BADPANAM

FINANCIAL STATEMENTS
31 December 2021

Content

S/ = Peruvian Sol
US$ = U.S. Dollar

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INDEPENDENT AUDITOR'S REPORT

To the Operations Management of
BADPANAM

1. We have audited the accompanying financial statements of **BADPANAM** (hereinafter the Association), which comprise the statement of financial position as of 31 December 2021, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Responsibilities of the Operations Management on the financial statements

2. The Operations Management is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles in Peru and for the internal control that management determines relevant to the preparation of the financial statements to assure that they are free of material misstatements, whether due to fraud or error.

Auditor's responsibilities

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was carried out in accordance with the International Auditing Standards approved to be applied in Peru by the Deans Council of the Public Accountants Association of Peru. Such standards require that we comply with ethical requirements and plan and perform the audit to have reasonable assurance that the separate financial statements are free from material misstatements.

An audit involves applying procedures to obtain audit evidence about the amounts and information disclosed in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the separated financial statements, whether due to fraud or error. In conducting this risk assessment, the auditor takes into consideration the relevant internal control of the Company for the preparation and fair presentation of the separated financial statements in order to design audit procedures in accordance with the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes the evaluation of whether the accounting principles applied are appropriate and whether the accounting estimates made by Management are reasonable, as well as an evaluation of the general presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide us a basis for our qualified opinion

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Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of **BADPANAM** as of 31 December 2021, its financial performance and cash flows for the year ended on that date, in accordance with Generally Accepted Accounting Principles in Peru.

Countersigned by

Panez, Chacaliaza y Asociados Sociedad Civil de R.L.

Marco Morales (Partner)
Peruvian Certified Public Accountant
Registration Nº 41412

22 March, 2022
Lima, Peru

BADPANAM

STATEMENT OF FINANCIAL POSITION
As of 31 December 2021

	Notes	2021	2020
		S/	S/
ASSETS			
CURRENT ASSETS			
Cash	4	1,576	249,117
Other accounts receivable	5	475,052	252,813
Inventories	6	121,802	-
Services and other contracted in advance		44,363	1,396
Total current assets		**642,793**	503,326
NON-CURRENT ASSETS			
Property, plant and equipment	7	36,306	25,021
Total non-current assets		36,306	25,021
TOTAL ASSETS		**679,099**	**528,347**

LIABILITIES AND EQUITY			
CURRENT LIABILITY			
Trade accounts payable	8	41,732	7,040
Other accounts payable	9	340,188	150,253
Provisions		-	12,728
Total current liabilities		381,920	170,021
TOTAL LIABILITIES		381,920	**170,021**
EQUITY			
Accumulated surplus	12	297,179	358,326
TOTAL EQUITY		297,179	**358,326**
TOTAL LIABILITIES AND EQUITY		**679,099**	**528,347**

The accompanying notes are part of the financial statements.

BADPANAM

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021	2020
		S/	S/
INCOME FROM DONATIONS		2,683,766	1,932,960
GROSS SURPLUS		2,683,766	1,932,960
OPERATING EXPENSES			
Administration expenses	10	(2,838,571)	(1,690,430)
Total operating expenses		**(2,838,571)**	**(1,690,430)**
OPERATING SURPLUS (DEFICIT)		**(154,805)**	**242,530**
OTHER INCOME (EXPENSES)			
Other management income		2	-
Financials, net		268	-
Gain for Exchange difference, net		95,548	87,165
Total other income (expenses)		95,818	87,165
DEFICIT / SURPLUS BEFORE INCOME TAX		(58,987)	329,695
Income tax expense		-	(124,706)
DEFICIT / SURPLUS OF THE YEAR		**(58,987)**	**204,989**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME OF THE YEAR		**(58,987)**	**204,989**

The accompanying notes are part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Notes	Surplus / Deficit	Total
		S/	S/
As of 1 January 2020		**153,337**	**153,337**
Surplus of the year		204,989	204,989
As of 31 December 2020		**358,326**	**358,326**
Deficit of the year		(58,987)	(58,987)
Adjustments		(2,160)	(2,160)
As of 31 December 2021		**297,179**	**297,179**

The accompanying notes are part of the financial statements.

BADPANAM

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	2021	2020
		S/	S/
CASH FLOWS FROM OPERATING ACTIVITIES			
Donations received		2,683,766	1,932,960
Other collection		147,226	(144,537)
Other payments		(450,790)	(681,207)
Payment to providers		(1,445,510)	179
Tax payments		(102,390)	(19,313)
Compensation payment		(1,061,147)	(911,300)
Net cash (used in) operating activities		**(228,845)**	**84,935**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,696)	(21,614)
Net cash used in investing activities		**(18,696)**	**(21,614)**
NET (DECREASE) INCREASE OF CASH IN THE YEAR		(247,541)	155,168
Cash			
As of 1 January		249,117	93,949
As of 31 December		**1,576**	**249,117**

The accompanying notes are part of the financial statements.

1. OVERVIEW AND BUSINESS ACTIVITY

1.1 Company Overview

BADPANAM (hereinafter referred to as the Association) is a non-profit civil Association of indefinite duration. It was incorporated in Peru, in the city of Lima, on 7 June 2017.

Its legal address is located at Cal. General Recavarren Nro. 111 601 Urb. Surquillo – Miraflores, Lima – Peru.

1.2 Business activity

The company's purpose of BADPANAM is the promotion of cultural activities. Within its purposes, it also gives support to sport entities, in this specific case, those activities related to the development and promotion of Badminton.

In order to fulfil its corporate purpose, the Association shall execute all type of actions, including to conclude agreements and arrangements with different local or international entities. Likewise, it can receive donations or contributions in order to be used exclusively in the compliance of its purposes, and where applicable, use it for the specific purposes the contributions or donations are received for, which shall be in accordance with the Associations' purposes and objectives.

1.3 Authorization for issuance of the financial statements

The financial statements as of 31 December 2021 have been authorized for issuance by the General Management and will be presented for approval to the General Meeting of Associates within the deadlines established in the statutes.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted by the Association in preparing and reporting financial statements have been applied consistently for the years presented and are the following:

2.1 Information responsibility

The information contained in the financial statements are responsibility of the Operations Management, which expressly indicates that the principles and criteria established in the Association's accounting policies.

2.2 Compliance statement

The Association's financial statements prepared on a Going Concern basis and in accordance with Generally Accepted Accounting Principles in Peru, valid as of 31 December 2021 and 2020.

The financial statements have been prepared based on historical cost. The assets and liabilities are considered current if the Association expects to recover or paid within 12 months after the reporting period.

The preparation of the financial statements according to Generally Accepted Accounting Principles in Peru require the use of certain accounting estimates. It also requires that the Management exercise judgement in the application of the Association's accounting policies.

The financial statements are presented in Peruvian Soles, except when it indicates a different monetary expression.

Application of new and amended standards
IFRS issued and valid in Peru at 31 December 2021.- The Peruvian National Accounting Council, through the Resolution N°001-2021-EF/30 issued on 15 November 2021, made official the amendments to IFRS 16 Leases, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 1 Presentation of Financial Statements, IAS 12 Income Tax; and the complete set of International Financial Reporting Standards version 2021, which includes the Conceptual Framework for the financial information. The Resolution Nº 002-2021-EF/30 issued on 14 December 2021 made official the amendments to article 2 of Resolution N° 003-2020-EF/30 in order to incorporate the threshold for effects of the application of IFRS for PYMES.

- *Amendments to IFRS 16: "Covid-19 Related Rent Concessions for lessees (issued in May 2020).-*
  The 2020 amendment allowed tenants, as a practical expedient, not to assess whether particular rent reductions occurring as a direct consequence of the Covid-19 pandemic are lease modifications, and instead to account for such rent reductions as if were not modifications of the lease.
  This is why it is decided to expand the availability of the practical solution so that it applies to rent reductions so that any decrease in lease payments affects only payments originally due until June 30, 2022, provided that meet the rest of the conditions for the application of the practical solution.

Standard project of annual improvements to IFRS 2018 – 2020
Annual improvements are detailed as follows:

- IFRS 9, "Financial Instruments" – It clarifies the commissions that must be included in the 10% test for derecognition of financial liability accounts.

- IFRS 16, "Leases" – Amendment of the illustrative example 13 to the illustration of lessor payments related to lease improvements, to remove any interpretation issues on the treatment of lease incentives.

- IFRS 1, "First time adoption of the International Financial Reporting Information" - It allows entities that have measured their assets and liabilities at the carrying amounts recorded on the books of their parent company to also measure any cumulative translation differences using the amounts reported by the parent company. This modification will also apply to associates and joint ventures that have taken the same exception of the IFRS 1.

- IAS 41, "Agriculture" - Elimination of the requirement for entities to exclude tax cash flows when fair value is measured under IAS 41. This amendment is intended to align with the standard's requirement to discount cash flows on an after-tax basis.

  The annual improvements will be effective as of January 1, 2022, except for IFRS 16, which has immediate effect.

New standards and amendments issued but not valid yet as of 31 December 2021
The Association has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2021.

The Operations Management does not expect that the adoption of beforementioned standards have a material impact in the Association's financial statements in future periods.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and contingent Assets-Onerous contracts - Cost of Contract Compliance (issued in May 2020)*
  The amendments will be effective for annual reporting periods beginning on or after January 1, 2022 with the option of early application.
  The amendments specify that the 'costs to perform' in a contract include the 'costs directly related to the contract'. Costs that relate directly to a contract consist of the incremental costs and costs of fulfilling a contract and the allocation of other costs that relate directly to fulfilling a contract.

  The modifications apply to contracts in which the Company has not yet complied with all its obligations at the beginning of the annual reporting period in which the Company applies the modifications for the first time. Comparative financial statements should not be restated. Instead, the Company must recognize the cumulative effect of the initial application of the amendments as an adjustment to retained earnings or some other component of equity, as appropriate, as of the date of initial application.

- *Amendments to IAS 16 Property, plant and equipment – Products obtained before the expected use (issued in May 2020)*
  The amendment is valid for annual reporting periods starting 1 January 2022 with early application option.
  The amendments prohibit the deduction from the cost of property, plant or equipment, of any income from the sale of goods produced by an asset before it is available for its expected use. Therefore, a Company must recognize these revenues from sales and costs in the Statement of comprehensive income. The entity measures the cost of these entries according to IAS 2 Inventories.

  The amendments clarify the meaning of 'testing whether the asset is functioning properly'. Now IAS 16 specifies this as an assessment of whether the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rental or other, or administrative purposes.

  If not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of income and costs in profit or loss related to items that are not an outflow from the ordinary activities of the Association, in the line item(s) in the Statement of Comprehensive Income where income and costs are included.

  The amendments are applied retrospectively, but only to entries of property, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as management has planned on or after the beginning of the period in which the Association's financial statements are presented in which the modifications are applied for the first time.

  The Company must recognize the accumulated effect of the initial application of the modifications as an adjustment in retained earnings (or some component of capital, as appropriate) at the beginning of the first period presented.

- *Amendments to IAS 1 Presentation of financial statements – Classification of current and non-current liabilities - (issued in January 2020)*
  The amendments are valid for the reporting periods starting 1 January 2023 with early application option.
  The amendments to IAS 1 affect only the presentation of liabilities as current and non-current in the Statement of financial position and not by the amount or time in which any asset, liability, income or expense is recognized, or the information disclosed about these entries.

  The amendments clarify that the classification of liabilities as current and non-current is based on the rights in existence at the end of the reporting period, these specify that the classification is not affected by expectations as to whether the Association will exercise its right to defer settlement of the liability, explains that there are rights if the agreement is fulfilled at the end of the reporting period, and introduces a definition of 'arrangement' to make it clear that the agreement refers to the transfer of cash of the counterpart, capital instruments, other assets or services.

- *Amendments to IAS 8 – Definition of Accounting Estimates (Issued on February 2021)*
  The amendments are effective for reporting periods beginning on or after January 1, 2023, with an early application option.
  It clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other events, but changes in accounting policies are generally applied retrospectively to past transactions and other events as well as to the current period.

- *Amendments to IAS 1 Presentation of financial statements (issued in February 2021)*
  The amendments are effective for reporting periods beginning on or after January 1, 2023, with the option of early application.
  It requires that the Associations disclose their material accounting policy information rather than their significant accounting policies. The information about accounting policies is material when considered together with other information included in an Association's financial statements and could reasonably be expected to influence the decisions that primary users of general purposes financial statements make on the basis of those financial statements.

COVID-19 and the impact in the financial statements

The health crisis caused by the outbreak and advance of COVID-19 since the beginning of 2020 has affected commercial and economic activity worldwide, with significant effects in Peru. Therefore, the Company's Management is constantly evaluating, in the short and medium term, the potential impacts and implications of COVID-19 on its stakeholders and evaluating the government actions that are being taken to reduce its spread; as well as the impact it may have on the Association's financial statements, with the aim of providing transparent information to shareholders and other users of financial information, based on the application of Good Corporate Governance practices, its continuous improvement and the creation of long-term sustainable value.

In compliance with these provisions imposed by the government and for the well-being of employees, from 15 March 2020 and throughout 2021, the Association continued to work remotely. Likewise, to the extent necessary and gradually and alternately, certain Association personnel went to the offices to access the necessary information to continue their work activities.

In this sense, this pandemic has not had a significant impact on the financial and economic situation of the Association, carrying out only a periodic control on the results of its activity.

2.3 Significant estimates and accounting assumptions

The preparation of the financial statements according to Generally Accepted Accounting Principles requires that the Management uses certain accounting judgements, estimates and assumptions that may affect the reported figures of assets, liabilities, income, expenses and the corresponding notes.

The Operations Management discloses information about trials, accounting estimations and assumptions at the end of the reporting year in notes which will include a) Nature. b) Carrying amounts at the end of the reporting period.

Significant estimates and accounting assumptions. -

The estimates and assumptions are reviewed by the Operations Management on an ongoing basis. The estimates and its sources of uncertainty considered most important for the preparation of the Company’s financial statement are referred to:

a) **Estimates of value impairment of other accounts receivable (note 2.4D)**
   The Operations Management measures the accuracy of the financial asset’s impairment, if the financial asset value due to loss shall be corrected it is recognised in the statement of comprehensive income.

b) **Depreciation method, estimated useful lives and residual values of Property, Plant and Equipment (note 2.4E)**
   The depreciation method, estimated useful lives and residual values for the components of Property, Plant and Equipment, involves judgement and assumptions that could be affected if the circumstances change. Operations management regularly reviews these assumptions.

c) **Value impairment of long-term assets (note 2.4F)**
   At the end of each reporting period, the Association reviews if there is evidence of long-term assets value impairment. If the carrying amount exceeds the recoverable amount the Association performs the impairment estimation.

At the financial statements date there is no evidence that shows the carrying amount of the long-term assets exceeds the recoverable amount.

Operations management considers that the estimates included in the financial statements were based on the knowledge of the relevant facts and circumstances at the date of their preparation; however, the final results might be different from the estimates shown in the financial statements.

2.4 Summary of significant accounting policies

A) Foreign currency

Functional currency and Presentation currency

Items included in the financial statements are measured in the currency of the primary economic environment in which it operates (its functional currency). The financial statements are presented in Soles, which is the functional currency of the Association.

Transactions
Transactions in foreign currency are translated into the functional currency using the valid exchange rates at the transactions date or at the date of valuation when the entries are remeasured. The gains and losses for exchange differences that result from the payment of such transactions and the translation into the exchange rates of the closing of the year of monetary assets and liabilities, are recognized in the line "Exchange difference, net" in the Statement of comprehensive income.

B) Financial instruments
The financial instruments are defined as any contract that creates simultaneously a financial asset in a company and a financial liability or equity instrument in other company. Financial assets and liabilities are recognised when the Association is transformed in a part of the contractual agreements of the corresponding instruments.

Financial assets and liabilities are recognized at fair value plus transaction costs directly attributable to their purchase or issue, except for those classified at fair value through profit or loss, which are recognized at fair value and whose costs of transactions directly attributable to their acquisition or issuance, are recognized immediately in profit or loss for the period.

Financial Assets
Conventional purchases or sales of financial assets are recognized and derecognized using the contract date method, in which the following are recognized on said date: (a) the asset to be received and the liability to be paid, and (b) the derecognition of the asset that is sold, the recognition of the eventual result in the sale or disposal by other means, and the recognition of a receivable from the buyer.

All recognized financial assets are subsequently measured in full either at amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets:
Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of capital and interest on the capital amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value recognized in other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through income.

Notwithstanding the foregoing, the Company may make the following irrevocable choice at the time of initial recognition of a financial asset:

- The Association may irrevocably opt to present subsequent changes in the fair value of a capital investment in other comprehensive income if certain criteria are met; and
- The Association may irrevocably designate a debt investment that meets amortized cost or fair value criteria recognized in other comprehensive income measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method:
The effective interest method is a way to calculate the amortized cost of a debt instrument and to allocate interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that are part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, over the expected useful life of the debt instrument or, if applicable, a shorter period, at the gross carrying amount of the debt instrument in initial recognition.

For the financial assets with credit impairment bought or originated, a credit-adjusted effective interest rate is calculated by discounting estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument at initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any tolerable loss. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any provision for losses.

Impaired financial assets:
A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or overdue event;

(c) the lender(s) of the borrower, for economic or contractual reasons related with the financial difficulty of the borrower, granted the borrower a concession(s) that the lender(s) would not consider otherwise;

(d) the borrower is likely to enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset due to financial difficulties.

Impairment of financial assets

The Association recognizes an allowance for expected credit losses in other accounts receivable. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each date of the statement of financial position to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Association always recognizes lifetime expected credit losses for trade accounts receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Association's credit loss historical experience, adjusted by factors that are specific to the debtors, general economic conditions, and an assessment of both the current direction and of forecast conditions at the reporting date, including the time value of money where applicable.

For all other financial instruments, the Association recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Association measures the allowance for losses for that financial instrument at an amount equal to 12 months of expected credit losses over the lifetime of the loan. The assessment of whether the credit losses expected during the credit life should be recognized, is based on significant increases in the probability or risk of default since initial recognition rather than evidence that a financial asset is impaired in the credit on the reporting date or an actual non-compliance occurs.

The duration of expected credit losses during the credit lifetime represents the expected credit losses that will result from all possible default events over the expected useful life of a financial instrument. In contrast, 12 months of expected credit losses during the credit life represents the part of useful life of expected credit losses during the credit life expected from the non-compliance events in a financial instrument that may be possible within 12 months after the statement of financial position.

Write-off Policy:

The Association writes off a financial asset when there is information indicating that the counterparty is in serious financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been put into liquidation or has entered bankruptcy proceedings, or in the case of commercial accounts receivable, when the balances have completed a judicial stage. Derecognized financial assets may still be subject to enforcement activities in accordance with the Association's recovery procedures, taking into account legal advice where appropriate. Any recovery made is recognized in income.

Financial assets offset

The Association derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Association does not transfer or retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for the amounts it must pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a loan secured by income received.

Financial liabilities
Financial liabilities are classified at fair value with changes in income or at amortised cost using the effective interest method. The Association determines the classification of the financial liabilities at the moment of initial recognition.

Financial liabilities subsequently measured at amortised cost
Other financial liabilities (trade accounts payable, accounts due to related parties and other accounts payable) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the financial expense throughout the relevant period. The effective interest rate is the discount rate that exactly equals the cash flows receivable or payable (including all fees and points paid or received that are part of the effective interest rate, transaction costs and other premiums or discounts) estimated over the expected life of the financial liability (or, where appropriate), a shorter period, at the amortized cost of a financial liability.

Financial liabilities at fair value with changes in income or loss:
A financial liability is classified at fair value with changes in the income when it is a financial liability that is classified as held for trading or at fair value with changes in the income or loss.

A financial liability is classified as for trading if:

- it has been mainly acquired for short-term repurchase purposes;
- At the time of initial recognition it is part of a portfolio of financial instruments managed by the Association and there is evidence of a recent current pattern of short-term benefits; or
- It is a derivative that has not been designated and effective as a hedging instrument or financial guarantee.

A financial liability (other than a financial liability held for trading) could also be designated as a financial liability at fair value through income or loss on initial recognition if:

- Such designation eliminates or significantly reduces an inconsistency of measurement or recognition that might arise; or
- The financial liability is part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on the basis of fair value, in accordance with the risk management documented by the Association or its investment strategy, and information about the Association is provided internally on such basis; or
- It is part of a contract that contains one or more embedded instruments, and IAS 39 allows the entire combined contract to be designated at fair value through income or loss.

Financial liability derecognition:
The Association will derecognize a financial liability if, and only if, the Association's obligations expire, are canceled or are fulfilled. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in income or loss.

Financial investment at fair value with changes in income or loss

These investments comprise assets held for trading and primarily comprise shares in mutual funds. An investment is classified in this category if it is acquired mainly for the purpose of being sold in the short term and that, from the moment of its initial accounting registration, has been accounted for at fair value with changes in income or loss.

They are initially recorded at fair value without considering transaction costs, and changes in fair value, once adjusted for receipts and payments (interest or dividends), which represent a gain and/or loss, are recognized in the Income Statement. Integral result. Gains or losses from exchange differences will be recognized in the Statement of Comprehensive Income.

C) Cash

Cash considered in the statement of cash Flows correspond to checking accounts registered in the Statement of financial position. Such accounts are not subjected to material risks of change in its value. The method used for the preparation of the statement of cash flows is the straight-line method.

D) Property, plant and equipment

The initial cost of Property, plant, and equipment comprises their acquisition price, including non-refundable import and acquisitions taxes and any cost directly attributable to putting the asset in its location and use condition necessary to operate as expected by the Operations Management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that they will generate future economic benefits for the Company and the cost of these assets can be reasonably measured.

The carrying value of the replaced asset is offset. Maintenance and repair expenses are charged to the statement of comprehensive income in the period in which they are incurred.

Disbursements incurred to replace a component of an item or entry of Property, plant and equipment are capitalized separately and the book value of the component that is replaced is written off. In the event that the component being replaced has not been considered a separate component of the asset, the replacement value of the new component is used to estimate the carrying amount of the asset being replaced.

Asset depreciation is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life as follows:

	Useful life in the year
Furniture and fixture	10
Other equipment	10
Computer equipment	4

The carrying amount of an asset is written off immediately at recoverable value, if the carrying amount of the asset is higher than the estimated recoverable value.

Residual values, useful life and other depreciation methods are reviewed and adjusted, if necessary, at the date of each statement of financial position. Any change in these estimates is prospectively adjusted.

Property, plant and equipment items, as well as their accumulated depreciation, are derecognized at the time of their sale or when no economic benefits are expected from their use or subsequent sale. Gains and losses from the sale of assets correspond to the difference between the income from the transaction and its carrying amount and are recognized in the caption "Other income" in the statement of comprehensive income.

Impairment of long-lived assets

The assets object of depreciation or amortisation are subjected to impairment tests when there are events or circumstances that indicate that the carrying amounts may not be recoverable. The assets that have indefinite useful life are not subjected to amortisation and its carrying amount is subjected to impairment annual tests. The impairment losses correspond to the amount in which the carrying amount of the asset exceeds its recoverable value. The recoverable value of the assets corresponds to the higher between the market value and its value in use. The market value is the amount that can be obtained from the sale of an asset in a free market.
The value in use correspond to the present value of the estimated future cash flows that are expected to be received from the continuous use of the asset and the sale at the end of the useful life.

The recoverable amount is the higher of its net amount that would be obtained from its sales or value in use. For impairment evaluation purposes, the assets are grouped at the smallest levels in which the identifiable (cash generating unit) are generated.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, an impairment loss is recognised with credit to the asset value. Impairment losses may be recognised in the statement of comprehensive income and are reverted if there is any change in the estimated used to determine the recoverable value of the assets, that is only as long as the asset carrying amount, net of depreciation, does not exceed the fair value that would have been recognised if no impairment loss had been recognised.

E) Classification of assets and liabilities as current and non-current

Cash (excluding income tax asset) expected to be realised, to be sold or consumed within the twelve months from the date of the statement of financial position are classified as current assets. Liabilities (excluding the income tax liabilities) with estimated liquidation within the twelve months from the date of the statement of financial position are classified as currents. All the other assets and liabilities (including the deferred income tax) are classified as "non-current".

F) Provisions

Provisions are recognised when: i) the Association has a present obligation (legal or constructive) as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and iii) a reliable estimate can be made of the amount. Provisions for future operating losses are not recognised.

Provisions are measured at the present value of the disbursements that are expected to be required to settle the obligation using a pre-tax interest rate that reflects current market conditions on the value of money and the risks specific to said obligation. The increase in the provision due to the passage of time is recognized in the entry "Financial expenses" in the statement of income and other comprehensive income.

G) Employees benefits

Annual vacation leave
Staff annual vacation leave is recognised on the accrued basis.

The provision for staff vacation leave is calculated on the basis of remuneration for every twelve months of service for the period of services provided by the employees, is recognized at the date of each financial statement.

Bonuses
The Association recognizes the expense for bonuses and its corresponding liabilities based on the legal dispositions valid in Peru. The bonuses correspond to two annual payments which are made in July and December of each year.

Severance payment compensation
The compensation for time of service of the staff corresponds to their compensation rights calculated in accordance with current Peruvian legislation, which must be deposited in the bank accounts designated by the workers in the months of May and November of each year. Severance payment is equivalent to the average monthly remuneration in effect on the date of deposit. The Association has no additional payment obligation once it makes the deposits of the funds to which the worker is entitled.

H) Income, costs and expenses

Expenses. -
Expenses are recognized in the statement of comprehensive income when a decrease of future economic benefits arises, related to a decrease in assets or an increase in liabilities, which are reliably measured.
These contain the disbursements that arise in the activities of the entity. Such expenses may be: administrative, sociocultural and other similar, as long as these represent payments actually made by the la Association.

Financial revenues (costs). -
These are registered in the income or loss of the year in the periods they are related to and these are recognized when they are accrued, regardless of the moment where they are received or paid.

I) Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements but disclosed in notes to the financial statements unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the financial statements but disclosed in notes to the financial statements when there is a likelihood of economic benefits inflow.

Entries, previously treated as contingent liabilities, will be recognized in the financial statements of the period where the change of probabilities occurs, which is when an outflow of resources is likely to be produced to cover the aforementioned liabilities. Entries treated as contingent assets will be recognized in the financial statements in the period in which it is determined that it is virtually certain that an inflow of resources will occur, respectively.

3. CREDITWORTHINESS OF THE FINANCIAL INSTRUMENTS

The credit quality of financial assets that are neither past due nor impaired can be assessed based on historical information on the default rates of their counterparts.

According to the information of the risk classification company, the creditworthiness of local Banks in which the Association deposits cash in checking accounts are distributed as follows:

	2021	2020
	S/	S/
Banco Interbank (A+)	1,576	249,117
Total as of 31 December	**1,576**	**249,117**

4. CASH

As of 31 December, it comprises:

	2021	2020
	S/	S/
Deposits in financial entities	1,576	249,117
Total as of 31 December	**1,576**	**249,117**

Cash is unrestricted.

There is no significant difference between the fair value of cash and its corresponding carrying amounts.

5. OTHER ACCOUNTS RECEIVABLE

As of 31 December, it comprises:

	2021	2020
	S/	S/
Income tax payment on account	162,538	-
Accounts receivable from the staff	3,033	521
Deliveries to report to third parties	72,062	33,874
Fiscal credit for Value Added Tax	113,481	45,912
Advances to providers	120,477	171,964
Other minors	3,461	542
Total	**475,052**	**252,813**

There is no significant difference between the fair value of other accounts receivable and its corresponding carrying amounts.

6. INVENTORIES

As of 31 December, it comprises:

	2021	2020
	S/	S/
Supplies	55,117	-
Inventory in transit	66,685	-
Total	**121,802**	**-**

There is no significant difference between the fair value of inventories and its corresponding carrying amounts.

7. PROPERTY, PLANT AND EQUIPMENT

As of 31 December, it comprises:

	Furniture and fixtures	Other equipment	Computer equipment	Total
	S/	S/	S/	S/
COST				
As of 1 January 2020	6,635	-	-	6,635
Additions of the year	559	6,013	15,041	21,613
As of 31 December 2020	7,194	6,013	15,041	28,248
Additions of the year	2,205	846	15,646	18,697
As of 31 December 2021	9,399	6,859	30,687	46,945
ACCRUED AMORTIZATION				
As of 1 January 2020	1,594	-	-	1,594
Depreciation of the year	691	40	903	1,634
As of 31 December 2020	2,285	40	903	3,228
Depreciation of the year	738	633	6,040	7,411
As of 31 December 2021	3,023	673	6,943	10,639
NET CARRYING AMOUNT				
As of 31 December 2020	**4,910**	**5,973**	**14,138**	**25,021**
As of 31 December 2021	**6,376**	**6,186**	**23,744**	**36,306**

As of 31 December 2021 the Operations Management estimates that there are no economic events nor changes that may indicate that the registered net value of Property, plant and equipment may not be recovered by generating an overrun of such recovery.

8. TRADE ACCOUNTS PAYABLE

As of 31 December 2021 and 2020 trade accounts payable for S/41,732 and S/7,040 respectively, mainly corresponds to invoices payable. (a) These non-interests bearing accounts have no specific guarantees.

There is no significant difference between the fair value of trade accounts payable and its corresponding carrying amounts.

9. OTHER ACCOUNTS PAYABLE

As of 31 December, it comprises:

	2021	2020
	S/	S/
Third category income tax	-	98,858
Fourth category income tax	972	684
Fifth category income tax	13,572	16,618
Essalud	6,355	5,365
ONP	2,201	1,793
Tax payable	88,383	-
Other accounts payable	228,705	26,935
	340,188	**150,253**

There is no significant difference between the fair value of other accounts payable and its corresponding carrying amounts.

10. ADMINISTRATIVE EXPENSES

As of 31 December, it comprises:

	2021	2020
	S/	S/
Charges of the staff	1,061,147	905,174
Services provided by third parties	1,454,025	738,907
Taxes	2,171	309
Other charges	313,817	44,406
Provisions of the year	7,411	1,634
Total	**2,838,571**	**1,690,430**

11. TAXATION

11.1 Income tax

Income tax rate for the year 2021 applicable to companies is 29.5%.

Furthermore, the Company will be subject to a 5% tax for all amount or deliver in kind resulting in third-category taxable income which may represent indirect disposition of income non-susceptible to subsequent tax control, including amounts charged to expenses and undeclared revenues up to 31 December 2021.

11.2 Tax on dividends

If the Company distributes its profits total or partially, it will apply an additional rate of 5% on the distributed amount, which is charged to shareholders, as long as these are natural person or legal person non-domiciled in the country.

11.3 Tax administration review

The Tax authority of the country is allowed to audit the income tax return and, if applicable, modify the taxable income tax calculated by the Company during the four years after the reporting year. The years from 2017 to 2021 are pending of examination by the Tax Authority in Peru (SUNAT).

11.4 Value added tax (VAT)

Value Added Tax (VAT) rate is 18%, which includes the 2% for Municipal Tax.

11.5 Tax on net assets

The tax effectively paid in the months from April to December f the fiscal year to which the payment corresponds may be applied as a credit against payments on account of Income Tax for the months from March to December of the same fiscal year that have not expired to date. in which the tax payment is made.

11.6 Transfer pricing

Transactions made by taxpayers that may have related parties or transactions made from, to or through low or nil taxation territories whose earned income in the taxable year surpasses the two thousand three hundred (2 300) tax imposition units (UIT per Spanish words) shall present annually the informative sworn declaration Local Report, in regard to the transactions that generate taxable income and/or costs or deductible expenses for the tax determination.

Taxpayers that are part of a group whose earned income in the taxable year surpasses twenty thousand (20,000) UIT shall a present annually informative sworn declaration Master Report containing the organizational structure, description of the business or businesses and the policies of transfer pricing with regard to intangibles and group funding and its financial and tax position.

Taxpayers that are part of a multinational group shall present annually, informative sworn declaration Country by Country Report which includes the information related to the global distribution of the income, taxes paid, and business activities of the entities included in the multinational group that perform its activities in a determined country or territory.

11.7 Final beneficiary

Legislative decree Nº 1372-2018 and associated standards, indicates that the main taxpayers shall present a declaration of Final Beneficiary, corresponding to the information of natural person(s) that makes effective and finally owns or control the legal persons or legal entities.

After the presentation of the declaration of the final beneficiaries, there is also the obligation to update the reported information, presenting a new "Declaration of Final Beneficiary" before SUNAT, when there are changes or amendments in the previously declared final beneficiaries.

The reporting by those required to do so, will be gradual. Initially the obligation only applies to PRICOS, any change will be published by the Tax Administration.

11.8 Tax avoidance

Through Legislative Decree N° 1422-2018, numeral 13 of article 16° of the Tax Code is included, which establishes the joint and several liability, also attributed to the legal representatives, as long as they contributed with the design or acts approval or execution, economic situations or relations estimated from the second to the fifth paragraphs of the Standard XVI, which refer to situations of tax payment avoidance.

The standard will be applied even for tax reviews due to acts occurred since 19 July 2012.

11.9 Subcapitalisation

The Legislative Decree Nº 1424-2018 has also modified subsection a) of article 37º of the Income tax law, to determine the limit of expenses for interests on 30% of EBITDA of the previous year.

EBITDA is calculated by adding to the net income for the year (after compensation for losses) the net interest, depreciation and amortization that would have been deducted to determine said net income, in accordance with the amendments of Supreme Decree 402-2021.

11.10 Accrual system

By the Legislative Decree N° 1425-2018, the Income Tax Law has been modified, in order to include the legal concept of "Accrual System". This standard is valid since1 January 2019. Third category income tax are considered produced in the commercial period in which they are accrued.

Tax regulation to mitigate Covid 19 Effects, that remain in 2021

Since March 2020, the Peruvian Government – through the Tax Administration– issued diverse regulations in order to help the taxpayers affected by the Covid-19 pandemic to alleviate their tax burden.

The following are the main actions regarding tax matters established:

- Up to five (5) years extension of the deadline to compensate the total net loss of the third category registered during 2020, under system A of losses compensation.
- Regime of Extension and tax debts installment managed by SUNAT (RAF).
- Guarantee program "Reactiva Perú", to ensure the continuity to the payment program, and compliance with short-term obligations.

11.11 Tax loss

According to the Income Tax Law and its amendments, the entities established in Peru with a tax loss carryforward, can choose between one of the following two offsetting methods:

A. Tax loss can be used until four years after the year when loss was generated.

B. Tax loss can be offset with future taxable income until its extinction, applying such loss up to 50 % of its taxable profit.

The Company will apply the method "A" for the compensation of its tax losses. The tax loss to compensate future taxable profits amounts S/. 40,496.64

The Operations Management believes that, as a result of the application of these standards, no significant contingencies to the Company will arise at 31 December 2021. In any case, if additional income tax arises from the Tax authority's audit, it will be recognised in the tax year it occurs.

12. CONTINGENCIES

In opinion of the Operations Management, there are no material trials nor lawsuits pending of resolution or other contingencies against the Association as of 31 December 2021.

13. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial statements comprise a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements. Income and expenses are recognised for the determination of the surplus or deficit of the year.

The Association presents the statement of comprehensive income using the classification by function of expenses. This method provides more useful information to the readers of the financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

Measurement basis

The Financial Statements have been prepared on the historical cost basis except when otherwise indicated in accounting policies detailed below. The assets are registered by the cash amount and other paid entries, or by the fair value of the counterpart delivered in Exchange at the acquisition moment, the liabilities are registered at the amount of the products received in exchange of incurring in these obligations or any circumstance by the cash amounts that are estimated to be paid to satisfy the liabilities in the regular operation course.

Fair Value is a measurement based in the market and is defined as the price that would be received to sell an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. For some assets and liabilities, observable market transactions or market information may be available. When a Price for an identical asset or liabilities is non-observable, the entity will measure the fair value using other valuation technique to maximize the use of non-observable entry data.

The Association measures some of its financial instruments such as cash, other accounts receivable, trade accounts payable, and other accounts payable at Fair Value on the date of the Statement of financial position.

Fair Values are categorized into different levels of hierarchy.

This classification in different levels based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the Fair Value measurement in its entirety, as follows:

- **Level 1**
  Entry data are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association can have access to in the measurement date.
- **Level** 2
  Entry data are different than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3**
  Entry data are data unobservable inputs for the asset and liability and are used to measure the fair value in the extent that the relevant observable entry data is not available, considering that way, situations where there is little, if any, market activity for the asset or liability in the measurement date.

Transfers between the different levels within the Fair Value hierarchy are recognized by the Association at the end of each reporting period where the changed was produced.

Likewise, the Management analyses the changes in the values of assets and liabilities that shall be valued according to the Association's accounting policies.

For fair value disclosure purposes, the Association has determined the type of assets and liabilities based on its nature, characteristics and risks and the hierarchy level of fair value.

Based on the criteria previously described the Operations Management estimates that there are no material differences between the carrying amounts and the Fair value of the financial instruments of the Association at 31 December 2021 and 2020.

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

	2021			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	1,576	-	-	1,576
Other accounts receivable	-	475,052	-	475,052
Services and others contracted in advanced	-	44,363	-	44,363
Total	**1,576**	**519,415**	**-**	**520,991**
Liabilities				
Trade accounts payable	-	-	41,732	41,732
Other accounts payable	-		340,188	340,188
Provisions	-	-	-	-
Total	**-**	**-**	**381,920**	**381,920**

	2020			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	249,117	-	-	249,117
Other accounts receivable	-	252,813	-	252,813
Services and others contracted in advanced	-	1,396	-	1,396
Total	**249,117**	**254,209**	**-**	**503,326**
Liabilities				
Trade accounts payable	-	-	7,040	7,040
Other accounts payable	-	-	150,253	150,253
Provisions	-	-	12,728	12,728
Total	**-**	**-**	**170,021**	**170,021**

14. FINANCIAL RISK MANAGEMENT

The Association's activities expose it to a variety of financial risks: market risk and liquidity risk and capital risk. The risk management program of the Association focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Operations Management based on technical knowledge and experience, establishes policies for controlling market and liquidity risks.

14.1 Market risk

a) Exchange rate risk
The exchange rate risk is the risk that the Fair Value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates of a foreign currency.

The balances in foreign currency as of 31 December 2021 and 2020, are expressed in Peruvian Soles at the valid exchange rate of the year as follows:

- S/3.975 for assets and S/3.998 for liabilities per each US$1 (S/3.618 for assets and S/3.624 for liabilities per each US$1 as of 31 December 2020).

The Association as of 31 December 2021 and 2020, the Company had assets and liabilities in foreign currency as follows:

	2021	**2020**
	US$	US$
Assets:		
Cash	285	516,304
Other accounts receivable	10,356	77,242
Total assets	**10,641**	**593,546**
Liabilities:		
Trade accounts payable	(10,169)	(59,294)
Other accounts payable	(44,310)	(615)
Total liabilities	**(54,479)**	**(59,909)**
Asset (liability) position, net	**(43,838)**	**533,637**

The Management monitors and analyzes the actions to take before fluctuations in the exchange rate of the Peruvian currency against U.S. dollars in order to minimize the effect on the results of its operations.

Net exchange difference as of 31 December includes the following:

	2021	**2020**
	S/	S/
Gain for Exchange difference	103,633	132,005
Loss for Exchange difference	(8,085)	(44,840)
Total	**95,548**	**87,165**

The following chart shows the sensitivity in the income or loss of the years ended as of 31 December 2021 and 2020 if the Peruvian Sol have had a devaluation/revaluation of 5% or 10% (variation that the Management considers fair) regarding the U.S dollar, assuming the other constant variables.

Year	Devaluation/Revaluation of the Peruvian sol against dollars	Changes in income or loss
		S/
2021	5%	118,228
	-5%	(118,228)
	10%	236,456
	-10%	(236,456)
2020	5%	13,005
	-5%	(13,005)
	10%	26,011
	-10%	(26,011)

14.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities at the due date at a reasonable cost.

As of 31 December 2021 and 2020, the Management considers that it has enough credit capacity that allows it to have access to credit lines in first rate local and foreign financial entities, in fair conditions.

The Association’s financial liabilities, classified considering the time remaining from the date of the statement of financial position to its maturity, are the following:

Maturity	Trade accounts payable	Other accounts payable	Provisions	Total
	S/	S/	S/	S/
As of 31 December 2021				
Less than 1 year	41,732	340,188	-	381,920
Total	**41,732**	**340,188**	**-**	**381,920**
As of 31 December 2020				
Less than 1 year	7,040	150,253	12,728	170,021
Total	**7,040**	**150,253**	**12,728**	**170,021**

The Operations’ Management controls liquidity risk associated with the amounts included in each of those categories detailed above, through appropriate management of the financial viability of clients and proper management of the maturities of assets and liabilities of such categories that achieves the fit between revenue streams and future payments; as well as assure its working capital with cash flows from its operating activities.