

CG Power Americas, LLC

**Special Purpose Consolidated Balance Sheet as at March 31, 2020**

	Notes	March 31, 2020 \$	March 31, 2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		5,463,781	2,230,086
Restricted cash		2,500,000	1,400,000
Accounts receivable, less allowance for doubtful accounts	3	2,382,326	1,873,063
Inventories	4	1,192,511	3,456,610
Dues from / loans to affiliates	12	7,582,315	14,672,032
Excess of costs and estimated earnings over billings on uncompleted contracts	19	529,126	923,621
Prepaid expenses and other current assets		3,705,992	507,267
Current asset held for sale		7,279	12,600
<b>Total current assets</b>		<b>23,363,330</b>	<b>25,075,279</b>
Property, plant and equipment, net	5	67,166	88,778
Intangible assets	6	1,535,874	5,981,642
Other assets		97,847	97,847
<b>Total assets</b>		<b>25,064,217</b>	<b>31,243,546</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		28,651,856	13,020,558
Deferred revenue	9	649,965	769,055
Due to / loans from affiliates	12	5,464,516	25,758,678
Excess of billings over costs and estimated earnings on uncompleted contracts	19	5,250,113	3,315,710
Current liabilities held for sale		1,047,075	1,022,439
<b>Total current liabilities</b>		<b>41,063,525</b>	<b>43,886,440</b>
Deferred revenue	9	145,833	2,651
<b>Total liabilities</b>		<b>41,209,358</b>	<b>43,889,091</b>
Additional paid-in capital		(3,562,484)	(3,562,484)
Retained earnings		(12,582,657)	(9,083,061)
<b>Stockholders' equity</b>		<b>(16,145,141)</b>	<b>(12,645,545)</b>
<b>Total liabilities and stakeholders equity</b>		<b>25,064,217</b>	<b>31,243,546</b>

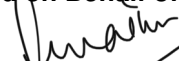
See accompanying notes

For and on Behalf of



Director  
CG Power Americas, LLC

For and on Behalf of



Director  
CG Power Americas, LLC

**CG Power Americas, LLC****Special Purpose Consolidated Statement of Income**

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
		\$	\$
Net Sales	13	19,136,463	13,664,971
Cost of sales	14	15,761,112	6,886,943
<b>Gross profit</b>		<b>3,375,351</b>	<b>6,778,028</b>
Selling, general & administrative expenses		3,568,652	5,942,162
Income from Operations		(193,301)	835,866
<b>Other income (expense):</b>			
Interest Income		211,627	274,405
<b>Income before income tax</b>		<b>18,326</b>	<b>1,110,271</b>
Income tax expense		-	(441,828)
<b>Net income from continuing operations for the year</b>		<b>18,326</b>	<b>668,443</b>
<b>Discontinued operations</b>			
Loss on discontinued operations before tax	20	(31,922)	(164,670)
Income tax expense			
Loss on discontinued operations		(31,922)	(164,670)
<b>Net income for the year</b>		<b>(13,596)</b>	<b>503,773</b>

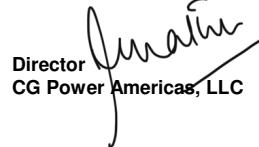
See accompanying notes

For and on Behalf of



Director  
CG Power Americas, LLC

For and on Behalf of



Director  
CG Power Americas, LLC

**CG Power Americas, LLC****Statement of Cash Flows****March 31, 2020****\$****Cash flows from operating activities:**

Net Income for the year	(13,596)
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation of plant, property and equipment	26,902
Amortization of intangible assets	959,768
Change in provision for inventory	1,599,125
Bad debt written off / provision for bad debts	94,217

Changes in operating assets and liabilities which (used) provided cash:

Accounts receivable	(603,483)
Inventories	664,974
Dues from / loans to affiliates	987,036
Other assets, net	3,298,452
Accounts payable and accrued liabilities	(5,737,600)
Deferred revenue	24,092
Intrease/decrease net assets liabilities held for sale	29,957
Due to / loans from affiliates	1,074,737
Other liabilities, net	1,934,403

**Net cash provided by (used in) operating activities** **4,338,985****Cash flows from investing activities:**

Impairment of Intangible assets	3,486,000
Sale / Purchase of property, plant & equipment and intangible assets	(5,290)

**Net cash provided by (used in) investing activities** **3,480,710****Cash flows from financing activities:**

Non cash adjustment to member's equity	(3,486,000)
Decrease (increase) in restricted cash	(1,100,000)

**Net cash provided by (used in) financing activities** **(4,586,000)**

<b>Net (decrease) increase in cash</b>	<b>3,233,695</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>2,230,086</b>
<b>Cash and cash equivalents at end of the year</b>	<b>5,463,781</b>

**CG Power Americas, LLC**  
**Special Purpose Consolidated Statement of Members' Equity**

	Additional Paid-in Capital	Retained Earnings	Total equity
<b>Balance as at March 31, 2019</b>	<b>(3,562,484)</b>	<b>(9,083,061)</b>	<b>(12,645,545)</b>
<b>Adjustments</b>			
Impairment of Intangible Assets		(3,486,000)	(3,486,000)
Net Income for the year		(13,596)	(13,596)
<b>Balance as at March 31, 2020 (a)</b>	<b>(3,562,484)</b>	<b>(12,582,657)</b>	<b>(16,145,141)</b>

	Additional Paid-in Capital	Retained Earnings	Total equity
<b>Balance as at March 31, 2018 (a)</b>	<b>(3,562,484)</b>	<b>589,707</b>	<b>(2,972,777)</b>
<b>Adjustments made in opening</b>			
<b>balance:</b>			
Goodwill (a)		(8,353,622)	<b>(8,353,622)</b>
Deferred tax liability (b)		1,294,229	<b>1,294,229</b>
Advance to CG Power Systems Canada Inc.(c)		(3,117,148)	<b>(3,117,148)</b>
<b>Adjusted balances as at March 31,</b>			
<b>2018 (a+b+c)</b>	<b>(3,562,484)</b>	<b>(9,586,834)</b>	<b>(13,149,318)</b>
Net Income for the year		503,773	503,773
<b>Balance as at March 31, 2019</b>	<b>(3,562,484)</b>	<b>(9,083,061)</b>	<b>(12,645,545)</b>

**CG Power Americas, LLC**  
**Notes to Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

	March 31, 2020	March 31, 2019
	\$	\$
<b>3. Accounts receivable, less allowance for doubtful accounts</b>		
Accounts receivables	3,155,061	2,551,581
Less - Allowance for doubtful accounts	(772,735)	(678,519)
	<b>2,382,326</b>	<b>1,873,063</b>

	March 31, 2020	March 31, 2019
	\$	\$
<b>4. Inventories</b>		
Raw materials	913,950	3,146,198
Work-in-progress	321,923	348,797
Finished sub assemblies	1,718,082	103,047
	2,953,955	3,598,042
Less : Provision for inventory obsolescence	(1,761,444)	(141,433)
	<b>1,192,511</b>	<b>3,456,610</b>

	March 31, 2020	March 31, 2019
	\$	\$
<b>5. Property, plant and equipment, net</b>		
Machinery and equipments	-	1,971
Furniture and fixtures	144,364	153,931
Vehicles	14,834	7,500
Land	23,682	23,682
Office Equipments	-	11,166
	182,880	198,251
Less : Accumulated depreciation	(115,714)	(109,473)
	<b>67,166</b>	<b>88,778</b>

Depreciation expense for the year ended March 31, 2020 amounted to \$ 26,902

Depreciation expense included in cost of sales during the year ended March 31, 2020 totalled to Nil

<b>6. Intangible assets</b>	<b>Amortisable life- years</b>	March 31, 2020	March 31, 2019
		\$	\$
Capitalised Software	5	3,341,128	3,616,963
Customer relationships	15	<b>10,671,000</b>	<b>10,671,000</b>
Technology	7	2,590,836	2,995,700
Non-compete agreement	3	<b>20,000</b>	<b>20,000</b>
Trade name	3	<b>191,000</b>	<b>191,000</b>
		<b>16,813,964</b>	<b>17,494,663</b>
Less : Accumulated amortization and Impairment		(15,278,090)	(11,513,021)
		<b>1,535,874</b>	<b>5,981,642</b>

Amortization expense for the year ended March 31, 2020 amounted to \$ 9,59,767

Amortization expense included in cost of sales at year end totaled \$ 2,59,767

Expected amortization expense for the next five years is as follows:

Year	Amount
2021	383,898
2022	383,898
2023	271,554
2024	124,131
2025	124,131

**CG Power Americas, LLC**  
**Notes to Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

Amortization expense incurred during the year ended March 31, 2020 totaled \$959,767. At March 31, 2020, management has evaluated the estimated useful lives and assessed impairment indicators of the intangible and other assets. Management has determined that the intangible assets had an impairment of \$3,486,000 which was charged against the Customer Relationships asset

**7 : Line of Credit**

As of March 31, 2020, the group maintained a line of credit agreement with a bank to provide borrowings up to \$500,000 with a maturity date of October 31, 2020. Interest is payable monthly at a rate of 3.00% Per Annum. Interest is computed on the unpaid principal balance from the date of each borrowing. Principal is payable upon maturity. As of March 31, 2020, the outstanding balance on this line of credit was \$0.

**8 : Letter of Credit**

In July 2018, the Group issued a letter of credit in the amount of \$1,400,000 to stand as security for performance bonds for the group. The letter of credit is guaranteed by a Certificate of Deposit with an APY of 1.52% maturing July 9, 2020.

In October 2019, the Group issued a second letter of credit in the amount of \$1,100,000 to stand as security for performance bonds for the group. The letter of credit is guaranteed by a Certificate of Deposit with an APY of 1.27% maturing October 4, 2020.

	March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019
9. Deferred revenue	Non-current	Current	Non-current	Current
	\$	\$	\$	\$
Relating to maintenance contracts	145,833	649,965	2,651	769,055

**10: Provision from income taxes**

The components of the provision for income taxes are summarised as follows:

	March 31, 2020	March 31, 2019
	\$	\$
<b>Current</b>		
Federal	-	404,110
State	-	37,693
	-	<b>441,803</b>
<b>Deferred</b>		
Federal	-	-
State	-	-
	-	-

**CG Power Americas, LLC**  
**Notes to Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

The components of the Group's deferred tax assets and liabilities as at March 31 are as follows:

	March 31, 2020	March 31, 2019
	\$	\$
<b>Deferred tax assets</b>		
Allowance for doubtful debts	173,113	153,058
UNICAP	28,167	28,362
Reserve for inventory obsolescence	44,382	31,904
Compensated absences	-	-
Accrued expenses	26,543	224,490
Forex gain/loss	0	(55,257)
Goodwill	-	-
Interest	417,058	229,209
PP&E	13,119	13,665
Intangibles	885,824	(11,317)
Total deferred tax assets before valuation allowance	<u>1,588,206</u>	<u>614,114</u>
Less: Valuation allowance	<u>(1,492,006)</u>	<u>(614,114)</u>
Deferred Tax Liabilities		
Intangibles		
F/X	(96,200)	-
<b>Net deferred tax asset (liability)</b>	<u>-</u>	<u>-</u>

The amounts recorded as deferred tax assets as of March 31, 2020, represent the tax benefits of existing deductible temporary differences as well as net operating losses. Realization of deferred tax assets is dependent upon the generation of sufficient taxable income prior to expiration of any loss carryforwards. Management reviews the recoverability of deferred tax assets during each reporting period. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management has determined that a full valuation allowance on deferred tax assets will be recorded, as these assets cannot be reasonably assured for future use. Management evaluates all positive and negative evidence to determine the appropriateness of the valuation allowance. Management has evaluated the four sources of taxable income as required by ASC 740: Taxable Income in Prior Carryback Years (none), Taxable Income from Future Reversals of Existing Taxable Temporary Differences (none), Taxable Income from Prudent and Feasible Tax-Planning Strategies (none), Future Taxable Income Exclusive of Reversing Temporary Differences and Carryforwards (none).

The Group's policy is to record interest and penalties as part of the tax provision. As at March 31, 2020, the interest and penalties amounted to nil.

**11: Provision for warranties**

The Company generally provides warranty on its products against defects for a period of one year. Provisions for estimated future costs and estimated returns for credit relating to warranties are accrued when products are shipped, and revenue is recognized.

The information in the table below is represented in the Accounts payable and accrued liabilities section of the balance sheet.

General Product Warranty	\$
<b>Balance, beginning of year</b>	<b>97,662</b>
Accruals for warranty issues during the year	19,576
Settlements made/reversal of excess accruals during the year	<u>-16,776</u>
<b>Balance, end of year</b>	<b>100,462</b>

**CG Power Americas, LLC**  
**Notes to Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

**12: Related party transactions**

In the normal course of business, the Group engages in a number of transactions with its affiliates at negotiated prices.

Ultimate Holding Company : CG Power and Industrial Solutions Limited  
Parent Company : CG International BV  
Affiliate companies : CG Power Systems Canada Inc  
CG Drives & Automation Sweden  
\*CG Holdings Belgium NV  
\*CG Power Systeme Belgium NV  
\*PT CG Power Systems Indonesia  
\*CG Power Systems Ireland

**Note : \* represents affiliates companies till December 31, 2019**

The following represents a summary of the outstanding balances of the parent and affiliates as of

	March 31, 2020	March 31, 2019
	\$	\$
Due from affiliates	1,552,723	8,398,200
Loans to affiliates	6,029,592	6,273,832
	<b>7,582,315</b>	<b>14,672,032</b>
Due to affiliates	3,856,881	10,895,710
Loans from affiliates	1,607,635	14,862,968
	<b>5,464,516</b>	<b>25,758,678</b>

	Due from affiliates	Due to affiliates	Due from affiliates	Due to affiliates
	\$	\$	\$	\$
CG International BV	274,047	1,016,317	-	1,015,890
CG Power Systme Belgium NV			5,489,938	2,266,465
CG Drives & Automation Sweden		-	16,861	
PT CG Power Systems Indonesia		-	36,263	
CG Power and Industrial Solutions	1,228,168	2,840,564	2,128,364	1,659,256
CG Power Systems Ireland			576,481	14,280
CG Holdings Belgium NV	0			5,939,819
CG Powe System Canada INC	50,508	-	150,293	
	<b>1,552,723</b>	<b>3,856,881</b>	<b>8,398,200</b>	<b>10,895,710</b>

	Loans to affiliates	Loans from affiliates	Loans to affiliates	Loans from affiliates
	\$	\$	\$	\$
CG International BV	6,029,592	1,607,635	6,273,832	1,714,634
CG Holdings Belgium NV				8,229,234
CG Power Systme Belgium NV				4,919,100
	<b>6,029,592</b>	<b>1,607,635</b>	<b>6,273,832</b>	<b>14,862,968</b>

**13 : Net Sales**

The table below represents sales by various offerings provided by the Group.

	March 31, 2020	March 31, 2019
	\$	\$
Systems	5,004,949	9,085,944
Field Service	2,021,631	2,211,763
Hardware	2,791,828	486,673
Automation	415,328	287,050
Customer repairs	144,548	207,413
Transformers & Switchgear	8,758,179	1,386,128
	<b>19,136,463</b>	<b>13,664,971</b>



**CG Power Americas, LLC**  
**Notes to Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

**14 : Cost of Sales**

	<b>March31, 2020</b>	<b>March31, 2019</b>
	<b>\$</b>	<b>\$</b>
Cost of materials consumed	13,566,238	4,129,294
Employee benefit expenses	893,235	1,138,554
Other expenses	1,301,639	1,619,095
	<b>15,761,112</b>	<b>6,886,943</b>

**15 : Research and development expenses**

The expenditures on research and development incurred by the Group for the year ended March 31, 2020 was \$ 897,423

**16. Commitments and contingencies**

The Group has entered into an operating lease for office space. This lease has an expiration date of October 31, 2028.

Total lease expense under all leases was \$293,542 for the year then ended. Rental expense is recorded on a straight-line basis in accordance with the guidance for accounting for leases. Future minimum lease payments under lease agreements with non-cancelable terms in excess of one year at March 31, 2020 are as follows:

	<b>Amount (\$)</b>
March 31, 2021	295,988
March 31, 2022	301,908
March 31, 2023	307,946
March 31, 2024	314,105
2025 and thereafter	980,512
	<b>2,200,459</b>

In the ordinary course of business there are various legal proceedings pending against the Company. The Company evaluates the likelihood of an unfavorable outcome for each claim, and records provisions for specific claims where it has been determined that a loss is probable and estimable. The Company does not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial position as of March 31, 2020.

**CG Power Americas, LLC**  
**Notes to Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

**17 : Retirement plan**

The Group has a retirement plan pursuant to Section 401(K) of the Internal Revenue Code, whereby eligible participants, as defined by the plan, may contribute by deferring a percentage of their compensation, but not in excess of the maximum allowed under the code. The plan provides for a matching contribution by the Group.

The Group matched contributions of \$ 21,965 to the 401(K) plan for the year ended March 31, 2020.

**18 : Concentrations of credit risk**

The Group sells its products and services to a wide range of companies in the electrical power generating, utility distribution networks and electrified transit systems. The Group maintains reserves for potential credit losses and, historically, such losses have been within management's expectations. For the year ended March 31, 2020, the Company had sales to its four largest customers of \$3,014,783 which makes up 29.05% of gross sales. The amount receivable from these four customers at March 31, 2020 is \$452,798 which accounts for 22.29% of accounts receivable at year end. The Company regularly assesses the creditworthiness of these customers and has not experienced any credit issues with them.

Considering the business activity and industry in which the Group operates, management believes there are no significant concentrations of risks involved.

**19. Costs, estimated earnings and billings on uncompleted contracts**

At March 31, 2020 costs, estimated earnings and billings on uncompleted contracts consisted of the following:

	March 31, 2020	March 31, 2019
	\$	\$
Costs incurred to date on uncompleted contracts	5,743,308	6,517,087
Estimated earnings	3,423,590	3,284,589
	9,166,898	9,801,676
Less: billings to date	(13,887,885)	(12,193,765)
	<b>4,720,987</b>	<b>2,392,089</b>

The balance is included in the accompanying balance sheet under the following captions

	\$	\$
Excess of costs and estimated earnings over billings on uncomplete	529,126	923,621
Excess of billings over costs and estimated earnings on uncomplete	(5,250,113)	(3,315,710)
	<b>(4,720,987)</b>	<b>(2,392,089)</b>

**20. Discontinue Operations**

During the year ended March 31, 2016 the ultimate parent company had initiated an active process to identify buyers for its power solution business and a restructuring process to carve out its trading activities into another group company. This was triggered by acceptance of a binding offer from First Reserve to sell its power and distribution transformer businesses outside of India. Power Solution business of the group, have been considered as a discontinued operations in the current year due to managements decision to close down the division.

The results of the operations and cash flows related to the power solutions business was classified as discontinued operations in the special purpose consolidated statement of income is as follows.

CG Power Americas, LLC  
Notes to Special Purpose Consolidated Financial Statements  
Year ended March 31, 2020

**Statement of loss on discontinued operations:**

	March 31, 2020	March 31, 2019
	\$	\$
Revenue	-	-
Cost of sales	-	6,038
Selling, general & administrative expenses	31,922	158,632
<b>Loss on discontinued operations</b>	<b>(31,922)</b>	<b>(164,670)</b>

	March 31, 2020	March 31, 2019
	\$	\$
<b>Carrying amounts of major classes of assets included as part of discontinued operations</b>		
Cash & Cash Equivalents	-	8,961
Due from/ loans to affiliates	7,279	3,639
<b>Total assets of disposal group classified as held for sale in consolidated balance sheet</b>	<b>7,279</b>	<b>12,600</b>

<b>Carrying amounts of major classes of liabilities included as part of discontinued operations</b>		
Accounts payable and accrued liabilities	(167,358)	(167,358)
Due to / loans from affiliates	(879,717)	(855,081)
<b>Total liabilities of disposal group classified as held for sale in consolidated balance sheet</b>	<b>(1,047,075)</b>	<b>(1,022,439)</b>

**21. Subsequent events**

The Group has evaluated subsequent events through June 17, 2020, the date on which the financial statements were available to be issued and determined that there were no events which required disclosure other than the following:

The Group may be affected by the events of the global health pandemic – Covid-19. The conditions of this event are uncertain in nature, fluid and changing daily. The effects of this event can cause supply chain logistics issues, worker stoppages as a result of government intervention and significant sales reductions due to a worldwide economic slowdown. The financial statements have not been adjusted to reflect the condition of these events as they are uncertain in nature.

**CG Power Americas, LLC**  
**Notes to the Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

**1. Nature of business**

CG Power Americas, LLC (the "Company") is a wholly owned subsidiary of CG International BV (the "Parent" or the "Parent Company"). The company and its subsidiaries (collectively the "Group") operates in multiple markets and business sectors within and relating to distribution control, load management control, and supervisory control and data acquisition systems. The Group reports all the figures in US Dollars

**2. Summary of significant accounting policies**

**Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The Company has applied significant estimates in relation to its assessment for valuation allowance in relation to deferred tax assets, impairment testing of goodwill, and certain financial assets and liabilities.

**Revenue recognition**

The Group recognizes revenues based on products or services offered, as stated below:

**Sale of manufactured goods**

Revenue is recorded when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed and determinable and collectability is reasonably assured. Delivery occurs when the customer assumes the risks and rewards of ownership upon shipment of internally produced products, with the exception of those products that are shipped free on board ["FOB"] destination, for which revenues and the related direct costs are recognized when the shipments are delivered. The Company records the cost of all materials consumed in the manufacturing process within cost of sales. The revenue is accounted net of taxes.

**Construction and other contracts**

The Group's work is performed under fixed price contracts. The Group records revenue from fixed price construction contracts on the percentage-of-completion basis whereby revenues earned are based on management's estimates of the percentage-of-completion of each project.

Percentage of completion is determined based on the relationship of actual costs to total estimated costs. The method of estimating completion by comparing actual costs to estimated total costs is used because management considers this as the best available measurement of progress for those projects. Changes in estimated profits on contracts are reflected during the period in which the changes in estimates are made. The asset, "Excess of costs and estimated earnings over billings on uncompleted contracts", represents revenues recognized in excess of amounts billed. The liability, "Excess of billings over costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. The Group does not record revenue for additional compensation on contracts until a change order is executed to reflect the amount to be paid.

The length of the Group's contracts varies. Revenues on maintenance contracts are recognized pro rata over the terms of the contracts. Deferred revenue consists of the portion of maintenance contracts billed but not earned at year-end.

**Cash and cash equivalents**

Substantially all amounts reported as cash and cash equivalents on the Group's balance sheet represents bank balances and cash on hand, which is available on demand to the Group.

**CG Power Americas, LLC**  
**Notes to the Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

**Accounts receivable**

When necessary, the Group maintains an allowance for doubtful accounts based upon estimated losses that could result from a customer's inability to pay for services provided. Accounts receivable are thereby stated net of this allowance for doubtful accounts. This allowance is based on a combination of historical losses, aging of receivables and the financial condition of a particular customer. The allowance for doubtful accounts provision is recorded as an element of selling, general and administrative expenses in the period when the collection of such accounts is determined to be doubtful. If, in a subsequent year, the write-off is recovered, the recovery is recognized in the statement of operations. Contract receivables are written off when deemed uncollectible. Recoveries of contract receivables previously written off are recorded when received / recovered. At March 31, 2020, has completed the applicable analysis and determined that no allowance is necessary and all amounts are considered collectible.

**Inventories**

The Group's inventories are comprised primarily of raw materials and work in process. Inventories are stated at the lower of cost and market value and are valued using the average cost method. Inventory manufactured by the group includes the cost of materials, labor and manufacturing overhead. The Company writes down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions.

**Plant, property and equipment**

Plant, property and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs that do not add to the original value of the related assets or materially extend their original lives are expensed as incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives for computing depreciation on plant, property and equipment are as follows:

Buildings and improvements	10-35 years
Machinery and equipments	7-12 years
Furniture and fixtures	4-10 years
Office Equipment	5 years
Vehicles	3-5 years
Tools	5 years
Computer Equipment	3-5 years

Leasehold improvements and leased equipment are amortized on a straight-line basis over the lesser of the lease term or useful life of the underlying asset, of which the maximum duration is 10 years.

The carrying value of plant, property and equipment is assessed for recoverability by management based on analysis of future expected cash flows from the underlying operations of the Group. Management believes there has been no impairment at March 31, 2020.

**Intangible assets**

Intangible assets deemed to have finite lives are amortized over their estimated useful lives and are evaluated for impairment as long-lived assets. Intangible assets that have finite lives are amortized using accelerated and straight-line methods over their estimated useful lives, which range from three to fifteen years. An intangible asset that is subject to amortization is reviewed for impairment in accordance with the authoritative accounting standard on impairment.

Under ASC 350, "Intangibles, Goodwill and Other", all assets and liabilities of the acquired businesses are assigned to reporting units. In 2017, the FASB issued guidance simplifying the test for intangibles impairment. Under the guidance, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. Upon performing the test for impairment in accordance with ASC 350, it was determined that the fair value of the Company's equity did not exceed its carrying value, as shown below:

Fair Value of Business Enterprise	8,986,000
Less: Interest Bearing Debt	-
Fair Value of Equity	<u>8,986,000</u>
Carrying Value of Equity	<u>12,472,000</u>
Impairment (Difference)	<u>-3486000</u>

As of March 31, 2020, the group maintained a line of credit agreement with a bank to provide borrowings up to \$500,000 with a maturity date of October 31, 2020. Interest is payable monthly at a rate of 3.00% Per Annum. Interest is computed on the unpaid principal balance from the date of each borrowing. Principal is payable upon maturity. As of March 31, 2020, the outstanding balance on this line of credit was \$0.

**CG Power Americas, LLC**  
**Notes to the Special Purpose Consolidated Financial Statements**  
**Year ended March 31, 2020**

**Leasing arrangements**

The Group follows ASC 840, "Leases", which requires companies to assess the classification of the leases they enter into as either a capital lease or an operating lease. The Group accounts for its operating leases in accordance with the authoritative accounting standard on leases, which requires, among other things, accounting for the straight-line effect of escalating rents during the lease term and recognizing the effect of rent holidays over the related lease terms.

**Warranties**

The Group generally warrants its products against defects for a period of one year. Provisions for estimated future costs and estimated returns for credit relating to warranties are accrued when revenue is recognized. Such accruals are based upon historical experience and management's estimate of the level of future claims.

**Income Taxes**

The Company is treated as a disregarded entity for federal income tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

**Selling, general and administrative expenses**

Selling, general and administrative expenses represent costs incurred by the Group for business purpose and include market research, administrative expenses like salary, benefits, incentive compensation, professional fees and services, software and licensing fees and other operating costs associated with the Group's non-manufacturing, non-research and development staff, facilities and equipment.

**Advertising expense**

The Group expenses costs of advertising and promotion as incurred. Advertising expense totaled \$ Nil during the year ended March 31, 2020

**Segment accounting and disclosures**

The Group operates under the power system segment. As the Group's business falls within a single business segment, there are no additional disclosures to be provided under Financial Accounting Standards - 131: "Disclosures about Segments of an Enterprise and Related Information"(ASC 280-10), other than those already provided for in the special purpose financial statements.