CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

FINANCIAL STATEMENTS
31 December 2022

Content

S/ = Peruvian Sol
US$ = U.S. Dollar

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INDEPENDENT AUDITOR'S REPORT

To the Associates of
CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

Opinion

We have audited the accompanying financial statements of **Confederación Panamericana de Bádminton** (hereinafter the Confederation), which comprise the statement of financial position as of 31 December 2022, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Confederation as of 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with accounting policies and practices made by the Operational Management mentioned in Note 2 to the Financial Statements.

Basis for the opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Confederation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants (IESBA Code) jointly with the ethical requirements that are relevant to our audit of the financial statements in Perú, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In that regard, we consider that the Company has not presented situations that are worth mentioning as key audit matters.

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Independent auditors' report (continued)

Responsibilities of Management and those charged with governance of the Confederation for the financial statements.

The Operational 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 the Management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those in charge of the Confederation governance are responsible for overseeing the Confederation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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 auditor's 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Confederation's internal control.

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- Evaluate the correction of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Operational Management.
- Conclude on the appropriateness of use of the Going Concern basis of accounting by the Operational Management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Confederation's ability to continue as a Going Concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Confederation to cease to continue as a Going Concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of the Confederation's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Countersigned by: *Panez, Chacaliaza y Asociados Sociedad Civil de R.L.*

Marco Morales (Partner)
Peruvian Certified Public Accountant
Registration Nº 41412

27 March 2023
Lima, Perú

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

STATEMENT OF FINANCIAL POSITION
As of 31 December 2022

	Notes	2022	2021
		S/	S/
ASSETS			
CURRENT ASSETS			
Cash	4	276	1,576
Trade accounts receivable		179	-
Other accounts receivable	5	507,039	475,052
Inventories	6	82,174	121,802
Services and other contracted in advance		2,614	44,363
Total current assets		**592,282**	**642,793**
NON-CURRENT ASSETS			
Property, plant and equipment	7	43,603	36,306
Total non-current assets		**43,603**	**36,306**
TOTAL ASSETS		**635,885**	**679,099**

LIABILITIES AND EQUITY			
CURRENT LIABILITY			
Trade accounts payable	8	7,831	41,732
Other accounts payable	9	171,093	340,188
Provisions		89,458	-
Total current liabilities		268,382	381,920
TOTAL LIABILITIES		**268,382**	381,920
EQUITY			
Accumulated surplus		367,503	297,179
TOTAL EQUITY		367,503	297,179
TOTAL LIABILITIES AND EQUITY		**635,885**	**679,099**

The accompanying notes are part of the financial statements.

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022	2021
		S/	S/
INCOME FROM DONATIONS		4,164,643	2,683,766
GROSS SURPLUS		4,164,643	2,683,766
OPERATING EXPENSES			
Administration expenses	10	(4,083,383)	(2,838,571)
Total operating expenses		**(4,083,383)**	**(2,838,571)**
OPERATING SURPLUS (DEFICIT)		**81,260**	**(154,805)**
OTHER INCOME (EXPENSES)			
Other management income		20,216	2
Financials, net		(2,157)	268
Loss for Exchange difference, net	14.1 (a)	(26,774)	95,548
Total other income (expenses)		(8,715)	95,818
SURPLUS (DEFICIT) BEFORE INCOME TAX		72,545	(58,987)
Income tax expense		(13,209)	-
SURPLUS (DEFICIT) OF THE YEAR		**59,336**	**(58,987)**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME OF THE YEAR		**59,336**	**(58,987)**

The accompanying notes are part of the financial statements.

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

STATEMENT OF CHANGES IN EQUITY
For the period ended as of 31 December 2022

	Notes	Surplus / Deficit	Total
		S/	S/
As of 1 January 2021		**358,326**	**358,326**
Deficit of the year		(58,987)	(58,987)
Adjustments		(2,160)	(2,160)
As of 31 December 2021		**297,179**	**297,179**
Gain of the year		59,336	59,336
Adjustments		10,988	10,988
As of 31 December 2022		**367,503**	**367,503**

The accompanying notes are part of the financial statements.

CONFEDERACION PANAMERICANA DE BADMINTON

STATEMENT OF CASH FLOWS
For the period ended as of 31 December 2022

	Note	2022	2021
		S/	S/
CASH FLOWS FROM OPERATING ACTIVITIES			
Donations received		4,164,643	2,683,766
Other collection		61,965	147,227
Other payments		(649,746)	(450,790)
Payment to providers		(2,424,361)	(1,445,510)
Tax payments		(17,760)	(102,390)
Compensation payment		(1,118,531)	(1,061,147)
Net cash provided by (used in) operating activities		**16,210**	**(228,844)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17,510)	(18,697)
Net cash used in investing activities		**(17,510)**	**(18,697)**
NET DECREASE OF CASH IN THE YEAR		(1,300)	(247,541)
Cash			
As of 1 January		1,576	249,117
As of 31 December	4	**276**	**1,576**

The accompanying notes are part of the financial statements.

1. OVERVIEW AND BUSINESS ACTIVITY

1.1 Overview

Confederacion Panamericana de Badminton (hereinafter referred to as the Confederation) is a non-profit civil Association of indefinite duration. It was incorporated in Perú, in the city of Lima, on 7 June 2017.

Its legal address is located at Cal. General Recavarren N°. 111 601 Urb. Surquillo – Miraflores, Lima – Perú.

1.2 Business activity

The purpose of Confederación Panamericana de Bádminton is the promotion of cultural activities. Within its purposes, it also gives support to sport entities, in this specific case, those activities related to the development and promotion of Badminton.

In order to fulfil its corporate purposes, the Confederation shall execute all type of actions, including to conclude agreements and arrangements with different local or international entities. Likewise, it can receive donations or contributions in order to be used exclusively in the compliance of its purposes, and where applicable, use it for the specific purposes the contributions or donations are received for, which shall be in accordance with the Confederation's purposes and objectives.

1.3 Authorization for issuance of the financial statements

The financial statements as of 31 December 2022 have been authorized for issuance by the Operational Management and will be presented for approval to the General Assembly within the deadlines established in the statutes.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted by the Confederation in preparing and reporting financial statements have been applied consistently for the years presented and are the following:

2.1 Information responsibility

The information contained in the financial statements are responsibility of the Operational Management, which expressly indicates that the accounting policies and practices established by the Operational Management have been fully applied.

2.2 Compliance statement

The Confederation's financial statements are prepared on a Going Concern basis and in accordance with Accounting Policies and Practices made by the Operational Management valid as of 31 December 2022 and 2021.

The financial statement has been prepared based on historical cost except for Property, Plant and Equipment that are measured under the revaluation method. The assets and liabilities are considered current if the Confederation expects that the amount will be recovered or paid within 12 months after the reporting period.

The preparation of the financial statements in accordance with the accounting policies and practices formulated by the Operations Management requires the use of certain accounting estimates. It also requires that the Operational Management exercise its judgment in the application of the Confederation's accounting policies.

The financial statements are presented in Peruvian Soles, except when it indicates a different monetary expression.

Other regulatory compliance. - Other regulatory compliance valid as of 31 December 2022 includes:

COVID-19
COVID -19 is an infectious disease caused by a new coronavirus. On 11 March 2020, the World Health Organization (WHO) declared a global pandemic, during 2022 new variants have been identified.
Measures to slow the spread of Covid-19 have had a significant impact on the global economy.

On 15 March 2020 through Supreme Decree No. 044-2020, the Peruvian Government declared a state of emergency at the national level and mandatory social isolation.

In accordance with the provisions of the Peruvian Government, the Confederation gradually restarted its operations, beginning with the implementation of new security protocols and then mobilizing personnel and resuming its regular service levels.

On 27 October 2022 and by Supreme Decree N°130-2022, the Peruvian Government declared the end of the state of emergency due to Covid-19 throughout the Peruvian territory, eliminating all restrictions, and promoting vaccination.

2.3 Significant judgements, accounting estimates and assumptions
The preparation of the financial statements according to the accounting policies and practices made by the Operational Management requires the use of certain accounting judgements, estimates and assumptions that may affect the reported figures of assets, liabilities, income, expenses and the corresponding notes.
The Management discloses information about trials, accounting estimates and assumptions at the end of the reporting year in notes which will include a) Nature. b) Carrying amounts at the end of the reporting period.

Significant estimates and accounting assumptions. -
The estimates and assumptions are reviewed by the Operational Management on an ongoing basis. The estimates and its sources of uncertainty considered most important for the preparation of the Confederation’s financial statement are referred to:

a) **Estimates of value impairment of accounts receivable (note 2.4 D)**
Management measures the accuracy of the impairment of financial assets, if it must correct the value of the financial asset for loss, this is recognized in the Statement of comprehensive income.

b) **Estimates of value impairment of inventories (note 2.4 E)**
The cost of inventories may not be recoverable in case those are damage, obsolete, its market priced have fall or the estimated costs for its termination or sale have increase. The Operational management evaluates regularly that the inventory cost is under realizable net value.

c) **Depreciation method, estimated useful lives and residual values of Property, Plant and Equipment (note 2.4 F)**
The depreciation method, estimated useful lives and residual values for the components of Property, Plant and Equipment, involves judgement and assumptions that could be affected if the circumstances change. Operational management regularly reviews these assumptions.

d) **Value impairment of non-financial assets (note 2.4 G)**
At the end of each reporting period, the Confederation reviews if there is evidence of long-term assets value impairment. If the carrying amount exceeds the recoverable amount, the Confederation performs the impairment estimation. At the financial statements date there is no evidence that shows the carrying amount of the long-term assets exceeds the recoverable amount.

e) **Income tax estimate (note 2.4 L)**
Tax Authorities might interpret the tax laws in a different way from the Confederation and this might result in uncertainty before income tax treatments.

f) **Contingencies estimates (note 2.4 M)**
Contingencies are registered only if these are certain. Estimates for contingent liabilities involves judgement and estimates of future events. Any difference between the estimates and the actual subsequent payments is registered in the year they are incurred.

The operational management considers that the estimates included in the financial statements were based on the knowledge of the relevant facts and circumstances at the date of their preparation; however, the final results might be different from the estimates shown in the financial statements.

2.4 Summary of significant accounting policies

A) Foreign currency

Functional currency and Presentation currency
Functional currency is the currency of the main economic environment where the Confederation operates.

The financial statements' functional and presentation currency selected by the Operational Management is the Peruvian Sol.

Transactions
Transactions in foreign currency are translated into the functional currency using the valid exchange rates at the transactions date or at the date of valuation when the entries are remeasured. The gains and losses for exchange differences that result from the payment of such transactions and the translation into the exchange rates of the closing of the year of monetary assets and liabilities, are recognized in the line "Exchange difference, net" in the Statement of comprehensive income.

B) Financial assets and liabilities
Financial assets and liabilities presented in the Statement of financial position correspond to cash and cash equivalents, accounts receivable, accounts payable to providers.

The Confederation recognises a financial asset or liability when, and only if, it is part of the financial instrument contractual agreement. At initial recognition, financial assets and liabilities are measured at Fair Value. Fair Value of a financial asset or liability is normally represented by the transaction price, which with the exception of financial instruments classified as Fair Value with changes in profit and loss (FVTPL), includes the transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. The costs incurred in the acquisition of a financial asset or liability classified at FVTPL are recognised as expenses immediately.

The Confederation recognises the conventional purchases and sales of financial assets at the date of negotiation or settlement, respectively. Financial instruments (assets and liabilities) are settled when the Confederation has the legal right to do so and Management has the intention to pay them off over a net basis or realize the assets and pay the liabilities simultaneously.

A financial asset is derecognised when: (i) the rights to receive cash flows from the assets have expired, (ii) the Confederation withholds the rights to receive the cash flows from the assets, but has assumed an obligation to pay them without significant delay under a transference agreement or (iii) the Confederation has transferred its rights to receive cash flows from the assets and (a) has substantially transferred all the risks and benefits of the assets or (b) the Confederation has not substantially transferred or retained all the risks and benefits of the assets, but has transferred the control of asset.

A liability is derecognised when the obligation related to the liability is paid off or expires.

The Confederation reviews at the date of the Statement of Financial Position, if there is evidence of damage in a financial asset or group of financial assets. A financial asset or group of financial assets are impaired and a loss is recognized only if there is evidence of impairment as result of one or more subsequent events at the initial recognition of the asset and when such loss event has an impact in the estimated projected cash flows of the financial asset or group of financial assets that could be reliably estimated.

C) Cash and cash equivalents

Cash and cash equivalent includes cash, balance kept in Banks and unrestricted deposits, with a maturity date of no more than 90 days from the acquisition date. The method used to prepare the statement of cash flows is the indirect method.

D) Accounts receivable

Accounts receivable are registered at face value and are presented net of any estimate of impairment. Operational Management evaluates individually whether there is objective evidence of impairment for significant financial assets or collectively for financial assets that are not individually significant.
All items older than 180 days after collection efforts have been made without obtaining results and that to date have not been refinanced are considered impaired.

The estimation of doubtful collection accounts arises when after the collection actions have been performed, there is a level of certainty that the collection efforts will not be successful, and as a result of that, legal actions will be necessary.

This estimation is based on the collection likelihood of each debtor considering the maturity of the debt, and the Operational Management's judgement.

The subsequent recovery of previously adjusted amounts is used against the accounts of impairment estimations. The changes in the carrying amount of the doubtful collection accounts is recognised in the Statement of Comprehensive Income.

E) Inventories

Inventories are measured at the lower cost or net realizable value. The cost of the inventory is determined following the weighted average price method, except in the case of inventories in transit, which is determined using the specific identification method. The net realizable value is the estimated sale price for each product marketed in the normal course of operations, less the expenses necessary to put the inventories in a condition for sale and to carry out their commercialization. For reductions in the carrying amounts of the inventories at net realisable value, if necessary, an estimation for inventory impairment is made in the statement of comprehensive income in which the reductions occur.

Trade discounts, rebates obtained, and other similar items (price adjustments) are deducted in determining the acquisition price.

The estimation for inventory impairment is calculated based on an specific analysis made regularly by the Confederation's Management considering the obsolescence and slow-moving inventories; this estimation is registered in the Statement of comprehensive income.

F) Property, plant and equipment

The initial cost of Property, plant, and equipment comprises their acquisition price, including non-refundable import and acquisitions taxes and any cost directly attributable to putting the asset in its location and use condition necessary to operate as expected by the Operational Management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that they will generate future economic benefits for the Confederation and the cost of these assets can be reasonably measured.

The carrying value of the replaced asset is offset. Maintenance and repair expenses are charged to the statement of comprehensive income in the period in which they are incurred.

Disbursements incurred to replace a component of an item or entry of Property, plant and equipment are capitalized separately and the book value of the component that is replaced is written off.
In the event that the component being replaced has not been considered a separate component of the asset, the replacement value of the new component is used to estimate the carrying amount of the asset being replaced.

The depreciation of assets are calculated by the straight line method to assign a cost minus its residual value during the estimated useful life as follows:

	Useful life in the year
Furniture and fixture	10
Other equipment	10
Computer equipment	4

The carrying amount of an asset is written off immediately at recoverable value, if the carrying amount of the asset is higher than the estimated recoverable value.

Residual values, useful life and other depreciation methods are reviewed and adjusted, if necessary, at the date of each statement of financial position. Any change in these estimates is prospectively adjusted.

Property, plant and equipment items, as well as their accumulated depreciation, are derecognized at the time of their sale or when no economic benefits are expected from their use or subsequent sale. Gains and losses from the sale of assets correspond to the difference between the income from the transaction and its carrying amount and are recognized in the caption "Other income" in the statement of comprehensive income.

G) Impairment of non-financial assets

The assets object of depreciation or amortisation are subjected to impairment tests when there are events or circumstances that indicate that the carrying amounts may not be recoverable. The assets that have indefinite useful life are not subjected to amortisation and its carrying amount is subjected to impairment annual tests.
The impairment losses correspond to the amount in which the carrying amount of the asset exceeds its recoverable value. The recoverable value of the assets corresponds to the higher between the market value and its value in use. The market value is the amount that can be obtained from the sale of an asset in a free market.

The value in use correspond to the present value of the estimated future cash flows that are expected to be received from the continuous use of the asset and the sale at the end of the useful life.

The recoverable amount is the higher of its net amount that would be obtained from its sales or value in use. For impairment evaluation purposes, the assets are grouped at the smallest levels in which the identifiable (cash generating unit) are generated.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, an impairment loss is recognised with credit to the asset value. Impairment losses may be recognised in the statement of comprehensive income and are reverted if there is any change in the estimated used to determine the recoverable value of the assets, that is only as long as the asset carrying amount, net of depreciation, does not exceed the fair value that would have been recognised if no impairment loss had been recognised.

H) Classification of assets and liabilities as current and non-current

Cash (excluding income tax asset) expected to be realised, to be sold or consumed within the twelve months from the date of the statement of financial position are classified as current assets. Liabilities (excluding the income tax liabilities) with estimated liquidation within the twelve months from the date of the statement of financial position are classified as currents. All the other assets and liabilities (including the deferred income tax) are classified as "non-current".

I) Provisions

Provisions are recognised when: i) the Confederation has a present obligation, legal or constructive, as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and iii) a reliable estimate can be made of the amount. Provisions for future operating losses are not recognised.

Provisions are measured at the present value of the disbursements that are expected to be required to settle the obligation using a pre-tax interest rate that reflects current market conditions on the value of money and the risks specific to said obligation. The increase in the provision due to the passage of time is recognized in the entry "Financial expenses" in the statement of comprehensive income.

Guarantees

A provision for guarantees is recognized when the underlying products or services are sold, based on historical information about guarantees and a weighting of possible outcomes versus their associated probabilities.

When some of all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

J) Employee benefits

Annual vacation leave

Staff annual vacation leave is recognised on the accrued basis.

The provision for staff vacation leave is calculated on the basis of remuneration for every twelve months of service for the period of services provided by the employees, is recognized at the date of each financial statement.

Bonuses

The Confederation recognizes the expense for bonuses and its corresponding liabilities based on the legal dispositions valid in Peru. The bonuses correspond to two annual payments which are made in July and December of each year.

Severance payment compensation

The compensation for time of service of the staff corresponds to their compensation rights calculated in accordance with current Peruvian legislation, which must be deposited in the bank accounts designated by the workers in the months of May and November of each year. Severance payment is equivalent to the average monthly remuneration in effect on the date of deposit. The Association has no additional payment obligation once it makes the deposits of the funds to which the worker is entitled.

K) Income and expenses

Recognition of income from services provided, financial income, income from Exchange difference and other income
Income from services provided, financial income and other income are recognized as they accrue.

Exchange differences corresponding to the adjustment of monetary items represented in foreign currency that are favorable to the Confederation are recognized as financial income when the exchange rate fluctuates.

Recognition of expenses due to Exchange difference and other expenses
The exchange differences corresponding to the adjustment of the monetary items represented in foreign currency that are unfavorable for the Confederation are recognized as a financial expense when the exchange rate fluctuates.

Other expenses are recognised as accrued.

L) Income tax

Income tax expense comprises the sum of estimated current income tax payable and deferred income tax.

Current income tax
Current income tax is determined applying the income rate established in the tax law in force on the taxable net income of the year.

Current income tax is payable on the taxable basis of the year. The taxable gain differs from net income as reported in the income or loss because it does not include components of income or expenses that are accrued or deducted in other years and excludes components that have never been accumulated or deductible. The Confederation´s liabilities for current income tax are calculated using the tax rates that are enacted at the end of the reported period.

A provision is recognized when the determination of the tax is uncertain, but it is considered probable that the tax authority will receive a future outflow of funds. Provisions are valued at the best amount expected to become payable. The evaluation is based on the judgment of tax experts supported by the Confederation 's previous experiences in this type of activity and in some cases based on the consultation of an independent tax specialist.

Deferred income tax
Deferred income tax corresponds to the amount of tax expected to be recovered or paid on temporary differences between the reported book values of assets and liabilities, and their corresponding tax bases. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and tax credits, rebates and unused tax losses, until the term in which it is considered probable that the Confederation will have sufficient future taxable profits to be able to make them effective. Such assets and liabilities are not recognized if the temporary differences arise from a capital gain or from the initial recognition (except in a business combination) of other assets and liabilities in an operation that does not affect either the tax result or the accounting result.

The carrying value of deferred tax assets is reviewed at the end of each statement of financial position and reduced to the extent that it is not probable that the Confederation will have sufficient future taxable profits to recover all or a portion of such assets.

Deferred income tax assets and liabilities are determined using the tax rates that are expected to apply at the time the asset is realised or the liability is settled, based on approved tax rates and laws, or whose approval process is in progress. practically completed, at the end of the statement of financial position. The measurement of such deferred taxes reflects the tax consequences that would arise from the way in which the Confederation expects, at the end of the period of each statement of financial position, to recover or settle the carrying amount of its assets and liabilities.

M) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements but disclosed in notes to the financial statements unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the financial statements but disclosed in notes to the financial statements when there is a likelihood of economic benefits inflow.

Entries, previously treated as contingent liabilities, will be recognized in the financial statements of the period where the change of probabilities occurs, which is when an outflow of resources is likely to be produced to cover the aforementioned liabilities. Entries treated as contingent assets will be recognized in the financial statements in the period in which it is determined that it is virtually certain that an inflow of resources will occur, respectively.

3. CREDITWORTHINESS OF THE FINANCIAL INSTRUMENTS

The credit quality of financial assets that are neither past due nor impaired can be assessed based on historical information on the default rates of their counterparts.

According to the information of the risk classification Confederation, the creditworthiness of local Banks in which the Confederation deposits cash in checking accounts are distributed as follows:

	2022	**2021**
	S/	S/
Banco Interbank (A+)	276	1,576
Total as of 31 December	**276**	**1,576**

The Confederation does not maintain a specific classification of its debtors, however, it does not observe any relevant credit risk due to the lack of evidence of any significant default in payments, given that its main debtors have credit solvency.

4. CASH

As of 31 December, it comprises:

	2022	2021
	S/	S/
Deposits in financial entities	276	1,576
Total as of 31 December	**276**	**1,576**

Cash is unrestricted.

There is no significant difference between the fair value of cash and its corresponding carrying amounts.

5. OTHER ACCOUNTS RECEIVABLE

As of 31 December, it comprises:

	2022	2021
	S/	S/
Income tax payment on account	280,924	162,538
Accounts receivable from the staff	503	3,033
Deliveries to report to third parties	13,975	72,062
Fiscal credit for Value Added Tax	196,806	113,481
Advances to providers	14,414	120,477
Other minors	417	3,461
Total	**507,039**	**475,052**

There is no significant difference between the fair value of other accounts receivable and its corresponding carrying amounts.

6. INVENTORIES

As of 31 December, it comprises:

	2022	2021
	S/	S/
Supplies	28,856	55,117
Inventory in transit	53,318	66,685
Total	**82,174**	**121,802**

There is no significant difference between the fair value of inventories and its corresponding carrying amounts.

7. PROPERTY, PLANT AND EQUIPMENT

As of 31 December, it comprises:

	Furniture and fixtures	Other equipment	Computer equipment	Total
	S/	S/	S/	S/
COST:				
As of 1 January 2021	7,194	6,013	15,041	28,248
Additions	2,205	846	15,646	18,697
As of 31 December 2021	9,399	6,859	30,687	46,945
Additions	2,373	8,921	6,216	17,510
As of 31 December 2022	**11,772**	**15,780**	**36,903**	**64,455**
ACCUMULATED DEPRECIATION:				
As of 1 January 2021	2,285	40	903	3,228
Depreciation of the year	738	633	6,040	7,411
As of 31 December 2021	3,023	673	6,943	10,639
Depreciation of the year	970	1,061	8,182	10,213
As of 31 December 2022	**3,993**	**1,734**	**15,125**	**20,852**
NET CARRYING AMOUNT				
As of 31 December 2021	**6,376**	**6,186**	**23,744**	**36,306**
As of 31 December 2022	**7,779**	**14,046**	**21,778**	**43,603**

As of 31 December 2022 the Operational Management estimates that there are no economic events nor changes that may indicate that the registered net value of Property, plant and equipment may not be recovered by generating an overrun of such recovery.

8. TRADE ACCOUNTS PAYABLE

Trade accounts payable for S/ 7,831 and S/ 41,732 as of December 31, 2022 and 2021, respectively, correspond mainly to invoices payable, do not accrue interest and do not have specific guarantees.

There is no significant difference between the fair value of trade accounts payable and its corresponding carrying amounts.

9. OTHER ACCOUNTS PAYABLE

As of 31 December, it comprises:

	2022	2021
	S/	S/
Third category income tax		-
Fourth category income tax	459	972
Fifth category income tax	12,838	13,572
Essalud	6,039	6,355
ONP	2,092	2,201
Tax payable	-	88,383
Other accounts payable	149,665	228,705
	171,093	**340,188**

There is no significant difference between the fair value of other accounts payable and its corresponding carrying amounts.

10. ADMINISTRATIVE EXPENSES

As of 31 December, it comprises:

	2022	2021
	S/	S/
Employees charges	1,129,519	1,061,147
Services provided by third parties	2,430,088	1,454,025
Taxes	2,880	2,171
Other expenses	510,683	313,817
Provisions of the year (note 7)	10,213	7,411
Total	**4,083,383**	**2,838,571**

11. TAXATION

11.1 Income tax

Income tax rate for the year 2022, applicable to companies is 29.5%.

Furthermore, the Confederation will be subject to a 5% tax for all amount or deliver in kind resulting in third-category taxable income which may represent indirect disposition of income susceptible to subsequent tax control, including amounts charged to expenses and undeclared revenues up to 31 December 2022.

11.2 Tax on dividends

If the Confederation distributes its profits total or partially, it will apply an additional rate of 5% on the distributed amount, which is charged to shareholders, as long as these are natural persons or legal persons non-domiciled in the country.

11.3 Tax administration review

The Tax authority of the country has the power to audit the income tax return and, if applicable, modify the taxable income tax calculated by the Confederation during the four years after the reporting year. The periods from 2018 to 2022, are pending of examination by the Tax Authority in Perú (SUNAT).

11.4 Value added tax (VAT)

Value Added Tax (VAT) rate is 18%, which includes the 2% for Municipal Tax.

From 1 September 2022 to 31 December 2024, the VAT rate for restaurants and hotels is reduced, intended for Micro and small companies dedicated to restaurant, hotel and tourist accommodation activities.
VAT rate includes 8% + 2% de IPM = 10% VAT.

Through Law N° 31661, the exceptional acceptance of the special regime of early recovery of the General Sales Tax regulated by Legislative Decree 973, in force as of January 1, 2023, which states that exceptionally, until 31 December 2024, natural or legal persons who carry out an investment project, in any sector of economic activity, that generate third-category income and whose execution involves an investment commitment of not less than two million United States dollars (US$ 2,000,000), as the total investment amount including the sum of all sections, stages or similar, if any. This amount does not include the general sales tax.

11.5 Tax on net assets

It is a tax that they must declare and pay, under certain conditions and with few exceptions. 0.4% of the total amount of net assets that exceed one million soles is applied, according to your annual balance sheet.

11.6 Transfer pricing

Transactions made by taxpayers that may have related parties or transactions made from, to or through low or nil taxation territories whose earned income in the taxable year surpasses the two thousand three hundred (2 300) tax imposition units (UIT per Spanish words) shall present annually the informative sworn declaration Local Report, in regard to the transactions that generate taxable income and/or costs or deductible expenses for the tax determination.

Taxpayers that are part of a group whose earned income in the taxable year surpasses twenty thousand (20,000) UIT shall a present annually informative sworn declaration Master Report containing the organizational structure, description of the business or businesses and the policies of transfer pricing with regard to intangibles and group funding and its financial and tax position.

Taxpayers that are part of a multinational group shall present annually, informative sworn declaration Country by Country Report which includes the information related to the global distribution of the income, taxes paid, and business activities of the entities included in the multinational group that perform its activities in a determined country or territory.

11.7 Final beneficiary Statement

It constitutes an informative affidavit, which contains the final beneficiary information:

- The natural person who effectively and finally owns or controls legal entities;
- The natural person who ultimately owns or controls a customer or on whose behalf a transaction is made.

The presentation of the declaration by the regulated subjects will be carried out gradually.

In the year 2022, in accordance with the provisions of subparagraphs a) (legal persons) and b) (legal entities) of article 2 of Superintendency Resolution N° 000041-2022/SUNAT, obliged subjects must submit to SUNAT the information of your beneficial owners.

11.8 Tax avoidance

SUNAT has published a Catalog of High Tax Risk Schemes, which describes situations of a diverse nature that may imply a potential tax non-compliance and in the corresponding cases, the application of Standard XVI of the Tax Code that provides for the classification, avoidance of tax regulations and simulation.

11.9 Subcapitalisation

The Legislative Decree Nº 1424-2018 has also modified subsection a) of article 37º of the Income tax law, to determine the limit of expenses for interests on 30% of EBITDA of the previous year.

11.10 Special depreciation regimes

Through Law N° 31652, its purpose is to establish, exceptionally and temporarily, special depreciation regimes so that taxpayers of the General Income Tax Regime and the MYPE Tax Regime can rapidly depreciate certain assets, in order to promote investment. private sector and provide greater liquidity in the current economic situation.

The special depreciation regime will be applied to buildings and constructions; electric vehicles purchased from 2023.

11.11 Scientific Research Projects

Through Law N° 31659 extends until December 31, 2025, the additional expenses deduction of projects of scientific research, development and technological innovation and modifies deduction percentages.

11.12 Remote Work

As of 1 January 2023, the new Remote Work Law N° 31572 will be applied, companies that decide to continue opting for the virtual work modality, must consider the following provisions for its correct application:

- It can be totally or partially.
- It can be temporary or permanent.
- It can be established by mutual agreement or unilaterally by the directing power of the employer as long as we are within the assumptions allowed by the standard.
- It can be done inside or outside the national territory.
- In private institutions and companies, the equipment and services for internet access and electricity are provided by the employer. If it is agreed that the teleworker provides their own equipment and the service, this is compensated by the employer, unless otherwise agreed.
- Does not apply to companies registered in REMYPE, unless otherwise agreed.
- Remote work employees have the same rights as workers who work in person.
- Likewise, the maximum time of their working day is the same applicable to those who work in person.
- Worked overtime must be recognized in accordance with the law. The performance of overtime is at the request and consent of the employer.

11.13 Tax standards valid from 1 January 2023

- **Legislative Decree 1522**, modifies the Income Tax Law, in order to expressly establish that payments for bribery in its different modalities are not deductible as a cost or as an expense to determine income tax, following the recommendations formulated by the Organization for the Economic Cooperation and Development (OECD), the United Nations Organization (UN) and the Organization of American States (OAS) on the occasion of the evaluations carried out to verify compliance with international anti-corruption treaties signed by Perú.

- **Legislative Decree 1523** amends the Tax Code in order to optimize the regulation of, among others, the auditing powers of SUNAT and the actions carried out between it and the companies, to adapt them to the digital transformation, as well as to make the adaptations that are required, in aspects such as the forms of notification of infractions and sanctions; without affecting the constitutionally protected rights of taxpayers.

- **Legislative Decree 1524** amends Legislative Decree No. 943, Single Taxpayer Registry Law, as well as other regulations related to said registry in order to improve the identification of those subjects whose situation or activity must be subject to control by SUNAT as it is related to taxpayers. taxes that it administers.

- **Legislative Decree 1527,** modifies the Income Tax Law in order to modify the provisions on support to require reliable documents and/or of a certain date to prove that there is no unjustified increase in wealth.

- **Legislative Decree 1537,** establishes new provisions on the communication referred to the fixing of prices in export and import operations, establishing a new term for the communication can be presented until the date of the beginning of the shipment or disembarkation and the possibility of modifying data.

- **Legislative Decree 1539,** incorporates new methods to establish the market value of securities (shares or participations) that are not listed on the stock market; It has been foreseen that the applicable method will be the discounted cash flow method, when the issuing Confederation provides foreseeable evidence of future flows or has licenses, authorizations or intangibles that allow the existence of said flows to be foreseen.

- **Legislative Decree 1541,** the tax treatment is established in the Income Tax of joint venture contracts, said regulations consider:
  - The contribution of assets by the associate qualifies as a transfer subject to Income Tax.
  - The associate's participation does not constitute a deductible cost or expense for the associate.
  - The participation that is distributed in favor of the associates qualifies as a dividend.

- **Supreme Decree 233-2022-EF,** establishes that capital increases cannot be justified with other income, among them, those coming from loans that do not meet the conditions indicated in the regulation.
  It is necessary to adjust the aforementioned conditions in the cases of loans whose borrower is a resident of a non-cooperative country or territory or of low or no taxation or a permanent establishment located or established in those and/or loans that are channeled through companies banking or financial entities resident in such countries or territories or of permanent establishments situated or established therein.

- **Supreme Decree 259-2022-EF,** amends article 60-A of the Regulations of the Income Tax Law, referring to the modifications introduced by Legislative Decree 1527, with the aim of including new conditions to support equity increases, specifically for money loan operations.

11.14 Tax loss

According to the Income Tax Law and its amendments, the entities established in Perú with a tax loss carryforward, can choose between one of the following two offsetting methods:

A. Tax loss can be used until four years after the year when loss was generated.
B. Tax loss can be offset with future taxable income until its extinction, applying such loss up to 50 % of its taxable profit.

11.15 Income tax determination

The Confederation determined the current Income Tax as follows:

Accounting income	72,545
Additions	12,729
Deductions	-
Tax profits	85,274
Net losses from previous years	(40,497)
Taxable income	44,777
Income tax 29.5%	13,209

The Confederation 's Management believes that, as a result of the application of these standards, no significant contingencies to the Confederation will arise as of 31 December 2022. In any case, if additional comments arise from the Tax authority’s, it will be recognised in the tax year it occurs.

12. CONTINGENCIES

In opinion of the Operational Management, there are no material trials nor lawsuits pending of resolution or other contingencies against the Confederation as of 31 December 2022.

13. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial statements comprise a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements. Income and expenses are recognised for the determination of the surplus or deficit of the year.

The Confederation presents the statement of comprehensive income using the classification by function of expenses. This method provides more useful information to the readers of the financial statements as it better reflects the way operations are executed. The statement of financial position format is based on a current / non-current distinction.

Measurement basis
The Financial Statements have been prepared on the historical cost basis except when otherwise indicated in accounting policies detailed below. The assets are registered by the cash amount and other paid entries, or by the fair value of the counterpart delivered in Exchange at the acquisition moment, the liabilities are registered at the amount of the products received in exchange of incurring in these obligations or any circumstance by the cash amounts that are estimated to be paid to satisfy the liabilities in the regular operation course.

Fair Value is a measurement based in the market and is defined as the price that would be received to sell an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. For some assets and liabilities, observable market transactions or market information may be available. When a Price for an identical asset or liabilities is non-observable, the entity will measure the fair value using other valuation technique to maximize the use of non-observable entry data.

The Confederation measures some of its financial instruments such as cash, other accounts receivable, trade accounts payable, and other accounts payable at Fair Value on the date of the Statement of financial position.

Fair Values are categorized into different levels of hierarchy.

This classification in different levels based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the Fair Value measurement in its entirety, as follows:

- **Level 1**
  Entry data are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association can have access to in the measurement date.
- **Level** 2
  Entry data are different than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3**
  Entry data are data unobservable inputs for the asset and liability and are used to measure the fair value in the extent that the relevant observable entry data is not available, considering that way, situations where there is little, if any, market activity for the asset or liability in the measurement date.

Transfers between the different levels within the Fair Value hierarchy are recognized by the Confederation at the end of each reporting period where the changed was produced.

Likewise, the Operational Management analyses the changes in the values of assets and liabilities that shall be valued according to the Association's accounting policies. For fair value disclosure purposes, the Confederation has determined the type of assets and liabilities based on its nature, characteristics and risks and the hierarchy level of fair value.

Based on the criteria previously described the Operations Management estimates that there are no material differences between the carrying amounts and the Fair value of the financial instruments of the Association at 31 December 2022 and 2021.

The financial assets and liabilities of the Statement of Financial position, classified per levels are:

	2022			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	276	-	-	276
Trade accounts receivable	-	179	-	179
Other accounts receivable	-	507,039	-	507,039
Services and others contracted in advanced	-	2,614	-	2,614
Total	**276**	**509,832**	-	**510,108**
Liabilities				
Trade accounts payable	-	-	7,831	7,831
Other accounts payable	-	-	171,093	171,093
Provisions	-	-	89,458	89,458
Total	**-**	**-**	**268,382**	**268,382**

	2021			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	1,576	-	-	1,576
Trade accounts receivable	-	-	-	-
Other accounts receivable	-	475,052	-	475,052
Services and others contracted in advanced	-	44,363		44,363
Total	**1,576**	**519,415**	-	**520,991**
Liabilities				
Trade accounts payable	-	-	41,732	41,732
Other accounts payable	-	-	340,188	340,188
Provisions	-	-	-	-
Total	-	-	**381,920**	**381,920**

14. FINANCIAL RISK MANAGEMENT

The Confederation's activities expose it to a variety of financial risks: market risk and liquidity risk. The risk management program of the Confederation focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Operations Management based on technical knowledge and experience, establishes policies for controlling market and liquidity risks.

14.1 Market risk

a) Exchange rate risk
The exchange rate risk is the risk that the Fair Value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates of a foreign currency.

The balances in foreign currency as of 31 December 2022 and 2021, are expressed in Peruvian Soles at the valid exchange rate of the year as follows:

- S/3.808 for assets and S/3.820 for liabilities per each US$1.00 (S/3.975 for assets and S/3.998 for liabilities per each US$1.00 as of 31 December 2021).

The Confederation as of 31 December 2022 and 2021, the Confederation had assets and liabilities in foreign currency as follows:

	2022	2021
	US$	US$
Assets:		
Cash	276	285
Other accounts receivable	8,108	10,356
Total assets	**8,384**	**10,641**
Liabilities:		
Trade accounts payable	(6,535)	(10,169)
Other accounts payable	(73,334)	(44,310)
Total liabilities	**(79,869)**	**(54,479)**
(Liability) position, net	**(71,485)**	**(43,838)**

The Management monitors and analyzes the actions to take before fluctuations in the exchange rate of the Peruvian Sol against U.S. dollars in order to minimize the effect on the results of its operations.

Net Exchange difference as of 31 December includes the following:

	2022	2021
	S/	S/
Gain for Exchange difference	106,031	103,633
Loss for Exchange difference	(132,806)	(8,085)
Total	**(26,775)**	**95,548**

The following chart shows the sensitivity in the income or loss of the years ended as of 31 December 2022 and 2021 if the Peruvian Sol have had a devaluation/revaluation of 5% or 10% (variation that the Management considers fair) regarding the US dollar, assuming the other constant variables.

Year	Devaluation/Revaluation of the Peruvian sol against dollars	Effect in income
		S/
2022	5%	(13,659)
	-5%	13,659
	10%	(27,317)
	-10%	27,317
2021	5%	(8,775)
	-5%	8,775
	10%	(17,551)
	-10%	17,551

14.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities at the due date at a reasonable cost.

As of 31 December 2022, and 2021, the Operational management considers that it has enough credit capacity that allows it to have access to credit lines in first rate local and foreign financial entities, in fair conditions.

The Confederation's financial liabilities, classified considering the time remaining from the date of the statement of financial position to its maturity, are the following:

Maturity	Trade accounts payable	Other accounts payable	Provisions	Total
	S/	S/	S/	S/
As of 31 December 2022				
Less than 1 year	7,831	171,093	89,458	268,382
Total	**7,831**	**171,093**	**89,458**	**268,382**
As of 31 December 2021				
Less than 1 year	41,732	340,188	-	381,920
Total	**41,732**	**340,188**	**-**	**381,920**

The Operational Management controls liquidity risk associated with the amounts included in each of those categories detailed above, through appropriate management of the financial viability of clients and proper management of the maturities of assets and liabilities of such categories that achieves the fit between revenue streams and future payments; as well as assure its working capital with cash flows from its operating activities.