

PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS
AT DECEMBER 31, 2020 AND 2019

Guatemala, January 22, 2021

PRIMA UNIÓN PLÁSTICOS, S.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and
Stockholders of
PRIMA UNIÓN PLÁSTICOS, S.A.

Report on the audit of the financial statements:

Opinion:

We have audited the accompanying financial statements of PRIMA UNIÓN PLÁSTICOS, S.A., which comprise the balance sheet at December 31, 2020 and 2019, and the statements of: income, changes in net equity and cash flows corresponding to the years then ended, and the notes to the financial statements, as well as a summary of the significant accounting policies and other explanatory information. The financial statements have been prepared by the administration, with certain fiscal criteria of accounting of the Income Tax Law of the Republic of Guatemala.

In our opinion, the accompanying financial statements of PRIMA UNIÓN PLÁSTICOS, S.A., for the years ended December 31, 2020 and 2019, have been prepared, in all material respects, according to the accounting requirements established by the Income Tax Law of the Republic of Guatemala (described in Note 2).

Basis for opinion

- a) We have executed our audit according to the International Standards on Auditing Standards (ISAs). Our responsibilities under such standards are described in detail in the section Auditor's responsibilities on the audit of the financial statements of our report. We are independent from the Company in accordance to ethical requirements that are relevant for our audit of the financial statements in Guatemala – Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA) of the International Federation Accountants (IFAC) – and we have complied with our other ethical responsibilities according to this code. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

- b) Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the accounting basis used for the preparation of said statements, which differs in some aspects from the international financial reporting standards as indicated in the Note 17. The financial statements have been prepared with the purpose of serving as a basis for the preparation of the Income tax return for the year and to comply with the legal requirement to present them attached to the same. As a result of this, the financial statements may not be appropriate for other purpose. Our report is intended for the use of the Company, partners and tax authorities. Our opinion is not modified regarding this matter.

Responsibilities of management and those charged with governance of the Company for the financial statements

Management is responsible for the preparation of the accompanying financial statements in accordance with the fiscal criteria of accounting included in the law of the income tax of Guatemala, Note 2, and the internal control that management deems necessary to allow the preparation of the financial statements being free of material misstatements due fraud or error.

In the preparation of the financial statements, management is responsible of assessing the ability of the Company to continue operating as a going concern, revealing the matters related to the going concern business and using the going concern basis of accounting, unless management intends to cease operations or has no other realistic alternative but to do so.

Those charged with governance of the Company are responsible to supervise the process of financial information of the Company.

Auditor's responsibilities for the financial statements audit

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether they are derived from fraud or error, and issue the auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit carried out according to the International Standards on Auditing-ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or as a whole, said misstatements are reasonable expected to affect the economic decisions taken by the users based on the financial statements.

As part of an audit, and according to the International Standard son Auditing - ISAs– we exercise professional judgment, and we maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the financial statements, due to fraud or error, design and execute audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to provide the bases for our

opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error as fraud involves collusion, forgery, intentional omissions, misrepresentations or override of the internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate under the circumstances and not for the purpose to express an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of the accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the accounting bases of the going concern company, and based on the gathered evidence, whether there is a material uncertainty related to events or conditions that may give rise to a significant doubt on the capacity of the Company 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 information disclosure related to the financial statements or, if such disclosure is 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 Company 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.
- The auditor's responsibilities are to obtain enough and appropriate audit evidence regarding the financial information of the entities or commercial activities within the Company to express an opinion on the financial statements. We are responsible of the management, supervision and making of the audit engagement of the Company. We are the only responsible for our audit opinión

We communicated with those charged with governance regarding the expected scope and the moment of conducting the audit and the important audit results, among other matters, including potential significant deficiencies in the internal control that we identified during our audit.

Guatemala, January 23, 2021

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PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF FINANCIAL POSITIONAT DECEMBER 31, 2020 y 2019

(Expressed in quetzals - Note 3)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and banks (Note 4)	Q 4,121,009	Q 5,463,669
Accounts receivable:		
Customers	1,468,224	1,059,848
Affiliated companies (Note 5)	2,551,392	3,591,918
(-) Reserve for uncollectible accounts	(120,588)	(139,553)
Taxes receivable [Note 10 a)]	4,426,223	4,692,929
Other accounts receivable (Note 6)	<u>392,541</u>	<u>56,754</u>
	8,717,791	9,261,896
Inventories (Note 7)	2,962,583	4,492,662
Prepaid expenses	<u>78,244</u>	<u>88,638</u>
Total current assets	<u>15,879,627</u>	<u>19,306,865</u>
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 8)	4,953,190	4,031,521
Other assets (Note 9)	<u>361,670</u>	<u>366,619</u>
Total non current assets	<u>5,314,859</u>	<u>4,398,140</u>
Total assets	<u>Q 21,194,487</u>	<u>Q 23,705,005</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Suppliers and creditors (Note 11)	Q 4,318,230	Q 3,816,530
Affiliated companies (Note 5)	175,531	249,390
Taxes payable [Note 10 b)]	288,782	377,881
Labor benefits payable	34,266	28,484
Accumulated charges to pay	<u>18,078</u>	<u>36,996</u>
Total current liabilities	4,834,887	4,509,281
Non current liabilities:		
Loans payable (Note 12)	9,012,314	15,071,340
Reserve for compensation (Note 2)	<u>94,686</u>	<u>26,176</u>
Total liabilities	<u>13,941,887</u>	<u>19,606,797</u>
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 13)	3,992,000	3,992,000
Legal reserve	313,680	-
Accumulated Profit [Note 13 a)]	<u>2,946,919</u>	<u>106,208</u>
Total stockholders' equity and accumulated earnings	<u>7,252,600</u>	<u>4,098,208</u>
Total liabilities, stockholders' equity and accumulated earnings	<u>Q 21,194,487</u>	<u>Q 23,705,005</u>

Notes 1 to 18 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in quetzals - Note 3)

	<u>2020</u>	<u>2019</u>
Income	Q 25,027,080	Q 31,761,125
Less-cost of sales	<u>(15,956,236)</u>	<u>(21,766,547)</u>
Gross profit from sales	9,070,844	9,994,578
Operating expenses (Note 14)	<u>(3,950,101)</u>	<u>(4,462,245)</u>
Operating profit	5,120,743	5,532,333
Financial expenses (Note 15)	(1,150,075)	(1,896,725)
Other income (Note 16)	<u>463,654</u>	<u>845,521</u>
Profit before tax	Q 4,434,321	Q 4,481,129
Income Tax - ISR	<u>(1,279,929)</u>	<u>(1,361,913)</u>
Net profit for the year	<u>Q 3,154,393</u>	<u>Q 3,119,216</u>

Notes 1 to 18 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Expressed in quetzals - Note 3)

<u>Authorized, subscribed and paid-in social capital</u>	<u>2020</u>	<u>2019</u>
Capital subscribed and paid at the beginning and end of the year (Nota 12)	<u>Q 3,992,000</u>	<u>Q 3,992,000</u>
 <u>Accumulated profits (losses):</u>		
Balance at the beginning of the year	Q 106,208	Q (3,013,008)
Net profit for the year	3,154,392	3,119,216
Less-transfer to legal reserve for the year	(157,720)	-
Less-transfer to legal reserve for the year 2019	<u>(155,961)</u>	<u>-</u>
Balance at the end of the year [Note 13 a)]	<u>2,946,919</u>	<u>106,208</u>
 <u>Legal reserve:</u>		
Balance at the beginning of the year	Q -	Q -
Transfer to legal reserve for the year 2019	155,961	-
Transfer to legal reserve for the year 2020	<u>157,720</u>	<u>-</u>
Balance at the end of the year (Note 13)	<u>313,681</u>	<u>-</u>
	<u>3,260,600</u>	<u>106,208</u>
Total stockholders' equity	<u>Q 7,252,600</u>	<u>Q 4,098,208</u>

Notes 1 to 18 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

(Expressed in quetzals - Note 3)

	2020		2019	
	Q		Q	
Cash flow in operating activities:				
Net profit for the year	Q	3,154,393	Q	3,119,216
Reconciliation between the net profit and entries not requiring cash:				
exchange differential				-
Depreciation		1,517,733		1,738,073
Amortization		-		442,503
Depreciation adjustments		-		(108,022)
Uncollectible accounts		(18,965)		36,988
Labor benefits payable		74,291		-
		<u>4,727,452</u>		<u>5,228,758</u>
Changes in net assets and liabilities:				
Decrease in assets and increase in liabilities:				
Customers		632,151		70,662
Suppliers and creditors		427,841		2,047,003
Taxes payable		176,556		350,187
Other accounts receivable		-		22,084
Other assets		-		11,477
affiliated companies		-		494,537
Labor benefits payable		-		28,484
compensation		-		26,176
Inventory		1,530,079		-
Prepaid expenses		10,394		-
Taxes receivable		22,156		-
		<u>2,799,177</u>		<u>3,050,610</u>
Increase in assets and decrease in liabilities:				
Taxes receivable		-		(1,330,456)
Inventory		-		(290,895)
Prepaid expenses		-		(88,638)
Affiliated companies		-		(1,303,572)
Other accounts receivable		(2,492,142)		-
Accumulated charges to pay		(18,917)		(251,936)
Taxes payable		(21,102)		-
		<u>(2,532,160)</u>		<u>(3,265,497)</u>
Net cash from operating activities		<u>4,994,469</u>		<u>5,013,871</u>
Cash flow in investing activities:				
Increase in property, plant and equipment		(278,100)		(178,284)
Net cash applied in investing activities		<u>(278,100)</u>		<u>(178,284)</u>
Cash flow in financing activities:				
loan repayments		(6,059,028)		(2,635,278)
Cashed used in financing activities		(6,059,028)		(2,635,278)
Net increase (decrease) in cash		(1,342,659)		2,200,309
Cash at the beginning of the year		5,463,668		3,263,359
Cash at the end of the year	Q	<u>4,121,009</u>	Q	<u>5,463,668</u>

Notes 1 to 18 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – HISTORY AND OPERATIONS

PRIMA UNIÓN PLÁSTICOS, S.A., was constituted as a corporation on March 14, 2016, according to the laws of the Republic of Guatemala, for an indefinite period. Its fiscal year is the natural one.

Its main activity is the manufacture, transformation, import, export, distribution and commercialization of plastic materials and products. Purchase, sale, import and export of industrial machinery for the plastic industry.

The Company is domiciled in the city of Guatemala. It may open branches in any other place of the Republic of Guatemala or abroad.

The Company and Unión, S.A., have is part of a group of companies which have common partners and are under the same administration. Such companies make significant transactions among them and with third parties.

NOTE 2 – PREPARATION BASES AND ACCOUNTING POLICIES

The accompanying financial statements have been prepared, in all material respects, according to the accrual basis of accounting mentioned in the Income Tax Law, applying the accounting policies and practices included in said Law. The most important accounting policies and procedures used by the Company in the preparation of its financial statements are summarized below:

Accounting basis – The accounting basis used by the Company for the registration of its operations is the accrual basis which recognizes assets, liabilities, income and expenses when the rights are earned or when the corresponding obligations are incurred.

Recognition of income – Income from ordinary activities, which results from the production, distribution and sale of plastic chairs and tables, is recognized in the results of the year when the sale is made.

Recognition of expenses – Expenses are recognized when the same are incurred.

Cash – Cash includes the balances in cash and banks. The balances in banks are available at sight. There was no restriction limiting the use of said balances.

Customers – Customers' balances do not bear interests and are registered at their billing value less the corresponding deductions of the negotiation.

Accounts receivable and estimate for uncollectible accounts – Accounts receivable are registered at cost. The Company applies the policy stipulated by the Law, for uncollectible accounts, regarding the creation of a provision which cannot exceed 3% of the debit balances from commercial accounts and documents receivable, at the closing of each of the annual periods of taxation; provided that said balances are originated from the ordinary course of business and are not guaranteed by pledges or mortgages.

Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties-net – Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties are valued at the acquisition cost. The corresponding depreciation is calculated by the straight line method based on their estimated useful lives and according to the Income Tax Law. The depreciation percentages are as follows:

Machinery and equipment	20%
Furniture and equipment	20
Computer equipment	33
Tools	25
Improvements in leased properties	33

Expenses related to repairs and maintenance, which do not restore the asset and increase its useful life, are charged to the operations of the year.

Assets and liabilities expressed in foreign currency - These are presented at their value equivalent in quetzals, using the exchange rate in effect at the end of the year (see Note 3), and the exchange differential, resulting between the dates of payment or collection and the date of registration, is operated in the results.

Transactions in foreign currency – Transactions are registered at their equivalent value in quetzals, using the exchange rate in effect when the transaction is carried out. Earnings and losses derived from adjustments of balances expressed in foreign currency are included in the determination of the results of the year.

Recognition of expenses – Expenses are recognized when they are incurred.

Inventories - Inventories are valued at the average cost of acquisition. Their costs do not exceed their net realizable value. These are registered at the lowest amount between the cost and the selling price less the termination and selling costs.

Related parties - A related party is a person or an entity that is related to the Entity due to one or more of the following factors:

- a) A person or an entity is member of the key personnel of the Company or its controlling entity; if it exercises control or exerts a significant influence or voting power on the same.
- b) If a person or entity together with the Company are:

- i. Members of the same group,
- ii. If it is an associate,
- iii. If the entity together with the Company constitute a joint business of a third entity,
- iv. One of the entities is part of a joint business of a third entity, and the other entity is an associate of the third entity,
- v. If the entity constitutes a plan of post-employment benefits of the employees of the Company or an entity which is a related party of the same,
- vi. If the Company is controlled by a person identified in a),
- vii. A person or a family member close to that company exerts significant influence over the Company,
- viii. A member of the key personnel of the administration of the Company or its controlling entity or a relative of that member exerts control over the Company or has significant voting power over it.

Commercial suppliers and creditors - These are obligations based on common credit conditions, and the same do not accrue interest. The amounts, regarding suppliers, expressed in foreign currency are converted according to the exchange rate in effect at the end of the year. Earnings or losses related to the exchange differential resulted from the foreign currency conversion is registered in other expenses or other income, as appropriate.

Provisions - A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation which can be reasonably estimated.

Severance payments - These are compensations accruing in favor of the company's employees according to the length of service and provisions of the Work Code. The same may be paid to them in the event of dismissal, or to their relatives in case of death, and in the event of resignation. At December 31, 2020 and 2019, there was one provision regarding this concept for Q94,686 and Q26,176.

Taxation - the income tax is based on the 25% over the fiscal profit.

In September 2019, the company was classified as maquila in the temporary admission regime, for this reason, it was exempted from the payment of VAT and customs taxes on the import of raw materials, which are acquired for the manufacture of products sold outside Guatemala and for the acquisition of machinery used in the production process.

NOTE 3 - MONETARY UNIT AND EXCHANGE RATES

The accounting records are maintained in quetzals, denoted by the symbol “Q” as shown in the financial statements. The quetzal is the official currency of Guatemala.

The exchange rate is freely determined among the banking market participants. At December 31, 2020 and 2019, it was Q.7.79 and Q7.70, at the date of this report, it was Q7.78 to US\$1.

According to the Law of Free Foreign Currency, the disposal, possession, contracting, remittance, transfer, purchase, sale, collection or payment of and with foreign currency are free; also foreign currency tenure, deposits and bank accounts may be freely maintained.

The reference exchange rate of the quetzal is calculated and published daily by Bank of Guatemala –Central Bank-.

NOTE 4 - CASH AND BANKS

Cash balances at December 31, are broken-down as shown next:

	2020	2019
Petty cash	Q 6,000	Q 6,000
<u>Banks-national currency:</u>		
Industrial	738,904	1,779,500
<u>Banks-foreign currency</u>		
Industrial	2,725,967	2,101,056
BAC Reformador	650,138	1,577,113
	3,376,105	3,678,169
	Q 4,121,009	Q 5,463,669

During 2020 and 2019 these accounts accrued interest for Q5,094 and Q8,627, the same was registered in other income (Note 16).

At December 31, 2020 and 2019, the cash in Banks included foreign currency balances for US\$433,177 and US\$477,756, expressed at an exchange rate of 7.79 and Q 7.70.

NOTE 5 - AFFILIATED COMPANIES

This account was integrated by the balances of companies that will be mentioned further on, and the stockholders of one company are also stockholders of the others, without a company owning shares of the other companies. In addition, one of such companies may exert control or influence over the operations of the other companies.

Due to these relationships, it is likely that the terms of such transactions are not the same which would be agreed among totally independent companies under free competition conditions.

At December 31, this account was integrated as shown next:

a) Receivables:

	<u>2020</u>	<u>2019</u>
Unión, S.A.	<u>Q 2,551,392</u>	<u>Q 3,591,918</u>

b) Payables

	<u>2020</u>	<u>2019</u>
Prima Plastics Limited	Q 152,665	Q 200,808
Unión, S.A.	22,866	48,582
	<u>Q 175,531</u>	<u>Q 249,390</u>

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

As of December 31, other accounts receivable were the following:

	<u>2020</u>	<u>2019</u>
Import taxes -BANCASAT (*)	Q 191,253	Q -
Sanyia Plastics	143,562	-
Impresiones Industriales Commet	6,140	
Contributions to the solidarity association	3,207	1,920
Mr. Ronal Dubon	-	250
Mediterranean Shipping Company	14,989	-
Mr. Pedro Menendez Landaverde	3,780	-
Maersk Guatemala, S.A.	7,778	-
Mr. Mario Juberly Mendoza	16,336	-
Taizhou Huangyan Jessie Import and Export	5,495	54,585
	<u>Q 392,541</u>	<u>Q 56,754</u>

(*) Import taxes correspond to the purchase of machinery and raw materials that were in customs, which were pending to be settled.

NOTE 7 - INVENTORIES

Inventories, at cost, at December 31, which is lower than the net realizable value, are classified as described below:

	2020	2019
Finished product	Q 772,055	Q 872,576
Raw material	2,190,528	3,620,086
	<u>Q 2,962,583</u>	<u>Q 4,492,662</u>

The valuation formula at which the inventories were costed was the weighted average cost.

Raw material inventories, slow moving, as of December 31, 2020 of more than 90 days, totaled Q.123,635.

Inventories were insured against fire and theft by means of a policy for a total of Q.10,000,000.

NOTE 8 – MACHINERY AND EQUIPMENT, COMPUTER EQUIPMENT, FURNITURE AND EQUIPMENT, TOOLS AND IMPROVEMENTS IN LEASED PROPERTIES-NET

At December 31, these assets and its corresponding accumulated depreciation were as shown on the following page:

2020

ASSETS	FIXED ASSETS			BALANCE AT DEC-31-20	DEPRECIATION RATE
	BALANCE AT DEC-31-19	ADDITIONS	WITHDRAWALS		
Machinery and equipment	Q 7,714,457	Q 132,429	Q -	Q 7,846,886	20%
Computer equipment	31,183	4,464	-	35,647	33%
Furniture and equipment	332,059	1,996	-	334,055	20%
Tools	15,205	6,638	-	21,843	25%
Improvements	-	132,572	-	132,572	
Advances to Suppliers for the purchase of machinery and equipment	-	-	-	2,156,355	
	<u>Q 8,092,904</u>	<u>Q 278,099</u>	<u>Q -</u>	<u>Q 10,527,358</u>	
ASSETS	ACCUMULATED DEPRECIATION			BALANCE AT DEC-31-20	NET BALANCE
	BALANCE AT DEC-31-19	DEBITS	CREDITS		
Machinery and equipment	3,865,742	114,948	1,544,526	5,295,320	2,551,567
Computer equipment	19,521	-	11,759	31,280	4,367
Furniture and equipment	165,971	-	66,446	232,417	101,638
Tools	10,149	72	5,075	15,152	6,691
Improvements	-	-	-	-	132,572
Advances to Suppliers for the purchase of machinery and equipment	-	-	-	-	2,156,355
	<u>Q 4,061,383</u>	<u>Q 115,020</u>	<u>Q 1,627,806</u>	<u>Q 5,574,169</u>	<u>Q 4,953,189</u>

As of December 31, 2020, the Guatemalan customs office contained the machinery and equipment corresponding to advances to suppliers for Q 2,156,355 (Note 18)

2019

ASSETS	FIXED ASSETS			BALANCE AT DEC-31-19	DEPRECIATION RATE
	BALANCE AT DEC-31-18	ADDITIONS	WITHDRAWALS		
Machinery and equipment	Q 7,539,401	Q 175,056	Q -	Q 7,714,457	20%
Computer equipment	31,183	-	-	31,183	33%
Furniture and equipment	328,831	3,228	-	332,059	20%
Tools	15,205	-	-	15,205	25%
Improvements in leased properties	1,216,881	-	-	1,216,881	33%
	<u>Q 9,131,501</u>	<u>Q 178,284</u>	<u>Q -</u>	<u>Q 9,309,785</u>	

ASSETS	ACCUMULATED DEPRECIATION			BALANCE AT DEC-31-19	NET BALANCE
	BALANCE AT DEC-31-18	DEBITS	CREDITS		
Machinery and equipment	2,315,011	102,437	1,653,168	3,865,742	3,848,715
Computer equipment	9,087	-	10,434	19,521	11,662
Furniture and equipment	100,810	5,219	70,380	165,971	166,088
Tools	6,423	365	4,091	10,149	5,056
Improvements in leased properties	774,378	-	442,503	1,216,881	-
	<u>Q 3,205,709</u>	<u>Q 108,021</u>	<u>Q 2,180,576</u>	<u>Q 5,278,264</u>	<u>Q 4,031,521</u>

DEPRECIATION EXPENSE	2020	2019
Cost of production	Q 1,273,112	Q 1,751,147
Depreciation of operating expenses (Note 13)	354,694	59,697
Amortization of operating expenses (Note 13)	-	442,502
Less adjustments	-	(72,770)
	<u>Q 1,627,806</u>	<u>Q 2,180,576</u>

During 2020 assets were insured against theft and fire for Q10,700,000.

NOTE 9 - OTHER ASSETS

Other assets at December 31, were as shown below:

	2020	2019
Guarantee deposits	Q 351,146	Q 345,571
Organization expenses	10,524	21,048
	<u>Q 361,670</u>	<u>Q 366,619</u>

NOTE 10 - TAXES: INCOME TAX-ISR, SOLIDARITY TAX-ISO AND OTHER TAXES

At December 31, taxes receivable and payable, and the calculation thereof, were the following:

a) Receivables:

	2020	2019
VAT on imports pending liquidation	Q 3,794,588	Q 4,232,722
VAT on local activities pending liquidation	631,635	409,719
solidarity tax -ISO	-	50,488
	<u>Q 4,426,223</u>	<u>Q 4,692,929</u>

b) Payables:

	2020	2019
Income tax withholdings to third parties	Q 27,028	Q 22,860
Income Tax payable [Note 9 c)]	258,829	326,823
VAT related to special invoices	426	484
Income tax withholdings related to non residents	-	22,312
Income tax withholdings on special invoices	178	98
ISR withholdings on capital income	1,558	4,764
ISR withholdings to employees	763	540
	<u>Q 288,782</u>	<u>Q 377,881</u>

c) Income tax calculation related to lucrative activities:

	2020	2019
Profit before income tax	Q 4,434,324	Q 4,481,129
Less-other net capital income of income tax	(5,094)	(8,627)
Income from lucrative activities	4,429,230	4,472,502
Add-non deductible expenses	689,979	974,285
Add-costs and capital income	509	865
Taxable income	5,119,718	5,447,652
Tax rate	25%	25%
Income tax	1,279,930	1,361,913
Income tax - ISR	(776,550)	(939,523)
Less-Solidarity Tax (ISO)	(244,550)	(95,567)
ISR- payable (Solidarity Tax (ISO)	<u>258,829</u>	<u>326,823</u>

d) Integration of the income tax according to different income categories:2020:

TYPE OF INCOME	BASE	RATE	DETERMINED INCOME TAX
Income tax from income due to lucrative activities [Note 9 c)]	Q 5,119,718	25%	Q 1,279,930
<u>Income tax due to capital income:</u>			
Interest on investments (Note 15)	5,094	10	509
			<u>Q 1,280,439</u>

2019:

<u>TYPE OF INCOME</u>		<u>BASE</u>	<u>RATE</u>	<u>DETERMINED INCOME TAX</u>
Income tax from income due to lucrative activities [Note 9 c)]	Q	5,447,652	25%	Q 1,361,913
<u>Income tax due to capital income:</u>				
Interest on investments (Note 15)		8,627	10	865
				<u>Q 1,362,778</u>

ISO:

This tax entered into effect on January 1, 2009. This is applicable to individuals and legal entities, as well as other entities dedicated to mercantile and agricultural activities in the national territory, obtaining a gross margin higher than 4% of their gross income.

This tax should be quarterly paid during the calendar year, and may be credited to ISR payments, be them monthly, quarterly or annually, until the exhaustion of the balance during the three following calendar years. Alternatively, ISR may be covered first and credited to ISO payments during the same calendar year.

The tax remainder that is not credited according to the procedures established by the law will be considered as an expense deductible for income tax purposes, on the period of annual definitive liquidation in which the three years of payment are complete.

The tax rate is 1% on:

- a) The fourth part of the amount of the net assets or
- b) The fourth part of the gross revenues, whichever is higher.

When the net assets are more than four times higher than the gross income, the tax base mentioned in b) will be applied.

The financial statements of the previous fiscal year will be taken as a base in both cases. The IUSI (real estate property tax) paid during the same quarter, should be deducted from the determined tax based on the assets.

This tax should be paid during the calendar month following each quarter; on the contrary, it will not be creditable to ISR.

STATUTE OF LIMITATIONS:

Pursuant to the Tax Code of Guatemala, the statute of limitations for the tax authorities to make adjustments to tax payers elapses in four years beginning on the date when the tax returns were due for filing. The income tax returns filed by the Company for the years 2017 to 2020 are pending review by the tax authorities.

NOTE 11 - SUPPLIERS AND CREDITORS

Accounts payable to suppliers and creditors, at December 31, were as shown next:

	<u>2020</u>		<u>2019</u>	
Foreign suppliers	Q	3,875,690	Q	3,429,939
Creditors		158,747		141,444
Globo Color, S.A.		283,793		245,147
	<u>Q</u>	<u>4,318,230</u>	<u>Q</u>	<u>3,816,530</u>

At December 31, 2020 and 2019, accounts payable to foreign suppliers were US\$497,277, and US\$445,514, at an exchange rate of Q7.79 to Q7.70 to US\$1.

NOTE 12 - LOANS PAYABLE

Loans payable, at December 31, were:

	<u>2020</u>		<u>2019</u>	
Prima India	Q	8,174,517	Q	13,617,779
Unión, S.A.		837,797		1,453,561
	<u>Q</u>	<u>9,012,314</u>	<u>Q</u>	<u>15,071,340</u>

Loans were given under the following conditions:

Prima India

- Original amount: US\$2,068,845
- Period: 60 months
- Interest rate: 6.5% annually
- Purpose: Working capital
- Maturity: May 10, 2022

Union S.A.

- Original amount: Q1,700,071 equivalent to US\$219,734
- Period: 60 months
- Interest rate: 6.5% annually
- Purpose: Working capital
- Maturity: May 10, 2022

NOTE 13 - AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

At December 31, 2020 and 2019, the authorized, subscribed and paid in social capital was integrated as follows:

Authorized social capital was composed of 15,000 common and nominative shares, with a nominal value of Q1,000 each	Q 15,000,000
Less-shares pending subscription: 11,008	<u>(11,008,000)</u>
Authorized, subscribed and paid in social capital composed of 3,992 shares Q1,000 each	<u>Q 3,992,000</u>

At December 31, the book value of the shares was as it appears below:

	<u>2020</u>	<u>2019</u>
Paid in capital	Q 3,992,000	Q 3,992,000
Accumulated legal reserve	313,681	-
Accumulated net profit [Note 13 a)]	<u>2,946,919</u>	<u>106,208</u>
	<u>Q 7,252,600</u>	<u>Q 4,098,208</u>
Divided by the number of shares	<u>3,992</u>	<u>3,992</u>
Book value of each share	<u>Q 1,817</u>	<u>Q 1,027</u>

NOTE 13 a) - ACCUMULATED PROFITS

At December 31, the accumulated profit are shown below:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	Q 106,208	Q (3,013,008)
Net profit for the year after legal reserve	2,996,672	3,119,216
Less-transfer to legal reserve year 2019	<u>(155,961)</u>	<u>-</u>
Balance at the end of the year	<u>Q 2,946,919</u>	<u>Q 106,208</u>

Legal reserve - The Guatemalan Code of Commerce establishes that every company must form a reserve called legal, which is formed by separating a minimum of 5% from the net profits of each year. This reserve is not distributed, but until the end of the partnership; however, it can be capitalized when it exceeds 15% of the paid-in capital at the close of the immediately preceding fiscal year.

NOTE 14 - OPERATING EXPENSES

The following page shows the operating expenses executed during 2020 and 2019:

	2020		2019	
Staff services	Q	990,279	Q	1,190,890
Professional services		222,975		308,496
Courses and trainings		2,563		10,080
Depreciation (Note 7)		354,694		59,696
Water, electricity and telephone		167,316		65,658
Travel expenses		84,545		146,905
Amortizations (Note 7)		-		442,502
Freight and haulage		46,045		46,120
Maintenance and repairs		146,437		196,932
Taxes and contributions		129,924		150,074
Security services		262,137		252,718
Salaries		119,919		94,847
Incentive bonus		170,370		150,153
Bonus		26,018		20,149
Bonus 14		23,544		40,717
Compensation		28,241		26,118
Employer fee		15,194		15,198
Miscellaneous supplies and materials		92,155		167,137
Insurance and bonds		117,013		69,279
Uncollectible accounts		-		36,987
Advertising and selling expenses		18,676		12,989
Leases		830,432		819,262
General expenses		95,034		128,955
Fuel and lubricants		6,591		10,383
	Q	3,950,101	Q	4,462,245

NOTE 15 – FINANCIAL EXPENSES

During the years under review, the following financial expenses were executed:

	2020		2019	
Interest related to loans	Q	703,150	Q	1,062,690
Loss from the exchange rate differential		436,280		771,064
Bank commissions		2,307		4,073
Sundry expenses		7,829		58,033
IPF withholding without earned interest		509		865
	Q	1,150,075	Q	1,896,725

NOTE 16 - OTHER INCOME

Other income obtained during 2020 and 2019, was originated from the following concepts:

	<u>2020</u>	<u>2019</u>
Exchange differential	Q 373,060	Q 810,476
Interest received (Note 4)	5,094	8,628
Sundry income	85,500	26,417
	<u>Q 463,654</u>	<u>Q 845,521</u>

NOTE 17 - SUBSEQUENT EVENTS

As of December 31, 2020, in the Guatemalan customs there were the machinery and equipment for which advances were granted to suppliers during the year 2020 to suppliers Milacron India for Q 1,787,902 and to Taizhou Bosend Mould Co for Q 368,453 and to the date of our revision the machinery is in the facilities of the company pending to be installed.

NOTE 18 - APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Administration Board and were authorized for their publication.

NOTE 17 - ASPECTS IN WHICH THE ACCOUNTING POLICIES APPLIED BY THE COMPANY DIFFER FROM THE INTERNATIONAL FINANCIAL REPORTING STANDARD FOR PYMES

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
<p>1. <u>Valuation and recognition of financial instruments:</u></p> <p>These are valued at the historical cost. The value impairment is not recognized until the moment of its liquidation, except for the commercial accounts receivable to which a maximum reserve of 3% of the value of the total balances is applied, without taking into consideration whether or not there is evidence of impairment or the amount of the actual value impairment.</p>	<p>At the end of each reporting period, the financial instruments will be measured at the amortized cost using the effective interest method.</p> <p>Debt instruments, classified as current assets or current liabilities, are measured to the amount not deducted from the cash or other consideration which is expected to be paid or received, unless the agreement constitutes a financing transaction. If the agreement constitutes a financing transaction, the Entity should measure the debt instrument to the present value of future payments deducted at a market interest rate for a similar debt instrument.</p> <p>At the end of each reporting period, an assessment should be made to verify if there is objective evidence of value impairment of the financial assets that are measured at cost or amortized cost. When there is objective evidence of value impairment, the Entity will recognize immediately a loss due to value impairment in the results.</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
<p>2. <u>Names of the financial statements.</u></p> <p>a) Balance sheet b) Statement of income c) Statement of changes in equity d) Statement of cash Flow</p>	<p>e) Statement of financial position. f) Statement of comprehensive income g) Statement of changes in equity h) Statement of cash flow</p>
<p>3. <u>Property, plant and equipment:</u></p> <p>The recognition of assets is registered at the cost value less the depreciation based on the estimated useful life of the assets.</p> <p>There is no scrap value, and losses due to impairment in the value of the same are not recognized.</p>	<p>IFRS for PYMES stipulates that assets should be recognized at their cost less their accumulated depreciation less their value of impairment.</p> <p>The Company does not make an objective assessment of the impairment of its fixed assets.</p>
<p>4. <u>Benefits due to termination of contract – liabilities related to severance payments</u></p> <p>The income tax law allows the creation of a reserve for severance payments due to termination of contract, at the rate of 8.33% of annual remunerations.</p> <p>Even when this compensation is payable to employees only in the event of unjustified dismissal, the law allows said compensation to be constituted by the total number of remunerations paid each year, without taking into consideration whether or not there is a payment obligation, as the related employment contracts were not terminated.</p>	<p>The standard requires that provisions which can be reliably valued and result in future economic benefits are registered.</p> <p>The company does not create provisions related to this concept as it makes payments to its employees every year.</p>
<p>5. <u>Classification of obligations according to maturity</u></p>	

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
The law classifies liabilities related to labor fringe benefits as Christmas bonus and bonus 14, together with severance payments, which have a period higher than one year.	IFRS for PYMES requires that these are classified as current and noncurrent obligations.
<p data-bbox="218 495 422 524">6. <u>Inventories</u></p> <p data-bbox="247 566 1094 670">Under no circumstances, the Company does not recognize any reserve for the recognition of the value impairment of the inventories, as it is not allowed by the Income Tax Law.</p> <p data-bbox="247 712 1094 781">Any loss due to impairment is registered until the time of selling or removing the inventory of the affected assets.</p>	<p data-bbox="1121 566 1906 852">At the end of each reporting period, the Entity should assess whether the inventories are impaired, that is, if the book value is not completely recoverable; for example, due to damage, obsolescence or decreasing selling prices. If an inventory entry is impaired, the Entity should measure the inventory at the selling price less the costs of termination and sale, and a loss due to value impairment should be recognized.</p>
<p data-bbox="218 901 919 930">7. <u>Impairment of assets different from inventories</u></p> <p data-bbox="260 972 1014 1076">Such impairment is recognized until the time when the asset is settled or disposed, or when it is removed from the assets.</p>	<p data-bbox="1121 972 1906 1076">Any value impairment should be immediately recognized in the results, reducing the book value of the affected asset until its recoverable amount is obtained.</p> <p data-bbox="1121 1118 1906 1330">In order to recognize losses due to impairment, on a timely basis, the Company should assess, during each reporting date, whether there is an indicator of value impairment of any asset. If an indicator existed, the Company should estimate the recoverable amount of the same.</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
	The recoverable amount of an asset or a cash generating unit is the highest value between its fair value less costs of sales and its value in use.
<p data-bbox="218 383 1083 415">8. <u>Short term benefits to employees – remunerated absences</u></p> <p data-bbox="264 456 974 526">These are registered in the results when the same are paid.</p>	<p data-bbox="1125 418 1902 561">The cost of all the benefits for employees to which they are entitled, as a result of services rendered to the Entity during the reporting period, should be recognized as an expense of the period and as an obligation.</p> <p data-bbox="1125 602 1902 745">An entity will recognize the expected cost of the remunerated absences with cumulative rights as employees render their services which increase their rights to future remunerated absences.</p> <p data-bbox="1125 786 1902 1000">The Entity will measure the expected cost related to the remunerated absences with cumulative rights for the additional amount not discounted that the Entity expects to pay due to unused rights accumulated at the end of the reporting period. The Entity will present this amount as a current liability at the date of the reporting period.</p> <p data-bbox="1125 1333 1902 1399">Person or entity related to the company due to zero or more bills, such as:</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
<p>9. <u>Related parties:</u></p> <p>It results from operations among a Guatemalan resident and a foreign company when:</p> <ul style="list-style-type: none"> a) It owns more than 25% of the capital. b) Five or less people revoke or control both related parties. c) When legal people who are Guatemalan residents or foreigners belong to a smaller business group. d) When it is an exclusive distributor in Guatemala or abroad. e) A Guatemalan resident has a permanent establishment abroad. . f) A permanent establishment in Guatemala, and its headquarters is abroad. 	<ul style="list-style-type: none"> 1. Member of the same group 2. When it is an associate 3. When they have a joint business 4. If the company is controlled by a person, company or relative or key personnel of the management.

* * * * *

PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS
AT MARCH 31, 2021 AND 2020

Guatemala, April 23, 2021

PRIMA UNIÓN PLÁSTICOS, S.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and
Stockholders of
PRIMA UNIÓN PLÁSTICOS, S.A.

Report on the audit of the financial statements:

Opinion:

We have audited the accompanying financial statements of PRIMA UNIÓN PLÁSTICOS, S.A., which comprise the balance sheet for the period from January 1 to March 31, 2021 and 2020, and the statements of: income, changes in net equity and cash flows corresponding to the period then ended, and the notes to the financial statements, as well as a summary of the significant accounting policies and other explanatory information. The financial statements have been prepared by the administration, with certain fiscal criteria of accounting of the Income Tax Law of the Republic of Guatemala.

In our opinion, the accompanying financial statements of PRIMA UNIÓN PLÁSTICOS, S.A., for the period ended March 31, 2021 and 2020, have been prepared, in all material respects, according to the accounting requirements established by the Income Tax Law of the Republic of Guatemala (described in Note 2).

Basis for opinion

We have executed our audit according to the International Standards on Auditing Standards (ISAs). Our responsibilities under such standards are described in detail in the section Auditor's responsibilities on the audit of the financial statements of our report. We are independent from the Company in accordance to ethical requirements that are relevant for our audit of the financial statements in Guatemala – Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA) of the International Federation Accountants (IFAC) – and we have complied with our other ethical responsibilities according to this code. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion

Emphasis paragraph:

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the accounting basis used for the preparation of said statements, which differs in some aspects from the international financial reporting standards as indicated in the Note 20. The financial statements have been prepared with the purpose of serving as a basis for the preparation of the Income tax return for the year and to comply with the legal requirement to present them attached to the same. As a result of this, the financial statements may not be appropriate for other purpose. Our report is intended for the use of the Company, partners and tax authorities. Our opinion is not modified regarding this matter.

Responsibilities of management and those charged with governance of the Company for the financial statements.

Management is responsible for the preparation of the accompanying financial statements in accordance with the fiscal criteria of accounting included in the law of the income tax of Guatemala, Note 2, and the internal control that management deems necessary to allow the preparation of the financial statements being free of material misstatements due fraud or error.

In the preparation of the financial statements, management is responsible of assessing the ability of the Company to continue operating as a going concern, revealing the matters related to the going concern business and using the going concern basis of accounting, unless management intends to cease operations or has no other realistic alternative but to do so.

Those charged with governance of the Company are responsible to supervise the process of financial information of the Company.

Auditor's responsibilities for the financial statements audit

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether they are derived from fraud or error, and issue the auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit carried out according to the International Standards on Auditing-ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or as a whole, said misstatements are reasonable expected to affect the economic decisions taken by the users based on the financial statements.

As part of an audit, and according to the International Standard on Auditing - ISAs– we exercise professional judgment, and we maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the financial statements, due to fraud or error, design and execute audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to provide the bases for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error as fraud involves collusion, forgery, intentional omissions, misrepresentations or override of the internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate under the circumstances and not for the purpose to express an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of the accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the accounting bases of the going concern company, and based on the gathered evidence, whether there is a material uncertainty related to events or conditions that may give rise to a significant doubt on the capacity of the Company 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 information disclosure related to the financial statements or, if such disclosure is 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 Company 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.
- The auditor's responsibilities are to obtain enough and appropriate audit evidence regarding the financial information of the entities or commercial activities within the Company to express an opinion on the financial statements. We are responsible of the management, supervision and making of the audit engagement of the Company. We are the only responsible for our audit opinión.

We communicated with those charged with governance regarding the expected scope and the moment of conducting the audit and the important audit results, among other matters, including potential significant deficiencies in the internal control that we identified during our audit.

Guatemala, April 23, 2021



Licda. Lisbet Marivel Mansilla de Ortiz
CONTADORA PUBLICA Y AUDITORA
COLEGIADA No. CPA-3748

MAO | MANSILLA
ORTIZ
& ASESORES
Consultores y Auditores Financieros

Calzada Aguilar Batres 34-70
Condominio Galerías del Sur I
6to. Nivel, zona 11, Guatemala
Ciudad

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF FINANCIAL POSITION

(Expressed in quetzales - Note 3)

	AT MARCH 31	
	2021	2020
ASSETS		
Current assets:		
Cash and banks (Note 4)	Q 4,052,496	Q 1,467,641
Accounts receivable:		
Customers	1,737,245	1,374,024
Affiliated companies [Note 5 a)]	2,288,225	2,183,028
(-) Reserve for uncollectible accounts	(120,764)	(106,712)
Taxes receivable [Note 10 a)]	4,669,308	4,623,448
Advances to creditors	106,304	89,655
Other accounts receivable (Note 6)	3,446,209	388,121
	12,126,527	8,551,564
Inventories (Note 7)	3,626,691	4,206,403
Total current assets	19,805,714	14,225,608
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 8)	4,951,473	3,636,474
Other assets (Note 9)	357,068	363,634
Total non current assets	5,308,541	4,000,108
Total assets	Q 25,114,255	Q 18,225,716
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Suppliers and creditors (Note 11)	Q 2,593,813	Q 3,086,348
Affiliated companies [Note 5 b)]	130,149	10,470
Taxes payable [Note 10 b)]	965,805	377,874
Bank Loan (Note 13)	385,749	-
Labor benefits payable	34,521	53,374
Accumulated charges to pay	495,301	749,540
Total current liabilities	4,605,338	4,277,606
Non current liabilities:		
Reserve for severance payments	90,299	71,675
Bank Loan (Note 13)	1,542,996	-
Loans payable (Note 12)	8,929,623	8,897,832
Total liabilities	15,168,256	13,247,113
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 14)	3,992,000	3,992,000
Legal Reserve	313,680	-
Accumulated earnings (Note 15)	5,640,319	986,603
Total stockholders' equity and accumulated earnings	9,945,999	4,978,603
Total liabilities, stockholders' equity and accumulated earnings	Q 25,114,255	Q 18,225,716

Notes 1 to 20 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF COMPREHENSIVE INCOME

(Expressed in quetzals - Note 3)

	<u>FOR THE QUARTER ENDED MARCH 31</u>			
		<u>2021</u>		<u>2020</u>
Income	Q	12,031,153	Q	7,601,742
Less-cost of sales		<u>(7,395,699)</u>		<u>(5,113,883)</u>
Gross profit from sales		4,635,454		2,487,859
Operating expenses (Note 16)		<u>(912,868)</u>		<u>(1,150,799)</u>
Operating earnings		3,722,586		1,337,060
Financial expenses (Note 17)		(174,289)		(202,966)
Other income (Note 18)		<u>87,546</u>		<u>100,353</u>
Profit before tax ISR		3,635,843		1,234,447
(-) Tax ISR [Note 10 c]		<u>(942,443)</u>		<u>(354,051)</u>
Net profit the quarter	Q	<u>2,693,400</u>	Q	<u>880,396</u>

Notes 1 to 20 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF CHANGES IN EQUITY

(Expressed in quetzals - Note 3)

	<u>FOR THE QUARTER</u>	
	<u>MARCH, 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Authorized, subscribed and paid-in social capital</u>		
Capital subscribed and paid at the beginning and end of the year (Nota 14)	Q 3,992,000	Q 3,992,000
<u>Accumulated earnings:</u>		
Balance at the beginning of the year	Q 2,946,919	Q 106,207
Net profit the quarter (Note 15)	<u>2,693,400</u>	<u>880,396</u>
Balance at the end of the semester	<u>5,640,319</u>	<u>986,603</u>
<u>Legal Reserve</u>		
Balance at the beginning of the year	Q 313,680	Q -
Increase	<u>-</u>	<u>-</u>
Balance at the end of the semester	<u>313,680</u>	<u>-</u>
Total stockholders' equity	<u>Q 9,945,999</u>	<u>Q 4,978,603</u>

Notes 1 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2021 AND 2020
(Expressed in quetzals - Note 3)

	<u>2021</u>	<u>2020</u>
Cash flow in operating activities:		
Net profit for the year	Q 2,693,400	Q 880,396
Reconciliation between the net profit and entries not requiring cash:		
Depreciations and amortizations	461,597	409,134
Employment benefits	(4,132)	70,399
Uncollectible accounts	174	(32,841)
	<u>3,151,039</u>	<u>1,327,087</u>
Changes in net assets and liabilities:		
Decrease in assets and increase in liabilities:		
Customers	-	1,094,765
Accumulated charges to pay	-	330,743
Taxes payable	677,026	-
Taxes receivable	-	96,660
Inventory	-	286,259
	<u>677,026</u>	<u>1,808,426</u>
Increase in assets and decrease in liabilities:		
Suppliers	(1,291,857)	(587,311)
Inventory	(664,107)	
Taxes receivable	(243,085)	
Customers	(5,855)	
Accumulated charges to pay	(720)	-
Taxes payable	-	(27,233)
Anticipated spendings	(28,061)	(1,018)
Other accounts receivable	(897,313)	(331,366)
	<u>(3,130,998)</u>	<u>(946,928)</u>
Net cash from operating activities	<u>697,067</u>	<u>2,188,585</u>
Cash flow in investing activities:		
Increase in property, plant and equipment	41,734	(11,103)
Net cash applied in investing activities	<u>41,734</u>	<u>(11,103)</u>
Cash flow in financing activities:		
Payments of loans	1,846,054	(6,173,510)
Cashed used in financing activities	<u>1,846,054</u>	<u>(6,173,510)</u>
Net increase (decrease) in cash	2,584,855	(3,996,027)
Cash at the beginning of the year	1,467,641	5,463,668
Cash at the end of the year	<u>Q 4,052,496</u>	<u>Q 1,467,641</u>

Notes 1 to 20 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 1 – HISTORY AND OPERATIONS

PRIMAUNIÓNPLÁSTICOS, S.A., was constituted as a corporation on March 14, 2016, according to the laws of the Republic of Guatemala, for an indefinite period. Its fiscal year is the natural one.

Its main activity is the manufacture, transformation, import, export, distribution and commercialization of plastic materials and products. Purchase, sale, import and export of industrial machinery for the plastic industry.

The Company is domiciled in the city of Guatemala. It may open branches in any other place of the Republic of Guatemala or abroad.

The Company is part of a group of companies which have common partners and are under the same administration. Such companies make significant transactions among them and with third parties.

The companies which are part of the group are:

- Unión, S.A.
- Prima Plastics Limited.

NOTE 2 –PREPARATION BASES AND ACCOUNTING POLICIES

The accompanying financial statements have been prepared, in all material respects, according to the accrual basis of accounting mentioned in the Income Tax Law, applying the accounting policies and practices included in said Law. The most important accounting policies and procedures used by the Company in the preparation of its financial statements are summarized below:

Accounting basis–The accounting basis used by the Company for the registration of its operations is the accrual basis which recognizes assets, liabilities, income and expenses when the rights are earned or when the corresponding obligations are incurred.

Recognition of income–Income from ordinary activities, which results from the production, distribution and sale of plastic chairs and tables, is recognized in the results of the year when the sale is made.

Recognition of expenses –Expenses are recognized when the same are incurred.

Cash—Cash includes the balances in cash and banks. The balances in banks are available at sight. There was no restriction limiting the use of said balances.

Customers—Customers' balances do not bear interests and are registered at their billing value less the corresponding deductions of the negotiation.

Accounts receivable and estimate for uncollectible accounts—Accounts receivable are registered at cost. The Company applies the policy stipulated by the Law, for uncollectible accounts, regarding the creation of a provision which cannot exceed 3% of the debit balances from commercial accounts and documents receivable, at the closing of each of the annual periods of taxation; provided that said balances are originated from the ordinary course of business and are not guaranteed by pledges or mortgages.

Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties-net—Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties are valued at the acquisition cost. The corresponding depreciation is calculated by the straight line method based on their estimated useful lives and according to the Income Tax Law. The depreciation percentages are as follows:

Machinery and equipment	20%
Furniture and equipment	20
Computer equipment	33
Tools	25
Improvements in leased properties	33

Expenses related to repairs and maintenance, which do not restore the asset and increase its useful life, are charged to the operations of the year.

Assets and liabilities expressed in foreign currency—These are presented at their value equivalent in quetzals, using the exchange rate in effect at the end of the year (see Note 3), and the exchange differential, resulting between the dates of payment or collection and the date of registration, is operated in the results.

Transactions in foreign currency—Transactions are registered at their equivalent value in quetzals, using the exchange rate in effect when the transaction is carried out. Earnings and losses derived from adjustments of balances expressed in foreign currency are included in the determination of the results of the year.

Recognition of expenses—Expenses are recognized when they are incurred.

Inventories - Inventories are valued at the average cost of acquisition. Their costs do not exceed their net realizable value. These are registered at the lowest amount between the cost and the selling price less the termination and selling costs.

Related parties- A related party is a person or an entity that is related to the Entity due to one or more of the following factors:

- a) A person or an entity is member of the key personnel of the Company or its controlling entity; if it exercises control or exerts a significant influence or voting power on the same.
- b) If a person or entity together with the Company are:
 - i. Members of the same group,
 - ii. If it is an associate,
 - iii. If the entity together with the Company constitute a joint business of a third entity,
 - iv. One of the entities is part of a joint business of a third entity, and the other entity is an associate of the third entity,
 - v. If the entity constitutes a plan of post-employment benefits of the employees of the Company or an entity which is a related party of the same,
 - vi. If the Company is controlled by a person identified in a),
 - vii. A person or a family member close to that company exerts significant influence over the Company,
 - viii. A member of the key personnel of the administration of the Company or its controlling entity or a relative of that member exerts control over the Company or has significant voting power over it.

Commercial suppliers and creditors - These are obligations based on common credit conditions, and the same do not accrue interest. The amounts, regarding suppliers, expressed in foreign currency are converted according to the exchange rate in effect at the end of the year. Earnings or losses related to the exchange differential resulted from the foreign currency conversion is registered in other expenses or other income, as appropriate.

Severance payments – These are compensations accruing in favor of the employees according to the length of service and provisions of the Work Code. The same may be paid to them in the event of dismissal, or to their relatives in case of death. At March 31, 2021 and 2020, there was one provision regarding this concept for Q90,299 and Q71,675, respectively.

Provisions- A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation which can be reasonably estimated.

Taxation-the income tax is based on the 25% over the fiscal profit.

NOTE 3 - MONETARY UNIT AND EXCHANGE RATES

The accounting records are maintained in quetzals, denoted by the symbol “Q” as shown in the financial statements. The quetzal is the official currency of Guatemala.

The exchange rate is freely determined among the banking market participants. At March 31, 2021 and 2020, it was Q7.71 and Q7.69, at the date of this report, it was Q7.71 to US\$1.

According to the Law of Free Foreign Currency, the disposal, possession, contracting, remittance, transfer, purchase, sale, collection or payment of and with foreign currency are free; also foreign currency tenure, deposits and bank accounts may be freely maintained.

The reference exchange rate of the quetzal is calculated and published daily by Bank of Guatemala –Central Bank-.

NOTE 4 - CASH AND BANKS

Cash balances at March 31, are broken-down as shown next:

	<u>2021</u>	<u>2020</u>
Petty cash	Q 11,000	Q 6,000
<u>Banks-national currency:</u>		
Industrial	1,360,219	859,779
<u>Banks-foreign currency</u>		
Industrial	2,507,743	478,722
BAC Reformador	173,533	123,140
	<u>2,681,276</u>	<u>601,862</u>
	<u>Q 4,052,496</u>	<u>Q 1,467,641</u>

During 2021 and 2020 these accounts accrued interest for Q1,764 and Q1,806, respectively, the same was registered in other income (Note15).

At March 31, 2021 and 2020, the cash in Banks included foreign currency balances for US\$347,542 and US\$78,266, expressed at an exchange rate of Q7.71 and Q7.69, respectively.

NOTE 5 -AFFILIATED COMPANIES

This account was integrated by the balances of companies that will be mentioned further on, and the stockholders of one company are also stockholders of the others, without a company owning shares of the other companies. In

addition, one of such companies may exert control or influence over the operations of the other companies.

The Company, as part of a group of affiliated companies (Note 1) and, as such, makes significant transactions of the same nature with these companies.

Due to these relationships, it is likely that the terms of such transactions are not the same which would be agreed among totally independent companies under free competition conditions.

At March 31, this account was integrated as shown next:

a) Receivables:

	<u>2021</u>	<u>2020</u>
Unión, S.A.	Q 2,288,225	Q 2,183,028

b) Payables:

	<u>2021</u>	<u>2020</u>
Prima Plastics Limited (India)	Q 116,722	Q -
Unión, S.A.	13,428	10,470
	<u>Q 130,149</u>	<u>Q 10,470</u>

NOTE 6- OTHER ACCOUNTS RECEIVABLE

Other accounts receivable, at March 31, were as shown next:

	<u>2021</u>	<u>2020</u>
Advances to Foreign suppliers	Q 3,393,264	-
Advances to creditors	48,890	Q 388,121
Others accounts	4,055	-
	<u>Q 3,446,209</u>	<u>Q 388,121</u>

Advances to foreign suppliers are listed below:

	<u>2021</u>
Vinmar International Ltd.	Q 1,539,978
Manuchar NV	1,138,035
Merit Polymers Unit II	377,263
Trident Impex	214,418
Taizhous Huangyan	123,570
	<u>Q 3,393,264</u>

At March 31, 2021, accounts advances to foreign suppliers were US\$439,828, at an exchange rate of Q7.71.

NOTE 7 - INVENTORIES.

Inventories, at cost, at March 31, which is lower than the net realizable value, are classified as described below:

	2021		2020	
Raw material	Q	2,853,446	Q	3,218,758
Finished product		773,245		987,645
	Q	<u>3,626,691</u>	Q	<u>4,206,403</u>

The valuation formula at which the inventories were costed was the weighted average cost.

NOTE 8 – MACHINERY AND EQUIPMENT, COMPUTER EQUIPMENT, FURNITURE AND EQUIPMENT, TOOLS AND IMPROVEMENTS IN LEASED PROPERTIES-NET

At March 31, these assets and its corresponding accumulated depreciation were as shown on the following page:

ASSETS	FIXED ASSETS			DEPRECIATION RATE
	BALANCE AT DEC-31-20	ADDITIONS	BALANCE AT MAR-31-21	
Machinery and equipment	Q 7,846,886	Q 2,674,293	Q 10,521,179	20%
Computer equipment	35,647	-	35,647	33%
Furniture and equipment	334,054	68,320	402,374	20%
Tools	21,844	1,593	23,437	25%
Improvements in leased properties	132,572	(132,572)	-	33%
	<u>Q 8,371,003</u>	<u>Q 2,611,634</u>	<u>Q 10,982,637</u>	

ASSETS	ACCUMULATED DEPRECIATION			NET BALANCE
	BALANCE AT DEC-31-20	CREDITS	BALANCE AT MAR-31-21	
Machinery and equipment	5,295,319	437,283	5,732,602	4,788,578
Computer equipment	33,910	565	34,475	1,172
Furniture and equipment	230,087	18,132	248,219	154,155
Tools	14,853	1,016	15,869	7,568
Improvements in leased properties	-	-	-	-
	<u>Q 5,574,169</u>	<u>Q 456,996</u>	<u>Q 6,031,165</u>	<u>Q 4,951,473</u>

ASSETS	FIXED ASSETS			DEPRECIATION RATE
	BALANCE AT DEC-31-19	ADDITIONS	BALANCE AT MAR-31-20	
Machinery and equipment	Q 7,714,457	Q -	Q 7,714,457	20%
Computer equipment	31,183	4,464	35,647	33%
Furniture and equipment	332,059		332,059	20%
Tools	15,205	6,639	21,844	25%
Improvements in leased properties	1,216,881		1,216,881	33%
	<u>Q 9,309,785</u>	<u>Q 11,103</u>	<u>Q 9,320,888</u>	

ASSETS	ACCUMULATED DEPRECIATION			NET BALANCE
	BALANCE AT DEC-31-19	CREDITS	BALANCE AT MAR-31-20	
Machinery and equipment	3,865,742	385,722	4,251,464	3,462,994
Computer equipment	19,521	5,476	24,997	10,650
Furniture and equipment	165,971	14,273	180,244	151,815
Tools	10,149	680	10,829	11,015
Improvements in leased properties	1,216,881	-	1,216,881	-
	<u>Q 5,278,264</u>	<u>Q 406,151</u>	<u>Q 5,684,415</u>	<u>Q 3,636,474</u>

NOTE 9 -OTHER ASSETS

Other assets at March 31, were as shown below:

	2021	2020
Guarantee deposits	Q 349,175	Q 345,217
Organization expenses	7,893	18,417
	<u>Q 357,068</u>	<u>Q 363,634</u>

NOTE 10 -TAXES: INCOME TAX-ISR, SOLIDARITY TAX-ISOAND OTHER TAXES

At March 31, taxes receivable and payable, and the calculation thereof, were the following:

a) Receivables:

	2021	2020
VAT accumulated tax credit	Q 3,854,527	Q 4,143,166
VAT withholdings	733,264	480,282
Solidarity tax	81,517	-
	<u>Q 4,669,308</u>	<u>Q 4,623,448</u>

b) Payables:

	2021	2020
Provisión income tax	Q 942,443	Q 354,051
Income tax withholdings related to non residents	13,060	-
Income tax withholdings to third parties	9,163	23,059
Income tax withholdings for employees	737	764
VAT on special invoices	284	
Income tax on special invoices	118	
	<u>Q 965,805</u>	<u>Q 377,874</u>

c) Income tax calculation related to lucrative activities:

	2021	2020
Usefulness of the exercise	Q 3,635,842	Q 1,234,447
Less-other net capital income of income tax	(1,764)	(1,806)
Income from lucrative activities	3,634,078	1,232,641
Add-non deductible expenses	135,519	183,184
Add-costs and capital income	176	181
Taxable income	Q 3,769,773	Q 1,416,006
Percentage of income tax	25%	25%
Income tax	<u>942,443</u>	<u>354,051</u>

ISO:

This tax entered into effect on January 1, 2009. This is applicable to individuals and legal entities, as well as other entities dedicated to mercantile and agricultural activities in the national territory, obtaining a gross margin higher than 4% of their gross income.

This tax should be quarterly paid during the calendar year, and may be credited to ISR payments, be them monthly, quarterly or annually, until the exhaustion of the balance during the three following calendar years. Alternatively, ISR may be covered first and credited to ISO payments during the same calendar year.

The tax remainder that is not credited according to the procedures established by the law will be considered as an expense deductible for income tax purposes, on the period of annual definitive liquidation in which the three years of payment are complete.

The tax rate is 1% on:

- a) The fourth part of the amount of the net assets or
- b) The fourth part of the gross revenues, whichever is higher.

When the net assets are more than four times higher than the gross income, the tax base mentioned in b) will be applied.

The financial statements of the previous fiscal year will be taken as a base in both cases. The IUSI (real estate property tax) paid during the same quarter, should be deducted from the determined tax based on the assets.

This tax should be paid during the calendar month following each quarter; on the contrary, it will not be creditable to ISR.

STATUTE OF LIMITATIONS:

Pursuant to the Tax Code of Guatemala, the statute of limitations for the tax authorities to make adjustments to tax payers elapses in four years beginning on the date when the tax returns were due for filing. The income tax returns filed by the Company for the years 2017 to 2020 are pending review by the tax authorities.

NOTE 11 -SUPPLIERS AND CREDITORS

Accounts payable to suppliers and creditors, at March 31, were as shown next:

Foreign suppliers are listed below:

	<u>2021</u>		<u>2020</u>
Snetor Chimie	Q 1,271,727		-
Montachem International, INC.	859,765		-
Merit Polymers Unit II	462,320	Q	255,223
Vinmar International Ltd.	-		1,610,533
Latin American Polymers LLC	-		822,260
Muehlstein International	-		398,312
	<u>Q 2,593,813</u>		<u>Q 3,086,328</u>

At March 31, 2021 and 2020, accounts payable to foreign suppliers were US\$336,205 and US\$401,624, at an exchange rate of Q7.71 and Q7.69 to US\$1, respectively.

NOTE 12 -LOANS PAYABLE

Loans payable, at March 31, were:

	<u>2021</u>		<u>2020</u>
Prima Plastics Limited(India)	Q 8,091,826	Q	8,060,035
Unión, S.A.	837,797		837,797
	<u>Q 8,929,623</u>		<u>Q 8,897,832</u>

Loans were given under the following conditions:

Prima India

- Original amount: US\$2,068,845
- Período: 60 months

- Interés trate: 6.5% annually
- Purpose: Working capital
- Maturity: May 10, 2022

UNION, S.A.

- Original amount: Q1,700,071 equivalent to US\$219,734
- Período: 60 months
- Interés trate: 6.5% annually
- Purpose: Working capital
- Maturity: May 10, 2022

NOTE 13 - BANK LOAN

During January 2021, the company signed a bank credit agreement with Banco Industrial, S.A., with under the following conditions:

- Original amount: US\$250,000
- Term: 3 years
- Interest rate: 6% annually
- Purpose: Purchase of machinery
- Maturity: January, 2024

Period grace for 6 months for the payment of capital, counted from the date of the loan disbursement.

Current amount	Q 385,749
Non current amount	Q 1,542,996
	<u>Q 1,928,745</u>

NOTE 14 -AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

At March 31, 2021 and 2020, the authorized, subscribed and paid in social capital was integrated as follows:

Authorized social capital was composed of 15,000 common and nominative shares, with a nominal value of Q1,000 each	Q 15,000,000
Less-shares pending subscription: 11,008	<u>(11,008,000)</u>
Authorized, subscribed and paid in social capital composed of 3,992 shares Q1,000 each	<u>Q 3,992,000</u>

At March 31, the book value of the shares was as it appears below:

	<u>2021</u>	<u>2020</u>
Paid in capital	Q 3,992,000	Q 3,992,000
Net profit of the quarter (Note 15)	5,953,999	986,603
	<u>Q 9,945,999</u>	<u>Q 4,978,603</u>
Divided by the number of shares	3,992	3,992
Book value of each share	<u>Q 2,491</u>	<u>Q 1,247</u>

NOTE 15 - ACCUMULATED EARNINGS

At March 31, the accumulated earnings re shown below:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	Q 2,946,919	Q 106,207
Net profit of the quarter	2,693,400	880,396
Legal reserve	313,680	
	<u>Q 5,953,999</u>	<u>Q 986,603</u>

Legal Reserve – The Guatemalan Code of Commerce establishes that every company must form a reserve called legal, which is formed by separating a minimum of 5% from the net profits of each year. This reserve is not distributed, but until the end of the partnership; however, it can be capitalized when it exceeds 15% of the paid-in capital at the close of the immediately preceding fiscal year.

NOTE 16 -OPERATING EXPENSES

The following page shows the operating expenses executed during the first quarter of 2021 and 2020

OPERATING EXPENSES	2021		2020	
Leases	Q	222,657	Q	218,043
Outsourcing		186,350		327,723
Maintenance and repairs		75,175		30,577
Security services		66,204		65,981
Professional services		64,740		81,500
Taxes and contributions		46,089		44,789
Incentive bonus		44,896		44,896
General expenses		40,057		30,966
Insurance and bonds		31,396		30,313
Salaries		28,951		28,951
Travel expenses		23,056		77,346
Freight and haulage		21,565		6,853
Water, electricity and telephone		19,892		66,067
Compensation		6,865		6,959
Bonus 14		6,137		5,964
Bonus		6,137		5,964
Advertising and selling expenses		4,329		8,054
Employer fee		3,668		3,668
Uncollectible accounts		3,237		17,416
Fuel and lubricants		3,066		2,716
Courses and trainings		2,894		1,563
Depreciation		2,876		35,489
Amortizations		2,631		2,631
Personal expenses		-		6,370
	Q	912,868	Q	1,150,799

NOTE 17 – FINANCIAL EXPENSES

During the quarter under review, the following financial expenses were executed:

	2021		2020	
Interest related to loans	Q	166,372	Q	200,028
Sundry expenses		7,917		2,938
	Q	174,289	Q	202,966

NOTE 18 -OTHER INCOME

Other income obtained during the first quarter of 2019 was originated from the following concepts:

	2021		2020	
Exchange differential	Q	65,313	Q	23,618
Sundry income		20,469		74,929
Interest received (Note 4)		1,764		1,806
	Q	87,546	Q	100,353

NOTE 19 - APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Administration Board and were authorized for their publication.

NOTE 20 - ASPECTS IN WHICH THE ACCOUNTING POLICIES APPLIED BY THE COMPANY DIFFER FROM THE INTERNATIONAL FINANCIAL REPORTING STANDARD FOR PYMES

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
<p>1. <u>Valuation and recognition of financial instruments:</u></p> <p>These are valued at the historical cost. The value impairment is not recognized until the moment of its liquidation, except for the commercial accounts receivable to which a maximum reserve of 3% of the value of the total balances is applied, without taking into consideration whether or not there is evidence of impairment or the amount of the actual value impairment.</p>	<p>At the end of each reporting period, the financial instruments will be measured at the amortized cost using the effective interest method.</p> <p>Debt instruments, classified as current assets or current liabilities, are measured to the amount not deducted from the cash or other consideration which is expected to be paid or received, unless the agreement constitutes a financing transaction. If the agreement constitutes a financing transaction, the Entity should measure the debt instrument to the present value of future payments deducted at a market interest rate for a similar debt instrument.</p> <p>At the end of each reporting period, an assessment should be made to verify if there is objective evidence of value impairment of the financial assets that are measured at cost or amortized cost. When there is objective evidence of value impairment, the Entity will recognize immediately a loss due to value impairment in the results.</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
<p>2. <u>Names of the financial statements.</u></p> <p>a) Balancesheet b) Statement of income c) Statement of changes in equity d) Statement of cash Flow</p>	<p>e) Statement of financial position. f) Statement of comprehensive income g) Statement of changes in equity h) Statement of cash flow</p>
<p>3. <u>Property, plant and equipment:</u></p> <p>The recognition of assets is registered at the cost value less the depreciation based on the estimated useful life of the assets.</p> <p>There is no scrap value, and losses due to impairment in the value of the same are not recognized.</p>	<p>IFRS for PYMES stipulates that assets should be recognized at their cost less their accumulated depreciation less their value of impairment.</p> <p>The Company does not make an objective assessment of the impairment of its fixed assets.</p>
<p>4. <u>Benefits due to termination of contract – liabilities related to severance payments</u></p> <p>The income tax law allows the creation of a reserve for severance payments due to termination of contract, at the rate of 8.33% of annual remunerations.</p> <p>Even when this compensation is payable to employees only in the event of unjustified dismissal, the law allows said compensation to be constituted by the total number of remunerations paid each year, without taking into consideration whether or not there is a payment obligation, as the related employment contracts were not terminated.</p>	<p>The standard requires that provisions which can be reliably valued and result in future economic benefits are registered.</p> <p>The company does not create provisions related to this concept as it makes payments to its employees every year.</p>
<p>5. <u>Classification of obligations according to maturity</u></p>	

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
The law classifies liabilities related to labor fringe benefits as Christmas bonus and bonus 14, together with severance payments, which have a period higher than one year.	IFRS for PYMES requires that these are classified as current and noncurrent obligations.
<p data-bbox="218 495 422 522">6. <u>Inventories</u></p> <p data-bbox="247 566 1094 670">Under no circumstances, the Company does not recognize any reserve for the recognition of the value impairment of the inventories, as it is not allowed by the Income Tax Law.</p> <p data-bbox="247 712 1094 781">Any loss due to impairment is registered until the time of selling or removing the inventory of the affected assets.</p>	<p data-bbox="1121 566 1906 854">At the end of each reporting period, the Entity should assess whether the inventories are impaired, that is, if the book value is not completely recoverable; for example, due to damage, obsolescence or decreasing selling prices. If an inventory entry is impaired, the Entity should measure the inventory at the selling price less the costs of termination and sale, and a loss due to value impairment should be recognized.</p>
<p data-bbox="218 901 919 928">7. <u>Impairment of assets different from inventories</u></p> <p data-bbox="260 971 1014 1075">Such impairment is recognized until the time when the asset is settled or disposed, or when it is removed from the assets.</p>	<p data-bbox="1121 971 1906 1075">Any value impairment should be immediately recognized in the results, reducing the book value of the affected asset until its recoverable amount is obtained.</p> <p data-bbox="1121 1117 1906 1328">In order to recognize losses due to impairment, on a timely basis, the Company should assess, during each reporting date, whether there is an indicator of value impairment of any asset. If an indicator existed, the Company should estimate the recoverable amount of the same.</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
	The recoverable amount of an asset or a cash generating unit is the highest value between its fair value less costs of sales and its value in use.
<p data-bbox="218 383 1083 415">8. <u>Short term benefits to employees – remunerated absences</u></p> <p data-bbox="264 456 974 524">These are registered in the results when the same are paid.</p>	<p data-bbox="1125 418 1902 561">The cost of all the benefits for employees to which they are entitled, as a result of services rendered to the Entity during the reporting period, should be recognized as an expense of the period and as an obligation.</p> <p data-bbox="1125 602 1902 745">An entity will recognize the expected cost of the remunerated absences with cumulative rights as employees render their services which increase their rights to future remunerated absences.</p> <p data-bbox="1125 786 1902 1000">The Entity will measure the expected cost related to the remunerated absences with cumulative rights for the additional amount not discounted that the Entity expects to pay due to unused rights accumulated at the end of the reporting period. The Entity will present this amount as a current liability at the date of the reporting period.</p> <p data-bbox="1125 1333 1902 1399">Personor entity related to the company due to zero or more bills, such as:</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
<p>9. <u>Related parties:</u></p> <p>It results from operations among a Guatemalan resident and a foreign company when:</p> <ul style="list-style-type: none"> a) It owns more than 25% of the capital. b) Five or less people revoke or control both related parties. c) When legal people who are Guatemalan residents or foreigners belong to a smaller business group. d) When it is an exclusive distributor in Guatemala or abroad. e) A Guatemalan resident has a permanent establishment abroad. . f) A permanent establishment in Guatemala, and its headquarters is abroad. 	<ul style="list-style-type: none"> 1. Member of the same group 2. When it is an associate 3. When they have a joint business 4. If the company is controlled by a person, company or relative or key personnel of the management.

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