INMOBILIARIA ITALIA
INMOTALIA S.A.

FINANCIAL STATEMENTS

For the year ended December 31, 2019 with the opinion of the Independent Auditors

INMOBILIARIA ITALIA INMOTALIA S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2019

Contents:

REPORT OF THE INDEPEDENT AUDITORS

To the Shareholders of:
INMOBILIARIA ITALIA INMOTALIA S.A.

Opinion

We have audited the statement of financial position of de INMOBILIARIA ITALIA INMOTALIA S.A. through December 31, 2019, and the corresponding statements of comprehensive income, changes in equity, and cash flow, for the year ending December 31, 2019, as well as a summary of the significant accounting policies, and other explanatory notes.

In our opinion, the above-mentioned financial statements reasonably present, in all material aspects, the financial position of de INMOBILIARIA ITALIA INMOTALIA S.A., at December 31, 2019, the results of its operations and its cash flows for the year ended thereon, pursuant to International Financial Reporting Standards (IFRS).

Foundations for the statement

Our audit was carried out in accordance with International Standards on Auditing. Our responsibilities in accordance with these standards are described later in the "Auditor's Responsibilities" section. This is related to the audit of the financial statements.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis to express our audit statement.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NIA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users take based on these consolidated financial statements.

As part of the audit performed in accordance with International Standards on Auditing, we have applied our professional judgement and maintained professional skepticism throughout furthermore:

- We recognize and evaluate significant error risks in financial statements that may be due to fraud or error and we develop and implement procedures in the progress of the audit, which allow us to mitigate such identified risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material error resulting from fraud is greater in the case of a material misstatement, given that fraud may involve complicity, alteration, intentional omissions, false statements/declarations and the circumvention of internal control.

- We apply procedures, which allow us to recognize the Company's internal control measures relevant to the audit, and we develop appropriate work programs, however not for expressing an opinion about the effectiveness of the Branch's internal control.

- We examine the accounting policies and evaluate whether they are used in a consistent and appropriate manner, as well as the accounting estimates and the statements prepared by management.

- We establish whether the assumption of going concern is used by management, and based on the evidence of the audit, whether there exists an important about the facts or conditions that may cast significant doubt on the Branch's capacity to continue as a going concern. If we conclude that significant uncertainty exists, we are obligated to include such disclosures in our audit report in the separate financial statements; or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained as of the date of our audit report, however, future events or circumstances could result in the Company no longer being a going concern.

- We evaluate the structure, content and presentation of the financial statements, including the disclosures, transactions and subsequent events that allow for a reasonable presentation.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basics of accounting unless management either intends to liquidate the Company to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company financial reporting process.

Others matters

Due to the importance of the events in 2020 and as mentioned in footnote 26 of subsequent events, we report that the measures taken by the Ecuadorian Government around COVID-19, as well as the different adverse economic conditions in the world economy and the decrease in the price of oil, mean that there will be an impact on the Company's operations.

Quito, May 04, 2020
Register No. 680

Nancy Proaño
License No. 29431

INMOBILIARIA ITALIA INMOTALIA S.A.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

(Expressed in U.S. dollars)

	Notes	December 31 2019	2018
ASSETS:			
CURRENT ASSETS:			
Cash	7	83.109	42.305
Financial assets			
Receivables, non-related clients	8	55.294	73.522
Others accounts receivable	9	58.602	107.306
Inventory		28.193	28.190
Current tax assets	10	177.807	195.402
Total current assets		403.005	446.725
NON-CURRENT ASSETS:			
Property and equipment	11	7.431	2.506
Investment properties	13	5.737.246	6.040.660
Others accounts receivable	9	81.523	-
Total non-current assets		5.826.200	6.043.166
Total Assets		**6.229.205**	**6.489.891**
LIABILITIES			
CURRENT LIABILITIES:			
Financial obligations		31	31
Trade accounts payable	14	117.545	94.964
Other accounts payable	15	1.052.360	1.219.324
Current taxes due	10	12.624	13.169
Total current liabilities		1.182.560	1.327.488
NON-CURRENT LIABILITIES:			
Deferred tax liability	16	720.294	772.849
Total non-current liabilities		720.294	772.849
SHAREHOLDER´S EQUITY:			
Join Stock	23	800	800
Reserves	24	88	88
Accumulated earnings	25	4.388.666	4.562.114
Results of the exercise		(63.203)	(173.448)
Total Equity		4.326.351	4.389.554
Total liabilities and equity		**6.229.205**	**6.489.891**

Gastón Cevallos
General manager

Erika Saltos
General Accountant

See notes to the financial statements

INMOBILIARIA ITALIA INMOTALIA S.A.

INCOME STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2019

(Expressed in U.S. dollars)

	Notes	December 31 2019	2018
Income from ordinary activities	*18*	419.871	488.136
Administrative and sales expenses	*19*	(483.901)	(613.609)
LOSS OPERATIVE		(64.030)	(125.473)
Other income and expenses:			
Financial expenses		(59.009)	(68.712)
Other income		35.836	4.357
LOSS BEFORE INCOME TAX		(87.203)	(189.828)
Income tax:			
Current	*20*	(28.555)	(12.878)
Deferred	*16*	52.555	29.258
Loss of the period		**(63.203)**	**(173.448)**

Gastón Cevallos
General manager

Erika Saltos
General Accountant

See notes to the financial statements

INMOBILIARIA ITALIA INMOTALIA S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDING DECEMBER 31, 2019

(Expressed in U.S. dollars)

Description	*Notes*	Paid Capital	Reserve		Retained Earnings			Total
			Reserve legal	Optional and statutory Reserve	Retained Earnings	Results of the exercise	Results accumulated adopting IFRS 1st time	
Balances at December 31, 2017 (restructured)	*23 to 25*	**800**	**5**	**83**	**(346.445)**	**208.115**	**4.700.444**	**4.563.002**
Reclassification accounts equity					208.115	(208.115)		-
Net loss						(173.448)		(173.448)
Balances at December 31, 2018	*23 to 25*	**800**	**5**	**83**	**(138.330)**	**(173.448)**	**4.700.444**	**4.389.554**
Reclassification accounts equity					(173.448)	173.448		.
Loss absorption					1.366.914		(1.366914)	-
Net loss						(63.203)		(63.203)
Balances at December 31, 2019	*23 to 25*	**800**	**5**	**83**	**1.055.136**	**(63.203)**	**3.333.530**	**4.326.351**

Gastón Cevallos
General Manager

Erika Saltos
General Accountant

See notes to the financial statements

INMOBILIARIA ITALIA INMOTALIA S.A.

CASH FLOW STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2019

(Expressed in U.S. dollars)

	December 31	
	2019	**2018**
CASH FLOW OF (IN) OPERATING ACTIVITIES		
Received from clients	293.591	490.461
Paid to suppliers	(227.187)	(525.072)
Cash used in others	(59.014)	(131.575)
Net cash coming of (used on) operating activities	**7.390**	**(166.186)**
CASH FLOW OF INVESTMENT ACTIVITIES		
Acquisition of property and equipment	(348)	-
Sale of investment properties	120.360	122.467
Acquisition of investment properties	(10.000)	-
Net cash from investment activities	**110.012**	**122.467**
CASH FLOW (IN) OF FINANCING ACTIVITIES		
(Used in) received from financial obligations	(76.598)	62.346
Net cash (used on) coming of financing activities	**(76.598)**	**62.346**
CASH:		
Net increase during the year	40.804	18.627
Balances at start of year	42.305	23.678
Balances at end of year	**83.109**	**42.305**

(Continued...)

INMOBILIARIA ITALIA INMOTALIA S.A.

CASH FLOW STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in U.S. dollars)

	December 31	
	2019	**2018**
RECONCILIATION OF THE NET LOSS WITH NET CASH COMING OF (USED ON) OPERATING ACTIVITIES		
Net Loss	(63.203)	(173.448)
Adjustments to reconcile net loss with net cash coming of (used on) operating activities		
Depreciation and amortization	71.996	68.948
Provision for bad debt	5.862	-
Sale and disposal of fixed assets	25.425	(4.301)
Deferred and current income tax	(52.555)	(29.258)
Provision of interest	57.805	1.958
Changes in assets and liabilities:		
Receivables, non-related clients	32.849	(15.784)
Other receivables	48.704	(23.915)
Current tax assets	17.592	(5.173)
Trade accounts payable	22.581	74.391
Other accounts payable	(159.130)	-
Current taxes due	(536)	(59.604)
Net cash coming of (used on) operating activities	**7.390**	**(166.186)**

Gastón Cevallos
General Manager

Erika Saltos
General Accountant

See notes to the financial statements

INMOBILIARIA ITALIA INMOTALIA S.A.

NOTES TO THE FINANCIAL STATEMENTS

Contents:

1. General information

INMOBILIARIA ITALIA INMOTALIA S.A. was set up and has existed under Ecuadorian law since its registration in the Business Registry on November 10, 1999, with a duration of fifty years. Its main domicile is the city of Quito.

The Company's operations are mainly related to real estate projects, such as buying and selling land, building low-price, private urban housing developments, tower blocks, houses and shopping malls, the purchase and sale of real estate and condominium apartments.

The Company currently owns various premises in Ventura Mall Shopping Center, for which it receives rent payments, while others are on sale.

2. Financial situation in the country

In 2019 the economic situation in the country did not have the expected growth, oil revenues were maintained, the fiscal deficit and the high level of indebtedness of the country have caused lack of liquidity in certain sectors of the economy. Additionally, the economy in general was affected by the national strike that occurred in October 2019 and during the year 2020 the fiscal situation was aggravated by the factors detailed in note 26.

Despite the measures implemented by the government, there is uncertainty regarding the circumstances so that the country improves its condition in the medium term.

3. Significant accounting policies

3.1 Bases of presentation and declaration of compliance

The financial statements of INMOBILIARIA ITALIA INMOTALIA S.A., have been prepared according to International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), in force at December 31, 2019 and 2018, and in line with the requirements and options advised by the Ecuadorian Superintendence of Companies. The Management declares that the IFRS have been applied in full and without reservations in the preparation of these financial statements.

The figures included in these financial statements and in their notes are stated in the currency of the main economic environment in which the Company operates. The currency used and presented by INMOBILIARIA ITALIA INMOTALIA S.A. is the United States dollar

The preparation of these financial statements pursuant to IFRS requires the Management to make certain estimates and assumptions inherent in the Company's business with the aim of determining the valuation and presentation of some entries that are part of the financial statements. In Management's opinion, these estimates and assumptions were based on the best use of the information available at the time, but could differ from their final effects.

Below we describe the main accounting policies adopted in the preparation of these financial statements. As required by IFRS 1, these policies have been defined on the basis of the IFRS in force at December 31, 2019 and 2018, applied uniformly to all the periods presented.

3.2 Cash

This refers to the amounts held by the Company in cash, and banks without restrictions. On the Balance Sheet, overdrafts, if any, would be classified as loans under current liabilities.

3.3 Financial assets

Recognition

An entity recognizes a financial asset or liability in its statement of financial position when there is a contract that gives rise to a financial asset in one entity or a financial liability or equity instrument in another entity.

Initial measurement

Except for trade accounts receivable, on the initial recognition, the Company will measure a financial asset at its fair value, but in the case of a financial asset that is not posted at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Classification

An entity will classify financial assets according to their subsequent measurement.

- Financial assets at amortized cost
- Financial assets at fair value with changes in the result
- Financial asset at fair value with change in other comprehensive income

Subsequent measurement of financial assets

After the initial recognition, financial assets are measured at fair value, considering their classification:

- Financial assets at amortized cost. - assets are held for the collection of contractual flows on specified dates and which are only payments of the principal and interest on the outstanding principal amount. Interest income should be calculated using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost will be recognized in the result of the period when the financial asset is derecognized, reclassified through the amortization process, or to recognize gains or losses due to impairment value.

- Financial assets at fair value with changes in other comprehensive income. - assets are maintained for the collection of contractual flows and for the sale of financial assets and cash flows represent only payments of principal and interest on the amount of outstanding principal. A gain or loss on a financial asset that is measured with changes in other comprehensive income will be recognized in other comprehensive income, except gains or losses due to impairment or exchange differences until the financial asset is derecognized in accounts or is reclassified. When a financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income will be reclassified from equity to the result of the period as a reclassification adjustment.

- Financial assets at fair value through profit or loss. - financial assets that can not be measured at amortized cost or with changes in other comprehensive income. Financial assets at fair value through profit or loss include non-designated financial assets at the time of classification as amortized cost.

Derivatives, including embedded implicit derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are recorded in the separate statement of financial position at their fair value and changes in said fair value are recognized as financial income or costs in the statement of comprehensive income.

Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial recognition, these financial assets are measured at amortized cost through the use of the effective interest rate method, less any impairment. The amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the effective interest rate. The accrual to the effective interest rate is recognized as financial income in the statement of comprehensive income. Losses resulting from the impairment of value are recognized in the statement of comprehensive income as financial costs.

Losses through deterioration of financial assets

For accounts receivable, the Company uses the simplified method allowed by IFRS 9, Financial Instruments: Recognition and Measurement, which requires that the expected losses in the life of the financial asset be recognized from the initial recognition of financial assets.

Simplified Approach. - Applies when there has been no follow-up to changes in credit risk applied to trade accounts receivable and contractual assets, but recognizes a provision for expected credit losses during the life of the asset.

Write-off of financial assets

The Company writes off a financial asset only when contractual rights to the cash flows of the asset expire or if the financial asset, and substantially all the risks and benefits of ownership, are transferred to another entity. If the company neither substantially transfers nor retains the risks and benefits of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated obligation for the amounts that may be paid. If the company substantially retains all the risk and benefits of ownership of the transferred financial asset, the company continues to recognize the financial asset and also recognizes a guaranteed loan for the income received.

3.4 Financial Liabilities

Recognition, initial measurement and classification

The Company will recognize a financial liability in its financial statement all its contractual rights and obligations when and only when it becomes part of the contractual clauses.

All financial liabilities are initially recognized at their fair value plus directly attributable transaction costs, except loans and accounts payable at amortized cost net of directly attributable transaction costs.

Classification

An entity will classify financial assets according to their subsequent measurement.

- Financial liabilities at amortized cost
- Financial liabilities fair value with changes in the result
- Financial liabilities at fair value with change in other comprehensive income

Financial liabilities at fair value through profit or loss. - it will present a gain or loss on a financial liability designated as fair value.

Subsequent measurement of financial liabilities. - after initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Trade accounts payable and other accounts payable. - these are present obligations arising from the transactions of past transactions, such as the acquisition of goods or services.

Derecognition of financial liabilities. - the Company derecognizes a financial liability when and only when the obligation specified in the contract has been extinguished or canceled.

3.5 Inventory

This is the value of the premises available for sale, recorded at their construction cost.

3.6 Recognition of income

The Company will recognize the income when an obligation of transfer of a good or service committed to a client is satisfied and it obtains control and over time when it satisfies the transfer of the good or service committed to the client.

The Company will recognize the income for the transfer of goods or services for the amount to which it will be entitled for the consideration committed to the customers.

The Company will post a contract with a client when all the following criteria are met:

1. The parties to the contract have approved the contract (in written and, oral ways or in accordance with other traditional business practices) and undertake to comply with their respective obligations.
2. The entity can identify the rights of each party according to the goods or services to be transferred.
3. The entity can identify the payment terms according to the goods or services to be transferred.

4. The contract has a commercial basis (that is, it is expected that the risk, timing or amount of the future cash flows of the entity will change as a result of the contract), and.
5. It is probable that the entity collects the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the client. To assess whether collection of the consideration amount is probable, an entity will consider only the client's capacity and the intention to pay that consideration when due. The amount of the consideration to which the entity will be entitled may be less than the price established in the contract if the consideration is variable, because the entity can offer the client a price reduction.

Sale of goods
This is recognized when the company transfers the significant risks and benefits stemming from the ownership of the goods in accordance with the terms of the contract.

Sale of services
Revenue from the rendering of services is recognized based on the stage of completion of the transaction, corresponding to contracts and if they can be measured reliably.

Operating leases
Rental income from operating leases is recognized to the straight-line method.

Contract asset
A contract asset is an entity's right to consideration in exchange for the goods or services that the entity has transferred to the customer.

Contract liabilities
A contract liability is the obligation of the entity to transfer goods or services to a customer from which the entity has received a payment.

Resource Method.- the Company recognizes the income based on the effort or resources that the entity made to satisfy a performance obligation such as resources consumed, hours of labor spent, costs incurred, time elapsed or hours of machinery used in relation to the total resources expected to satisfy such performance obligation. If the entity's efforts or resources are spent uniformly over the performance period, it may be appropriate for the entity to recognize the income of ordinary activities on a linear basis.

3.7 Current and deferred taxes

The expense incurred for income tax is the sum of the current taxes payable and deferred taxes.

Current taxes

Current tax payable is based on the taxable profit of the year. The taxable profit differs from that reported in the Integrated Income Statement because it excludes income or expenditure items that are taxable or deductible in other years and also excludes entries that are never taxable or deductible.

The Company’s liabilities for current taxes are calculated using the tax rates that have been publicized and approved to the date of the Financial Statement.

Deferred Taxes

Deferred tax is recognized in the temporary differences between the book value of the assets and liabilities included in the financial statements and their tax bases. Deferred tax liabilities are usually recognized for all temporary tax differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that the company is likely to have future taxable profits to which these deductible temporary differences could be charged.

Said assets and liabilities are not recognized if the temporary differences stem from a transaction that does not affect either taxable profit or financial profit.

Deferred tax assets and liabilities are measured with the tax rates expected to be applicable in the period when the liability is established or the asset is realized, based on the corporate income tax rate published by the Internal Revenue Service as of the date of the Balance Sheet.

The value of deferred tax assets is reviewed each year on the date of the presentation of the financial statements and adjusted to the point at which it is unlikely that the taxable benefits will be enough to allow the asset or part thereof to be recovered.

The gauging of deferred tax assets and liabilities reveals the likely tax effects of how the company expects, at the reporting date, to recover or establish the value of its assets and liabilities.

The Company offsets deferred tax assets against deferred tax liabilities if and only if it has the legally recognized right to offset them, as approved by the tax authority itself.

Current and deferred taxes for the period

The current and deferred taxes are recognized as an expense or income in the net profit or loss.

3.8 Property and equipment

Furniture, equipment and vehicles are stated at cost, minus their accumulated depreciation and accumulated loss through deterioration.

The assets depreciate using the straight-line method, for which the historical cost minus the residual values assigned are considered as a depreciable amount, on the basis of the useful life spans stated below:

Group	Time
Vehicles	5 years
Furniture	10 years
Machinery	10 years
Telecommunications equipment	10 years

Useful life is established by the Management of the company based on the expected use of the goods.

Depreciation is charged so that it eliminates the cost or valuation of assets and of properties under construction during their estimated useful lives, using the straight-line method. The estimated useful life, residual values and the depreciation method are reviewed at the end of each year so that any potential change can be taken into account.

The profit or loss from the sale or write-off of an item of property or equipment is determined as the difference between the terms of sale and the book value of the asset and is recognized in the results.

Replacements or renewals of goods that extend their useful life or their economic capacity are recorded at the higher value of the respective goods, with the ensuing removal of the replaced or renewed goods from the accounts.

Periodical expenses for maintenance, conservation and minor repairs are recorded directly in the results as a cost of the period in which they are incurred.

3.9 Assets for rights of use

The Company made no adjustments to the transition, as it posted it leases in accordance with IFRS 16 from the transition date.

The Company recognized at the beginning of the period a right to use the asset and a lease liability. The right-of-use asset was initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made on or before the start date, plus the initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or site where it is located , minus the lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term. The lease liability is initially measured at the present value of lease payments that are not paid on the start date, discounted using the interest rate implied in the lease.

The Company submits right-of-use assets that do not meet the definition of investment property in property and equipment and lease liabilities on loans in the financial statement.

Short-term leases

The Company has decided not to recognize right-of-use assets and lease liabilities for low-value leases and short-term leases.

3.10 Investment property

They are the ones maintained to produce income, capital gains or both and are measured initially at cost, including transaction costs.

After initial recognition, the investment properties are registered at cost separating the accumulated depreciation and the accumulated amount of impairment losses.

3.11 Joint stock and distribution of dividends

Ordinary shares are classified as net equity.

Dividends payable to the company's shareholders are recognized as a liability in the financial statements if legal provisions in force or the distribution policies established by the Board require this obligation.

3.12 Costs and expenses

Costs and expenses are recorded at historical cost. Costs and expenses are recognized as they are incurred, regardless of the date on which the payment is made and are recorded in the period closest to that in which they are identified.

3.13 Cash Flow statement

For the purposes of the cash flow statement preparation, INMOBILIARIA ITALIA INMOTALIA S.A. has defined the following considerations:

Cash and cash equivalents: include the cash box and financial Institutions In short term investments.

Operations: are activities that constitute the main source of revenue of INMOBILIARIA ITALIA INMOTALIA S.A., as well as other activities that could riot be qualified as from investment or financing.

Investment activities: correspond to activities of acquisition, alienation or disposal by other means of non-current assets and other investments not included in cash and equivalents.

Financing activities: activities which produce changes in the size and composition of the equity and financial liabilities.

3.14 Changes in policies and accounting estimates

Except for the application of IFRS 16 regarding the accounting for leases, the financial statements as of December 31, 2019, do not present changes in the accounting policies and estimates compared with the previous year.

3.15 Compensation of transactions and balances

The assets and liabilities, as well as revenue and expenses presented in the financial statements do not compensate each other, except when permitted by certain legislation.

3.16 Classification of balances as current or non current

On the balance sheet, the balances are classified according to their maturity date; as current if the maturity date is equal to or less than twelve months from the closing date of the financial statements; and as non-current if they are for longer than that period.

3.17 New regulations and published regulations not yet in force

New regulations applied by the Branch

There was no significant effect on the financial statements of INMOBILIARIA ITALIA INMOTALIA S.A. caused by regulations or amendments that came into force for the first time in 2019.

Interpretations, modifications and new regulations applicable to the Branch, which have not yet come into force

Title and the normative name	**Modifications**	**Estimated date of application in the company**
Conceptual Framework	The revised Framework is more comprehensive than the previous one: its objective is to provide the full set of tools for setting standards. It covers all aspects of setting standards, from the purpose of financial information to presentation and disclosures.	January 1, 2020
IFRS 3	The effect of these changes is that the new definition of a business is narrower, which could result in fewer business combinations being recognized	January 1, 2020
IAS 1 and IAS 8	Modifications to clarify the concept of materiality	January 1, 2020
IFRS 17	Replace IFRS 4 Insurance Contracts	January 1, 2021
IFRS 10 and IAS 28	Establish amendments for the sale or contribution of assets between an investor and its joint venture partner	Un defined

The Company has not yet concluded with the analysis on the possible impacts of the application of the above-cited new regulations and amendments.

4. Accounting estimates and opinions

Accounting estimates and opinions are continuously evaluated and are based on experience and certain factors applicable to the sector, which are reasonable under current circumstances and expectations of future events.

Significant Estimates

The Company makes certain estimates based on hypotheses related to the future, which will not be the same as the respective future results but do, however, lead to a reasonable presentation of the financial statements. The main estimates that may lead to future adjustments are set out below:

4.1 Useful lives and asset impairment

As described In Note 3.8, Management establishes the estimated useful life and respective depreciation charges for its property, plant and equipment. This estimate is based on the life cycles of the assets according to expected use by the Company. This estimate could change significantly as a result of technical innovations in response to major changes in variables in the Company's sector.

5. Financial risk management

The Company's business exposes it to various financial risks: credit risk and liquidity risk.

Risk management is the responsibility of the General Manager, who is in charge of identifying, evaluating and covering the financial risks, with the cooperation of all the Company's operating areas, so that these risks do not significantly affect the economic value of its cash flows or assets or, consequently, the Company's bottom line.

Below we present a definition of the risks faced by the Company, a characterization and quantification of said risks, and a description of the mitigation measures currently used by the Company.

Credit Risk

Credit risk refers to the risk of one of the parties defaulting on its contractual obligations, resulting in a financial loss for the Company.

INMOBILIARIA ITALIA INMOTALIA S.A. maintains a policy of granting credit only to customers who have complied with the policies established by the Company.

Commercial receivables are distributed among a considerable number of customers, with no concentration of credit with any of these.

The Company does not hold any significant accounts receivable with any of its related parties.

Liquidity Risk

The Company's Financial Manager is responsible for liquidity management. Forecasts are continuously made as to the Company's liquidity needs. An appropriate working framework has been set up for liquidity management so that Management can handle short, medium and long-term financing requirements, as well as managing the Company's liquidity, Management handles the liquidity risk, keeping reserves and appropriate financial facilities, continuously monitoring cash flows, both projected and actual, and reconciling the maturity profiles of the financial assets.

Cash in Banks and Financial Assets

Cash in banks and financial assets held to maturity are held in financial institutions described below:

	Qualification	
Financial entity	**2018**	**2017**
Banco Bolivariano	AAA	AAA
Banco Produbanco-Grupo Promerica	AAA-	AAA-
Banco Internacional	AAA	AAA

Capital management

The Company's main aim in managing its capital is to ensure that it will be able to keep its business running and provide the owners with the maximum expected return.

The Company's Management makes frequent reviews of the composition of the capital and the risks of each component.

The Management regularly evaluates the Company's financial position, and his evaluation, according to the Company's Management, demonstrates that there is sufficient capacity to continue as a going concern and that this capacity is appropriate for the market in which the business is operating.

Financial indexes

The Company's main financial indicators are:

Working Capital	USD$(779.555)
Liquidity Index	0,3 veces
Total liabilities / equity	0,4 veces

Management estimates that the financial indicators are within the ranges based on size and industry in which the Company operates.

Working capital deficit

As of December 31, 2019, the Company has a working capital deficit of approximately US$779.555, according to Management, this is a going concern given that the obligations are concentrated in Related Companies.

6. Financial Instruments by category

As of December 31, 2019 and 2018, financial instruments balances are made up of the following:

	Notes	December 31			
		2019		2018	
		Current	Non Current	Current	Non Current
Financial assets:					
Amortized cost:					
Cash	7	83.109	-	42.305	-
Accounts receivable, related clients and Others accounts receivable	8 - 9	113.896	81.523	180.828	-
Total		**197.005**	**81.523**	**223.133**	**-**
Financial Liabilities:					
Amortized cost:					
Trade accounts payable and other accounts payable	14 - 15	1.169.905	-	1.314.288	-
Financial obligation		31	-	31	-
Total		**1.169.936**		**1.314.319**	**-**

7. Cash

As of December 31, 2019 and 2018, cash balances are made up of the following:

	December 31	
	2019	2018
Banks	83.109	42.305
Total	**83.109**	**42.305**

The funds presented above do not have any restrictions for immediate use.

8. Accounts receivable non related clients

Balances in accounts receivable as of December 31, 2019 and 2018, are shown:

	December 31	
	2019	2018
Accounts Receivable Customers monthly use value	50.312	58.973
Accounts receivable from local clients	10.205	18.504
Impairment losses recognized	(5.223)	(3.955)
Total	**55.294**	**73.522**

The average credit period for sale of goods is 0 to 30 days, the Company does not charge interest if not paid within that period.

The Company performs an annual individual analysis of accounts receivable from clients in order to determine whether there is any deterioration, and to estimate the provision to be recorded for this item.

Measurement of credit losses

The Company measured credit losses based on the simplified method of Financial Instruments IFRS 9. To determine the portfolio, it has been grouped according to maturity and the probability that a credit loss happens, reflecting the possibility that it will occur and that the credit loss will not occur, analyzing the last three years.

	% Credit Risk	December 31	
		Portfolio value	Deterioration
From 00 to 30 days	1%	13.144	89
From 31 to 60 days	4%	6.791	292
From 61 to 120 days	0,2%	6.951	11
From 121 to 180 days	10%	4.776	496

	% Credit Risk	December 31 Portfolio value	Deterioration
From 181 to 360 days	5%	9.092	449
From de 361 days	41%	9.558	3.886
Total		**50.312**	**5.223**

	% Credit Risk	December 31 Portfolio value	Deterioration
From 00 to 30 days	0%	29.656	-
From 30 to 60 days	0%	8.759	-
From 120 to 180 days	25%	20.558	3.955
Total		**59.973**	**3.955**

Impaired accounts receivable have decreased based on 2018 due to the fact that all credits were issued for outstanding securities. Additionally, the bad debt was written off.

Movement of provision for impaired receivables

The change in the balance of the provision for doubtful accounts is as follows:

	December 31 2019	2018
Balance at beginning	3.955	7.289
Eliminated as uncollectible amounts	5.223	(3.334)
Provision for bad debts	(3.955)	-
Total	**5.223**	**3.955**

9. Others accounts receivable

Balances in others accounts receivable at December 31, 2019 and 2018, are shown below:

	December 31 2019	2018
Advance payment Suppliers	11.921	59.830
Green Bay Power Generation (*)	43.120	43.120
Prepaid Insurance	3.561	4.356
Total current	**58.602**	**107.306**
Others accounts receivable	81.523	**-**
Total not current	**81.523**	**-**

(1) Corresponds to amounts pending collection from the Company's shareholders for the solidarity contribution generated in 2016, which INMOBILIARIA ITALIA S.A. canceled the obligation to the Internal Revenue Service

(2) The other account receivables correspond to Mr. Chiriboga Javier with whom an interest rate payment agreement was established 6% to 3 years term and maintain an open mortgage.

10. Current taxes

At December 31, 2018 and 2017, the composition of balances of assets and liabilities for current taxes is as follows:

	December 31 2019	2018
Current tax assets		
Income tax	26.089	23.582
Value added tax	151.718	171.820
Total current tax assets	**177.807**	**195.402**

	December 31	
	2019	2018
Current tax liabilities		
Income tax	10.741	6.316
Value added tax	1.883	6.853
Total current tax liabilities	**12.624**	**13.169**

Current tax assets and liabilities will be recovered and paid in the short-term.

11. Property and equipment

As of December 31, 2019 and 2018 balances for property and equipment are as follows:

	December 31	
	2019	2018
Vehicles	39.277	39.277
Furniture	4.139	4.139
Machinery	3.758	3.758
Computer equipment	655	307
Assets by right of use	10.950	-
Telecommunications equipment	-	3.185
Accumulated depreciation	(51.348)	(48.160)
Total	**7.431**	**2.506**

2019

Description	Start of year balance	Additions	Write-off	End of year balance
Vehicles	39.277			39.277
Furniture	4.139			4.139
Machinery	3.758			3.758
Telecommunications equipment	3.185		(3.185)	-
Computer equipment	307	348		655
Assets by right of use (see note 12)	-	10.950		10.950
Total	**50.666**	**11.298**	**(3.185)**	**58.779**
Accumulated depreciation	(48.160)	(6.373)	3.185	(51.348)
Total	**2.506**	**4.925**	**-**	**7.431**

2018

Description	Start of year balance	Sales	Additions	Reclassifications	End of year balance
Commercial premises	4.928.880	(29.750)	-	(4.899.130)	-
Land	1.216.603	(6.882)	-	(1.209.721)	-
Vehicles	39.277	-	-	-	39.277
Furniture	4.139	-	-	-	4.139
Machinery	3.758	-	-	-	3.758
Telecommunications equipment	3.185	-	-	-	3.185
Computer equipment	307	-	-	-	307
Total	**6.196.149**	**(36.632)**	**-**	**(6.108.851)**	**50.666**
Accumulated depreciation	(54.997)	241	(61.595)	68.191	(48.160)
Total	**6.141.152**	**(36.391)**	**(61.595)**	**(6.040.660)**	**2.506**

12. Assets by right of use

The Company on January 1, 2019 recognized an asset by right to use leases over two years, the detail below:

Supplier	Lease detail	Term	Canon	% Discount rate
ECI CIA. LTDA.	Office	2 years	500	8,95%

As of December 31, 2019, the balances of the assets by right of use are as follows:

2019					
Description	**Start of year balance**	**Write-off**	**Additions**	**Reclassifications**	**End of year balance**
Assets by right of use	10.950	-	-	-	10.950
Amortization	-	-	5.475	-	(5.475)
Total	**10.950**	**-**	**5.475**	**-**	**5.475**
Operating Lease Liabilities C/P	5.231	(5.231)	-	5.719	5.719
Operating Lease Liabilities L/P	5.719	-	-	(5.719)	-
Total	**10.950**	**(5.231)**	**-**	**-**	**5.719**

The financial cost of the assets for recognized use rights in the expenditure during 2019 was $769.

13. Investment properties

Below is a summary of investment properties at 31 December 2019 and 2018:

	December 31	
	2019	**2018**
Local commercial land	4.702.031	1.209.721
Commercial premises	1.164.977	4.899.130
Accumulated depreciation local commercial	(129.762)	(68.191)
Total	**5.737.246**	**6.040.660**

2019				
Description	**Start of year balance**	**Sales**	**Additions**	**End of year balance**
Land	1.209.721	(47.444)	2.700	1.164.977
Commercial premises	4.899.130	(204.399)	7.300	4.702.031
Total	**6.108.851**	**(251.843)**	**10.000**	**5.867.008**
Accumulated depreciation	(68.191)	4.950	(66.521)	(129.762)
Total	**6.040.660**	**(246.893)**	**(56.521)**	**5.737.246**

Assets classified as investment properties do not guarantee any obligation.

14. Accounts payable

Below is a summary of accounts payable at 31 December 2019 and 2018:

	December 31	
	2019	**2018**
Inventory providers	117.545	94.964
Total	**1117.545**	**94.964**

The average credit period for purchases of specific goods is 60 days from the date of invoice.

15. Other accounts payable

Balances in other accounts payable as of December 31, 2019 and 2018, are shown below:

	December 31	
	2019	**2018**
Foreign credits (*)	753.132	753.132
Interest payable	186.347	128.542
Accrues fees	77.355	143.004
Guarantees payable	27.728	19.506
Accounts payable leased assets	5.719	-
Deposits to be identified	79	-
Advance sales customers	-	123.500
Contributions	-	37.677
Maintenance	-	13.963
Total	**1.052.360**	**1.219.324**

(*) The obligation of the outside corresponds to unpaid obligations "Green Bay Power Generation Holdings" at a daily interest rate is 0.023% for a term of 349 days.

16. Deferred taxes

Deferred tax liabilities

The balance of tax liabilities deferred consists mainly of allocating the cost attributed to the components of property, plant and equipment for purposes of initial application of IFRS'S.

The movement of deferred taxes was as follows

The movement of the tax deferred for the years ended 31 December 2019 and 2018, is as follows:

December 31	Balance beginning of year	Generation	Reversion	Adjustment for rate change	Balance end of year final
Property and equipment	1.188.604	581509	(997.264)	-	772.849

The expenses (income) for deferred taxes and income tax for the years ended December 31, 2019 and 2018 are attributable to the following:

	December 31	
	2019	**2018**
Current income tax	28.555	12.878
Effect for deferred tax release / constitution	(52.555)	(29.258)

17. Transactions with related parties

<u>*Short-term benefits paid to key management personnel of the Entity*</u>

The total of short-term fees received by the Entity's personnel during the year 2019 and 2018 amounts to USD $100.000 and USD $143.004, respectively.

18. Income

A summary of the income reported in the financial statements is as follows:

	December 31	
	2019	**2018**
Rent of commercial premises	411.112	482.452
Advertising	8.759	5.684
Total	**419.871**	**488.136**

Contracts with clients

Ordinary revenues recognized as of December 31, 2019 correspond to contracts with customers in which the performance obligations corresponding to the transfer of goods within the price of their contracts have been determined, and the amount of the property has been identified.

19. Administrative expenses

The summary of administrative expenses reported in the financial statements is:

	December 31	
	2019	**2018**
Services and fees	176.883	155.309
Maintenance	92.922	118.239
Contributions	65.501	100.156
Other expenses	29.406	96.192
Depreciation	72.893	69.189
General	11.736	40.222
Publicity	16.616	15.653
Interest and penalties	12.069	11.614
Basic services	5.611	6.322
Management	264	713
Total	**483.901**	**613.609**

20. Income tax

According to the Law to Reactivate the Economy, Strengthen the Dollarization and Modernize Financial Management Published in official record No. 150 of December 29, 2018, the rate for income tax as of 2019 will be calculated in 22% of the profits subject to distribution. It is provided that the participation of the partners or shareholders in one hundred percent corresponds to natural or corporate personnel domiciled in Ecuador, when the Company has equity participation of natural persons or companies whose residency is in tax havens, the following should be considered:

Shareholding less 50%	% Shareholding	% Income Tax
Company based in tax haven	40%	25%
Individual or legal body resident in Ecuador	60%	22%

Shareholding of over 50%:	% Shareholding	% IR
Company based in tax haven	55%	25%
Individual or legal body resident in Ecuador	45%	

When a Company residing in Ecuador distributes or delivers advanced earnings, dividends or profits to natural persons residing in Ecuador, it must issue a source withholding document for income tax per this Internal Tax Regime Law's Regulations.

This provision also applies to advanced earnings, dividends or profits; as well as to loans to shareholders per the Law; without prejudice to the respective withholding that constitutes a tax credit for the company issuing the payment.

Without prejudice to the withholding established in the foregoing article, when a company distributes earnings or other profits charged to earnings in favor of its partners or shareholders, before the tax year ends and, therefore, before the results of the company's activity are known, it should perform a withholding of 22% over the amount of such payments. Such withholding shall be declared and paid the following month, within the periods of time established in the Regulations, and shall constitute a tax credit for the company for its Income Tax Declaration.

A reconciliation between the earnings per financial statements and taxable earnings is as follows:

Description	2019	2018
Book profit, before income tax	(87.203)	(189.829)
Plus non-deductible expenses	184.722	239.843
Plus temporary difference	32.278	-

Tax base	**129.797**	**50.014**
Income tax calculated at 22%	28.555	11.003
Prepaid tax	-	12.878
Current income tax recorded in results	**28.555**	**12.878**

The Company has not been reviewed by the tax authorities, and so the fiscal periods of 2019 to 2017 are open to review.

21. Tax reforms

On December 31, 2019, the Organic Law of Tax Simplification and Progressivity was published.

His main reforms are summarized below:

Creation of New Taxes

Single and Temporary Contribution

Companies that have generated taxable income equal to or greater than one million dollars will be required to pay this contribution. It will be paid for fiscal years 2020, 2021 and 2022, until March 31 of each year. The amount to be paid will not exceed 25% of the income tax caused in 2018.

The rates are as follows

Taxed income from	Taxed income to	Rate
1.000.000,00	5.000.000,00	0,10%
5.000.000,01	10.000.000,00	0,15%
10.000.000,01	Onwards	0,20%

Reforms to the Tax Code

A list of the rights that individuals and companies have as taxable persons is added, such as: impartiality, non-discrimination, not to provide documents already presented, etc.

It includes a form of direct determination based on records, made up of information and documentation held by the Tax Administration.

Dividend payment reforms

Dividend distribution will be exempt only in favor of Ecuadorian companies (distribution to foreign companies and individuals will no longer be exempt).

The taxed income will be equal to 40% of the dividend distributed. The companies that distribute dividends to individuals residing in Ecuador will retain up to 25% on the taxed income. Companies that distribute dividends to non-residents in Ecuador will retain applying the general rate for companies. If the company that distributes dividends breaches its duty to inform the company composition, it must retain the maximum rate of natural persons on them.

Income from agricultural activities

Income from agricultural activities in the stage of local production and / or marketing or that are exported, may qualify for a single Income Tax according to different ranges.

Income Tax Exemptions

For deposits and fixed-term investments with a term equal to or greater than 360 days, an exemption is maintained, even if there are yield payments before maturity.

Those derived from the execution of projects financed with credits or non-reimbursable funds from government to government received by foreign companies of nationality of the donor.

The exemption foreseen for mergers between institutions of the popular and solidarity financial system is regulated.

Employer retirement provisions and eviction

They constitute taxable income, the provisions made to meet the payment of employer retirements or eviction that have been used as a deductible expense and that have not been effectively paid in favor of the beneficiaries of such provision.

The provisions to meet the eviction payment and employer retirement pensions, actuarially formulated by specialized companies or professionals in the matter, will be deductible, provided that, for the latter, the following conditions are met:

a. They refer to personnel who have completed at least 10 years of work in the same company; Y,

b. The cash contributions of these provisions are managed by companies specialized in fund management authorized by the Securities Market Law.

Limit for deduction of interest generated on external credits

The deduction of interest generated on external loans contracted by related parties remains at 300% (related debt / equity) only for banks, insurance companies and entities in the popular and solidarity-based financial sector. For the rest of the companies and individuals, the interest paid to related or independent parties will be deductible up to 20% of the EBITDA of each year.

Value added tax reforms

The following transfers are included as taxed goods with a 0% rate:

- Flowers, foliage and branches
- Tractors up to 300hp that are used for any agricultural activity.
- Glucometers, lancets, test strips, for measuring glucose, insulin bands.
- Paper.
- Boats, machinery, navigation equipment and materials for the artisanal fishing sector.
- The provision of web page domains, hosting, cloud computing.
- Electronic charging service for recharging all types of electronic vehicles.

The following transfers are included as taxed goods with a 0% rate:

- Digital services when consumption is made by a resident or a permanent establishment of a non-resident.
- Services provided by qualified artisans that exceed the established limits for accounting.

Tax Regime for Micro-companies

It includes taxes on income, value added and special consumption and is applicable to all micro-businesses, except those that are under the RISE or taxpayers whose economic activities are real estate, professional services, liberal occupation, dependency relationship or for those who exclusively receive capital income.

The micro-companies will remain in this regime, while their condition lasts, without in any case their permanence being greater than 5 fiscal years and they must keep accounting and declare their taxes according to the following:

- Income Tax: They will apply the 2% rate on the gross income of the respective fiscal year exclusively with respect to those income from business activity, and they will apply the general rate on income from a source other than business activity. They will not be withholding agents except payments abroad, distribution of dividends or payments to employees in a dependency relationship.

- VAT: Semiannual declaration and they will not be withholding agents except in the case of importing services.
- ICE: Semiannual declaration.

Currency Exit Tax

The minimum term of external credits to apply the ISD exemption is reduced to 180 calendar days or more and it is included that they can also be used for investment in capital representative rights.

The exclusion to the exemption from ISD of dividends distributed to companies or individuals domiciled in tax havens is eliminated, but it is clarified that such exemption would not apply when dividends are distributed in favor of foreign companies, which, in turn, within their owned chain, possess representative rights of capital, the natural persons or companies resident or domiciled in Ecuador that are shareholders of the company that distributes the dividends.

The condition of permanence in the country of 360 calendar days of national investments from abroad, and in investments made abroad by securities issued by resident companies, is eliminated, so that the exemption of ISD in the payment of the returns generated will apply. the same and of its capital, and in the case that it is paid in favor of residents in Ecuador.

Excluded from the ISD exemption in payments made to related parties, for financial returns, capital gains, and capital, of fixed-term deposits or investments, with resources from abroad, in institutions of the national financial system.

Reduction of income tax for areas affected by the national stoppage of October 2019

A 10% reduction of the Income Tax of the 2019 fiscal year is established for taxpayers domiciled in the provinces of Carchi, Imbabura, Bolívar, Chimborazo, Tungurahua, Cotopaxi, Cañar, Azuay and Loja, whose activity is agricultural, livestock, agro-industrial or tour.

22. <u>Transfer pricing</u>

Taxpayers should consider transactions with related both domiciled outside and Ecuador parties agree to the following:

- Taxable persons of the income tax that made transactions with parties related premises or residing abroad, within the same period fiscal in a cumulative amount exceeding three million dollars from the United States ($ 3,000,000), must submit to the Internal revenue service the annex to transactions with related parties

- Those taxable persons who have carried out operations with related parties local or domiciled abroad, within the same fiscal period, in a cumulative amount exceeding six million dollars from the United States of America ($ 15.000.000) shall additionally submit to annex, the report of transfer prices

The operations of the company with parties during the year 2019 did not exceed the cumulative amount mentioned.

23. <u>Join Stock</u>

The Company has authorized joint stock totals USD$800 divided into eight hundred ordinary shares of (US$1) each.

24. <u>Reserves</u>

Legal Reserve

The Companies Act stipulates that at least 10% of the annual profit be set aside as a legal reserve until the latter reaches a minimum of 50% of the joint stock. This reserve is not available for the payment of cash dividends but may be capitalized in its totality or used to absorb loss.

<u>Optional and statutory reserve</u>

The General Meeting may agree on the formation of an additional reserve fund, for which purpose it may allocate part or all of the annual net profits.

25. Retained earnings

This account is made up of:

Retained earnings from the first-time adoption of IFRS:

This corresponds to the amounts resulting from the adjustments made clue to the first-time adoption of IFRS

The credit balance may only be capitalized in the part that exceeds the value of the accumulated losses, and those from the most recent fiscal year, if any; or used to absorb losses; or returned if the Company is liquidated.

26. Subsequent events

Due to the declaration by the Ecuadorian State of health emergency on 11 March and the state of emergency on 16 March 2020, caused by the worldwide spread COVID-19, as well as the decline in the price of oil, the decline in financial markets, the decline in the stock exchange and the low likelihood of further investments , a significant impact on the national and global economy is expected to have a general increase in consumption, thus affecting the Company's operations.

27. Approval of the financial statements

The financial statements for the year ended December 31, 2019, have been approved by the Management of the Company and shall be presented to the Shareholders for their approval, in the opinion of the Management of the Company, the financial statements will be approved by the Shareholders without any modifications.

Gastón Cevallos	Erika Saltos
General Manager	**General Accountant**