



CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

**Independent Auditors' Report and Financial
Statements at 31 December 2023**

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

FINANCIAL STATEMENTS

31 December 2023

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S/ = Peruvian Sol

US\$ = U.S. Dollar

INDEPENDENT AUDITOR'S REPORT

To the shareholders 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 2023, the statement of revenues and expenditure, 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 2023, 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 within its operations, situations that are worth mentioning as key audit matters.

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 accounting policies and practices made by the Operational Management 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 Operational 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.

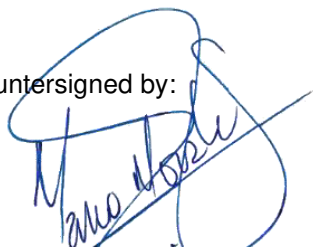
Independent auditors' report (continued)

- Evaluate the correction of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Operational Management.
- 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 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 of the Confederation, 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, Chacaliza y Asociados Sociedad Civil de R.L.

Marco Morales Marquina (Partner)
Peruvian Certified Public Accountant
Registration N° 41412

19 March 2024
Lima, Perú

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

STATEMENT OF FINANCIAL POSITION

As of 31 December 2023

	Notes	2023	2022
		S/	S/
ASSETS			
CURRENT ASSETS			
Cash	4	1,298	276
Trade accounts receivable		174	179
Other accounts receivable	5	637,607	507,039
Inventories	6	124,612	82,174
Services and other contracted in advance		2,036	2,614
Total current assets		765,727	592,282
NON-CURRENT ASSETS			
Property, plant and equipment	7	58,837	43,603
Total non-current assets		58,837	43,603
TOTAL ASSETS		824,564	635,885
LIABILITIES AND EQUITY			
CURRENT LIABILITY			
Trade accounts payable	8	14,204	7,831
Other accounts payable	9	239,345	171,093
Provisions		-	89,458
Total current liabilities		253,549	268,382
TOTAL LIABILITIES		253,549	268,382
EQUITY			
Accumulated surplus		571,015	367,503
TOTAL EQUITY		571,015	367,503
TOTAL LIABILITIES AND EQUITY		824,564	635,885

The accompanying notes are part of the financial statements.

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

STATEMENT OF REVENUE AND EXPENDITURE

For the year ended 31 December 2023

	Notes	2023	2022
		S/	S/
INCOME FROM DONATIONS		3,569,685	4,164,643
GROSS SURPLUS		3,569,685	4,164,643
OPERATING EXPENSES			
Administration expenses	10	(3,258,044)	(4,083,383)
Total operating expenses		(3,258,044)	(4,083,383)
OPERATING SURPLUS		311,641	81,260
OTHER INCOME (EXPENSES)			
Other management income		-	20,216
Financials, net		(749)	(2,157)
Loss for Exchange difference, net	14.1 (a)	(28,233)	(26,774)
Total other income (expenses)		(28,982)	(8,715)
SURPLUS BEFORE INCOME TAX		282,659	72,545
Income tax expense		(88,747)	(13,209)
SURPLUS OF THE YEAR		193,912	59,336

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 2023

	Notes	Surplus	Total
		S/	S/
As of 1 January 2022		297,179	297,179
Surplus of the year		59,336	59,336
Adjustments		10,988	10,988
As of 31 December 2022		367,503	367,503
Surplus of the year		193,912	193,912
Adjustments		9,600	9,600
As of 31 December 2023		571,015	571,015

The accompanying notes are part of the financial statements.

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

STATEMENT OF CASH FLOWS

For the period ended as of 31 December 2023

	Note	2023	2022
		S/	S/
CASH FLOWS FROM OPERATING ACTIVITIES			
Donations received		3,569,685	4,164,643
Other collection		582	61,965
Other payments		(345,191)	(649,746)
Payment to providers		(1,946,664)	(2,424,361)
Tax payments		(90,343)	(17,760)
Compensation payment		(1,157,011)	(1,118,531)
Net cash provided by (used in) operating activities			16,210
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(30,036)	(17,510)
Net cash used in investing activities		(30,036)	(17,510)
NET INCREASE (DECREASE) OF CASH IN THE YEAR		1,022	(1,300)
Cash			
As of 1 January		276	1,576
As of 31 December	4	1,298	276

The accompanying notes are part of the financial statements.

CONFEDERACIÓN PANAMERICANA DE BÁDMINTON

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. OVERVIEW AND BUSINESS ACTIVITY

1.1 Overview

Confederación Panamericana de Bádminton (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 2023 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 is 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 2023 and 2022.

The financial statement has been prepared based on historical cost. 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 Operational 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.

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 Operational Management discloses information about accounting judgements, 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)

Operational 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 revenue and expenditure.

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 Operational Management 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 date of the financial statements, there are no indications that the carrying amount of long-term assets exceeds their 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 revenue and expenditure.

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 liabilities are recorded at amortized cost in their entirety and recognized when the Confederation is a party to the contractual agreements of the instrument.

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 ment 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

Cash includes cash, balances held in banks, and term deposits freely available, with a maturity date not exceeding 90 days from the acquisition date. The method used for preparing the Statement of Cash Flow 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 revenues and expenditures.

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 Operational Management considering the obsolescence and slow-moving inventories; this estimation is registered in the Statement of revenues and expenditures.

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 entries, 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 revenue and expenditure.

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 revenue and expenditure.

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 Perú. 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 to the Confederation.

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:

	2023	2023
	S/	S/
Banco Interbank (A+)	1,298	276
Total as of 31 December	1,298	276

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:

	2023	2022
	S/	S/
Deposits in financial institutions.	1,298	276
Total	1,298	276

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:

	2023	2022
	S/	S/
Income tax payment on account	280,924	280,924
Accounts receivable from the staff	490	503
Deliveries to report to third parties	77,445	13,975
Fiscal credit for Value Added Tax	262,867	196,806
Advances to providers	15,613	14,414
Other	268	417
Total	637,607	507,039

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:

	2023	2022
	S/	S/
Supplies	71,294	28,856
Inventory in transit	53,318	53,318
Total	124,612	82,174

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 2022	9,399	6,859	30,687	46,945
Additions of the year	2,373	8,921	6,216	17,510
As of 31 December 2022	11,772	15,780	36,903	64,455
Additions of the year	-	18,549	11,487	30,036
As of 31 December 2023	11,772	34,329	48,390	94,491
ACCUMULATED DEPRECIATION				
As of 1 January 2022	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
Depreciation of the year	1,177	2,636	10,989	14,802
As of 31 December 2023	5,170	4,370	26,114	35,654
NET CARRYING AMOUNT				
As of 31 December 2022	7,779	14,046	21,778	43,603
As of 31 December 2023	6,602	29,959	22,276	58,837

As of 31 December 2023 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/ 14,204 and S/ 7,831 as of 31 December 2023 and 2022 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:

	2023	2022
	S/	S/
Third category income tax	88,747	-
Fourth category income tax	1,020	459
Fifth category income tax	18,641	12,838
Essalud	6,236	6,039
ONP National Pension	2,160	2,092
Other accounts payable	122,541	149,665
	239,345	171,093

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:

	2023	2022
	S/	S/
Employees charges	1,167,999	1,129,519
Services provided by third parties	2,005,974	2,430,088
Taxes	1,596	2,880
Other expenses	67,673	510,683
Provisions of the year (note 7)	14,802	10,213
Total	3,258,044	4,083,383

11. TAXATION**11.1 Income tax**

Income tax rate for the year 2023, applicable to companies is 29.5%.

Furthermore, the Company 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 2023.

11.2 Tax on dividends

If the Company 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 Company during the four years after the reporting year. The periods from 2018 to 2023, 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 as of 31 December 2024, the VAT rate for restaurants and hotels is reduced, intended for Micro and small companies dedicated to restaurants, hotels 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 value added 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 the 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.

Any change in the ownership or control of legal entities or legal entities or data must be reported, including the scenario in which the ultimate beneficiary ceases to have such status, and must be reported within thirty (30) business days from the date on which the said change occurs.

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

By Legislative Decree 1424-2018, paragraph a) of article 37 of the Income Tax Law has also been modified to determine the limit for the deduction of interest expenses based on 30% of the EBITDA from the previous year, effective from 2021 onwards.

11.10 Depreciation special 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 31 December 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.
- 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 2024

- The validity of the VAT Refund Laws, which provide for the refund of VAT and IPM to holders of exploration activities in mining and hydrocarbons - Laws N°. 27623, 27624, 31663, is extended until 31 December 2027.
- Decree of Urgency N°. 012-2019, which establishes the refund of Selective Consumption Tax (ISC) in favor of transporters starting on 1 January 2023, is amended to increase the refund percentage to 70%.
The granting of the benefit of refunding the ISC, which is part of the selling price of diesel B5 and diesel B20 with a sulfur content of 50ppm or less, is extended until 31 December 2025.

- By means of Legislative Decree N°. 1532, the procedure for attributing the status of a subject without operational capacity (SSCO) is regulated within the framework of the fight against tax evasion. The purpose of the regulation is to detect payment vouchers issued for non-real operations by natural or legal persons who do not have the economic, financial, human, or material resources, among others, or are not suitable to carry out the operations for which such vouchers are issued.
- Legislative Decree N°. 1527 came into effect on 1 January 2023, stating that natural persons will not be able to justify increases in equity in the event of an audit, with donations or other liberalities that are not recorded in a public deed (real estate and registrable movable property), a document with a specific date (other movable property), or a document that credibly proves the liberalities received in other cases, including assets received on the occasion of weddings or similar events whose value exceeds 25% of the Tax Unit (UIT).
- The Law N°. 31962 was enacted to adjust the interests for refunds of overpaid or improperly paid taxes due to unapplied VAT withholdings or perceptions, and to update fines. Starting on January 1, 2024, the TIM must be applied.
- By Legislative Decree N°. 1545, the change of the Libor rate to the average monthly market active rate TAM, in national or foreign currency, is established as the reference rate for all monetary loans.
The Supreme Decree N°. 137-2023-EF, which modified the Libor rate as the preferential rate to the Secured Overnight Financing Rate ("SOFR") to determine if the reduced rate of 4.99% will apply to the withholding of interest paid on foreign loans.
- Companies that hire young people between 18 and 29 years old will have access to tax benefits, under Law N°. 31828, Young Entrepreneur Law. This tax benefit will apply to new hires made from 1 January 2024, by companies under the general regime, as well as under the MYPE tax regime. The benefit will only be effective for the fiscal years 2024 and 2025.
The benefit consists of applying an additional deduction for the calculation of Income Tax (IR), equivalent to 50% of the basic salary paid to the new employee, regardless of their working hours and contractual arrangement.
- Law N°. 31969 promotes competitiveness and employment in the textile, clothing, agricultural and irrigation, agro-export and agro-industrial sectors, and encourages their economic reactivation through an additional deduction for Income Tax calculation of up to 70% for hiring new employees in the year 2024. The benefit gradually decreases to 30% by 2028. The salary of the new employee must not exceed S/ 1,700 per month.
For the textile and clothing sectors, companies are also offered the benefit of being able to depreciate the machinery and equipment acquired in 2024 for their production processes applying a maximum rate of 33.3% per year.
Furthermore, companies that reinvest their profits after paying Income Tax will be entitled to a tax credit of 20% of the reinvestment of the amount of annual profits, during the fiscal years 2024, 2025, 2026, 2027, and 2028.
- From 2024, all gains generated on the Lima Stock Exchange will be subject to Income Tax, as Law N°. 303417, which granted an exemption from Income Tax on capital gains, was not extended. It is important to mention that this exemption will only apply to individuals, undivided estates, and conjugal partnerships that earn annual profits of up to 100 UITs (S/495,000).
- The Supreme Decree N°. 320-2023 EF is published, approving the Regulation of Legislative Decree N°. 1535 that regulates the classification of entities that must comply with obligations administered and/or collected by SUNAT according to a compliance profile, as well as the effects of such classification applicable to entities that generate third category income.

Income tax determination

The Confederation determined the current Income Tax as follows:

Accounting income	282,659
Additions	18,178
Deductions	-
Tax profits	300,837
Net losses from previous years	-
Net taxable income	300,837
Income tax 29.5%	88,747

The Operational Management believes that, as a result of the application of these standards, no significant contingencies will arise for the Confederation as of 31 December 2023. However, any comments in this regard by the tax authorities would be recognized in the period in which they occur.

12. CONTINGENCIES

In the opinion of the Operational Management, there are no significant pending trials or lawsuits or other contingencies against the Confederation as of December 31, 2023.

13. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial statements comprise a statement of financial position, a statement of revenues and expenditures, 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 revenue and expenditure 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 run from a business point of view. 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 Confederation can have access to in the measurement date.
- **Level 2**
Entry data are different from 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 Confederation'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 Operational Management estimates that there are no material differences between the carrying amounts and the Fair value of the financial instruments of the Confederation as of 31 December 2023 and 2022.

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

	2023			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	1,298	-	-	1,298
Trade accounts receivable	-	174	-	174
Other accounts receivable	-	637,607	-	637,607
Total	1,298	637,781	-	639,079
Liabilities				
Trade accounts payable	-	-	14,204	14,204
Other accounts payable	-	-	239,345	239,345
Provisions	-	-	-	-
Total	-	-	253,549	253,549

	2022			
	Financial assets		Financial liabilities	Total
	Level 1	Level 2	Level 2	
	S/	S/	S/	S/
Assets:				
Cash	276	-	-	276
Trade accounts receivable	-	179	-	179
Other accounts receivable	-	507,039	-	507,039
Total	276	507,218	-	507,494
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

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.

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 2023 and 2022, are expressed in Peruvian Soles at the valid exchange rate of the year as follows:

- S/3.705 for assets and S/3.713 for liabilities per each US\$1.00 (S/3.808 for assets and S/3.820 for liabilities per each US\$1.00 as of 31 December 2022).

The confederation as of 31 December 2023 and 2022, it had assets and liabilities in foreign currency as follows:

	2023	2022
	US\$	US\$
Assets:		
Cash	327	276
Other accounts receivable	20,847	8,108
Total assets	21,174	8,384
Liabilities:		
Trade accounts payable	(3,242)	(6,535)
Other accounts payable	(32,886)	(73,334)
Total liabilities	(36,128)	(79,869)
(Liability) position, net	(14,954)	(71,485)

The Operational 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:

	2023	2022
	S/	S/
Gain for Exchange difference	53,179	106,031
Loss for Exchange difference	(81,412)	(132,805)
Total	(28,233)	(26,774)

The following chart shows the sensitivity in the income or loss of the years ended as of 31 December 2023 and 2022 if the Peruvian Sol have had a devaluation/revaluation of 10% (variation that the Management considers fair) regarding the U.S dollar, assuming the other constant variables.

Year	Devaluation/Revaluation of the Peruvian sol against dollars	Effect in results	
			S/
2023	5%		(2,785)
	-5%		2,785
	10%		(5,569)
	-10%		5,569
2022	5%		(13,659)
	-5%		13,659
	10%		(27,317)
	-10%		27,317

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 2023, and 2022, the Company's 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 2023				
Less than 1 year	14,204	239,345	-	253,549
Total	14,204	239,345	-	253,549
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

Management of operations controls the liquidity risks associated with the amounts included in each of the categories detailed above by periodically assessing the financial viability of debtors and effectively managing the maturities of assets and liabilities to achieve a match between future income and payment flows. Additionally, it ensures the working capital is supported by cash flows from operating activities.

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