

PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS  
AT DECEMBER 31, 2018 AND 2017

Guatemala, February 08, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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.



Lidia Lisbet Maricel Mansilla de Ortiz  
CONTADOR PÚBLICA Y AUDITORA  
COLEGIADA No. CPA-3748



### **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.

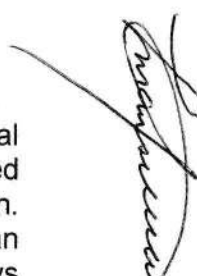
Those charged with governance of the Company are responsible to supervise the process of financial information of the Company.

### **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.

  
Lidia Lisbet Marivel Mansilla de Ortiz  
CONTADOR PÚBLICA Y AUDITORA  
COLEGIADA No. CPA-3748

- 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 opinion

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, February 08, 2019



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 POSITION

AT DECEMBER 31, 2018 y 2017

(Expressed in quetzals - Note 3)

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and banks (Note 4)	Q 3,263,359	Q 3,575,150
Accounts receivable:		
Customers	1,130,510	648,986
Affiliated companies [Note 5 a)]	2,288,346	3,379,258
(-) Reserve for uncollectible accounts	(102,565)	(120,847)
Taxes receivable [Note 9 a)]	3,362,473	1,797,574
Other accounts receivable	78,838	58,941
	6,757,602	5,763,912
Inventories (Note 6)	4,201,767	2,808,018
Prepaid expenses	-	4,387
Total current assets	14,222,728	12,151,467
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 7)	5,925,792	7,658,414
Other assets (Note 8)	378,096	385,357
Total non current assets	6,303,888	8,043,771
Total assets	Q 20,526,616	Q 20,195,238
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Suppliers and creditors (Note 10)	Q 1,524,380	Q 1,292,804
Taxes payable [Note 9b)]	27,694	7,584
Accumulated charges to pay	288,932	422,926
Total current liabilities	1,841,006	1,723,314
Non current liabilities:		
Loans payable (Note 11)	17,706,618	17,000,672
Total liabilities	19,547,624	18,723,986
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 12)	3,992,000	3,992,000
Accumulated losses (Note 12)	(3,013,008)	(2,520,748)
Total stockholders' equity and accumulated losses	978,992	1,471,252
Total liabilities, stockholders' equity and accumulated losses	Q 20,526,616	Q 20,195,238

Notes 1 to 17 are an integral part of the financial statements.

*Licda. Lisbet Maricel Mansilla de Ortiz*  
 CONTADORA PÚBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in quetzals - Note 3)

	2018	2017
Income	Q 21,275,863	Q 9,715,746
Less-cost of sales	<u>(15,960,597)</u>	<u>(7,608,153)</u>
Gross profit from sales	5,315,266	2,107,593
Operating expenses (Note 13)	<u>(3,984,832)</u>	<u>(3,693,216)</u>
Operating profit (loss)	1,330,434	(1,585,623)
Financial expenses (Note 14)	(1,975,846)	(707,124)
Other income (Note 15)	<u>325,873</u>	<u>90,250</u>
Loss before tax	Q (319,539)	Q(2,202,497)
Income Tax - ISR	<u>(172,721)</u>	<u>-</u>
Net loss for the year [Note 12c)]	<u>Q (492,260)</u>	<u>Q(2,202,497)</u>

Notes 1 to 17 are an integral part of the financial statements.



Lidia Lisbet Marín  
CONTADORA PÚBLICA Y AUDITORA  
COLEGIADA No. CPA-3748

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
 (Expressed in quetzals - Note 3)

<u>Authorized, subscribed and paid-in social capital</u>	<u>2018</u>	<u>2017</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 losses:</u>		
Balance at the beginning of the year	Q (2,520,748)	Q (318,251)
Net loss for the year [Note 12 a)]	<u>(492,260)</u>	<u>(2,202,497)</u>
Balance at the end of the year [Note 12 a)]	<u>(3,013,008)</u>	<u>(2,520,748)</u>
Total stockholders' equity	<u>Q 978,992</u>	<u>Q 1,471,252</u>

Notes 1 to 17 are an integral part of the financial statements.



Lidia Lisbet Mariuel Mansilla de Ortiz  
 CONTADOR PÚBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748



## PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017  
(Expressed in quetzals - Note 3)

	2018	2017
Cash flow in operating activities:		
Net loss for the year	Q (492,260)	Q (2,202,497)
Reconciliation between the net profit and entries not requiring cash:		
exchange differential	700,467	-
Depreciation	1,526,316	868,453
Amortization	455,242	342,955
Provisions	-	326,447
Uncollectible accounts	18,281	120,847
	<u>2,208,046</u>	<u>(543,795)</u>
Changes in net assets and liabilities:		
Decrease in assets and increase in liabilities:		
Customers	609,386	-
Suppliers	220,803	716,054
Taxes payable	20,111	-
Prepaid expenses	4,387	121,449
Interest payable	-	366,526
Other accounts payable	-	11,500
Expenses before the beginning of production	-	387,437
	<u>854,687</u>	<u>1,602,966</u>
Increase in assets and decrease in liabilities:		
Taxes receivable	(1,564,898)	(1,054,824)
Inventory	(1,393,748)	(1,785,540)
Accounts pending liquidation	(123,220)	(13,328)
Other accounts receivable	(19,900)	(50,000)
Customers	-	(4,028,244)
Deposits as guarantee	-	(146,500)
Organization expenses	-	(16,786)
Taxes payable	-	(8,782)
	<u>(3,101,766)</u>	<u>(7,104,004)</u>
Net cash from operating activities	<u>(39,033)</u>	<u>(6,044,833)</u>
Cash flow in investing activities:		
Increase in property, plant and equipment	(272,758)	(3,989,847)
Net cash applied in investing activities	<u>(272,758)</u>	<u>(3,989,847)</u>
Cash flow in financing activities:		
Acquisition of loan	-	12,825,400
Cashed used in financing activities	-	12,825,400
(Decrease) Net increase in cash	(311,791)	2,790,720
Cash at the beginning of the year	3,575,150	784,430
Cash at the end of the year	<u>Q 3,263,359</u>	<u>Q 3,575,150</u>

Notes 1 to 17 are an integral part of the financial statements.

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Licda. Lisbet Maricel Mansilla de Ortiz  
CONTADOR PÚBLICA Y AUDITORA  
COLEGIADA NO. CPA-3748

PRIMA UNIÓN PLÁSTICOS, S.A.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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.

  
 Lidia Lisbet Marivel Mansilla de Ortiz  
 CONTADORA PÚBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748



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.

*Lidia Lisbet Maricel Mansilla de Ortiz*  
CONTADORA PÚBLICA Y AUDITORA  
COLEGIADA No. CPA-3748



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.

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.

*Lidia. Lisbet Maribel Mansilla de Ortiz*  
 CONTADORIA PUBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748

The exchange rate is freely determined among the banking market participants. At December 31, 2018 and 2017, it was Q.7.73 and Q7.34, at the date of this report, it was Q7.75 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:

	2018	2017
Petty cash	Q 6,000	Q 5,000
<u>Banks-national currency:</u>		
Industrial	569,742	2,207,431
<u>Banks-foreign currency</u>		
Industrial	2,669,472	1,343,787
BAC Reformador	18,145	18,932
	2,687,617	1,362,719
Q	3,263,359	Q 3,575,150

During 2018 and 2017 these accounts accrued interest for Q2,661 and Q2,875, the same was registered in other income (Note 15).

At December 31, 2018 and 2017, the cash in Banks included foreign currency balances for US\$347,374 and US\$185,536, expressed at an exchange rate of Q 7.73.

#### 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>2018</u>	<u>2017</u>
Unión, S.A.	<u>Q 2,288,346</u>	<u>Q 3,379,258</u>

NOTE 6 - INVENTORIES

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

	<u>2018</u>	<u>2017</u>
Finished product	Q 1,342,927	Q 1,833,015
Raw material	2,858,840	975,003
	<u>Q 4,201,767</u>	<u>Q 2,808,018</u>

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

Inventories were insured against fire and theft by means of a policy for a total of Q21,990,000

NOTE 7 – 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:

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



2018

ASSETS	FIXED ASSETS			DEPRECIATION RATE
	BALANCE AT DEC-31-17	ADDITIONS	WITHDRAWALS	
Machinery and equipment	Q 7,278,651	Q 260,750	Q -	20%
Computer equipment	31,183	-	-	33%
Furniture and equipment	316,824	12,007	-	20%
Tools	15,205	-	-	25%
Improvements in leased properties	1,216,881	-	-	33%
	<u>Q 8,858,744</u>	<u>Q 272,757</u>	<u>Q -</u>	
			<u>Q 9,131,501</u>	

ASSETS	ACCUMULATED DEPRECIATION			NET BALANCE
	BALANCE AT DEC-31-17	DEBITS	CREDITS	
Machinery and equipment	832,094	100,513	1,583,430	5,224,390
Computer equipment	1,324	2,630	10,393	22,096
Furniture and equipment	32,714	301	68,397	228,021
Tools	2,322	-	4,101	8,782
Improvements in leased properties	331,876	-	442,502	442,503
	<u>Q 1,200,330</u>	<u>Q 103,444</u>	<u>Q 2,108,823</u>	<u>Q 5,925,792</u>
			<u>Q 3,205,709</u>	

2017

ASSETS	FIXED ASSETS			DEPRECIATION RATE
	BALANCE AT DEC-31-16	ADDITIONS	WITHDRAWALS	
Machinery and equipment	Q 4,849,002	Q 2,429,649	Q -	20%
Computer equipment	-	31,183	-	33%
Furniture and equipment	11,070	305,754	-	20%
Tools	8,824	6,381	-	25%
Improvements in leased properties	409,350	807,531	-	33%
	<u>Q 5,278,246</u>	<u>Q 3,580,498</u>	<u>Q -</u>	
			<u>Q 8,858,744</u>	

ASSETS	ACCUMULATED DEPRECIATION			NET BALANCE
	BALANCE AT DEC-31-16	DEBITS	CREDITS	
Machinery and equipment	-	-	832,094	6,446,557
Computer equipment	-	-	1,324	29,859
Furniture and equipment	-	-	32,714	284,110
Tools	-	-	2,322	12,883
Improvements in leased properties	-	-	331,876	885,005
	<u>Q -</u>	<u>Q -</u>	<u>Q 1,200,330</u>	<u>Q 7,658,414</u>
			<u>Q 1,200,330</u>	

DEPRECIATION EXPENSE	2018	2017
Cost of production	Q 1,506,460	Q 852,899
Depreciation of operating expenses (Note 13)	81,380	15,464
Amortization of operating expenses (Note 13)	455,242	342,955
Menos adjustments	65,741	(10,988)
	<u>Q 2,108,823</u>	<u>Q 1,200,330</u>

  
 Lidia Esther Martínez  
 CONTADOR PÚBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748

During 2018 and 2017 assets were insured against theft and fire for Q21,990,000.

#### NOTE 8 - OTHER ASSETS

Other assets at December 31, were as shown below:

	2018	2017
Guarantee deposits	Q 346,524	Q 341,045
Organization expenses	31,572	44,312
	<u>Q 378,096</u>	<u>Q 385,357</u>

#### NOTE 9 - 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:

	2018	2017
VAT on imports pending liquidation	3,102,424	Q 1,605,830
VAT on local activities pending liquidation	164,481	191,744
solidarity tax -ISO	95,568	-
	<u>Q 3,362,473</u>	<u>Q 1,797,574</u>

b) Payables:

	2018	2017
Income tax withholdings to third parties	Q 20,252	Q 6,819
VAT related to special invoices	278	174
Income tax withholdings on special invoices	116	73
Income tax withholdings related to non residents	7,048	518
	<u>Q 27,694</u>	<u>Q 7,584</u>

c) Income tax calculation related to lucrative activities:

*Licda. Lisbet Maribel Mansilla de Ortiz*  
 CONTADOR PÚBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748

	2018	2017
Loss before income tax	Q (319,538)	Q (2,202,497)
Less-other net capital income of income tax	(2,661)	(2,875)
Income from lucrative activities	(322,199)	(2,205,372)
Add-non deductible expenses	1,012,815	405,097
Add-costs and capital income	266	287
Taxable income	690,882	(1,799,988)
Tax rate	25%	
Income tax	172,721	
Income tax - ISR	(116,824)	
Less-Solidarity Tax (ISO)	(151,464)	
Solidarity Tax (ISO)	(95,568)	

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

2018:

TYPE OF INCOME	BASE	RATE	DETERMINED INCOME TAX
Income tax from income due to lucrative activities [Note 9 c)]	Q 690,882	25%	Q 172,721
<u>Income tax due to capital income:</u>			
Interest on investments (Note 15)	2,661	10	266
			Q 172,987

2017:

TYPE OF INCOME	BASE	RATE	DETERMINED INCOME TAX
Income tax from income due to lucrative activities [Note 9 c)]	Q (2,202,497)	25%	Q -
<u>Income tax due to capital income:</u>			
Interest on investments (Note 15)	2,875	10	288
			Q 288

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.

*Licda. Lisbet Maricel Mansilla de Ortiz*  
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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 2016 to 2018 are pending review by the tax authorities.

#### NOTE 10 - SUPPLIERS AND CREDITORS

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

	2018	2017
Foreign suppliers	Q 1,172,194	Q 966,141
Globo Color, S.A.	203,269	213,530
Creditors	148,917	113,133
	<u>Q 1,524,380</u>	<u>Q 1,292,804</u>

At December 31, 2018 and 2017, accounts payable to foreign suppliers were US\$ 151,506, and US\$131,550, at an exchange rate of Q7.73 to Q7.34 to US\$1.

  
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NOTE 11 - LOANS PAYABLE

Loans payable, at December 31, were:

	2018	2017
Prima India	Q 16,006,547	Q 15,300,601
Unión, S.A.	1,700,071	1,700,071
	<u>Q 17,706,618</u>	<u>Q 17,000,672</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 12 - AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

At December 31, 2018 and 2017, 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:

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	2018	2017
Paid in capital	Q 3,992,000	Q 3,992,000
Net loss for the year [Note 12 a)]	(3,013,008)	(2,520,748)
	<u>Q 978,992</u>	<u>Q 1,471,252</u>
Divided by the number of shares	3,992	3,992
Book value of each share	<u>Q 245</u>	<u>Q 369</u>

At December 31, 2018, the Company's losses were 71% of its paid-in capital, reaching the loss amount of Q2,840,287. Its paid-in capital amounted to Q3,992,000. Losses in previous year is mainly due to pre-operating expenses and interest expenses are charged in Incomes statement instead of capitalizing in the fixed assets. The said treatment is as per Law of Guatemala. According to the management's plans, it would be expected that in the year 2019 the volume of sales would increase, which would generate sufficient profits to eliminate the losses.

#### NOTE 12 a) - ACCUMULATED LOSSES

At December 31, the accumulated losses are shown below:

	2018	2017
Balance at the beginning of the year	Q (2,520,748)	Q (318,251)
Net loss for the year	(492,260)	(2,202,497)
	<u>Q (3,013,008)</u>	<u>Q (2,520,748)</u>

#### NOTE 13 - OPERATING EXPENSES

The following page shows the operating expenses executed during 2018 and 2017:

	2018	2017
Staff services	Q 1,401,809	Q 588,740
Professional services	243,533	440,387
Courses and trainings	29,134	23,350
Depreciation (Note 7)	81,380	15,464
Water, electricity and telephone	67,822	36,109
Travel expenses	53,692	50,151
Amortizations (Note 7)	455,242	342,955
Freight and haulage	49,645	12,798
Maintenance and repairs	73,386	655,177
Taxes and contributions	97,408	67,569
Security services	227,710	210
Insurance and bonds	109,140	79,280
Uncollectible accounts	47,815	120,847
Advertising and selling expenses	27,048	39,080
Leases	834,078	626,603
General expenses	177,678	584,009
Fuel and lubricants	8,312	10,487
	<u>Q 3,984,832</u>	<u>Q 3,693,216</u>

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NOTE 14 – FINANCIAL EXPENSES

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

	2018	2017
Interest related to loans	Q 960,970	Q 613,694
Loss from the exchange rate differential	991,376	90,759
Bank commissions	2,644	972
Sundry expenses	20,608	1,456
IPF withholding without earned interest	248	243
	<u>Q 1,975,846</u>	<u>Q 707,124</u>

NOTE 15 - OTHER INCOME

Other income obtained during 2018 and 2017, was originated from the following concepts:

	2018	2017
Exchange differential	Q 233,460	Q 84,507
Interest received (Note 4)	2,661	2,875
Sundry income	89,752	2,868
	<u>Q 325,873</u>	<u>Q 90,250</u>

NOTE 16 - APPROVAL OF FINANCIAL STATEMENTS

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

*Lidia, Lisbet Maricel Mansilla de Ortiz*  
 CONTADORIA PUBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748

**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>



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ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
The one that is derived from the Income Tax Law	International Financial Reporting Standard-IFRS.
2. <u>Names of the financial statements.</u> a) Balance sheet b) Statement of income c) Statement of changes in equity d) Statement of cash flow	e) Statement of financial position. f) Statement of comprehensive income g) Statement of changes in equity h) Statement of cash flow
3. <u>Property, plant and equipment:</u>  The recognition of assets is registered at the cost value less the depreciation based on the estimated useful life of the assets.  There is no scrap value, and losses due to impairment in the value of the same are not recognized.	IFRS for PYMES stipulates that assets should be recognized at their cost less their accumulated depreciation less their value of impairment.  The Company does not make an objective assessment of the impairment of its fixed assets.
4. <u>Benefits due to termination of contract – liabilities related to severance payments</u>  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.  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.	The standard requires that provisions which can be reliably valued and result in future economic benefits are registered.  The company does not create provisions related to this concept as it makes payments to its employees every year.
5. <u>Classification of obligations according to maturity</u>  The law classifies liabilities related to labor fringe benefits	IFRS for PYMES requires that these are classified as

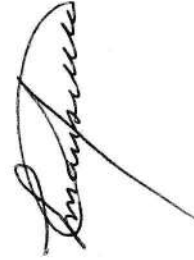


ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
<p>The one that is derived from the Income Tax Law as Christmas bonus and bonus 14, together with severance payments, which have a period higher than one year.</p>	<p>International Financial Reporting Standard-IFRS. current and noncurrent obligations.</p>
<p><u>6. Inventories</u></p> <p>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>Any loss due to impairment is registered until the time of selling or removing the inventory of the affected assets.</p>	<p>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><u>7. Impairment of assets different from inventories</u></p> <p>Such impairment is recognized until the time when the asset is settled or disposed, or when it is removed from the assets.</p>	<p>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>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.</p> <p>If an indicator existed, the Company should estimate the recoverable amount of the same.</p>



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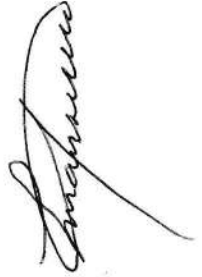
ACCOUNTING BASIS The one that is derived from the Income Tax Law	ACCOUNTING BASIS OF GENERAL PURPOSE International Financial Reporting Standard-IFRS.
<p>8. <u>Short term benefits to employees – remunerated absences</u></p> <p>These are registered in the results when the same are paid.</p>	<p>The recoverable 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> <p>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>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>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>



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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>	<p>Person or entity related to the company due to zero or more bills, such as:</p> <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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 CONTADORA PUBLICA Y AUDITORA  
 COLEGIADA No. CPA-3748



PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS  
AT MARCH 31, 2019

Guatemala, May 13, 2019

PRIMA UNIÓN PLÁSTICOS, S.A.

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Statement of comprehensive income	5
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Statement of cash flows	7
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To the Board of Directors and  
Stockholders of  
**PRIMA UNIÓN PLÁSTICOS, S.A.**

Dear Sirs:

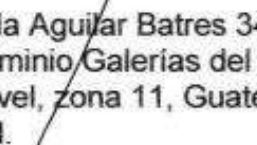
We hereby send you the financial statements at March 31, 2019, of PRIMA UNION PLASTICOS, S. A., which were reviewed with the purpose to cooperate with the Company's management in the assessment and interpretation of said financial statements, but not for the purpose of expressing an opinion on the same.

As part of the review of the financial statements at December 31, 2019, we examined the financial statements at March 31, 2019, and, as part of said review, we examined the internal control policies and procedures established by the Company for the preparation of the financial statements, and also, we examined the degree of implementation of the internal control recommendations suggested in our report at December 31, 2019.

As part of our review of the financial statements at March 31, we also participated in the implementation of the established procedures to improve the costs and inventory control system.

Some situations resulting from the review are included in our internal control report dated May 03 2019, at March 31, 2019.

**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 POSITIONAT MARCH 31, 2019

(Expressed in quetzales - Note 3)

ASSETS

## Current assets:

Cash and banks (Note 4)		Q 7,621,719
Accounts receivable:		
Customers	1,137,134	
Affiliated companies [Note 5 a)]	1,541,810	
(-) Reserve for uncollectible accounts	(80,369)	
Taxes receivable [Note 9 a)]	3,728,139	
Advances to creditors (Note 6)	51,111	
Other accounts receivable	339,675	6,717,500
Inventories [Note 6 a)]		3,886,945
Total current assets		<u>18,226,164</u>
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 7)	5,518,639	
Other assets (Note 8)	374,067	5,892,706
Total non current assets		<u>5,892,706</u>
Total assets		<u>Q 24,118,870</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

## Current liabilities:

Suppliers and creditors (Note 10)	Q 3,298,079	
Affiliated companies [Note 5 b)]	471,095	
Taxes payable [Note 9b)]	517,162	
Accumulated charges to pay	111,597	
Total current liabilities		4,397,933
Non current liabilities:		
Loans payable (Note 11)		<u>17,590,946</u>
Total liabilities		<u>21,988,879</u>
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 12)	3,992,000	
Accumulated losses [Note 12 a)]	(1,862,008)	
Total stockholders' equity and accumulated losses		<u>2,129,992</u>
Total liabilities, stockholders' equity and accumulated losses		<u>Q 24,118,870</u>

Notes 1 to 17 are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED MARCH 31, 2019

(Expressed in quetzals - Note 3)

Income	Q	8,829,075	
Less-cost of sales		<u>(5,974,336)</u>	
Gross profit from sales			2,854,739
Operating expenses (Note 13)			<u>(1,051,936)</u>
Operating loss			1,802,803
Financial expenses (Note 14)		(285,392)	
Other income (Note 15)		<u>102,212</u>	<u>(183,180)</u>
Profit before tax ISR			<u>1,619,623</u>
(-) Tax ISR			<u>(468,624)</u>
Net profit the quarter [Note 12 a)]			<u>Q 1,150,999</u>

Notes 1 to 17 are an integral part of the financial statements.

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED MARCH 31, 2019  
 (Expressed in quetzals - Note 3)

Authorized, subscribed and paid-in social capital

Capital subscribed and paid at the beginning and end of the year (Nota 12)	Q 3,992,000
--	-------------

Accumulated losses:

Balance at the beginning of the year	Q (3,013,007)
--------------------------------------	---------------

Net profit the quarter [Note 12 a)]	1,150,999
-------------------------------------	-----------

Balance at the end of the year	(1,862,008)
--------------------------------	-------------

Total stockholders' equity	Q 2,129,992
----------------------------	-------------

Notes 1 to 17 are an integral part of the financial statements.



PRIMA UNIÓN PLÁSTICOS, S.A.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019

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, as well as plastic woven bags and sacks for industrial and agricultural use. 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.
- Globo Color, 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.

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, 2019, it was Q7.68 and, 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, 2019, are broken-down as shown next:

Petty cash	Q 6,000
<u>Banks-national currency:</u>	
Industrial	<u>2,165,409</u>
<u>Banks-foreign currency</u>	
Industrial	2,648,480
BAC Reformador	<u>2,801,830</u>
	<u>5,450,310</u>
	<u><u>Q 7,621,719</u></u>

During 2019 these accounts accrued interest for Q3, 585, the same was registered in other income (Note 15).

At March 31, 2019, the cash in Banks included foreign currency balances for US\$709,580, expressed at an exchange rate of Q 7.68.

### 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 2019, this account was integrated as shown next:

a) Receivables:

Unión, S.A.	Q 1,541,810
-------------	-------------

b) Payables:

Globo Color, S.A.	237,084
Prima Plastics Limited (India)	Q 227,874
Unión, S.A.	Q 6,137
Total affiliated companies for paying	Q 471,095

NOTE 6 – ADVANCES TO CREDITORS

As of March 31, 2019, advances to creditors were the following:

Taizhou Huangyan Jessie Import and Export Co.	Q 16,426
Hamburg sud Guatemala, S. A.	27,395
Other advances to creditors	7,290
Total Advance to creditors	Q 51,111

NOTE 6 a) - INVENTORIES

Inventories, at cost, at March 31, 2019, which is lower than the net realizable value, are classified as described below:

Packing material	Q 67,390
Finished product	1,473,284
Raw material	2,346,271
	Q 3,886,945

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

**NOTE 7 – MACHINERY AND EQUIPMENT, COMPUTER EQUIPMENT, FURNITURE AND EQUIPMENT, TOOLS AND IMPROVEMENTS IN LEASED PROPERTIES-NET**

At March 31, 2019, these assets and its corresponding accumulated depreciation were as shown on the following page:

ASSETS	FIXED ASSETS			DEPRECIATION RATE
	BALANCE AT DEC-31-18	ADDITIONS	BALANCE AT MAR-31-19	
Machinery and equipment	Q 7,539,401	Q 121,173	Q 7,660,574	20%
Computer equipment	31,183		31,183	33%
Furniture and equipment	328,831		328,831	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 121,173</u>	<u>Q 9,252,674</u>	

ASSETS	ACCUMULATED DEPRECIATION			NET BALANCE
	BALANCE AT DEC-31-17	CREDITS	BALANCE AT MAR-31-18	
Machinery and equipment	2,315,011	396,964	2,711,975	4,948,600
Computer equipment	9,087	5,188	14,275	16,908
Furniture and equipment	100,810	14,826	115,636	213,195
Tools	6,423	722	7,145	8,060
Improvements in leased properties	774,378	110,627	885,005	331,876
	<u>Q 3,205,709</u>	<u>Q 528,327</u>	<u>Q 3,734,036</u>	<u>Q 5,518,639</u>

**NOTE 8 -OTHER ASSETS**

Other assets at March 31, 2019, were as shown below:

Guarantee deposits	Q 345,126
Organization expenses	28,941
	<u>Q 374,067</u>

**NOTE 9 -TAXES: INCOME TAX-ISR, SOLIDARITY TAX-ISOAND OTHER TAXES**

At March 31, 2019, taxes receivable and payable, and the calculation thereof, were the following:

a) Receivables:

VAT accumulated tax credit	Q	3,358,465
VAT withholdings		223,618
Solidarity tax		146,056
	Q	<u>3,728,139</u>

b) Payables:

Provisión income tax	Q	468,624
Income tax withholdings to third parties		21,697
Income tax withholdings related to non residents		26,117
Income tax withholdings for employees		724
	Q	<u>517,162</u>

c) Income tax calculation related to lucrative activities:

Usefulness of the exercise	Q	1,619,623
Less-other net capital income of income tax		<u>(3,585)</u>
Income from lucrative activities		1,616,038
Add-non deductible expenses		258,100
Add-costs and capital income		358
Taxable income	Q	<u>1,874,496</u>
Percentage of income tax		<u>25%</u>
Income tax		<u>(468,624)</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 2016 to 2019 are pending review by the tax authorities.

#### NOTE10-SUPPLIERS AND CREDITORS

Accounts payable to suppliers and creditors, at March 31, 2019, were as shown next:

Foreign suppliers	Q	3,156,933
Creditors		141,146
	Q	<u>3,298,079</u>

Foreign suppliers are listed below:

Muehlstein International	Q	1,132,185
Montachem International, INC.		793,259
Merit Polymers Unit II		235,834
Snetor Chimie		995,655
	Q	<u>3,156,933</u>

At March 31, 2019, accounts payable to foreign suppliers were US\$411,003, at an exchange rate of Q7.68 to US\$1.

NOTE11 -LOANS PAYABLE

Loans payable, at March 31, 2019, were:

Prima Plastics Limited( India)	Q 15,890,874
Unión, S.A.	1,700,071
	<u>Q 17,590,946</u>

Loans were given under the following conditions:

- Original amount: US\$2,068,845
- Período: 60 months
- Interés trate: 5% annually
- Purpose: Working capital
- Maturity: May 10, 2022

NOTE12 -AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

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

Paid in capital	Q 3,992,000
Net profit of the quarter [Note 12 a)]	<u>(1,862,008)</u>
	<u>Q 2,129,992</u>
Divided by the number of shares	<u>3,992</u>
Book value of each share	<u>Q 534</u>

NOTE 12 a) - ACCUMULATED LOSSES

At March 31, 2019, the accumulated losses are shown below:

Balance at the beginning of the year	Q (3,013,007)
Net profit of the quarter	1,150,999
	<u>Q (1,862,008)</u>

NOTE 13 -OPERATING EXPENSES

The following page shows the operating expenses executed during the first quarter of 2019:

Outsourcing	Q 362,342
Leases	207,431
Amortizations	113,257
Professional services	83,853
Security services	63,213
Travel expenses	41,276
Taxes and contributions	36,385
General expenses	35,718
Personal expenses	31,905
Maintenance and repairs	18,054
Water, electricity and telephone	15,618
Depreciation	15,102
Insurance and bonds	9,444
Freight and haulage	6,904
Fuel and lubricants	2,349
Advertising and selling expenses	2,329
Courses and trainings	1,875
Uncollectible accounts	4,881
	<u>Q 1,051,936</u>

NOTE14 – FINANCIAL EXPENSES

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

Interest related to loans	Q (283,163)
Sundry expenses	(2,229)
	<u>Q (285,392)</u>

NOTE15-OTHER INCOME

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

Exchange differential	Q	67,280
Sundry income		31,347
Interest received (Note 4)		3,585
	Q	<u>102,212</u>

NOTE16 - APPROVAL OF FINANCIAL STATEMENTS

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



NOTE17 - 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> <ul style="list-style-type: none"> <li>a) Balances sheet</li> <li>b) Statement of income</li> <li>c) Statement of changes in equity</li> <li>d) Statement of cash flow</li> </ul>	<ul style="list-style-type: none"> <li>e) Statement of financial position.</li> <li>f) Statement of comprehensive income</li> <li>g) Statement of changes in equity</li> <li>h) Statement of cash flow</li> </ul>
<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> <p>The law classifies liabilities related to labor fringe benefits</p>	<p>IFRS for PYMES requires that these are classified as</p>

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
<p>The one that is derived from the Income Tax Law as Christmas bonus and bonus 14, together with severance payments, which have a period higher than one year.</p>	<p>International Financial Reporting Standard-IFRS. current and noncurrent obligations.</p>
<p>6. <u>Inventories</u></p> <p>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>Any loss due to impairment is registered until the time of selling or removing the inventory of the affected assets.</p>	<p>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>7. <u>Impairment of assets different from inventories</u></p> <p>Such impairment is recognized until the time when the asset is settled or disposed, or when it is removed from the assets.</p>	<p>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>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.</p> <p>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>8. <u>Short term benefits to employees – remunerated absences</u></p> <p>These are registered in the results when the same are paid.</p>	<p>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>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>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>



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>	<p>Person or entity related to the company due to zero or more bills, such as:</p> <ul style="list-style-type: none"> <li>1. Member of the same group</li> <li>2. When it is a shareholder</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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