



PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS
AT MARCH 31, 2023 AND 2022

Guatemala, April 21, 2023

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, 2023 and 2022, 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, 2023 and 2022, have been prepared, in all material respects, according to the accounting requirements established by the Income Tax Law of the Republic of Guatemala (described in Note 2).

Basis for opinion

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

Emphasis paragraph:

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the accounting basis used for the preparation of said statements, which differs in some aspects from the international financial reporting standards as indicated

in the Note 20. The financial statements have been prepared with the purpose of serving as a basis for the preparation of the Income tax return for the year and to comply with the legal requirement to present them attached to the same. As a result of this, the financial statements may not be appropriate for other purpose. Our report is intended for the use of the Company, partners and tax authorities. Our opinion is not modified regarding this matter.

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

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

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

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

Auditor's responsibilities for the financial statements audit

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

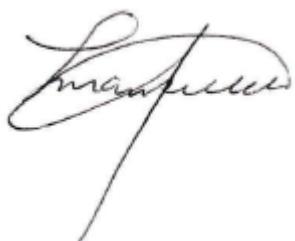
As part of an audit, and according to the International Standard on Auditing - ISAs- we exercise professional judgment, and we maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the financial statements, due to fraud or error, design and execute audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to provide the bases for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error as fraud involves collusion, forgery, intentional omissions, misrepresentations or override of the internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate under the circumstances and not for the purpose to express an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of the accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the accounting bases of the going concern company, and based on the gathered evidence, whether there is a material uncertainty related to events or conditions that may give rise to a significant doubt on the capacity of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the information disclosure related to the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- The auditor's responsibilities are to obtain enough and appropriate audit evidence regarding the financial information of the entities or commercial activities within the Company to express an opinion on the financial statements. We are responsible of the management, supervision and making of the audit engagement of the Company. We are the only responsible for our audit opinión.

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

Guatemala, April 21, 2023



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



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

	AT MARCH 31	
	2023	2022
ASSETS		
Current assets:		
Cash and banks (Note 4)	Q 5,344,197	Q 5,240,245
Accounts receivable:		
Customers	4,650,122	3,409,803
Affiliated companies [Note 5 a)]	2,187,207	2,137,177
(-) Reserve for uncollectible accounts	(205,120)	(166,409)
Taxes receivable [Note 10 a)]	6,888,180	5,888,409
Advances to creditors (Note 6)	326,133	319,906
Other accounts receivable	<u>72,321</u>	<u>116,262</u>
	<u>13,918,843</u>	<u>11,705,148</u>
Inventories (Note 7)	8,180,322	6,810,059
Total current assets	<u>27,443,362</u>	<u>23,755,452</u>
Non current assets:		
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 8)	12,849,068	10,404,952
Other assets (Note 9)	198,284	195,206
Total non current assets	<u>13,047,352</u>	<u>10,600,158</u>
Total assets	<u>Q 40,490,714</u>	<u>Q 34,355,610</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Suppliers and creditors (Note 11)	Q 6,709,864	Q 2,948,198
Affiliated companies [Note 5 b)]	5,321	99,078
Taxes payable [Note 10 b)]	1,325,724	1,310,212
Bank Loans (Note 13)	1,505,032	576,019
Labor benefits payable	34,791	35,874
Accumulated charges to pay	<u>745,728</u>	<u>742,474</u>
Total current liabilities	<u>10,326,460</u>	<u>5,711,855</u>
Non current liabilities:		
Reserve for severance payments	169,872	128,956
Bank Loans (Note 13)	1,672,180	832,032
Loans payable (Note 12)	-	6,783,446
Total liabilities	<u>12,168,512</u>	<u>13,456,289</u>
Stockholders' equity and accumulated earnings:		
Authorized, subscribed and paid in social capital (Note 14)	3,992,000	3,992,000
Legal Reserve	829,319	564,829
Asset revaluation (Note 8)	6,948,316	6,948,316
Accumulated earnings (Note 15)	<u>16,552,567</u>	<u>9,394,176</u>
Total stockholders' equity and accumulated earnings	<u>28,322,202</u>	<u>20,899,321</u>
Total liabilities, stockholders' equity and accumulated earnings	<u>Q 40,490,714</u>	<u>Q 34,355,610</u>

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>2023</u>	<u>2022</u>
Income		
Less-cost of sales	Q 16,570,576	Q 13,184,544
Gross profit from sales	(9,572,913)	(9,538,015)
Operating expenses (Note 16)	6,997,663	3,646,529
Operating earnings	(1,798,409)	(1,270,310)
Financial expenses (Note 17)	5,199,254	2,376,219
Other income (Note 18)	(208,591)	(225,568)
Profit before tax ISR	127,409	124,773
(-) Tax ISR [Note 10 c)]	5,118,072	2,275,424
Net profit the quarter	(1,309,556)	(599,992)
	<u>Q 3,808,516</u>	<u>Q 1,675,432</u>

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

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF CHANGES IN EQUITY
(Expressed in quetzals - Note 3)

	<u>FOR THE QUARTER</u>	
	<u>MARCH, 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Authorized, subscribed and paid-in social capital</u>		
Capital subscribed and paid at the beginning and end of the year (Nota 14)	<u>Q 3,992,000</u>	<u>Q 3,992,000</u>
<u>Accumulated earnings:</u>		
Balance at the beginning of the year	<u>Q 12,744,051</u>	<u>Q 7,984,169</u>
Net profit the quarter (Note 15)	<u>3,808,516</u>	<u>1,675,432</u>
Income tax supplement for the year 2021	<u>-</u>	<u>(14,276)</u>
Transfer to legal reserve	<u>-</u>	<u>(251,149)</u>
Balance at the end of the quarter	<u>16,552,567</u>	<u>9,394,176</u>
<u>Machinery Revaluation</u>		
Balance at the beginning of the year	<u>6,948,316</u>	<u>-</u>
Increase (Note 8-A)	<u>-</u>	<u>6,948,316</u>
Balance at the end of the quarter (Note 8-A)	<u>6,948,316</u>	<u>6,948,316</u>
<u>Legal Reserve</u>		
Balance at the beginning of the year	<u>Q 829,319</u>	<u>Q 313,680</u>
Increase	<u>-</u>	<u>251,149</u>
Balance at the end of the semester	<u>829,319</u>	<u>564,829</u>
Total stockholders' equity	<u>Q 28,322,202</u>	<u>Q 20,899,321</u>

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022
(Expressed in quetzals - Note 3)

	2023	2022
Cash flow in operating activities:		
Net profit for the year	Q 3,808,516	Q 1,675,432
Reconciliation between the net profit and entries not requiring cash:		
Depreciations and amortizations	787,784	(137,101)
Re-expression of bank loan balances in U.S. dollars	(42,476)	
Employment benefits	8,105	9,926
Uncollectible accounts	45,303	53,275
	<u>4,607,232</u>	<u>1,601,532</u>
Changes in net assets and liabilities:		
Decrease in assets and increase in liabilities:		
Income tax	1,052,882	478,390
Other accounts receivable	99,128	
Anticipated spendings	-	18,778
Taxes payable	3,075	688,317
Suppliers	4,880,407	
Taxes receivable	-	150,658
Inventory	-	4,038,729
	<u>6,035,492</u>	<u>5,374,872</u>
Increase in assets and decrease in liabilities:		
Suppliers	-	(1,010,095)
Inventory	(2,580,791)	-
Taxes receivable	(380,441)	-
Customers	(1,510,086)	(1,775,827)
Accumulated charges to pay	(4,801)	(11,439)
Anticipated spendings	(13,933)	-
Other accounts receivable	-	(104,482)
	<u>(4,490,052)</u>	<u>(2,901,843)</u>
Net cash from operating activities	<u>6,152,672</u>	<u>4,074,561</u>
Cash flow in investing activities:		
Increase in property, plant and equipment	(308,006)	(8,111)
Net cash applied in investing activities	<u>(308,006)</u>	<u>(8,111)</u>
Cash flow in financing activities:		
Payments of loans	(5,574,744)	(1,003,107)
Cashed used in financing activities	<u>(5,574,744)</u>	<u>(1,003,107)</u>
Net increase (decrease) in cash	269,922	3,063,343
Cash at the beginning of the year	5,074,275	2,176,902
Cash at the end of the year	<u>Q 5,344,197</u>	<u>Q 5,240,245</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, 2023 AND 2022

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, 2023 and 2022, there was one provision regarding this concept for Q169,872 and Q128,956, 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, 2023 and 2022, it was Q7.80 and Q7.68, at the date of this report, it was Q7.80 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:

	2023		2022	
	Q	11,000	Q	11,000
<u>Petty cash</u>				
<u>Banks-national currency:</u>				
Industrial		3,025,341		1,222,012
<u>Banks-foreign currency</u>				
Industrial		1,691,970		3,532,975
BAC Reformador		183,911		5,717
Banco Promerica		431,975		468,541
		2,307,856		4,007,233
	Q	5,344,197	Q	5,240,245

During 2023 and 2022 these accounts accrued interest for Q2,971 and Q623 respectively, the same was registered in other income (Note15).

At March 31, 2023 and 2022, the cash in Banks included foreign currency balances for US\$295,752, and US\$521,758 expressed at an exchange rate of Q7.80 and Q7.68, 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:

	2023	2022
	<u>Q</u>	<u>Q</u>
Unión, S.A.	<u>2,187,207</u>	<u>2,137,177</u>

b) Payables:

	2023	2022
	<u>Q</u>	<u>Q</u>
Prima Plastics Limited (India)	-	88,628
Unión, S.A.	5,321	10,450
	<u>5,321</u>	<u>99,078</u>

NOTE 6- OTHER ACCOUNTS RECEIVABLE

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

	2023	2022
	<u>Q</u>	<u>Q</u>
Advances to Foreign suppliers	314,615	307,409
Others accounts	11,518	7,497
Advances to creditors	-	5,000
	<u>326,133</u>	<u>319,906</u>

At March 31, 2023 and 2022, accounts advances to foreign suppliers were US\$40,318 and US\$40,026, at an exchange rate of Q 7.80 and Q7.68, respectively.

NOTE 7 - INVENTORIES.

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

	2023	2022
Raw material	Q 6,839,539	Q 5,260,664
Finished product	1,340,783	1,549,395
	<u>Q 8,180,322</u>	<u>Q 6,810,059</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 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:

2023

ASSETS	FIXED ASSETS			DEPRECIATION RATE
	BALANCE AT DEC-31-22	ADDITIONS	BALANCE AT MAR-31-23	
Machinery and equipment	Q 16,852,088	Q 306,175	Q 17,158,263	20%
Computer equipment	8	-	8	33%
Furniture and equipment	169,520	1,830	171,350	20%
Tools	8,236	-	8,236	25%
	<u>Q 17,029,852</u>	<u>Q 308,005</u>	<u>Q 17,337,857</u>	

ACCUMULATED DEPRECIATION

ASSETS	BALANCE AT DEC-31-22	CREDITS	BALANCE AT MAR-31-23	NET BALANCE
Machinery and equipment	3,618,829	779,596	4,398,425	12,759,839
Computer equipment	-	-	-	8
Furniture and equipment	79,372	6,518	85,890	85,460
Tools	4,027	448	4,475	3,761
	<u>Q 3,702,228</u>	<u>Q 786,562</u>	<u>Q 4,488,790</u>	<u>Q 12,849,068</u>

2022

ASSETS	FIXED ASSETS				DEPRECIATION RATE
	BALANCE AT DEC-31-21	ADDITIONS	WITHDRAWALS	BALANCE AT MAR-31-22	
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>	

ASSETS	ACCUMULATED DEPRECIATION				NET BALANCE
	BALANCE AT DEC-31-21	CREDITS	WITHDRAWALS	BALANCE AT MAR-31-21	
Machinery and equipment	7,319,187	533,963	Q (5,988,444)	1,864,706	10,312,683
Computer equipment	35,397	825	(575)	35,647	-
Furniture and equipment	309,687	16,804		326,491	86,671
Tools	17,391	448		17,839	5,598
	<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>

DEPRECIATION EXPENSE	2022	
	Q	Q
Cost of production	Q 694,691	Q 548,572
Depreciation of operating expenses (Note 16)	Q 91,871	Q 3,468
	<u>Q 786,562</u>	<u>Q 552,040</u>

During 2023 the machinery were insured against theft and fire for Q9,867,786.

NOTE 8 A - 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

Machinery	Base amount	Acumulated Depreciation	Book value as of 31-march-2023	Depreciation expense 2023
Before revaluation	Q 5,988,444	Q 5,988,444	Q -	Q -
Asset revaluation	6,948,316	1,389,664	5,558,652	347,416
Tax originated by said revaluation	689,536	137,907	551,629	34,477

NOTE 9 -OTHER ASSETS

Other assets at March 31, were as shown below:

	2023	2022
Guarantee deposits	Q 195,084	Q 195,206
Guarantee deposits "Casa U"	3,200	
	<u>Q 198,284</u>	<u>Q 195,206</u>

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

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

a) Receivables:

	2023	2022
VAT accumulated tax credit	Q 4,748,919	Q 4,792,991
VAT withholdings	872,855	502,196
VAT tax credit exports	642,979	
VAT on local activities pending liquidation	529,496	529,496
Solidarity tax	93,931	63,726
	<u>Q 6,888,180</u>	<u>Q 5,888,409</u>

b) Payables:

	2023	2022
Provisión income tax [Note 10 c)]	Q 1,309,556	Q 599,992
Income tax withholdings to third parties	12,963	9,299
VAT on special invoices	1,374	235
Income tax withholdings for employees	737	737
Income tax on special invoices	572	565
Income tax capital revenue	522	
Income tax for revaluation	-	689,536
Income tax withholdings related to non residents	-	9,848
	<u>Q 1,325,724</u>	<u>Q 1,310,212</u>

c) Income tax calculation related to lucrative activities:

	2023	2022
Usefulness of the exercise	Q 5,118,072	Q 2,275,423
Less-other net capital income of income tax	(2,971)	(623)
Income from lucrative activities	5,115,101	2,274,800
Add-non deductible expenses	122,825	113,613
Add-costs and capital income	297	11,554
Taxable income	<u>Q 5,238,223</u>	<u>Q 2,399,967</u>
Percentage of income tax	25%	25%
Income tax [Note 10 b)]	<u>1,309,556</u>	<u>599,992</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 2019 to 2022 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:

	2023	2022
Foreing suppliers (*)	Q 5,562,434	Q 2,948,198
Fertilizantes Maya, S.A.	1,081,544	-
Cajas y Empaques de Guatemala	65,886	-
	Q 6,709,864	Q 2,948,198

(*) At March 31, 2023 and 2022, accounts payable to foreign suppliers were US\$712,826 and US\$383,367, at an exchange rate of Q7.80 and Q7.68 to US\$1, respectively.

NOTE 12 -LOANS PAYABLE

Loans payable, at March 31 2022, were:

	2023	2022
Non current amount	Q -	Q 6,783,446
	Q -	Q 6,783,446

Loans payable, at March 31, were:

	2023	2022
Prima Plastics Limited(India)	Q -	Q 6,144,207
Unión, S.A.	- -	639,239
	Q -	Q 6,783,446

Loans were given under the following conditions:

Prima India

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

UNION, S.A.

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

During the first quarter of 2023, the loans described above were repaid.

NOTE 13 - BANK LOANS

During January 2021 and July 2022, the company signed a bank credit agreement with Banco Industrial, S.A., with under the following conditions:

Original amount	Term	Interest rate	Purpose	Maturity	Balance at March 31	
					2023	2022
\$ 250,000	3 years	7%	Purchase machinery	Jan-31-2024	Q 650,409	Q 1,408,051
\$ 350,000	4 years	7.75%	Purchase machinery	Apr-30-2025	Q 2,526,803 Q 3,177,212	Q - Q 1,408,051
Current amount			March 31, 2023		March 31, 2022	
			Q 1,505,032		Q 576,019	
Non current amount			1,672,180		832,032	
			Q 3,177,212		Q 1,408,051	

NOTE 14 -AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

At March 31, 2023 and 2022, 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:

	2023	2022
Paid in capital	Q 3,992,000	Q 3,992,000
Net profit of the quarter (Note 15)	16,552,567	9,394,176
	<u>Q 20,544,567</u>	<u>Q 13,386,176</u>
Divided by the number of shares	3,992	3,992
Book value of each share	Q 5,146	Q 3,353

NOTE 15 - ACCUMULATED EARNINGS

At March 31, the accumulated earnings re shown below:

	2023	2022
Balance at the beginning of the year	Q 12,744,051	Q 7,984,169
Net profit of the quarter	3,808,516	1,675,432
Income tax supplement for the year 2021	-	(14,276)
Transfer to legal reserve	-	(251,149)
	<u>Q 16,552,567</u>	<u>Q 9,394,176</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 2023 and 2022

	2023	2022
Leases	Q 392,749	Q 225,315
Outsourcing	277,632	189,680
Travel expenses	132,436	87,249
Supplies and miscellaneous materials	123,720	-
Transportation costs	116,760	-
Water, electricity and telephone	107,549	66,140
Depreciation	91,871	3,468
Maintenance and repairs	83,909	104,962
Professional services	79,445	88,640
Professional fees	79,445	-
Security services	72,588	69,552
Taxes and contributions	45,693	44,273
Uncollectible accounts	45,303	53,275
Insurance and bonds	41,568	34,980
Salaries	30,998	28,769
Compensation	28,835	7,911
Advertising and selling expenses	10,867	38,527
Employer fee	8,502	3,645
General expenses	8,271	95,797
Fuel and lubricants	7,788	4,337
Bonus 14	6,240	6,539
Bonus	6,240	6,539
Incentive bonus	-	50,128
Freight and haulage	-	57,757
Courses and trainings	-	2,827
	<u>Q 1,798,409</u>	<u>Q 1,270,310</u>

NOTE 17 – FINANCIAL EXPENSES

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

	2023	2022
	Q	Q
Interest related to loans	120,060	140,301
Loss in foreign exchange differential	82,879	76,607
Sundry expenses	5,652	8,660
	<u>Q</u>	<u>Q</u>
	<u>208,591</u>	<u>225,568</u>

NOTE 18 -OTHER INCOME

Other income obtained during the first quarter of 2023 and 2022, was originated from the following concepts:

	2023	2022
	Q	Q
Exchange differential	110,769	105,646
Sundry income	13,669	18,504
Interest received (Note 4)	2,971	623
	<u>Q</u>	<u>Q</u>
	<u>127,409</u>	<u>124,773</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 comprehensiveincome 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>
5. <u>Classification of obligations according to maturity</u>	

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
<p>The one that is derived from the Income Tax Law</p> <p>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.</p>	<p>International Financial Reporting Standard-IFRS.</p> <p>IFRS for PYMES requires that these are classified as 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 sellingor 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> <p>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>Relatedparties:</u></p> <p>It results from operations among a Guatemalan resident and a foreign company when:</p> <p>a) It owns more than 25% of the capital.</p> <p>b) Five or less people revoke or control both related parties.</p> <p>c) When legal people who are Guatemalan residents or foreigners belong to a smaller business group.</p> <p>d) When it is an exclusive distributor in Guatemala or abroad.</p> <p>e) A Guatemalan resident has a permanent establishment abroad. .</p> <p>f) A permanent establishment in Guatemala, and its headquarters is abroad.</p>	<p>1. Member of the same group</p> <p>2. When it is an associate</p> <p>3. When they have a joint business</p> <p>4. If the company is controlled by a person, company or relative or key personnel of the management.</p>

* * * * *



PRIMA UNIÓN PLÁSTICOS, S.A.

FINANCIAL STATEMENTS
AT DECEMBER 31, 2022 AND 2021

Guatemala, January 19, 2023

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, 2022 and 2021, 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, 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

- 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.

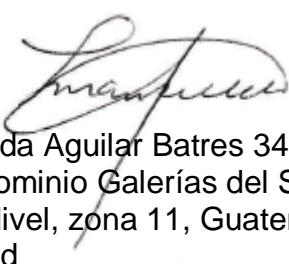
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate under the circumstances and not for the purpose to express an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of the accounting policies 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 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, January 19, 2023

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

MAO MANSILLA
ORTIZ & ASESORES
Consultores y Auditores Financieros



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

PRIMA UNIÓN PLÁSTICOS, S.A.STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2022 y 2021
(Expressed in quetzals - Note 3)

		2022	2021
ASSETS			
Current assets:			
Cash and banks (Note 4)	Q	5,074,275	Q 2,176,901
Accounts receivable:			
Customers		2,821,866	2,415,609
Affiliated companies (Note 5)		2,505,378	1,355,545
(-) Reserve for uncollectible accounts		(159,817)	(113,135)
Taxes receivable [Note 10 a)]		6,507,740	6,039,067
Other accounts receivable (Note 6)		425,261	215,424
		<u>12,100,428</u>	<u>9,912,510</u>
Inventories (Note 7)		5,599,530	10,848,787
Prepaid expenses		58,386	135,040
Total current assets		<u>22,832,619</u>	<u>23,073,238</u>
Non current assets:			
Machinery and equipment, computer equipment, furniture and equipment, tools and improvements in leased properties - net- (Note 8)		13,327,624	3,310,453
Other assets (Note 9)		199,506	196,179
Total non current assets		<u>13,527,130</u>	<u>3,506,632</u>
Total assets	Q	<u>36,359,749</u>	<u>Q 26,579,870</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Suppliers and creditors (Note 11)	Q	2,516,833	Q 4,690,623
Affiliated companies (Note 5)		9,336	102,127
Taxes payable [Note 10 b)]		269,766	129,231
Labor benefits payable		39,331	31,702
Accumulated charges to pay		59,138	21,566
Loans payable (Note 12)		5,195,499	771,912
Bank Loans (Note 13)		1,505,009	771,912
Total current liabilities		<u>9,594,912</u>	<u>6,519,073</u>
Non current liabilities:			
Loans payable (Note 12)		-	6,814,542
Bank Loans (Note 13)		2,093,925	836,238
Reserve for compensation (Note 2)		157,227	120,168
Total liabilities		<u>2,251,152</u>	<u>7,770,948</u>
Stockholders' equity and accumulated earnings:			
Authorized, subscribed and paid in social capital (Note 14)		3,992,000	3,992,000
Asset revaluation (Note 8)		6,948,316	
Legal reserve		829,319	313,680
Accumulated Profit [Note 14 a)]		12,744,050	7,984,169
Total stockholders' equity and accumulated earnings		<u>24,513,685</u>	<u>12,289,849</u>
Total liabilities, stockholders' equity and accumulated earnings	Q	<u>36,359,749</u>	<u>Q 26,579,870</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, 2022 AND 2021
(Expressed in quetzals - Note 3)

	2022	2021
Income		
Less-cost of sales	<u>(34,765,076)</u>	<u>(25,069,694)</u>
Gross profit from sales	13,070,314	12,187,993
Operating expenses (Note 15)	<u>(5,341,876)</u>	<u>(4,782,903)</u>
Operating profit	7,728,438	7,405,090
Financial expenses (Note 16)	(686,925)	(843,854)
Other income (Note 17)	<u>194,347</u>	<u>314,607</u>
Profit before tax	Q 7,235,861	Q 6,875,843
Income Tax - ISR	<u>(1,946,064)</u>	<u>(1,838,593)</u>
Net profit for the year	<u>Q 5,289,797</u>	<u>Q 5,037,250</u>

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

PRIMA UNIÓN PLÁSTICOS, S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in quetzals - Note 3)

	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 profits:</u>		
Balance at the beginning of the year	Q 7,984,169	Q 2,946,919
Net profit for the year	5,289,797	5,037,250
Income tax supplement for the year 2021	(14,276)	
Less-transfer to legal reserve for the year 2021	(251,149)	-
Less-transfer to legal reserve for the year	(264,490)	-
Balance at the end of the year [Note 14 a)]	<u>12,744,050</u>	<u>7,984,169</u>
<u>Legal reserve:</u>		
Balance at the beginning of the year	Q 313,680	Q 313,680
Transfer to legal reserve for the year	264,490	-
Transfer to legal reserve for the year 2021	<u>251,149</u>	-
Balance at the end of the year (Note 14)	<u>829,319</u>	<u>313,680</u>
<u>Asset revaluation</u>		
Balance at teh beginning of the year	Q -	Q -
Increase (Note 8)	<u>6,948,316</u>	-
Balance at the end of the semester	Q 6,948,316	Q -
Total stockholders' equity	<u>Q 24,513,685</u>	<u>Q 12,289,849</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, 2022 AND 2021
(Expressed in quetzals - Note 3)

	2022	2021
Cash flow in operating activities:		
Net profit for the year	Q 5,289,797	Q 5,037,250
Reconciliation between the net profit and entries not requiring cash:		
Depreciation	2,965,554	2,122,986
Uncollectible accounts	46,683	(7,454)
Labor benefits payable	41,653	25,954
	<u>8,343,687</u>	<u>7,178,736</u>
Changes in net assets and liabilities:		
Decrease in assets and increase in liabilities:		
Customers	-	248,462
Suppliers and creditors	-	298,989
Taxes payable	135,072	1,571,716
Other assets		2,333,472
Deposits in guarantee		150,000
Inventory	5,249,257	-
Prepaid expenses	76,654	453
Accumulated charges to pay	40,604	-
	<u>5,501,587</u>	<u>4,603,092</u>
Increase in assets and decrease in liabilities:		
Customers	(1,556,092)	-
Inventory	-	(7,886,204)
Prepaid expenses	-	(56,796)
Taxes receivable	(468,670)	(3,344,114)
Other accounts receivable	(209,837)	-
Suppliers and creditors	(2,266,581)	-
Taxes to pay	(8,810)	-
	<u>(4,509,991)</u>	<u>(11,287,114)</u>
Net cash from operating activities	<u>9,335,283</u>	<u>494,714</u>
Cash flow in investing activities:		
Increase in property, plant and equipment	<u>(6,037,737)</u>	<u>(2,621,112)</u>
Net cash applied in investing activities	<u>(6,037,737)</u>	<u>(2,621,112)</u>
Cash flow in financing activities:		
Disbursements received	2,706,522	-
Payments of loans	(3,106,694)	182,290
Cashed used in financing activities	(400,172)	182,290
Net increase (decrease) in cash	2,897,374	(1,944,108)
Cash at the beginning of the year	2,176,901	4,121,009
Cash at the end of the year	<u>Q 5,074,275</u>	<u>Q 2,176,901</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, 2022 AND 2021

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, 2022 and 2021, there was one provision regarding this concept for Q157,227 and Q128,168.

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, 2022 and 2021, it was Q7.85 and Q7.72, at the date of this report, it was Q7.85 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:

	2022	2021
	Q	Q
Petty cash	11,000	11,000
<u>Banks-national currency:</u>		
Industrial	2,719,126	836,522
<u>Banks-foreign currency</u>		
Industrial	1,714,407	1,047,395
BAC Reformador	251,464	281,984
Promerica	378,278	
	2,344,149	1,329,379
	Q 5,074,275	Q 2,176,901

During 2022 and 2021 these accounts accrued interest for Q5,589 and Q3,834, the same was registered in other income (Note 17).

At December 31, 2022 and 2021, the cash in Banks included foreign currency balances for US\$298,533 and US\$172,219, expressed at an exchange rate of 7.85 and Q 7.72

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:

	2022	2021
	<u>Q</u>	<u>Q</u>
Unión, S.A.	<u>2,505,378</u>	<u>1,355,545</u>

b) Payables

	2022	2021
	<u>Q</u>	<u>Q</u>
Prima Plastics Limited	-	91,056
Unión, S.A.	9,336	11,071
	<u>Q 9,336</u>	<u>Q 102,127</u>

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

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

	2022	2021
	<u>Q</u>	<u>Q</u>
Taizhou Huangyan Jessie Import and Export	241,589	208,818
Contributions to the solidarity association	10,283	6,606
Taizhou Dana Plastics Mould Co. LTD.	116,213	-
Aseguradora General	1,202	-
Smit Patel (Trip to Central America and the Caribbean January 2023)	55,974	-
	<u>Q 425,261</u>	<u>Q 215,424</u>

NOTE 7 - INVENTORIES

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

Me-o!*

	2022	2021
	<u>Q</u>	<u>Q</u>
Finished product	1,776,641	1,187,550
Raw material	3,822,889	9,661,237
	<u>Q 5,599,530</u>	<u>Q 10,848,787</u>

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

Raw material inventories, slow moving, as of December 31, 2022 of more than 180 days, totaled Q257,440.

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\$783,325, from the supplier, which as of December 31, 2022 were in transit.

SUPPLIER	Dollar amount
Snetor Chimie	2,644,117
Vinmar	1,913,586
Merit Polymers Private Limited	108,537
Montachem International INC	749,730
Manuchar NV	606,348
Taizhou Huangyan Jessie Import and Export Co. LTD.	128,517
	<u>6,150,836</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:

2022					
ASSETS	FIXED ASSETS				DEPRECIATION RATE
	BALANCE AT DEC-31-21	ADDITIONS	WITHDRAWALS	BALANCE AT DEC-31-22	
Machinery and equipment	Q 10,527,979	Q 12,312,553	* Q 5,988,444	Q 16,852,088	20%
Computer equipment	35,647	8	35,647	Q 8	33%
Furniture and equipment	405,053	47,193	282,726	Q 169,520	20%
Tools	23,436	5	15,206	Q 8,236	25%
	<u>Q 10,992,115</u>	<u>Q 12,359,759</u>	<u>Q 6,322,023</u>	<u>Q 17,029,852</u>	
ACCUMULATED DEPRECIATION					
ASSETS	BALANCE AT DEC-31-21	DEBITS	CREDITS	BALANCE AT DEC-31-22	NET BALANCE
	7,319,188	6,133,263	2,432,906	3,618,831	13,233,257
Machinery and equipment	32,768	34,047	1,279	-	8
Furniture and equipment	312,017	271,075	38,130	79,072	90,448
Tools	17,689	15,154	1,790	4,325	3,911
	<u>Q 7,681,662</u>	<u>Q 6,453,539</u>	<u>Q 2,474,105</u>	<u>Q 3,702,228</u>	<u>Q 13,327,624</u>

2021

ASSETS	FIXED ASSETS					DEPRECIATION RATE
	BALANCE AT DEC-31-20	ADDITIONS	WITHDRAWALS	BALANCE AT DEC-31-21		
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	-		
	Q 10,527,358	Q 3,060,431	Q 2,595,674	Q 10,992,115		
ACCUMULATED DEPRECIATION						
ASSETS	BALANCE AT DEC-31-20	DEBITS	CREDITS	BALANCE AT DEC-31-21	NET BALANCE	
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	-	-	-	-	-	
	Q 5,574,169	Q -	Q 2,107,493	Q 7,681,662	Q 3,310,453	

** 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.

The distribution of the accumulated depreciation of revalued assets is made up as follows:

Machinery	Base amount	1042248		
		Accumulated Depreciation	Book value as of 31/12/2022	Depreciation expense 2022
Before revaluation	Q 5,988,444	Q 5,988,444	Q -	Q 212,047
Asset revaluation	6,948,316	1,042,248	5,906,068	1,042,248
Tax originated by said revaluation	689,536	89,753	599,783	89,753

Depreciation expense

DEPRECIATION EXPENSE	2022	2021
Cost of production	Q 1,997,930	Q 1,565,705
Depreciation of operating expenses (Note 16)	364,144	541,788
Adjustments	112,031	-
	Q 2,474,105	Q 2,107,493

During 2022 assets were insured against theft and fire for Q15,207,786.

NOTE 9 - OTHER ASSETS

Other assets at December 31, were as shown below:

	2022	2021
	Q	Q
Guarantee deposits	199,506	196,179
	<u>199,506</u>	<u>196,179</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:

	2022	2021
	Q	Q
VAT on imports pending liquidation	4,706,629	5,108,066
VAT withholdings	1,308,936	401,505
VAT on local activities pending liquidation	492,175	529,496
	<u>6,507,740</u>	<u>6,039,067</u>

b) Payables:

	2022	2021
	Q	Q
Income tax withholdings to third parties	10,935	8,345
Income Tax payable [Note 9 c)]	256,674	107,325
VAT related to special invoices	354	491
Income tax withholdings related to non residents	-	10,120
Income tax withholdings on special invoices	149	205
ISR withholdings on capital income	915	1,473
ISR withholdings to employees	737	1,272
	<u>269,766</u>	<u>129,231</u>

c) Income tax calculation related to lucrative activities:

	2022	2021
	Q	Q
Profit before income tax	7,235,861	6,875,843
Earned interests	(5,589)	(21,403)
Less-other net capital income of income tax	(3,834)	
	<u>7,230,272</u>	<u>6,850,606</u>
Income from lucrative activities	553,427	501,244
Add-non deductible expenses	559	2,521
Add-costs and capital income	7,784,257	7,354,371
Taxable income	25%	25%
Income tax	1,946,064	1,838,593
Income tax - ISR	(1,343,871)	(1,458,571)
Less-Solidarity Tax (ISO)	(345,519)	(272,697)
ISR- payable	<u>256,674</u>	<u>107,325</u>

d) Integration of the income tax according to different income categories:2022:

TYPE OF INCOME	BASE	RATE	DETERMINED INCOME TAX
Income tax from income due to lucrative activities [Note 10 c)]	Q 7,784,257	25%	Q 1,946,064
<u>Income tax due to capital income:</u>			
Interest on investments (Note 17)	5,589	10	559
			<u>Q 1,946,623</u>

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>			
Intereses ganados en fianzas	21,403	10	2,140
Interest on investments (Note 17)	3,834	10	383
			<u>Q 1,841,117</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 2019 to 2022 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:

	2022	2021
	Q	Q
Foreign suppliers	1,187,334	4,338,300
Creditors	270,172	102,036
Globo Color, S.A.	340,692	250,287
Maya Fertilizantes, S.A.	718,635	
	<hr/>	<hr/>
	Q 2,516,833	Q 4,690,623

Foreign suppliers are listed below:

	2022	2021
	Q	Q
Snetor Chimie	505,290	1,914,148
Global Plastics	395,752	1,378,944
Merit Polymers PVT LTD	286,292	1,045,208
	<hr/>	<hr/>
	Q 1,187,334	Q 4,338,300

At December 31, 2022 and 2021, accounts payable to foreign suppliers were US\$151,210, and US\$562,020, at an exchange rate of Q7.85 to Q7.72 to US\$1.

The company had acquired commitments to purchase raw material for US\$783,325, from the supplier, which as of December 31, 2022 were in transit.

SUPPLIER	Dollar amount
Snetor Chimie	2,644,117
Vinmar	1,913,586
Merit Polymers Private Limited	108,537
Montachem International INC	749,730
Manuchar NV	606,348
Taizhou Huangyan Jessie Import and Export Co. LTD.	128,517
	<u>6,150,836</u>

NOTE 12 - LOANS PAYABLE

Loans payable, at December 31, 2022, and at December 30, 2021, were:

	2022	2021
Current amount	Q 5,195,499	Q 771,912
Non current amount	-	6,814,542
	<u>Q 5,195,499</u>	<u>Q 7,586,454</u>

Loans payable, at December 31, were:

LOANS PAYABLE	2022	2021
Prima India	Q 4,711,340	Q 6,175,303
Unión, S.A.	484,159	639,239
Grupo Alepat, S.A.	-	771,912
	<u>Q 5,195,499</u>	<u>Q 7,586,454</u>

Loans were given under the following conditions:

Prima India

Loans were given under the following conditions:

- Original amount: US\$2,068,845
- Period: 60 months
- Interés rate: 7.5% anually
- Purpose: Working capital
- Maturity: May 09, 2024

UNION, S.A.

- Original amount: Q1,700,071 equivalent to US\$219,734
- Period: 60 months
- Interés rate: 7.5% anually
- Purpose: Working capital
- Maturity: May 09, 2024

During June 2021, 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.

NOTE 13 – BANK LOAN

Bank Loans payable, at December 31, 2022, and at December 30, 2021, were:

	2022	2021
Current amount	Q 1,505,009	Q -
Non current amount	2,093,925	-
	<u>Q 3,598,934</u>	<u>Q -</u>

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: 6.25% 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.

	2022
Current amount	Q 785,222
Non current amount	65,436
	<u>Q 850,658</u>

During July 2022, the company signed a bank credit agreement with Banco Industrial, S.A., with under the following conditions:

- Original amount: US\$350,000
- Term: 4 years
- Interest rate: 6.75% annually
- Purpose: Purchase of machinery
- Maturity: April, 2025

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

	2022
Current amount	Q 719,787
Non current amount	<u>2,028,490</u>
	<u><u>Q 2,748,277</u></u>

NOTE 14 - AUTHORIZED, SUBSCRIBED AND PAID IN SOCIAL CAPITAL

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

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

	2022	2021
Paid in capital	Q 3,992,000	Q 3,992,000
Accumulated legal reserve	829,319	313,680
Accumulated net profit [Note 14 a)]	<u>12,744,050</u>	<u>7,984,169</u>
	<u><u>Q 17,565,369</u></u>	<u><u>Q 12,289,849</u></u>
Divided by the number of shares	3,992	3,992
Book value of each share	<u>Q 4,400</u>	<u>Q 3,079</u>

NOTE 14 a) - ACCUMULATED PROFITS

At December 31, the accumulated profit are shown below:

	2022	2021
Balance at the beginning of the year	Q 7,718,744	Q 2,946,919
Net profit for the year before legal reserve	5,289,797	5,037,250
Less-transfer to legal reserve year	(264,490)	-
Balance at the end of the year	<u>Q 12,744,050</u>	<u>Q 7,984,169</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 2022 and 2021:

Description	2022	2021
Staff services	Q 830,228	Q 1,032,677
Professional services	310,685	245,420
Courses and trainings	31,304	3,125
Depreciation (Note 7)	364,144	541,788
Water, electricity and telephone	260,073	231,506
Travel expenses	362,948	65,976
Amortizations (Note 7)	-	10,524
Freight and haulage	249,804	139,858
Maintenance and repairs	455,904	261,149
Taxes and contributions	132,207	140,643
Security services	287,732	268,565
Salaries	118,023	114,484
Incentive bonus	199,526	192,112
Bonus	25,782	25,844
Bonus 14	25,229	25,937
Compensation	34,465	33,933
Employer fee	15,045	14,505
Miscellaneous supplies and materials	7,847	132,753
Insurance and bonds	142,042	128,345
Non-deductible expenses	18,111	61,447
Employee assistance	40,832	40,718
Advertising and selling expenses	115,406	-
Leases	985,840	940,701
General expenses	298,226	117,669
Fuel and lubricants	30,472	13,224
	<u>Q 5,341,876</u>	<u>Q 4,782,903</u>

NOTE 16 – FINANCIAL EXPENSES

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

	2022	2021
Interest related to loans	Q 578,767	Q 626,458
Loss from the exchange rate differential	69,673	188,907
Bank commissions	15,589	3,360
Sundry expenses	22,337	22,608
IPF withholding without earned interest	559	2,521
	<u>Q 686,925</u>	<u>Q 843,854</u>

NOTE 17 - OTHER INCOME

Other income obtained during 2022 and 2021, was originated from the following concepts:

	2022	2021
	Q	Q
Exchange differential	-	243,008
Interest received (Note 4)	5,589	3,834
Sundry income	188,758	67,765
	<u>Q</u> 194,347	<u>Q</u> 314,607

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>
5. <u>Classification of obligations according to maturity</u>	

ACCOUNTING BASIS	ACCOUNTING BASIS OF GENERAL PURPOSE
<p>The one that is derived from the Income Tax Law</p> <p>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.</p>	<p>International Financial Reporting Standard-IFRS.</p> <p>IFRS for PYMES requires that these are classified as 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> <p>Person or entity related to the company due to zero or more bills, such as:</p>

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

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