CONFEDERACION PANAMERICANA DE BADMINTON

Independent Auditors' Report and
Financial Statements at 31 December 2024

CONFEDERACION PANAMERICANA DE BADMINTON

FINANCIAL STATEMENTS
31 December 2024

Content

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

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
CONFEDERACION PANAMERICANA DE BADMINTON

Opinion

We have audited the accompanying financial statements of **Confederacion Panamericana de Badminton** (hereinafter the Confederation), which comprise the statement of financial position as of 31 December 2024, the statement of revenues and expenditure, statement of changes in institutional 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.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Confederation as of 31 December 2024, its financial performance and its cash flows for the year then ended in accordance with accounting policies and practices made by the Operational Management mentioned in Note 2 to the Financial Statements.

Basis for the opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Confederation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants (IESBA Code) jointly with the ethical requirements that are relevant to our audit of the financial statements in Peru, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In that regard, we consider that the Company has not presented within its operations situations that are worth mentioning as key audit matters.

Independent auditors' report (continued)

Responsibilities of Operational Management and those charged with governance of the Confederation for the financial statements
The Operational Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies and practices made by the Operational Management and for such internal control as the Management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, the Operational Management is responsible for assessing the Confederation's ability to continue as a going concern business, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Confederation or to cease operations, or has no realistic alternative but to do so.

Those in charge of the Confederation governance are responsible for overseeing the Confederation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Confederation's internal control.

Independent auditors' report (continued)

- Evaluate the correction of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Operational Management.
- 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.

We communicate with those in charge of the Confederation governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Confederation, with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Countersigned by: *Panez, Chacaliaza y Asociados Sociedad Civil de R.L.*

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

March 10, 2025
Lima, Peru

CONFEDERACION PANAMERICANA DE BADMINTON

STATEMENT OF FINANCIAL POSITION
As of 31 December 2024

	Notes	2024	2023
		S/	S/
ASSETS			
CURRENT ASSETS			
Cash	4	1,900	1,298
Trade accounts receivable		177	174
Other accounts receivable	5	571,847	637,607
Inventories	6	100,186	124,612
Services and other contracted in advance		2,829	2,036
Total current assets		**676,939**	**765,727**
NON-CURRENT ASSETS			
Property, plant and equipment	7	54,169	58,837
Total non-current assets		**54,169**	**58,837**
TOTAL ASSETS		**731,108**	**824,564**

LIABILITIES AND EQUITY			
CURRENT LIABILITY			
Trade accounts payable	8	21,604	14,204
Other accounts payable	9	98,594	239,345
Total current liabilities		120,198	253,549
TOTAL LIABILITIES		**120,198**	**253,549**
INSTITUTIONAL EQUITY			
Accumulated surplus		610,910	571,015
TOTAL INSTITUTIONAL EQUITY		**610,910**	**571,015**
TOTAL LIABILITIES AND EQUITY		**731,108**	**824,564**

The accompanying notes are part of the financial statements.

CONFEDERACION PANAMERICANA DE BADMINTON

STATEMENT OF REVENUE AND EXPENDITURE
For the year ended 31 December 2024

	Notes	2024	2023
		S/	S/
INCOME FROM CONTRIBUTIONS		4,370,568	3,569,685
GROSS SURPLUS		4,370,568	3,569,685
OPERATING EXPENSES			
Administrative expenses	10	(4,299,830)	(3,258,044)
Total operating expenses		(4,299,830)	(3,258,044)
OPERATING SURPLUS		70,738	311,641
OTHER INCOME (EXPENSES)			
Other management income		(2,808)	-
Financials, net		(10)	(749)
Loss for Exchange difference, net	14.1 (a)	(1,693)	(28,233)
Total other income (expenses)		(4,511)	(28,982)
SURPLUS BEFORE INCOME TAX		66,227	282,659
Income tax expense		(25,337)	(88,747)
SURPLUS OF THE YEAR		**40,890**	**193,912**

The accompanying notes are part of the financial statements.

CONFEDERACION PANAMERICANA DE BADMINTON

STATEMENT OF CHANGES IN EQUITY
For the period ended as of 31 December 2024

	Notes	Surplus	Total
		S/	S/
As of 1 January 2023		**367,503**	**367,503**
Surplus of the year		193,912	193,912
Adjustments		9,600	9,600
As of 31 December 2023		**571,015**	**571,015**
Surplus of the year		40,890	40,890
Adjustments		(995)	(995)
As of 31 December 2024		**610,910**	**610,910**

The accompanying notes are part of the financial statements.

STATEMENT OF CASH FLOWS

For the period ended as of 31 December 2024

	Note	2024	2023
		S/	S/
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		4,370,568	3,569,685
Other collection		39,626	582
Other payments		(60,043)	(345,191)
Payment to providers		30,955	(1,946,664)
Tax payments		(93,863)	(90,343)
Compensation payment		(4,274,776)	(1,157,011)
Net cash provided by (used in) operating activities		**12,467**	**31,058**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(11,865)	(30,036)
Net cash used in investing activities		**(11,865)**	**(30,036)**
NET DECREASE OF CASH IN THE YEAR		602	1,022
Cash			
As of 1 January		1,298	276
As of 31 December	4	**1,900**	**1,298**

The accompanying notes are part of the financial statements.

1. OVERVIEW AND BUSINESS ACTIVITY

1.1 Overview

Confederacion Panamericana De Badminton (hereinafter referred to as the Confederation) 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 N°. 111 601 Urb. Surquillo – Miraflores, Lima – Peru.

1.2 Business activity

The social purpose of Confederación Panamericana de Badminton 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 purposes, the Confederation 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 Confederation's purposes and objectives.

1.3 Authorization for issuance of the financial statements

The financial statements as of 31 December 2024 have been authorized for issuance by the Operational Management and will be presented for approval to the General Assembly within the deadlines established in the statutes.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted by the Confederation 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 is responsibility of the Operational Management, which expressly indicates that the accounting policies and practices established by the Operational Management have been fully applied.

2.2 Compliance statement

The Confederation's financial statements are prepared on a Going Concern basis and in accordance with Accounting Policies and Practices made by the Operational Management valid as of 31 December 2024 and 2023.

The financial statement has been prepared based on historical cost. The assets and liabilities are considered current if the Confederation expects that the amount will be recovered or paid within 12 months after the reporting period.

The preparation of the financial statements in accordance with the accounting policies and practices formulated by the Operational Management requires the use of certain accounting estimates. It also requires that the Operational Management exercise its judgment in the application of the Confederation's accounting policies.

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

2.3 Significant judgements, accounting estimates and assumptions

The preparation of the financial statements according to the accounting policies and practices made by the Operational Management requires the use of certain accounting judgements, estimates and assumptions that may affect the reported figures of assets, liabilities, income, expenses and the corresponding notes.

The Operational Management discloses information about accounting judgements, estimates 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 Operational Management on an ongoing basis. The estimates and its sources of uncertainty considered most important for the preparation of the Confederation’s financial statement are referred to:

a) **Estimates of value impairment of accounts receivable (note 2.4 D)**
Operational management measures the accuracy of the impairment of financial assets, if it must correct the value of the financial asset for loss, this is recognized in the Statement of revenue and expenditure.

b) **Estimates of value impairment of inventories (note 2.4 E)**
The cost of inventories may not be recoverable in case those are damage, obsolete, its market priced have fall or the estimated costs for its termination or sale have increase. The Operational management evaluates regularly that the inventory cost is under realizable net value.

c) **Depreciation method, estimated useful lives and residual values of Property, Plant and Equipment (note 2.4 F)**
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. Operational management regularly reviews these assumptions.

d) **Value impairment of non-financial assets (note 2.4 G)**
At the end of each reporting period, the Operational Management reviews if there is evidence of long-term assets value impairment. If the carrying amount exceeds the recoverable amount, the Confederation performs the impairment estimation. At the date of the financial statements, there are no indications that the carrying amount of long-term assets exceeds their recoverable amount.

e) **Income tax estimate (note 2.4 L)**
Tax Authorities might interpret the tax laws in a different way from the Confederation and this might result in uncertainty before income tax treatments.

f) **Contingencies estimates (note 2.4 M)**
Contingencies are registered only if these are certain. Estimates for contingent liabilities involves judgement and estimates of future events. Any difference between the estimates and the actual subsequent payments is registered in the year they are incurred.

The operational 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
Functional currency is the currency of the main economic environment where the Confederation operates.

The financial statements’ functional and presentation currency selected by the Operational Management is the Peruvian Sol.

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 revenue and expenditure.

B) Financial assets and liabilities

Financial assets and liabilities presented in the Statement of financial position correspond to cash and cash equivalents, accounts receivable, accounts payable to providers.
The Confederation recognises a financial asset or liability when, and only if, it is part of the financial instrument contractual agreement. At initial recognition, financial assets and liabilities are measured at Fair Value.

Fair Value of a financial asset or liability is normally represented by the transaction price, which with the exception of financial instruments classified as Fair Value with changes in profit and loss (FVTPL), includes the transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. The costs incurred in the acquisition of a financial asset or liability classified at FVTPL are recognised as expenses immediately.

The Confederation recognises the conventional purchases and sales of financial assets at the date of negotiation or settlement, respectively. Financial liabilities are recorded at amortized cost in their entirety and recognized when the Confederation is a party to the contractual agreements of the instrument.

Financial instruments (assets and liabilities) are settled when the Confederation has the legal right to do so and Management has the intention to pay them off over a net basis or realize the assets and pay the liabilities simultaneously.

A financial asset is derecognised when: (i) the rights to receive cash flows from the assets have expired, (ii) the ment or (iii) the Confederation has transferred its rights to receive cash flows from the assets and (a) has substantially transferred all the risks and benefits of the assets or (b) the Confederation has not substantially transferred or retained all the risks and benefits of the assets, but has transferred the control of asset.
A liability is derecognised when the obligation related to the liability is paid off or expires.

The Confederation reviews at the date of the Statement of Financial Position, if there is evidence of damage in a financial asset or group of financial assets. A financial asset or group of financial assets are impaired and a loss is recognized only if there is evidence of impairment as result of one or more subsequent events at the initial recognition of the asset and when such loss event has an impact in the estimated projected cash flows of the financial asset or group of financial assets that could be reliably estimated.

C) Cash

Cash includes cash, balances held in banks, and term deposits freely available, with a maturity date not exceeding 90 days from the acquisition date. The method used for preparing the Statement of Cash Flow is the direct method.

D) Accounts receivable

Accounts receivable are registered at face value and are presented net of any estimate of impairment. Operational Management evaluates individually whether there is objective evidence of impairment for significant financial assets or collectively for financial assets that are not individually significant.
All items older than 180 days after collection efforts have been made without obtaining results and that to date have not been refinanced are considered impaired.

The estimation of doubtful collection accounts arises when after the collection actions have been performed, there is a level of certainty that the collection efforts will not be successful, and as a result of that, legal actions will be necessary.

This estimation is based on the collection likelihood of each debtor considering the maturity of the debt, and the Operational Management’s judgement.

The subsequent recovery of previously adjusted amounts is used against the accounts of impairment estimations. The changes in the carrying amount of the doubtful collection accounts is recognised in the Statement of revenues and expenditures.

E) Inventories

Inventories are measured at the lower cost or net realizable value. The cost of the inventory is determined following the weighted average price method, except in the case of inventories in transit, which is determined using the specific identification method. The net realizable value is the estimated sale price for each product marketed in the normal course of operations, less the expenses necessary to put the inventories in a condition for sale and to carry out their commercialization. For reductions in the carrying amounts of the inventories at net realisable value, if necessary, an estimation for inventory impairment is made in the statement of comprehensive income in which the reductions occur.

Trade discounts, rebates obtained, and other similar items (price adjustments) are deducted in determining the acquisition price.

The estimation for inventory impairment is calculated based on an specific analysis made regularly by the Operational Management considering the obsolescence and slow-moving inventories; this estimation is registered in the Statement of revenues and expenditures.

F) 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 Operational 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 Confederation 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.

The depreciation of assets are calculated by the straight line method to assign a cost minus its residual value during the 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 entries, 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 revenue and expenditure.

G) Impairment of non-financial 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.

H) 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”.

I) Provisions

Provisions are recognised when: i) the Confederation 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 revenue and expenditure.

Guarantees

A provision for guarantees is recognized when the underlying products or services are sold, based on historical information about guarantees and a weighting of possible outcomes versus their associated probabilities.

When some of all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

J) Employee 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 Confederation 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.

K) Income and expenses

Recognition of income from services provided, financial income, income from Exchange difference and other income
Income from services provided, financial income and other income are recognized as they accrue.
Exchange differences corresponding to the adjustment of monetary items represented in foreign currency that are favorable to the Confederation are recognized as financial income when the exchange rate fluctuates.

Recognition of expenses due to Exchange difference and other expenses
The exchange differences corresponding to the adjustment of the monetary items represented in foreign currency that are unfavorable for the Confederation are recognized as a financial expense when the exchange rate fluctuates.

Other expenses are recognised as accrued.

L) Income tax
Income tax expense comprises the sum of estimated current income tax payable and deferred income tax.

<u>Current income tax</u>
Current income tax is determined applying the income rate established in the tax law in force on the taxable net income of the year.

Current income tax is payable on the taxable basis of the year. The taxable gain differs from net income as reported in the income or loss because it does not include components of income or expenses that are accrued or deducted in other years and excludes components that have never been accumulated or deductible. The Confederation´s liabilities for current income tax are calculated using the tax rates that are enacted at the end of the reported period.

A provision is recognized when the determination of the tax is uncertain, but it is considered probable that the tax authority will receive a future outflow of funds. Provisions are valued at the best amount expected to become payable. The evaluation is based on the judgment of tax experts supported by the Confederation 's previous experiences in this type of activity and in some cases based on the consultation of an independent tax specialist.

<u>Deferred income tax</u>
Deferred income tax corresponds to the amount of tax expected to be recovered or paid on temporary differences between the reported book values of assets and liabilities, and their corresponding tax bases. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and tax credits, rebates and unused tax losses, until the term in which it is considered probable that the Confederation will have sufficient future taxable profits to be able to make them effective. Such assets and liabilities are not recognized if the temporary differences arise from a capital gain or from the initial recognition (except in a business combination) of other assets and liabilities in an operation that does not affect either the tax result or the accounting result.

The carrying value of deferred tax assets is reviewed at the end of each statement of financial position and reduced to the extent that it is not probable that the Confederation will have sufficient future taxable profits to recover all or a portion of such assets.

Deferred income tax assets and liabilities are determined using the tax rates that are expected to apply at the time the asset is realised or the liability is settled, based on approved tax rates and laws, or whose approval process is in progress. practically completed, at the end of the statement of financial position. The measurement of such deferred taxes reflects the tax consequences that would arise from the way in which the Confederation expects, at the end of the period of each statement of financial position, to recover or settle the carrying amount of its assets and liabilities.

M) Contingent liabilities and assets
Contingent liabilities are not recognized 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 to the Confederation.

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 Confederation, the creditworthiness of local Banks in which the Confederation deposits cash in checking accounts are distributed as follows:

	2024	2023
	S/	S/
Banco Interbank (A+)	1,900	1,298
Total as of 31 December	**1,900**	**1,298**

The Confederation does not maintain a specific classification of its debtors, however, it does not observe any relevant credit risk due to the lack of evidence of any significant default in payments, given that its main debtors have credit solvency.

4. CASH

As of 31 December, it comprises:

	2024	2023
	S/	S/
Deposits in financial institutions.	1,900	1,298
Total	**1,900**	**1,298**

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:

	2024	2023
	S/	S/
Income tax payment on account	166,840	280,924
Accounts receivable from the staff	-	490
Deliveries to report to third parties	36,714	77,445
Fiscal credit for Value Added Tax	345,160	262,867
Advances to providers	23,119	15,613
Other	14	268
Total	**571,847**	**637,607**

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:

	2024	2023
	S/	S/
Supply	82,438	71,294
Inventory in transit	17,748	53,318
Total	**100,186**	**124,612**

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 2023	11,772	15,780	36,903	64,455
Additions of the year	-	18,549	11,487	30,036
As of 31 December 2023	11,772	34,329	48,390	94,491
Additions of the year	-	6,658	5,208	11,866
As of 31 December 2024	**11,772**	**40,987**	**53,598**	**106,357**
ACCRUED DEPRECIATION				
As of 1 January 2023	**3,993**	**1,734**	**15,125**	**20,852**
Depreciation of the year	1,177	2,636	10,989	14,802
As of 31 December 2023	5,170	4,370	26,114	35,654
Depreciation of the year	1,177	3,782	11,575	16,534
As of 31 December 2024	**6,347**	**8,152**	**37,689**	**52,188**
NET CARRYING AMOUNT				
As of 31 December 2023	**6,602**	**29,959**	**22,276**	**58,837**
As of 31 December 2024	**5,425**	**32,835**	**15,909**	**54,169**

As of 31 December 2024 the Operational 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

Trade accounts payable for S/ 21,604 and S/ 14,204 as of 31 December 2024 and 2023 respectively, correspond mainly to invoices payable, do not accrue interest and do not have 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:

	2024	2023
	S/	S/
Third category income tax	-	88,747
Fourth category income tax	783	1,020
Fifth category income tax	13,563	18,641
Essalud	6,382	6,236
ONP National Pension	2,211	2,160
Other accounts payable	75,655	122,541
Total	**98,594**	**239,345**

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

	2024	2023
	S/	S/
Employees charges	1,211,577	1,167,999
Services provided by third parties	2,730,410	2,005,974
Taxes	3,885	1,596
Other expenses	337,424	67,673
Depreciation (note 7)	16,534	14,802
Total	**4,299,830**	**3,258,044**

11. TAXATION

11.1 Income tax

Income tax rate for the year 2024, 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 susceptible to subsequent tax control, including amounts charged to expenses and undeclared revenues up to 31 December 2024.

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 persons or legal persons non-domiciled in the country.

11.3 Tax administration review

The Tax authority of the country has the power 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 periods from 2019 to 2024, 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.

From 1 September 2022 as of 31 December 2026, the VAT rate for restaurants and hotels is reduced, intended for Micro and small companies dedicated to restaurants, hotels and tourist accommodation activities.
VAT rate includes 8% + 2% de IPM = 10% VAT.

However, as of January 1, 2027, the rate will be 12% until the end of that year.

11.5 Tax on net assets

It is a tax that they must declare and pay, under certain conditions and with few exceptions. 0.4% of the total amount of net assets that exceed one million soles is applied, according to the annual balance sheet.

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 Statement

It constitutes an informative affidavit, which contains the final beneficiary information:

- The natural person who effectively and finally owns or controls legal entities;
- The natural person who ultimately owns or controls a customer or on whose behalf a transaction is made.

Any change in the ownership or control of legal entities or legal entities or data must be reported, including the scenario in which the ultimate beneficiary ceases to have such status, and must be reported within thirty (30) business days from the date on which the said change occurs.

11.8 Tax avoidance

SUNAT has published a Catalog of High Tax Risk Schemes, which describes situations of a diverse nature that may imply a potential tax non-compliance and in the corresponding cases, the application of Standard XVI of the Tax Code that provides for the classification, avoidance of tax regulations and simulation; as well as specific anti-avoidance rules or transfer pricing rules regulated in the Income Tax Law.

11.9 Subcapitalisation

By Legislative Decree 1424-2018, paragraph a) of article 37 of the Income Tax Law has also been modified to determine the limit for the deduction of interest expenses based on 30% of the EBITDA from the previous year, effective from 2021 onwards.

Through Report No. 0064-2024-SUNAT, it is concluded regarding the limit applicable to the deduction of interest expenses, for the calculation of the EBITDA of the previous year, that those interest expenses considered non-deductible in said year for exceeding the limit established in said standard must be excluded from "net interest".

11.10 Depreciation special regimes

Through Law N° 31652, its purpose is to establish, exceptionally and temporarily, special depreciation regimes so that taxpayers of the General Income Tax Regime and the MYPE Tax Regime can rapidly depreciate certain assets, in order to promote investment. private sector and provide greater liquidity in the current economic situation.

The special depreciation regime will be applied to buildings and constructions; electric vehicles purchased from 2023.

11.11 Scientific Research Projects

Through Law N° 31659 extends until 31 December 2025, the additional expenses deduction of projects of scientific research, development and technological innovation and modifies deduction percentages.

11.12 Tax Compliance Profile

The Compliance Profile option has been activated in the SUNAT key options, which is a qualification granted by the SUNAT to taxpayers, in order to encourage voluntary compliance with their tax, customs, and/or other non-tax obligations administered by SUNAT, as well as to provide certain facilities or establish certain limitations in the regulation of those aspects related to their obligations. In this first stage, it will be for taxpayers who generate third category income.

11.13 Tax standards valid from 1 January 2025

- By Legislative Decree N.º 1623, incorporates a mechanism for the collection of VAT so that non-domiciled companies providing digital services or selling intangible goods act as withholding and/or VAT collection agents when the user or importer is a natural person not engaged in business activities.

  Through Superintendence Resolution N.º 00294/2024/SUNAT, Virtual Form N.º. 623 was approved for non-domiciled entities providing digital services over the Internet to natural persons to comply with the declaration and payment of VAT withheld and/or collected for the provision of these services.

- By Legislative Decree N.º 1662, published on September 24, 2024, the letter f) of article 32-A of the Income Tax Law is modified in order to allow the retroactive application of advance pricing agreements (roll-back) in certain cases. With this modification, the National Superintendence of Customs and Tax Administration (SUNAT) may enter into agreements with taxpayers and other competent authorities of countries that have international agreements to avoid double taxation. This will allow the agreements to have effects on transactions from previous taxable years, provided that the conditions are the same and the SUNAT's action to determine the tax obligation has not expired.

- The Superintendency Resolution N.º 190-2024/SUNAT, has incorporated the Electronic Appeal File into the Integrated System of the Virtual File (SIEV), which will allow:

  ✓ The filing of appeals, requests, and other documents can be done using the Integrated Virtual File System.
  ✓ The process is simple and efficient, reducing times and generating benefits.

  You will also be able to check the content and status of the initiated files "online".

- The Superintendency Resolution N.º 000240-2024/SUNAT, modifies regulations on dispatch guides to standardize customs and tax control of goods at a national level, as well as integrate customs procedures with tax procedures. SUNAT modified the regulations to enhance the traceability of foreign trade operations:

  ✓ The new reason for transfer is added: "transfer of foreign goods”.
  ✓ The standard also includes operations carried out at the new Port of Chancay.

- The Legislative Decree N.º 1669, that modifies the VAT Law and the rules that strengthen the control and oversight mechanisms of the SUNAT, these modifications bring changes in the formal requirements for the use of the VAT input tax credit, and the records and control means for these purposes, as well as in the deadline for the exercise of the VAT input tax credit.
  The Decree establishes that transactions must be recorded in the period corresponding to the issuance of the payment voucher, or the payment of the tax, when applicable, and no longer within the 12-month period, as was done previously.
  Within the maximum delay periods, taxpayers must confirm, rectify, or supplement the information in the systems, modules, or other means that allow the control of VAT operations.

  Taxpayers must also confirm or rectify the classification of the destination of the acquisitions. Likewise, this information must also be contained in the electronic purchase and sales records or in the SIRE platform.

- By Law 32185, the deadline for joining the Special Installment Plan for tax debts is extended for tax debts managed by SUNAT, which constitute public treasury revenues and must be due until December 31, 2023, extending the deadline to join the Special Installment Plan until February 28, 2025.

- Through Law 32217, the validity of the tax benefit approved by Legislative Decree 1058, which promotes investment in electricity generation activities using water resources and other renewable resources, is extended until December 31, 2030.

- Law 32218, which amends article 18 of the Income Tax Law to incorporate Roman numerals "iv" and "v" in section h) of the third paragraph of the mentioned article, regarding tax-exempt interest and capital gains, stating that interest and capital gains from the following are not subject to tax:
  IV. Reporting operations where the securities d received by the acquirer from the seller are the instruments considered in lowercase Roman numerals i and ii of this section.
  V. Sale of units of participation in Stock Funds or Exchange Traded Funds (ETFs) that aim to replicate the performance of publicly accessible indices, constructed based on the instruments considered in lowercase Roman numerals i and ii of this paragraph.

- The Law 32220 extends the validity of the tax benefits of Legislative Decree 783 approving the regulation on the refund of taxes levied on acquisitions with donations from abroad and imports by diplomatic missions and others until December 31, 2027, the validity of the tax benefits.

- The Superintendency Resolution N° 0297-2024/SUNAT, referring to the exception of the obligation to make advance payments and suspension of the obligation to make withholdings and/or advance payments for fourth category income for the taxable year 2025, related to the increase of the UIT for the year 2025.

- Superintendency Resolution N° 0298-2024/SUNAT, which extends the temporary exclusion of operations carried out with primary products derived from agricultural activity from the application of the Income Tax withholding regime, until December 31, 2026.

11.14 Income tax determination

The entity determined the current Income Tax as follows:

	2024	**2023**
	S/	S/
Accounting income	66,227	282,659
Additions	19,661	18,178
Deductions	-	-
Tax profits	85,888	300,837
Net losses from previous years	-	-
Net taxable income	85,888	300,837
Income tax 29.5%	25,337	88,747

The Operational Management believes that, as a result of the application of these standards, no significant contingencies will arise for the Confederation as of 31 December 2024. However, any comments in this regard by the tax authorities would be recognized in the period in which they occur.

12. CONTINGENCIES

In the opinion of the Operational Management, there are no significant pending trials or lawsuits or other contingencies against the Confederation as of December 31, 2024.

13. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial statements comprise a statement of financial position, a statement of revenues and expenditures, 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 Confederation presents the statement of revenue and expenditure 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 Confederation 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 Confederation can have access to in the measurement date.
- **Level 2**
  Entry data are different from 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 Confederation at the end of each reporting period where the changed was produced.

Likewise, the Operational Management analyses the changes in the values of assets and liabilities that shall be valued according to the Confederation's accounting policies. For fair value disclosure purposes, the Confederation 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 Operational Management estimates that there are no material differences between the carrying amounts and the Fair value of the financial instruments of the Confederation as of 31 December 2024 and 2023.

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

	2024			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	1,900	-	-	1,900
Trade accounts receivable	-	177	-	177
Other accounts receivable	-	571,847	-	571,847
Total	**1,900**	**572,024**	**-**	**573,924**
Liabilities				
Trade accounts payable	-	-	21,604	21,604
Other accounts payable	-	-	98,594	98,594
Total	**-**	**-**	**120,198**	**120,198**

	2023			
	Financial assets		Financial liabilities	
	Level 1	Level 2	Level 2	Total
	S/	S/	S/	S/
Assets:				
Cash	1,298	-	-	1,298
Trade accounts receivable	-	174	-	174
Other accounts receivable	-	637,607	-	637,607
Total	**1,298**	**637,781**	**-**	**639,079**
Liabilities				
Trade accounts payable	-	-	14,204	14,204
Other accounts payable	-	-	239,345	239,345
Total	**-**	**-**	**253,549**	**253,549**

14. FINANCIAL RISK MANAGEMENT

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

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 2024 and 2023, are expressed in Peruvian Soles at the valid exchange rate of the year as follows:

- S/3.758 for assets and S/3.770 for liabilities per each US$1.00 (S/3.705 for assets and S/3.713 for liabilities per each US$1.00 as of 31 December 2024).

As of 31 December 2024 and 2023, the confederation had assets and liabilities in foreign currency as follows:

	2024	2023
	US$	US$
Assets:		
Cash	470	327
Other accounts receivable	8,815	20,847
Total assets	**9,285**	**21,174**
Liabilities:		
Trade accounts payable	(4,832)	(3,242)
Other accounts payable	(20,206)	(32,886)
Total liabilities	**(25,038)**	**(36,128)**
(Liability) position, net	**(15,753)**	**(14,954)**

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

Net Exchange difference includes the following:

	2024	2023
	S/	S/
Gain for Exchange difference	81,733	53,179
Loss for Exchange difference	(83,426)	(81,412)
Total	**(1,693)**	**(28,233)**

The following chart shows the sensitivity in the income or loss of the years ended as of 31 December 2024 and 2023 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	Effect in results
		S/
2024	5%	(2,975)
	-5%	2,975
	10%	(5,950)
	-10%	5,950
2023	5%	(2,785)
	-5%	2,785
	10%	(5,569)
	-10%	5,569

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 2024, and 2023, the Company's operational 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 Confederation'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	Total
	S/	S/	S/
As of 31 December 2024			
Less than 1 year	21,604	98,594	120,198
Total	**21,604**	**98,594**	**120,198**
As of 31 December 2023			
Less than 1 year	14,204	239,345	253,549
Total	**14,204**	**239,345**	**253,549**

Management of operations controls the liquidity risks associated with the amounts included in each of the categories detailed above by periodically assessing the financial viability of debtors and effectively managing the maturities of assets and liabilities to achieve a match between future income and payment flows. It also ensures the working capital is supported by cash flows from operating activities.

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