QEI, LLC

FINANCIAL STATEMENTS

For the Year Ended March 31, 2020
(With Independent Auditors' Report)

QEI, LLC

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For the Year Ended March 31, 2020

Spielman Koenigsberg
& Parker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Member
QEI, LLC

We have audited the accompanying financial statements of QEI, LLC, which comprise the balance sheet as of March 31, 2020, and the related statements of operations and member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement , whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QEl, LLC as of March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Spielman Koenigsberg & Parker LLP

New York, NY
June 17, 2020

QEI, LLC
Balance Sheet as of March 31, 2020

	$
ASSETS	
Current	
Cash	7,668,959
Accounts Receivable	2,031,062
Inventories	1,192,512
Excess of costs and estimated earnings over billings on uncompleted contracts	529,126
Due from/loans to affilitiates	2,544,661
Other current assets	118,112
Total Current Assets	**14,084,432**
Plant, Property and equipment, net	43,483
Intangible Assets	1,535,875
Other assets	97,847
Total Assets	**15,761,637**
LIABILITIES AND MEMBER'S EQUITY	
Current	
Accounts payable and accrued liabilities	689,941
Deferred Revenue	649,965
Excess of billings over costs and estimated earnings on uncompleted contracts	5,250,113
Total current liabilities	**6,590,019**
Due to affiliates	100,000
Non-current Deferred Revenue	145,833
Total liabilities	**6,835,852**
Member's equity	8,925,785
Total Liabilites and Member's equity	**15,761,637**

The accompanying notes are an integral part of these financial statements

QEI, LLC
Statement of operations and member's equity for the year ended March 31, 2020

	$
Revenues	
Systems	5,004,949
Hardware	2,791,828
Automation	415,328
Field Service	2,021,631
Customer Repairs	144,547
Cost of Sales	
Materials	3,250,777
Labor	893,235
Overhead	1,039,565
Total COS	**5,183,577**
Gross Profit	**5,194,706**
Selling, general and administrative expenses	
Total SG&A salaries and fringes	1,566,371
SG&A expenses	442,107
Warranty	11,400
PD Projects	897,423
Total Operating Expense, net of Depreciation and Amortization	**2,917,301**
EBITDA	2,277,405
Depreciation and Amoritization	984,362
Total Operating Expenses	**3,901,663**
Operating Income	**1,293,043**
Other Income (expense)	
Interest Income	94,132
Income from operations	1,387,175
Net income for the year	**1,387,175**
Member's equity, April 1	11,024,610
Non-cash adjustment to member's equity	(3,486,000)
Member's Equity, March 31	8,925,785

The accompanying notes are an integral part of these financial statements

QEI, LLC

Statement of cash flows for the year ended March 31, 2020

	$
Cash flow from Operating Activities	
Net income for the year from operations	1,387,175
Adjustment for:	
Depreciation of plant, property and equipment	24,594
Amortization of intangible assets	959,767
Change in provision for inventory	53,270
Bad debt written off / provision for bad debts	(6,354)
Changes in non-cash working capital	
Accounts receivable	(338,137)
Inventories	185,154
Due from affiliates	(494,492)
Due to affiliates	(79,160)
Accounts payable and accrued liabilities	121,760
Other assets	356,620
Other liabilities	1,958,495
Net Cash generated from operating activities	**4,128,693**
Cash flow from investing activities:	
Purchase of plant, property and equipment	(7,334)
Impairment of intangible assets	3,486,000
Net Cash generated from Investing Activities	**3,478,666**
Cash Flow from financing activities:	
Non-cash adjustment to member's equity	(3,486,000)
Net Cash used in Financing activities	(3,486,000)
Net increase in Cash	**4,121,360**
Cash at the beginning of the year	3,547,600
Cash at the end of the year	**7,668,959**

The accompanying notes are an integral part of these financial statements

1. Nature of business

QEI, LLC [the "Company"] is a wholly owned subsidiary of CG Holdings Americas LLC [the "Parent" or the "Parent Company"] operating in multiple markets and business sectors within and relating to distribution control, load management control, and supervisory control and data acquisition systems.

The Company reports all figures in U.S. 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 Company 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 Company's work is performed under fixed price contracts. The Company 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.

Construction and other contracts (continued)

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 Company 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 Company'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

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

Accounts receivable

When necessary, the Company 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 Company'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 Company 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.

Leasing arrangements

The Company 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 Company 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 Company 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.

Property, plant 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 equipment	7 - 12 years
Furniture and fixtures	4 - 10 years
Office equipment	5 years
Vehicles	3 - 5 years
Tooling	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 Company. 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	8,986,000
Carrying Value of Equity	12,472,000
Impairment (Difference)	(3,486,000)

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.

3. Accounts receivable, less allowance for doubtful accounts

	$
Accounts receivable	2,031,062
Less: allowance for doubtful accounts	
	2,031,062

4. Inventories

	$
Raw materials	913,950
Work-in-process	321,923
Finished subassemblies	125,767
	1,361,640
Less: provision for inventory obsolescence	(169,128)
	1,192,512

5. Plant, property and equipment, net

The carrying amounts of tangibles assets at March 31, 2020 are as follows:

Particulars	Gross carrying value at March 31, 2019	Current year additions / (deletions), net	Gross carrying value at March 31, 2020	Accumulated depreciation at March 31, 2019	Current year depreciation	Disposal	Accumulated depreciation at March 31, 2020	Carrying Value at March 31, 2020
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Furniture and fixtures	127,794	-	127,794	67,050	24,228	**-**	91,277	36,517
Vehicles	7,500	7,334	14,834	7,500	367	**-**	7,867	6,967
	135,294	**7,334**	**142,628**	**74,550**	**24,594**	**-**	**99,144**	**43,484**

Depreciation expense incurred during the year ended March 31, 2020 totaled $24,594.

6. Intangible Assets

The carrying amounts of intangible assets at March 31, 2020 are as follows:

Particulars	Estimated useful life	Gross carrying value at March 31, 2019 $	Current year additions / (deletions), net $	Gross carrying value at March 31, 2020 $	Accumulated amortization / impairment at 3/31/2019 $	Current year amortization / impairment $	Disposals $	Accumulated Amortization at March 31, 2020 $	Carrying Value at March 31, 2020 $
Customer relationships	15 years	10,671,000	-	10,671,000	5,616,082	4,186,000	-	9,802,082	868,918
Technology & Software	7 years	2,590,836	-	2,590,836	2,590,836	-	-	2,590,836	-
Tradename	3 years	191,000	-	191,000	191,000	-	-	191,000	-
Non-compete agreements	3 years	20,000	-	20,000	20,000	-	-	20,000	-
Product Development	5 years	3,341,128	-	3,341,128	2,414,405	259,767	-	2,674,172	666,957
Total Intangible Assets		**16,813,964**	**-**	**16,813,964**	**10,832,323**	**4,445,767**	**-**	**15,107,090**	**1,535,875**

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.

Expected amortization expense for the next 5 years is as follows:

2021	383,898
2022	383,898
2023	271,554
2024	124,131
2025	124,131
Total	**1,409,756**

7 Line of Credit

As of March 31, 2020, the company 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 Company issued a letter of credit in the amount of $1,400,000 to stand as security for performance bonds for the Company. 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 Company issued a second letter of credit in the amount of $1,100,000 to stand as security for performance bonds for the Company. The letter of credit is guaranteed by a Certificate of Deposit with an APY of 1.27% maturing October 4, 2020.

9.1 Deferred revenue

	Non-Current $	Current $
Relating maintenance contract	145,833	649,965
Deferred revenue, end of year		795,798

9.2 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	**$**
Balance, beginning of year	**18,568**
Accruals for warranty issues during the year	19,576
Settlements made/reversal of excess accruals during the year	(16,776)
Balance, end of year	**21,386**

10. Related party transactions

In the normal course of business, the Company engages in a number of transactions with its affiliates at negotiated prices. Affiliates include CG Holdings Americas LLC and its parent, CG International BV and fellow subsidiaries. All material related party transactions are disclosed below.

During the year ended March 31, 2020, the Company has recorded income from the affiliates of $452,638 as reimbursement for expenses paid on behalf of the affiliates by the Company.

The Company has $2,544,661 due from the affiliates at March 31, 2020, for expenses incurred on behalf of the affiliates and receivables as part of a cash pooling agreement between the affiliates. Included within this amount is interest associated with the cash pooling agreement totaling $274,047, which accrues at the 1 month LIBOR rate plus 100 basis points.

Additionally, the Company has $100,000 due to affiliates at March 31, 2020 relating to a cash infusion by CG Power Solutions, Inc.

The following represents a summary of the outstanding balances of the Parent and affiliates as of March 31, 2020:

	Due from affiliates $	Due to affiliates $
CG Holdings Belgium NV	489,241	
CG Power Solutions USA Inc.		100,000
CG International BV	2,055,031	
	2,544,661	100,000

11. Retirement plan

The Company 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 Company.

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

12. Commitments and contingencies

The Company 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:

2021	$295,988
2022	301,908
2023	307,946
2024	314,105
2025 and thereafter	980,512
	$2,200,459

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.

13. Concentrations of credit risk

The Company sells its products and services to a wide range of companies in the electrical power generating, utility distribution networks and electrified transit systems. The Company 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 Company operates, management believes there are no significant concentrations of risks involved.

14. Research and development expenses

The expenditures on research and development by the Company for the year ended March 31, 2020 was $897,423.

15. Costs, estimated earnings and billings on uncompleted contracts

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

	$
Costs incurred to date on uncompleted contracts	5,743,308
Estimated earnings	3,423,590
	9,166,898
Less: billings to date	(13,887,885)
	4,720,987

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

	$
Excess of costs and estimated earnings over billings on uncompleted contracts	529,126
Excess of billings over costs and estimated earnings on uncompleted contracts	(5,250,113)
	(4,720,987)

16. Subsequent events

The Company 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 Company 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.