,751,911	3,734,132
Income taxes payable	4	3,000	3,000
Total Current Liabilities		5,640,127	5,620,575
STOCKHOLDER'S EQUITY:			
Common stock		100	100
Additional paid-in capital		2,734,900	2,734,900
Retained earnings (deficit)		(1,286,419)	(1,264,611)
Total Stockholder's Equity		1,448,581	1,470,389
Total Liabilities and Stockholders' Equity		\$ 7,088,708	\$ 7,090,964

IMPISA INTERNATIONAL, INC.

STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

	March 31, 2020	March 31, 2019
Net sales of goods and services	\$ -	\$ -
Interest income	-	-
Administrative expenses	(21,808)	(24,703)
Interest expense	-	-
Other	-	(20)
Profit (Loss) Before Income Taxes	(21,808)	(24,723)
Income taxes	-	-
Profit (Loss) For The Period	\$ (21,808)	\$ (24,723)
Earnings (Loss) Per Share	\$ (218)	\$ (247)

NOTES

2 and 4

3

3

2 and 3

2 and 3

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

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

IMPSA INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 30, 2020 AND MARCH 30, 2019

	NOTES	March 31, 2020	March 31, 2019
OPERATING ACTIVITIES:			
Profit (loss) for the period	\$	(21,808)	\$ (24,723)
Increase (decrease) in accounts payable		1,773	2,496
Increase (decrease) in accounts payable - affiliated companies		17,779	24,905
Interest expense recognized in profit or loss		-	-
Cash Provided (Used) by Operations		(2,256)	2,678
Interest Paid		-	-
Net Cash Used by Operating Activities		(2,256)	2,678
Net Increase (Decrease) in Cash and Cash Equivalents		(2,256)	2,678
Cash and Cash Equivalents - Beginning of Period		2,472	5,363
Cash and Cash Equivalents - End of Period	5	\$ 216	\$ 8,041

IMPSA INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND MARCH 31, 2019

NOTE 1 — GENERAL INFORMATION:

IMPSA International, Inc. is a wholly-owned subsidiary of IMPSA S.A., 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 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 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 assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets' 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 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.

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 March 31, 2020 and December 31, 2019 was \$3,715,734 and \$3,698,384, respectively.

There were no commissions earned for the three month periods ending March 31, 2020 and March 31, 2019.

Notes receivable from affiliated companies currently consists of a note amounting to \$5,170,192 at both March 31, 2020 and December 31, 2019, respectively. Since December 31, 2017 no interest is being charged on this note receivable. Prior to December 31, 2017 3% interest was being charged. No interest income on receivables from affiliated companies was earned for the three months ended March 31, 2020 and March 31, 2019, respectively.

The remuneration of key management personnel for the three month period ended March 31, 2020 and March 31, 2019:

	March 31, 2020	March 31, 2019
Short-term benefits	\$ 19,995*	\$ 19,995 *

\$0 charged back to parent company

NOTE 4 — TAXES ON INCOME (CREDIT):

Income taxes recognized in profit and loss for the three month periods ended March 31, 2020 and March 31, 2019:

	March 31, 2020	March 31, 2019
Current	\$ -	\$ -
Deferred - net operating loss carryforwards	-	-
	<u>\$ -</u>	<u>\$ -</u>

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

	March 31, 2020	December 31, 2019
Non Current Deferred Tax Asset:		
Net operating loss carryforwards	\$ 203,000	\$ 196,000
Valuation allowance	(203,000)	(196,000)
	<u>\$ -</u>	<u>\$ -</u>

At March 31, 2020, the Company had net operating loss ("NOL") carryforward for federal income tax purposes of \$231,000, which under current law has no expiration date. For state tax purposes, the Company has NOL carryforwards of \$1,540,000 which are available to offset future taxable income through 2040. However, the federal NOL is currently limited to 80% of annual taxable income while the state NOL is currently limited to 0% of annual taxable income.

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

The income tax expense for the three month periods ended March 31, 2020 and March 31, 2019 can be reconciled to accounting profit as follows:

	March 31, 2020	March 31, 2019
Profit (loss) before taxes per income statement	\$ (21,808)	\$ (24,723)
Income tax expense (credit) calculated at 31%	\$ (6,800)	\$ (7,600)
Valuation allowance	6,800	7,600
	<u>\$ -</u>	<u>\$ -</u>

The income tax rate used for the above periods is the effective combined federal and state rate of 31% for 2020 and 2019 payable 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:

	Cash and bank balances
March 31, 2020	\$ 216
December 31, 2019	\$ 2,472

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.

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

NOTE 7 — ACCOUNTS PAYABLE:

Accounts payable consist of the following:

	Trade payables	Withheld payroll taxes
March 31, 2020	\$ 1,884,495	721
December 31, 2019	\$ 1,881,737	1,706
	<u>\$ 1,883,443</u>	

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:

	Financial Assets	Cash and cash equivalents	Accounts receivable-affiliated companies	Notes receivable-affiliated companies	Financial Liabilities	Accounts payable	Accounts payable – affiliated companies	Income taxes payable
March 31, 2020	\$ 216	1,918,300	5,170,192		\$ 1,885,216	\$ 1,883,443	3,751,911	3,000
December 31, 2019	\$ 2,472	1,918,300	5,170,192				3,734,132	3,000

NOTE 8 — FINANCIAL INSTRUMENTS (CONTINUED):

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.

	March 31, 2020					December 31, 2019				
	Accounts payable	Accounts payable	Accounts payable	Accounts payable	Income taxes payable	Accounts payable	Accounts payable	Accounts payable	Accounts payable	Income taxes payable
	1-3 Months	1 Year to 3 Months	1-5 Years	5+ Years	Total	1-3 Months	1 Year to 3 Months	1-5 Years	5+ Years	Total
Accounts payable	\$ 721	\$ 1,884,495	\$ -	\$ -	\$ 1,885,216	\$ 721	\$ 1,881,737	\$ -	\$ -	\$ 1,883,443
Accounts payable	-	3,751,911	-	-	3,751,911	-	3,734,132	-	-	3,734,132
Income taxes payable	-	3,000	-	-	3,000	-	3,000	-	-	3,000
	\$ 721	\$ 5,639,406	\$ -	\$ -	\$ 5,640,127	\$ 1,706	\$ 5,618,869	\$ -	\$ -	\$ 5,620,575

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.

	March 31, 2020					March 31, 2020				
	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable
	1-3 Months	1 Year to 3 Months	1-5 Years	5+ Years	Total	1-3 Months	1 Year to 3 Months	1-5 Years	5+ Years	Total
Accounts receivable	\$ 216	\$ -	\$ -	\$ -	\$ 216	\$ 216	\$ -	\$ -	\$ -	\$ 216
Accounts receivable	-	1,918,300	-	-	1,918,300	-	1,918,300	-	-	1,918,300
Accounts receivable	-	5,170,192	-	-	5,170,192	-	5,170,192	-	-	5,170,192
	\$ 216	\$ 7,088,492	\$ -	\$ -	\$ 7,088,708	\$ 216	\$ 7,088,492	\$ -	\$ -	\$ 7,088,708

NOTE 8 — FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2019				
	3 Months to 1 Year	1-5 Years	5+ Years	Total	
Accounts receivable	2,472	-	-	2,472	Accounts receivable
Accounts receivable	5,170,192	-	-	5,170,192	Accounts receivable
Accounts receivable	1,918,300	-	-	1,918,300	Accounts receivable
Accounts receivable	7,088,492	-	-	7,088,492	Accounts receivable
Accounts receivable	2,472	-	-	2,472	Accounts receivable
Accounts receivable	7,090,964	-	-	7,090,964	Accounts receivable

NOTE 9 — PARENT COMPANY RESTRUCTURING:

SA International, Inc.'s parent company, IMPSA S.A., entered into a debt restructuring agreement with creditors ("Participating Creditors") which included the transfer of 65% of the parent company's capital to a trust for the benefit of the Participating Creditors and changes in certain management personnel. 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.