

PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS  
AT DECEMBER 31, 2021 AND 2020

Guatemala, January 24, 2022

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, 2021 and 2020, 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, 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**

- 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 19. 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 24, 2022



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

**MAO** | MANSILLA  
ORTIZ  
& ASESORES  
Consultores y Auditores Financieros

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

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF FINANCIAL POSITIONAT DECEMBER 31, 2021 y 2020

(Expressed in quetzals - Note 3)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and banks (Note 4)	Q 2,176,901	Q 4,121,009
Accounts receivable:		
Customers	2,415,609	1,468,224
Affiliated companies (Note 5)	1,355,545	2,551,392
(-) Reserve for uncollectible accounts	(113,135)	(120,588)
Taxes receivable [Note 10 a)]	6,039,067	4,426,223
Other accounts receivable (Note 6)	215,424	392,541
	<u>9,912,510</u>	<u>8,717,791</u>
Inventories (Note 7)	10,848,787	2,962,583
Prepaid expenses	135,040	78,244
Total current assets	<u>23,073,238</u>	<u>15,879,627</u>
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 8)	3,310,453	4,953,190
Other assets (Note 9)	196,179	361,670
Total non current assets	<u>3,506,632</u>	<u>5,314,859</u>
Total assets	<u>Q 26,579,870</u>	<u>Q 21,194,487</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Suppliers and creditors (Note 11)	Q 4,690,623	Q 4,318,230
Affiliated companies (Note 5)	102,127	175,531
Taxes payable [Note 10 b)]	129,231	288,782
Labor benefits payable	31,702	34,267
Accumulated charges to pay	21,566	18,078
Loans payable (Note 12)	771,912	-
Bank Loans (Note 13)	771,912	-
Total current liabilities	<u>6,519,073</u>	<u>4,834,888</u>
Non current liabilities:		
Loans payable (Note 12)	6,814,542	9,012,314
Bank Loans (Note 13)	836,238	-
Reserve for compensation (Note 2)	120,168	94,686
Total liabilities	<u>7,770,948</u>	<u>9,107,000</u>
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 14)	3,992,000	3,992,000
Legal reserve	313,680	313,680
Accumulated Profit [Note 14 a)]	7,984,169	2,946,919
Total stockholders' equity and accumulated earnings	<u>12,289,849</u>	<u>7,252,600</u>
Total liabilities, stockholders' equity and accumulated earnings	<u>Q 26,579,870</u>	<u>Q 21,194,487</u>

Notes 1 to 19 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in quetzals - Note 3)

	<u>2021</u>	<u>2020</u>
Income	Q 37,257,687	Q 25,027,080
Less-cost of sales	<u>(25,069,694)</u>	<u>(15,956,236)</u>
Gross profit from sales	12,187,993	9,070,844
Operating expenses (Note 15)	<u>(4,782,903)</u>	<u>(3,950,101)</u>
Operating profit	7,405,090	5,120,743
Financial expenses (Note 16)	(843,854)	(1,150,075)
Other income (Note 17)	<u>314,607</u>	<u>463,654</u>
Profit before tax	Q 6,875,843	Q 4,434,321
Income Tax - ISR	<u>(1,838,593)</u>	<u>(1,279,929)</u>
Net profit for the year	<u>Q 5,037,250</u>	<u>Q 3,154,393</u>

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

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (Expressed in quetzals - Note 3)

<u>Authorized, subscribed and paid-in social capital</u>	<u>2021</u>	<u>2020</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 profits:</u>		
Balance at the beginning of the year	Q 2,946,919	Q 106,208
Net profit for the year	5,037,250	3,154,392
Less-transfer to legal reserve for the year	-	(157,720)
Less-transfer to legal reserve for the year 2019	-	(155,961)
Balance at the end of the year [Note 14 a)]	<u>7,984,169</u>	<u>2,946,919</u>
<u>Legal reserve:</u>		
Balance at the beginning of the year	Q 313,680	Q -
Transfer to legal reserve for the year 2019	-	155,960
Transfer to legal reserve for the year 2020	-	157,720
Balance at the end of the year (Note 14)	<u>313,680</u>	<u>313,680</u>
Total stockholders' equity	<u>Q 12,289,849</u>	<u>Q 7,252,600</u>

Notes 1 to 19 are an integral part of the financial statements.



PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 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 5,037,250	Q 3,154,393
Reconciliation between the net profit and entries not requiring cash:		
Depreciation	2,122,986	1,517,733
Uncollectible accounts	(7,454)	(18,965)
Labor benefits payable	25,954	74,291
	<u>7,178,736</u>	<u>4,727,452</u>
Changes in net assets and liabilities:		
Decrease in assets and increase in liabilities:		
Customers	248,462	632,151
Suppliers and creditors	298,989	427,841
Taxes payable	1,571,716	155,454
Other assets	2,333,472	-
Deposits in guarantee	150,000	-
Inventory	-	1,530,079
Prepaid expenses	453	10,394
Taxes receivable	-	22,156
	<u>4,603,092</u>	<u>2,778,075</u>
Increase in assets and decrease in liabilities:		
Inventory	(7,886,204)	-
Prepaid expenses	(56,796)	-
Taxes receivable	(3,344,114)	-
Other accounts receivable	-	(2,492,142)
Accumulated charges to pay	-	(18,917)
	<u>(11,287,114)</u>	<u>(2,511,058)</u>
Net cash from operating activities	<u>494,714</u>	<u>4,994,469</u>
Cash flow in investing activities:		
Increase in property, plant and equipment	<u>(2,621,112)</u>	<u>(278,100)</u>
Net cash applied in investing activities	<u>(2,621,112)</u>	<u>(278,100)</u>
Cash flow in financing activities:		
loan repayments	<u>182,290</u>	<u>(6,059,028)</u>
Cashed used in financing activities	<u>182,290</u>	<u>(6,059,028)</u>
Net increase (decrease) in cash	(1,944,108)	(1,342,659)
Cash at the beginning of the year	4,121,009	5,463,668
Cash at the end of the year	<u>Q 2,176,901</u>	<u>Q 4,121,009</u>

Notes 1 to 19 are an integral part of the financial statements.

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

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.

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.

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, 2021 and 2021, there was one provision regarding this concept for Q120,168 and Q94,686.

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, 2021 and 2020, it was Q.7.72 and Q7.79, at the date of this report, it was Q7.7 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:

	<u>2021</u>	<u>2020</u>
Petty cash	Q 11,000	Q 6,000
<u>Banks-national currency:</u>		
Industrial	836,522	738,904
<u>Banks-foreign currency</u>		
Industrial	1,047,395	2,725,967
BAC Reformador	281,984	650,138
	<u>1,329,379</u>	<u>3,376,105</u>
	<u>Q 2,176,901</u>	<u>Q 4,121,009</u>

During 2021 and 2020 these accounts accrued interest for Q3,834 and Q5,094, the same was registered in other income (Note 17).

At December 31, 2021 and 2020, the cash in Banks included foreign currency balances for US\$ 172,219 and US\$433,177, expressed at an exchange rate of 7.72 and Q 7.79

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>2021</u>	<u>2020</u>
Unión, S.A.	<u>Q 1.355.545</u>	<u>Q 2.551.392</u>

b) Payables

	<u>2021</u>	<u>2020</u>
Prima Plastics Limited	Q 91.056	Q 152.665
Unión, S.A.	11.071	22.866
	<u>Q 102.127</u>	<u>Q 175.531</u>

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Taizhou Huangyan Jessie Import and Export	Q 208,818	Q 5,495
Contributions to the solidarity association	6,606	3,207
Sanyia Plastics	-	143,562
Impresiones Industriales Commet	-	6,140
Import taxes -BANCASAT (*)	-	191,253
Mediterranean Shipping Company	-	14,989
Mr. Pedro Menendez Landaverde	-	3,780
Maersk Guatemala, S.A.	-	7,778
Mr. Mario Juberly Mendoza	-	16,336
	<u>Q 215,424</u>	<u>Q 392,541</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:

	<u>2021</u>		<u>2020</u>	
Finished product	Q	1,187,550	Q	772,055
Raw material		9,661,237		2,190,528
	<u>Q</u>	<u>10,848,787</u>	<u>Q</u>	<u>2,962,583</u>

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

Raw material inventories, slow moving, as of December 31, 2021 of more than 180 days, totaled Q.573,930.

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

The company had acquired commitments to purchase raw material for US\$ 268,880, from the supplier, which as of December 31, 2021 were in transit.

<u>SUPPLIER</u>	<u>Dollar amount</u>
Snetor Chimie	227,053
Vinmar	41,827
	<u>268,880</u>

#### 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:

2021

ASSETS	<u>FIXED ASSETS</u>				DEPRECIATION RATE
	<u>BALANCE AT DEC-31-20</u>	<u>ADDITIONS</u>	<u>WITHDRAWALS</u>	<u>BALANCE AT DEC-31-21</u>	
Machinery and equipment	Q 7,846,886	Q 2,695,313	Q 14,220	Q 10,527,979	20%
Computer equipment	35,647		-	35,647	33%
Furniture and equipment	334,055	83,498	12,500	405,053	20%
Tools	21,843	1,593	-	23,436	25%
Improvements	132,572	280,027	412,599	-	
Advances to Suppliers for the purchase of machinery and equipment	2,156,355	-	2,156,355	-	
	<u>Q 10,527,358</u>	<u>Q 3,060,431</u>	<u>Q 2,595,674</u>	<u>Q 10,992,115</u>	
ASSETS	<u>ACCUMULATED DEPRECIATION</u>				NET BALANCE
	<u>BALANCE AT DEC-31-20</u>	<u>DEBITS</u>	<u>CREDITS</u>	<u>BALANCE AT DEC-31-21</u>	
Machinery and equipment	5,295,320		2,023,868	7,319,188	3,208,791
Computer equipment	31,280	-	1,488	32,768	2,879
Furniture and equipment	232,417	-	79,600	312,017	93,036
Tools	15,152		2,537	17,689	5,747
Improvements	-	-	-	-	-
Advances to Suppliers for the purchase of machinery and equipment	-	-	-	-	-
	<u>Q 5,574,169</u>	<u>Q -</u>	<u>Q 2,107,493</u>	<u>Q 7,681,662</u>	<u>Q 3,310,453</u>

2020

ASSETS	FIXED ASSETS				DEPRECIATION RATE
	BALANCE AT	ADDITIONS	WITHDRAWALS	BALANCE AT	
	DEC-31-19			DEC-31-20	
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				NET BALANCE
	BALANCE AT	DEBITS	CREDITS	BALANCE AT	
	DEC-31-19			DEC-31-20	
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 4,953,190</u>

DEPRECIATION EXPENSE	2021	2020
Cost of production	Q 1.565.705	Q 1.273.112
Depreciation of operating expenses (Note 13)	541.788	354.694
	<u>Q 2.107.493</u>	<u>Q 1.627.806</u>

During 2021 assets were insured against theft and fire for Q10,700,000.

#### NOTE 9 - OTHER ASSETS

Other assets at December 31, were as shown below:

	2021	2020
Guarantee deposits	Q 196,179	Q 351,146
Organization expenses	-	10,524
	<u>Q 196,179</u>	<u>Q 361,670</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:



	2021	2020
VAT on imports pending liquidation	Q 5,108,066	Q 3,794,588
VAT withholdings	401,505	-
VAT on local activities pending liquidation	529,496	631,635
	<u>Q 6,039,067</u>	<u>Q 4,426,223</u>

b) Payables:

	2021	2020
Income tax withholdings to third parties	Q 8,345	Q 27,028
Income Tax payable [Note 9 c)]	107,325	258,829
VAT related to special invoices	491	426
Income tax withholdings related to non residents	10,120	-
Income tax withholdings on special invoices	205	178
ISR withholdings on capital income	1,473	1,558
ISR withholdings to employees	1,272	763
	<u>Q 129,231</u>	<u>Q 288,782</u>

c) Income tax calculation related to lucrative activities:

	2021	2020
Profit before income tax	Q 6,875,843	Q 4,434,321
Earned interests	(21,403)	-
Less-other net capital income of income tax	(3,834)	(5,094)
Income from lucrative activities	6,850,606	4,429,227
Add-non deductible expenses	501,244	689,979
Add-costs and capital income	2,521	509
Taxable income	7,354,371	5,119,715
Tax rate	25%	25%
Income tax	1,838,593	1,279,929
Income tax - ISR	(1,458,571)	(776,550)
Less-Solidarity Tax (ISO)	(272,697)	(244,550)
ISR- payable	<u>Q 107,325</u>	<u>Q 258,829</u>

d) Integration of the income tax according to different income categories:2021:

TYPE OF INCOME	BASE	RATE	DETERMINED INCOME TAX
Income tax from income due to lucrative activities [Note 10 c)]	Q 7,354,372	25%	Q 1,838,593
<u>Income tax due to capital income:</u>			
<u>Intereses ganados en fianzas</u>	21,403	10	2,140
Interest on investments (Note 17)	3,834	10	383
			<u>Q 1,841,117</u>

**2020:**

<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 10 c)]	Q 5,119,718	25%	Q 1,279,929
<u>Income tax due to capital income:</u>			
Interest on investments (Note 17)	5,094	10	509
			<u>Q 1,280,438</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 2018 to 2021 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>2021</u>	<u>2020</u>
Foreign suppliers	Q 4,338,300	Q 3,875,690
Creditors	102,036	158,747
Globo Color, S.A.	250,287	283,793
	<u>Q 4,690,623</u>	<u>Q 4,318,230</u>

Foreign suppliers are listed below:

	<u>2021</u>
Snetor Chimie	Q 1,914,148
Vinmar International Ltd.	1,378,944
Tricon Dry Chemicals, LLC	1,045,208
	<u>Q 4,338,300</u>

At December 31, 2021 and 2020, accounts payable to foreign suppliers were US\$562,020, and US\$445,514, at an exchange rate of Q7.72 to Q7.79 to US\$1.

The company had acquired commitments to purchase raw material for US\$268,880, from the supplier, which as of December 31, 2021 were in transit.

<u>SUPPLIER</u>	<u>Dollar amount</u>
Snetor Chimie	227,053
Vinmar	41,827
	<u>268,880</u>

NOTE 12 - LOANS PAYABLE

Loans payable, at December 31, 2021, and at December 30, 2020, were:

	<u>2021</u>	<u>2020</u>
Current amount	Q 771,912	Q -
Non current amount	6,814,542	9,012,314
	<u>Q 7,586,454</u>	<u>Q 9,012,314</u>

Loans payable, at December 31, were:

<u>LOANS PAYABLE</u>	<u>2021</u>		<u>2020</u>	
Prima India	Q	6,175,303	Q	8,174,517
Unión, S.A.		639,239		837,797.00
Grupo Alepat, S.A.		771,912		
	<u>Q</u>	<u>7,586,454</u>	<u>Q</u>	<u>9,012,314</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

During September 2020, the partners of Prima Plastics Limited and Unión, S.A., granted financing to the company, for working capital, with the objective of financing its operations interrupted by the restrictions imposed by the government of Guatemala, to contain Coronavirus 19.

In April 2021, the loans granted for the financing for working capital were canceled.

ALEPAT, S.A.

- Original amount: US\$200,000
- Period: 4 months
- Interés trate: 6.5% annually
- Purpose: Working capital
- Maturity: Nov 15, 2021

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	771.912
Non current amount		<u>836.238</u>
	Q	<u>1.608.150</u>

#### NOTE 14 - AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

At December 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	Q	<u>3,992,000</u>

At December 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
Accumulated legal reserve	313,680	313,680
Accumulated net profit [Note 14 a)]	7,984,169	2,946,919
	<u>Q 12,289,849</u>	<u>Q 7,252,600</u>
Divided by the number of shares	<u>3,992</u>	<u>3,992</u>
Book value of each share	<u>Q 3,079</u>	<u>Q 1,817</u>

#### NOTE 14 a) - ACCUMULATED PROFITS

At December 31, the accumulated profit are shown below:

	2021	2020
Balance at the beginning of the year	Q 2,946,919	Q 106,208
Net profit for the year after legal reserve	5,037,250	2,996,672
Less-transfer to legal reserve year 2019	-	(155,961)
Balance at the end of the year	<u>Q 7,984,169</u>	<u>Q 2,946,919</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 15 - OPERATING EXPENSES

The following page shows the operating expenses executed during 2021 and 2020:

Description	2021	2020
Staff services	Q 1,032,677	Q 990,279
Professional services	245,420	222,975
Courses and trainings	3,125	2,563
Depreciation (Note 7)	541,788	354,694
Water, electricity and telephone	231,506	167,316
Travel expenses	65,976	84,545
Amortizations (Note 7)	10,524	-
Freight and haulage	139,858	46,045
Maintenance and repairs	261,149	146,437
Taxes and contributions	140,643	129,924
Security services	268,565	262,137
Salaries	114,484	119,919
Incentive bonus	192,112	170,370
Bonus	25,844	26,018
Bonus 14	25,937	23,544
Compensation	33,933	28,241
Employer fee	14,505	15,194
Miscellaneous supplies and materials	132,753	92,155
Insurance and bonds	128,345	117,013
Non-deductible expenses	61,447	-
Employee assistance	40,718	-
Advertising and selling expenses	-	18,676
Leases	940,701	830,432
General expenses	117,669	95,034
Fuel and lubricants	13,224	6,591
	<u>Q 4,782,903</u>	<u>Q 3,950,101</u>

NOTE 16 – FINANCIAL EXPENSES

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

	<u>2021</u>	<u>2020</u>
Interest related to loans	Q 626,458	Q 703,150
Loss from the exchange rate differential	188,907	436,280
Bank commissions	3,360	2,307
Sundry expenses	22,608	7,829
IPF withholding without earned interest	2,521	509
	<u>Q 843,854</u>	<u>Q 1,150,075</u>

NOTE 17 - OTHER INCOME

Other income obtained during 2021 and 2020, was originated from the following concepts:

	<u>2021</u>	<u>2020</u>
Exchange differential	Q 243.008	Q 373.060
Interest received (Note 4)	3.834	5.094
Sundry income	67.765	85.500
	<u>Q 314.607</u>	<u>Q 463.654</u>

NOTE 18 - APPROVAL OF FINANCIAL STATEMENTS

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

NOTE 19 - 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="218 493 422 521">6. <u>Inventories</u></p> <p data-bbox="247 565 1100 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="247 711 1100 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 565 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="218 899 919 927">7. <u>Impairment of assets different from inventories</u></p> <p data-bbox="260 971 1016 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 971 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 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="216 383 1083 415">8. <u>Short term benefits to employees – remunerated absences</u></p> <p data-bbox="264 456 972 521">These are registered in the results when the same are paid.</p>	<p data-bbox="1123 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="1123 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="1123 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="1123 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"> <li>a) It owns more than 25% of the capital.</li> <li>b) Five or less people revoke or control both related parties.</li> <li>c) When legal people who are Guatemalan residents or foreigners belong to a smaller business group.</li> <li>d) When it is an exclusive distributor in Guatemala or abroad.</li> <li>e) A Guatemalan resident has a permanent establishment abroad. .</li> <li>f) A permanent establishment in Guatemala, and its headquarters is abroad.</li> </ul>	<ul style="list-style-type: none"> <li>1. Member of the same group</li> <li>2. When it is an associate</li> <li>3. When they have a joint business</li> <li>4. If the company is controlled by a person, company or relative or key personnel of the management.</li> </ul>

\* \* \* \* \*

PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS  
AT MARCH 31, 2022 AND 2021

Guatemala, April 25, 2022

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, 2022 and 2021, 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, 2022 and 2021, 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 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, April 25, 2022

**MAO** | MANSILLA  
ORTIZ  
& ASESORES  
Consultores y Auditores Financieros



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

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

PRIMA UNIÓN PLÁSTICOS, S.A.  
STATEMENT OF FINANCIAL POSITION  
(Expressed in quetzales - Note 3)

	AT MARCH 31	
	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and banks (Note 4)	Q 5,240,245	Q 4,052,496
Accounts receivable:		
Customers	3,409,803	1,737,245
Affiliated companies [Note 5 a)]	2,137,177	2,288,225
(-) Reserve for uncollectible accounts	(166,409)	(120,764)
Taxes receivable [Note 10 a)]	5,888,409	4,669,308
Advances to creditors	116,262	106,304
Other accounts receivable (Note 6)	319,906	3,446,209
	11,705,148	12,126,527
Inventories (Note 7)	6,810,059	3,626,691
Total current assets	23,755,452	19,805,714
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 8)	10,404,952	4,951,473
Other assets (Note 9)	195,206	357,068
Total non current assets	10,600,158	5,308,541
Total assets	Q 34,355,610	Q 25,114,255
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Suppliers and creditors (Note 11)	Q 2,948,198	Q 2,593,813
Affiliated companies [Note 5 b)]	99,078	130,149
Taxes payable [Note 10 b)]	1,310,212	965,805
Bank Loan (Note 13)	576,019	385,749
Labor benefits payable	35,874	34,521
Accumulated charges to pay	742,474	495,301
Total current liabilities	5,711,855	4,605,338
Non current liabilities:		
Reserve for severance payments	128,956	90,299
Bank Loan (Note 13)	832,032	1,542,996
Loans payable (Note 12)	6,783,446	8,929,623
Total liabilities	13,456,289	15,168,256
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 14)	3,992,000	3,992,000
Legal Reserve	564,829	313,680
Asset revaluation (Note 8)	6,948,316	-
Accumulated earnings (Note 15)	9,394,176	5,640,319
Total stockholders' equity and accumulated earnings	20,899,321	9,945,999
Total liabilities, stockholders' equity and accumulated earnings	Q 34,355,610	Q 25,114,255

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>2022</u>		<u>2021</u>	
Income	Q	13,184,544	Q	12,031,153
Less-cost of sales		<u>(9,538,015)</u>		<u>(7,395,699)</u>
Gross profit from sales		3,646,529		4,635,454
Operating expenses (Note 16)		<u>(1,270,310)</u>		<u>(912,868)</u>
Operating earnings		2,376,219		3,722,586
Financial expenses (Note 17)		(225,568)		(174,289)
Other income (Note 18)		<u>124,773</u>		<u>87,546</u>
Profit before tax ISR		2,275,424		3,635,843
(-) Tax ISR [Note 10 c]		<u>(599,992)</u>		<u>(942,443)</u>
Net profit the quarter	Q	<u>1,675,432</u>	Q	<u>2,693,400</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)

	FOR THE QUARTER	
	MARCH, 31	
	2022	2021
<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 7,984,169	Q 2,946,919
Net profit the quarter (Note 15)	1,675,432	2,693,400
Income tax supplement for the year 2021	(14,276)	-
Transfer to legal reserve	(251,149)	-
Balance at the end of the semester	9,394,176	5,640,319
<u>Machinery Revaluation</u>		
Increase (Nota 8)	6,948,316	-
	6,948,316	-
<u>Legal Reserve</u>		
Balance at the beginning of the year	Q 313,680	Q 313,680
Increase	251,149	-
Balance at the end of the semester	564,829	313,680
Total stockholders' equity	Q 20,899,321	Q 9,945,999

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

STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED MARCH 31, 2022 AND 2021  
(Expressed in quetzals - Note 3)

	<u>2022</u>		<u>2021</u>	
Cash flow in operating activities:				
Net profit for the year	Q	1,675,432	Q	2,693,400
Reconciliation between the net profit and entries not requiring cash:				
Depreciations and amortizations		(137,101)		461,597
Employment benefits		9,926		(4,132)
Uncollectible accounts		53,275		174
		<u>1,601,532</u>		<u>3,151,039</u>
Changes in net assets and liabilities:				
Decrease in assets and increase in liabilities:				
income tax		478,390		677,026
Anticipated spendings		18,778		-
Taxes payable		688,317		-
Taxes receivable		150,658		-
Inventory		4,038,729		-
		<u>5,374,872</u>		<u>677,026</u>
Increase in assets and decrease in liabilities:				
Suppliers		(1,010,095)		(1,291,857)
Inventory		-		(664,107)
Taxes recivable		-		(243,085)
Customers		(1,775,827)		(5,855)
Accumulated charges to pay		(11,439)		(720)
Anticipated spendings		-		(28,061)
Other accounts receivable		(104,482)		(897,313)
		<u>(2,901,843)</u>		<u>(3,130,998)</u>
Net cash from operating activities		<u>4,074,561</u>		<u>697,067</u>
Cash flow in investing activities:				
Increase in property, plant and equipment		(8,111)		41,734
Net cash applied in investing activities		<u>(8,111)</u>		<u>41,734</u>
Cash flow in financing activities:				
Payments of loans		(1,003,107)		1,846,054
Cashed used in financing activities		(1,003,107)		1,846,054
Net increase (decrease) in cash		3,063,343		2,584,855
Cash at the beginning of the year		2,176,902		1,467,641
Cash at the end of the year	Q	<u>5,240,245</u>	Q	<u>4,052,496</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, 2022 AND 2021

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, 2022 and 2021, there was one provision regarding this concept for Q128,956 and Q90,299, 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, 2022 and 2021, it was Q7.68 and Q7.71, at the date of this report, it was Q7.65 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>2022</u>	<u>2021</u>
Petty cash	Q 11,000	Q 11,000
<u>Banks-national currency:</u>		
Industrial	<u>1,222,012</u>	<u>1,360,219</u>
<u>Banks-foreign currency</u>		
Industrial	3,532,975	2,507,743
BAC Reformador	5,717	173,533
Banco Promerica	<u>468,541</u>	-
	<u>4,007,233</u>	<u>2,681,276</u>
	<u>Q 5,240,245</u>	<u>Q 4,052,496</u>

During 2022 and 2021 these accounts accrued interest for Q623 and Q1, 764 respectively, the same was registered in other income (Note15).

At March 31, 2022 and 2021, the cash in Banks included foreign currency balances for US\$521,758, and US\$347,542 expressed at an exchange rate of Q7.68 and Q7.71, 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>2022</u>	<u>2021</u>
Unión, S.A.	Q 2,137,177	Q 2,288,225

b) Payables:

	<u>2022</u>	<u>2021</u>
Prima Plastics Limited (India)	Q 88,628	Q 116,722
Unión, S.A.	10,450	13,428
	<u>Q 99,078</u>	<u>Q 130,149</u>

#### NOTE 6- OTHER ACCOUNTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Advances to Foreign suppliers	Q 307,409	Q 3,393,264
Advances to creditors	5,000	48,890
Others accounts	7,497	4,055
	<u>Q 319,906</u>	<u>Q 3,446,209</u>

Advances to foreign suppliers are listed below:

	<u>2022</u>	<u>2021</u>
Vinmar International Ltd.	Q -	Q 1,539,978
Manuchar NV	-	1,138,035
Merit Polymers Unit II	-	377,263
Milacron India PVT. LTD	22,357	-
Trident Impex	-	214,418
Taizhou Huangyan	285,052	123,570
	<u>Q 307,409</u>	<u>Q 3,393,264</u>

At March 31, 2022 and 2021, accounts advances to foreign suppliers were US\$ 40,026, and US\$439,828, at an exchange rate of Q 7.68 and Q7.71, respectively.

#### NOTE 7 - INVENTORIES.

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

	<u>2022</u>		<u>2021</u>	
Raw material	Q	5,260,664	Q	2,853,446
Finished product		1,549,395		773,245
	<u>Q</u>	<u>6,810,059</u>	<u>Q</u>	<u>3,626,691</u>

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

Raw material inventories, slow moving, as of march 31, 2021 of more than 180 days, totaled Q.186,295.

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

2022

<u>ASSETS</u>	<u>FIXED ASSETS</u>				<u>DEPRECIATION RATE</u>
	<u>BALANCE AT DEC-31-21</u>	<u>ADDITIONS</u>	<u>WITHDRAWALS</u>	<u>BALANCE AT MAR-31-22</u>	
Machinery and equipment	Q 10,527,979	Q 7,637,853 **	Q 5,988,444	Q 12,177,388	20%
Computer equipment	35,647	-		35,647	33%
Furniture and equipment	405,053	8,109		413,162	20%
Tools	23,437			23,437	25%
	<u>Q 10,992,116</u>	<u>Q 7,645,962</u>	<u>Q 5,988,444</u>	<u>Q 12,649,634</u>	

  

<u>ASSETS</u>	<u>ACCUMULATED DEPRECIATION</u>			<u>NET BALANCE</u>
	<u>BALANCE AT DEC-31-21</u>	<u>CREDITS</u>	<u>WITHDRAWALS</u>	
Machinery and equipment	7,319,187	533,963	-5,988,444	1,864,706
Computer equipment	35,397	825	-575	35,647
Furniture and equipment	309,687	16,804		326,491
Tools	17,391	448		17,839
	<u>Q 7,681,662</u>	<u>Q 552,040</u>	<u>Q (5,989,019)</u>	<u>Q 2,244,683</u>
				<u>Q 10,404,952</u>

**\*\* MACHINERY REVALUATION**

As of March 31, 2022, the revaluation made to 9 production machines was recorded, carried out by the company Ingeniería, Consultoría y Avalúos, S.A, whose revaluation report reflected a revalued amount of Q6,948,316. The tax originated by said revaluation was of Q689,536

<u>DEPRECIATION EXPENSE</u>	<u>2022</u>
Cost of production	Q 553,588
Depreciation of operating expenses (Note 16)	3,468
	<u>Q 557,056</u>

During 2022 assets were insured against theft and fire for Q10,968,000.

<u>ASSETS</u>	<u>FIXED ASSETS</u>			<u>DEPRECIATION RATE</u>
	<u>BALANCE AT DEC-31-20</u>	<u>ADDITIONS</u>	<u>BALANCE AT MAR-31-21</u>	
	Machinery and equipment	Q 7,846,886	Q 2,674,293	
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>Q10,982,637</u>	

<u>ASSETS</u>	<u>ACCUMULATED DEPRECIATION</u>			<u>NET BALANCE</u>
	<u>BALANCE AT DEC-31-20</u>	<u>CREDITS</u>	<u>BALANCE AT MAR-31-21</u>	
	Machinery and equipment	5,295,319	437,283	
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>

**NOTE 9 -OTHER ASSETS**

Other assets at March 31, were as shown below:

	<u>2022</u>	<u>2021</u>
Guarantee deposits	Q 195.206	Q 349.175
Organization expenses		7.893
	<u>Q 195.206</u>	<u>Q 357.068</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:

	2022	2021
VAT accumulated tax credit	Q 4,792,991	Q 3,854,527
VAT withholdings	502,196	733,264
VAT on local activities pending liquidation	529,496	
Solidarity tax	63,726	81,517
	<u>Q 5,888,409</u>	<u>Q 4,669,308</u>

b) Payables:

	2022	2021
Income tax for revaluation	Q 689,536	Q -
Provisión income tax	599,992	942,443
Income tax withholdings related to non residents	9,848	13,060
Income tax withholdings to third parties	9,299	9,163
Income tax withholdings for employees	737	737
VAT on special invoices	235	284
Income tax on special invoices	565	118
	<u>Q 1,310,212</u>	<u>Q 965,805</u>

c) Income tax calculation related to lucrative activities:

	2022	2021
Usefulness of the exercise	Q 2.275.423	Q 3.635.842
Less-other net capital income of income tax	(623)	(1.764)
Income from lucrative activities	2.274.800	3.634.078
Add-non deductible expenses	113.613	135.519
Add-costs and capital income	11.554	176
Taxable income	Q 2.399.967	Q 3.769.773
Percentage of income tax	25%	25%
Income tax	<u>599.992</u>	<u>942.443</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 2018 to 2021 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>2022</u>	<u>2021</u>
Snetor Chimie	Q 1,748,101	Q 1,271,727
Vinmar Internacional LLC	1,000,180	-
Merit Polymers Private Limited	199,917	-
Montachem International, INC.	-	859,765
Merit Polymers Unit II	-	462,320
	<u>Q 2,948,198</u>	<u>Q 2,593,813</u>

At March 31, 2022 and 2021, accounts payable to foreign suppliers were US\$383,867, and US\$336,205, at an exchange rate of Q7.68 and Q7.71 to US\$1, respectively.

NOTE 12 -LOANS PAYABLE

Loans payable, at March 31, were:

	2022	2021
Non current amount	Q 6,783,446	Q 9,012,314
	<u>Q 6,783,446</u>	<u>Q 9,012,314</u>

Loans payable, at March 31, were:

	2022	2021
Prima Plastics Limited( India)	Q 6.144.207	Q 8.091.826
Unión, S.A.	639.239	837.797
	<u>Q 6.783.446</u>	<u>Q 8.929.623</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

During September 2020, the partners of Prima Plastics Limited and Unión, S.A., granted financing to the company, for working capital, with the objective of financing its operations interrupted by the restrictions imposed by the government of Guatemala, to contain Coronavirus 19.

In April 2021, the loans granted for the financing for working capital were canceled.

ALEPAT, S.A.

- Original amount: US\$200,000
- Period: 4 months
- Interés trate: 6.5% annually
- Purpose: Working capital
- Maturity: Nov 15, 2021

During March 2022, the loan was paid off in full.

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.

	<u>March 31, 2022</u>
Current amount	Q 576,019
Non current amount	<u>832,032</u>
	<u>Q 1,408,051</u>

NOTE 14 -AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

At March 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Paid in capital	Q 3.992.000	Q 3.992.000
Net profit of the quarter (Note 15)	9.394.176	5.640.319
	<u>Q 13.386.176</u>	<u>Q 9.632.319</u>
Divided by the number of shares	3.992	3.992
Book value of each share	<u>Q 3.353</u>	<u>Q 2.413</u>

#### NOTE 15 - ACCUMULATED EARNINGS

At March 31, the accumulated earnings re shown below:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	Q 7,984,169	Q 2,946,919
Net profit of the quarter	1,675,432	2,693,400
Income tax supplement for the year 2021	(14,276)	
Transfer to legal reserve	(251,149)	
	<u>Q 9,394,176</u>	<u>Q 5,640,319</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 2022 and 2021

	<u>2022</u>	<u>2021</u>
Leases	Q 225,315	Q 222,657
Outsourcing	189,680	186,350
Maintenance and repairs	104,962	75,175
Security services	69,552	66,204
Professional services	88,640	64,740
Taxes and contributions	44,273	46,089
Incentive bonus	50,128	44,896
General expenses	95,797	40,057
Insurance and bonds	34,980	31,396
Salaries	28,769	28,951
Travel expenses	87,249	23,056
Freight and haulage	57,757	21,565
Water, electricity and telephone	66,140	19,892
Compensation	7,911	6,865
Bonus 14	6,539	6,137
Bonus	6,539	6,137
Advertising and selling expenses	38,527	4,329
Employer fee	3,645	3,668
Uncollectible accounts	53,275	3,237
Fuel and lubricants	4,337	3,066
Courses and trainings	2,827	2,894
Depreciation	3,468	2,876
	2,631	
	<u>Q 1,270,310</u>	<u>Q 912,868</u>

#### NOTE 17 – FINANCIAL EXPENSES

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

	<u>2022</u>	<u>2021</u>
Interest related to loans	Q 140,301	Q 166,372
Loss in foreign exchange differential	76,607	-
Sundry expenses	8,660	7,917
	<u>Q 225,568</u>	<u>Q 174,289</u>

#### NOTE 18 -OTHER INCOME

Other income obtained during the first quarter of 2022, was originated from the following concepts:

	<u>2022</u>	<u>2021</u>
Exchange differential	Q 105.646	Q 65.313
Sundry income	18.504	20.469
Interest received (Note 4)	623	1.764
	<u>Q 124.773</u>	<u>Q 87.546</u>

#### 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="218 495 422 524">6. <u>Inventories</u></p> <p data-bbox="247 565 1098 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="247 711 1098 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 565 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="218 901 919 930">7. <u>Impairment of assets different from inventories</u></p> <p data-bbox="260 971 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 971 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 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="216 383 1083 415">8. <u>Short term benefits to employees – remunerated absences</u></p> <p data-bbox="264 456 972 521">These are registered in the results when the same are paid.</p>	<p data-bbox="1123 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="1123 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="1123 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="1123 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"> <li>a) It owns more than 25% of the capital.</li> <li>b) Five or less people revoke or control both related parties.</li> <li>c) When legal people who are Guatemalan residents or foreigners belong to a smaller business group.</li> <li>d) When it is an exclusive distributor in Guatemala or abroad.</li> <li>e) A Guatemalan resident has a permanent establishment abroad. .</li> <li>f) A permanent establishment in Guatemala, and its headquarters is abroad.</li> </ul>	<ul style="list-style-type: none"> <li>1. Member of the same group</li> <li>2. When it is an associate</li> <li>3. When they have a joint business</li> <li>4. If the company is controlled by a person, company or relative or key personnel of the management.</li> </ul>

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