SUN PHARMACEUTICAL PERU S.A.C.

AUDITED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

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AUDITED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S OPINION

To the members of the Directive Board of **SUN PHARMACEUTICAL PERU S.A.C.**

Opinion

1. We have audited the accompanying financial statements of **SUN PHARMACEUTICAL PERU S.A.C.**, which comprise the statement of financial position as of December 31, 2022, the statement of comprehensive income, changes in equity and cash flows for the year then ended as well as the summary of significant accounting policies and other explanatory notes.

   In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **SUN PHARMACEUTICAL PERU S.A.C.** as of December 31, 2022, as well as the results of its operations and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles in Peru.

Basis for opinion

2. We conducted our audit in accordance with International Standards on Auditing (ISA) formalized in Peru by the Board of Deans of the Peruvian Colleges of Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) together with the ethics requirements that are applicable to our audit of the financial statements in Peru and we have fulfilled our other ethics responsibilities in accordance with those requirements and the IESBA Code of Ethics.

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

Key audit matters

3. 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 this regard, the key audit issues have been identified in the items of accounts payable to related parties and the going concern postulate. Transactions arising from and related to this item and the considerations for the going concern postulate, in addition to being reliably supported, require adequate valuation, measurement and disclosure. In our opinion, the going concern postulate has a significant risk for our audit with respect to its base of support; to cover such risk, our procedures included: basic documentation and integrity of the sources of information.

Emphasis paragraph

4. As shown in the attached financial statements, the Company has experienced recurring losses from its operations and maintains accumulated losses that are included in the net worth of the statement of financial position for an amount of S/ 8,833,711 and we have not evidenced whether the Management has made an assessment of the Company's ability to continue as a

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going concern. These facts indicate material evidence that casts significant doubt on the Company's ability to continue as a going concern and therefore may not be able to settle its liabilities in the normal course of business.

Other Matter paragraph

5. The financial statements for the year ended December 31, 2021, were examined by other independent auditors and in our opinion dated March 29, 2022 we expressed an unqualified opinion.

Directive Board's Responsibility

6. Directive Board is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Accepted Accounting Principles in Peru, and for such internal control as Directive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

   In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as appropriate, related matters, unless Management intends to liquidate the Company or cease operations or has no realistic alternative but to do so.

   Directive Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

7. 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, formalized in Peru by the Board of Deans of the Peruvian Colleges of Public Accountants; 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism 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 Association's internal control.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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- We conclude on Management's appropriate use of the going concern assumption and, based on the audit evidence obtained, whether or not relationships exist with events that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are insufficient, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the entity to be unable to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, obtaining sufficient appropriate audit evidence regarding the financial information of the Association's business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company’s audit. We are solely responsible for our audit opinion.
- We interact with association's management 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 the Association's management 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 support it.
- From the matters communicated with the association's management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.
- We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of possible adverse consequences.

Lima, Peru
May 05, 2023
Countersigned by:

____________________________(Partner)
Johnny Mires Dávila
Certified Public Accountant
Registration Nº 19870

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SUN PHARMACEUTICAL PERU S.A.C.

STATEMENT OF FINANCIAL POSITION

ASSETS	**Note**	**As of December 31, 2022**	**As of December 31, 2021**
		S/	S/
CURRENT ASSETS			
Cash and cash equivalents	(5)	86,148	87,939
Total current assets		86,148	87,939
NON-CURRENT ASSETS			
Total non-current assets		-	-
TOTAL ASSETS		86,148	87,939

LIABILITIES AND EQUITY	**Note**	**As of December 31, 2022**	**As of December 31, 2021**
		S/	S/
CURRENT LIABILITIES			
Other accounts payable	(6)	44,325	-
Total current liabilities		44,325	-
NON-CURRENT LIABILITIES			
Accounts payable / loans related parties	(7)	8,874,034	9,267,547
Total current liabilities		8,918,359	9,267,547
EQUITY	(8)		
Share capital		1,500	1,500
Retained earnings		(8,833,711)	(9,181,108)
Total equity		(8,832,211)	(9,179,608)
TOTAL LIABILITIES AND EQUITY		86,148	87,939

The accompanying notes are part of the financial statements.

SUN PHARMACEUTICAL PERU S.A.C.

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the years ended December 31, 2022	2021
		S/	S/
Revenues		-	-
Cost of services		-	-
Gross profit		-	-
Administrative expenses		-	-
Selling expenses		-	-
Operating profit (loss)		-	-
Other income and expenses:			
Exchange difference, net	(3)	393,511	(709,221)
Depreciation	(9)	-	(1,851)
Other expenses	(10)	(1,790)	(777)
		391,721	(711,849)
Profit (Loss) before income taxes		391,721	(711,849)
Income tax	(11)	(44,324)	-
Profit (Loss) for the year		347,397	(711,849)

The accompanying notes are part of the financial statements.

SUN PHARMACEUTICAL PERU S.A.C.

STATEMENT OF CHANGES IN EQUITY (Note 8)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

	Share capital	Retained earnings	Total Equity
	S/	S/	S/
Balances at January 01, 2021	1,500	(8,469,259)	(8,467,759)
Loss for the year	-	(711,849)	(711,849)
Balances at December 31, 2021	1,500	(9,181,108)	(9,179,608)
Profit for the year	-	347,397	347,397
Balances at December 31, 2022	1,500	(8,833,711)	(8,832,211)

The accompanying notes are part of the financial statements.

SUN PHARMACEUTICAL PERU S.A.C.

STATEMENT OF CASH FLOWS

	For the years ended December 31, 2022	2021
	S/	S/
OPERATING ACTIVITIES		
Result of the year	391,721	(711,849)
Depreciation	-	1,851
Others	(1)	10,612
Exchange difference, net	(393,511)	709,221
Net, Changes in assets and liabilities:		
Other current liabilities	-	62,392
Cash and cash equivalents (applied) provided in operating activities	(1,791)	72,227
INVESTING ACTIVITIES		
Cash and cash equivalents (applied) in investing activities	-	-
FINANCING ACTIVITIES		
Cash and cash equivalents (applied) provided in financing activities	-	-
Decrease in cash and cash equivalents for the year	(1,791)	72,227
Cash and cash equivalents at the beginning of the year	87,939	15,712
Cash and cash equivalents at the end of the year	86,148	87,939

The accompanying notes are part of the financial statements.

SUN PHARMACEUTICAL PERU S.A.C.

NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND DECEMBER 31, 2021

1. OBJECTIVE, ACTIVITIES AND LEGAL ASPECT

a. Incorporation:

Sun Pharmaceutical Peru S.A.C., (hereinafter the Company) was incorporated on June 26, 2004. The legal address and administrative offices are located at republic of panama Street N° 3418, office 1501, San Isidro, Lima, Peru, Peru.

He main activity of the company is the commercialization of pharmaceutical products. Within the corporate purpose, acts related to the activities described in the preceding paragraphs that contribute to its goals achievement are included to comply with the corporate purpose, the company may perform all legal acts and contracts without restriction or limitation.

The activity of SUN PHARMACEUTICAL PERU S.A.C. is governed by the New General Law of Commercial Companies and as provided in the articles and rules of incorporation and amendments.

b. Approval of financial statements:

The financial statements as of December 31, 2022 have not been approved by the General Shareholders' Meeting; In the opinion of the Management, these financial statements will be approved by said meeting, without modifications.

2. BASIS FOR PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Assertion of compliance

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in Peru.

2.2 Responsibility for information

The information contained in these financial statements is responsibility of the Company's Management, who expressly states that were applied in its entirety, the Generally Accepted Accounting Principles in Peru of the financial statements.

2.3 Basis of measurement

Except for what is exposed to each note of importance, these financial statements have been prepared bases on historical cost from accounting records maintained by the Company.

2.4 Functional currency, presentation currency and foreign currency transactions

i) **Functional and presentation currency**

The items included in the financial statements are expressed in the currency of the primary economic environment in which the entity operates, i.e., its functional currency.

Management considers the PEN as its functional and presentation currency because it reflects the nature of the economic events and circumstances relevant to the Company's financial reporting.

ii) **Transactions and balances in foreign currencies**

Foreign currency transactions are considered to be those carried out in a currency other than the functional currency. Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are subsequently adjusted to the functional currency using the exchange rate in effect at the statement of financial position date. Exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the statement of financial position date are recognized in "Exchange differences, net" in the statement of comprehensive income.

2.5 Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprise cash available in current accounts and time deposits in banks with original maturities of three months or less and with non-significant risk of change in their fair value. Bank overdrafts – if any – are shown in the balance of financial obligations under current liabilities.

2.6 Financial instruments

2.6.1 Classification and valuation of financial assets

The Company considers the classification approach based on two concepts:

(i) The characteristics of the contractual cash flow of the assets and,
(ii) The entity's business model.

It also considers 3 forms of valuation:

(i) Amortized cost:
If the objective is to hold a financial asset for the purpose of collecting contractual cash flows and, under to the terms of the contract, cash flows are received on specified dates that constitute only payments of principal plus interest on principal, the financial asset is measured at amortized cost.

(ii) Fair value with changes in other comprehensive income (equity):
Whether the business model aims both to obtain contractual cash flows and to sell them and whether they are held for future negotiation.

(iii) Fair value through profit or loss:
Outside the above scenarios, all other assets are measured at fair value through profit or loss.

However, there are two irrevocable designation options in the initial recognition that is considered:

- An equity instrument, as long as it is not held for trading purposes, may be designated to be measured at fair value through other comprehensive income (equity). Subsequently, when the instrument is sold, the amounts recognized in equity are not allowed to be reclassified to the income statement and only dividends are taken to income statement.

- A financial asset may also be designated for measured at fair value through profit or loss if this reduces or eliminates an accounting mismatch.

2.6.2 Classification of financial liabilities

Financial liabilities are classified in the following categories:

- Financial liabilities at amortized cost;
- Financial liabilities held for trading (including derivatives) are instruments that are recorded in this category when the objective is to generate profits through the realization of purchases and sales with these instruments;
- Financial liabilities designated at fair value with changes in the income statement at the time of initial recognition. In this case, changes in fair value arising from changes in own credit risk are taken to other comprehensive income and are not subsequently recycled to the income statement.

2.6.3 Impairment of financial assets

The following requirements are considered by the Company:

- The IFRS 9 impairment model is unique for all financial assets.
- The impairment model relies on a dual valuation approach, under which there will be an impairment provision based on expected losses over the next 12 months or based on expected losses over the asset's life. The fact that the first provision should be moved to the second is that there is a significant deterioration in credit quality.
- There is an option to apply a simplified method for certain assets (trade receivables, lease or contract assets) so that impairment is always recorded by reference to expected losses over the asset's life.

2.6.4 Methodology for calculating impairment of financial assets

The methodology for the calculation of expected losses applied by the Company, if required, reflects:

- A weighted unbiased amount determined by assessing a range of possible outcomes.
- Value of money over time.
- Reasonable and supportable information that is available without undue effort or cost and that reflects both current conditions and predictions of future conditions.
- Expected losses are estimated either individually or collectively.
- Present, past and future information for both the detection of significant increase risk and the measurement of expected losses.
- When estimating expected losses, all possible scenarios are not identified. However, the probability that a loss event will occur and the probability that it will not occur should be considered, even if the possibility of a loss occurring is very small.

Also, when there is no linear relationship between the different future economic scenarios and their associated expected losses, more than one future economic scenario is used for the estimation.

2.6.5 Impairment of accounts receivable and contract assets

- For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses (PCE) as long as they do not include significant financing components. Therefore, the Company does not track changes in credit risk, but rather recognizes a provision based on the expected credit loss for life at each reporting date.
- The Company has established a provision matrix based on its historical credit loss

experience, adjusted for prospective factors specific to the debtors, the economic environment and the payment method.

- For other accounts receivable and accounts receivable from related parties, the Company applies the general method. The general model is based on the analysis of the debtor's credit quality, the degree of credit risk and the circumstances in which there has been a significant increase in the same one.

2.7 Derecognition of financial assets and liabilities

Financial assets:

A financial asset or part of a financial asset is derecognized when:

(i) The rights to receive cash flows from the asset have ended; or

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay all cash flows received immediately at a third party under a pass-through arrangement; and

(iii) The Company has transferred substantially all the risks and rewards of the asset or, if it has neither transferred nor retained substantially all the risks and rewards of the asset, control of the asset has been transferred.

Financial liabilities:

(i) A financial liability is withdrawn when the payment obligation is ended, cancelled or expired.

2.8 Inventories

Inventories include all disbursements and applicable non-refundable taxes to make such assets available and are recorded using the average cost method. If there are inventories to be received, they are recorded at acquisition cost through specific identification.

The Company also periodically evaluates the degree of obsolescence of its inventories on various technical criteria in order to determine their degree of utilization, marketing and sale and as a result, if any, recognizes the impairment of inventories (slow turnover and limited availability items) affecting the results of the year in the period in which it is determined.

2.9 Accounts receivable and payable with related parties

Accounts receivable from and payable to related parties are payment rights and obligations arising from the Company's own business operations and working capital loans in the normal and strategic course of the Company. Accounts receivable and payable are initially recognized at fair value and subsequently, to the extent that the effect of discounting them to their present value is material, are re-measured at amortized cost using the effective interest method.

2.10 Provisions

Provisions are recognized when the Company has any legal or implicit obligation resulting from past facts, an outflow of resources that include economic benefits will be likely required for its liquidation, and a reliable estimation of the amount can be made.

2.11 Contingent liabilities and assets

Contingent liabilities and assets, because of having uncertain events in the future which are not entirely under the control of the Company, are not recognized in the financial statements. They are disclosed in notes to the financial statements if they are of material significance.

2.12 Income tax and uncertainty about income tax treatment

2.16.1 Current income tax is determined on the basis of taxable income and recorded in accordance with the tax legislation applicable to the Company.

2.16.2 Deferred income tax is determined by the liability method based on temporary differences that arise between the tax bases of assets and liabilities and their respective balances in the financial statements, applying the tax laws and rates in effect and expected to apply when the deferred income tax asset is realized or the deferred income tax liability is paid. Deferred assets and liabilities are recognized regardless of when the temporary differences are expected to be reversed. Deferred tax assets are only recognized to the extent that it is probable that future tax benefits will be available for the deferred asset to be used.

2.16.2 IFRIC 23 addresses the accounting for income taxes when the tax treatments involve uncertainty in relation to the application of IAS 12 "Income Tax" and does not cover issues related to interest and penalties associated with uncertain tax treatments. In this regard, this interpretation includes:

- If an entity considers uncertain tax treatments separately.
- An entity's assumptions about the tax authorities' review of treatments.
- How an entity determines taxable profit and/or tax loss, tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company uses the approach that best predicts the resolution of uncertainties and maps them taking into account their materiality. In this sense, it considers that they do not have uncertain fiscal positions.

2.13 Revenues recognition from ordinary activities

The Company considers the five-step model to be applied to revenues from ordinary activities from contracts with customers; these are:

1. Identify the contract with a customer.
2. Identify each performance obligation in the contract.
3. Determine the transaction price.
4. Allocation of the transaction price to the performance obligation of the contract, and
5. Recognition of income from ordinary activities as the entity satisfies the performance obligations.

In this regard, consider whether there are any other commitments in the agreements with customers that entail separate execution obligations to which a part of the transaction price should be allocated. Also, in determining the transaction price, the effects of variable consideration, the existence of a significant financial component, nonmonetary consideration and consideration payable to the customer (if any) are taken into account.
Revenues are recognized when they can be reliably measured and it is probable that economic benefits will flow to the Company. Income is measured at the fair value of the consideration received or receivable, net of discounts and rebates and value added tax.

Considering the above, the Company recognizes revenues for:

Inventories sale:
They are recognized when control of them is transferred to the buyer.

2.14 Cost of sales and other income and expenses

Cost of sales is recorded in profit or loss when inventories are delivered simultaneously with the recognition of revenues. Other revenues and expenses are recorded in income for the year to which they relate and are recognized as they accrue, regardless of when they are received or disbursed.

2.15 Dividend distribution

The dividends distribution to the Company's Shareholders is recognized as a liability in the statement of financial position in the period in which the dividends have been approved by the General Shareholders' Meeting.

2.16 Basic earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net income (loss) attributable to stockholders by the number of common shares as of the date of the statement of financial position.

2.17 Classification of balances into current and non-current

An asset is classified as current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle.
- It is held mainly for trading purposes.
- The asset is expected to be realized within twelve months after the date of the reporting period; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability after 12 months from the date of the reporting period.
- The remaining assets are classified as non-current.

A liability is classified as current when:

- Expected to be cancelled in the normal operating cycle.
- Held primarily for trading purposes.
- Must be liquidated during the twelve months following the date of the reporting period, or
- The Company does not have an unconditional right to defer their cancellation for at least twelve months after the reporting period.
- The Company classifies the rest of its liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.18 Leases

a. Financial leasing:

Leases of property, machinery and equipment in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Leasing contracts are recorded in a manner similar to the acquisition of an asset and the respective obligation payable is recognized.

Accrued financial expenses and depreciation of such assets are charged to income for the year. Depreciation is calculated based on the estimated useful life of the assets. Lease payments are distributed between finance charges and reduction of liabilities. The finance charge is distributed over the periods of the lease.

b. Operating leasing:

At the inception of a contract, management assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The following are considered in assessing whether a contract conveys the right to control the use of an identified asset:

(i) The asset is usually identified by being explicitly specified in a contract. However, an asset may also be identified by being implicitly specified at the time the asset is available for use.

(ii) The right to obtain substantially all of the economic benefits from the use of the asset during the entire period of use; and
(iii) It has the right to direct the use of the asset.

2.19 Fair value measurement

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market data may be available. For other assets and liabilities, observable market transactions and market data may not be available.

However, the objective of a fair value measurement in both cases is the same: to estimate the price at which an orderly transaction would occur to sell the asset or transfer the liability between market participants at the measurement date under current market conditions (i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

A fair value measurement assumes that the transaction of sale of the asset or transfer of the liability takes place:

(a) in the principal market for the asset or liability; or
(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Such widely used techniques are:

- The market approach,
- The cost approach, and
- The income approach.

In this regard, the fair value hierarchy prioritizes the inputs to valuation techniques and not the valuation techniques used to measure fair value.

Likewise, the input data used by the valuation techniques should be hierarchized in 03 levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are different from the quoted prices included in Level 1 that are observable for assets or liabilities, directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby taking into account situations in which there is little, if any, market activity for the asset or liability at the measurement date.

2.20 New accounting standards not in effect at the date of the financial statements

The following amendments to IFRS are mandatory for the first time for annual periods beginning on January 01, 2022:

- IFRS 17 "Insurance Contracts", covers recognition, measurement, presentation and disclosure; effective from January 01, 2023.
- Amendments to IAS 1 "Presentation of Financial Statements" in relation to the classification of liabilities as current or non-current; effective from January 01, 2023.

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of accounting estimates; effective from January 01, 2023.
- Amendments to IAS 1 and IFRS 2 Practice Statement on Disclosure of Accounting Policies; effective January 01, 2023.

Management believes that the standards disclosed above will not have a material effect on the preparation and presentation of the following financial statements.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(i) Market risk

Exchange rate risk

Foreign currency transactions are in American dollars and are significant; therefore, the Company is exposed to the risk of being affected or benefited by the variation in the exchange rate of such currency.

The recording in dollars of foreign currency transactions and the adjustment of balances of financial assets and liabilities denominated in the same currency is made using the exchange rate established by the Superintendence of Banking, Insurance and Pension Fund Administrators (SBS).

	2022	2021
	US$	US$
Liabilities:		
Accounts payable/ loans related parties	2,301,235	2,301,235

The exchange rates used for recording foreign currency transactions were as follows:

	2022	2021
	S/	S/
1 US$ - Exchange rate - purchase (assets)	3.808	3.975
1 US$ - Exchange rate - sale (liabilities)	3.820	3.998

As of December 31, the Company has recorded exchange differences in:

	2022	2021
	S/	S/
Exchange rate gains	393,511	-
Exchange rate losses	-	(709,221)
	393,511	(709,221)

Price risk
The company does not have this type of risk

Interest rate risk
The company does not have this type of risk

(ii) Credit risk
The company does not have this type of risk

(iii) Liquidity risk
The company has liquidity problems

3.2 Capital risk management
The Company's goals in managing capital are to safeguard its ability to continue as a going concern for the purpose of generating returns to its Shareholders and benefits to other stakeholders.

The leverage ratios as of December 31 were as follows:

	2022	2021
	US$	US$
Accounts payable / loans related parties	8,874,034	9,267,547
Less: Cash and cash equivalents	(86,148)	(87,939)
Net debt (A)	8,787,886	9,179,608
Total equity (B)	(8,789,386)	(9,179,608)
Leverage ratio (A)/(B)	(1.00)	(1.00)

4. ESTIMATES AND ACCOUNTING CRITERIA

The accounting estimates used are continually evaluated by management and are based on historical experience and other factors, including the expectation of the occurrence of future events that are considered reasonable under the circumstances. The company does not include a material estimate in the financial statements as of December 31, 2022.

5. CASH AND CASH EQUIVALENTS

At December 31, this heading comprises the following:

	2022	2021
	S/	S/
Current accounts	86,148	87,939

As of December 31, 2022, the Company maintains current accounts in local banks in national currency and these accounts are freely available.

6. OTHER ACCOUNTS PAYABLE

At December 31, this heading comprises the following:

	2022	2021
	S/	S/
Income tax	44,325	-

7. ACCOUNTS PAYABLE / LOANS RELATED PARTIES

At December 31, this heading comprises the following:

	2022	2021
	S/	S/
Sun Global FZE linked loan	8,708,977	9,098,829
Sun Industries Tied Loan	165,057	168,718
	8,874,034	9,267,547

Accounts payable include a loan to Sun Global FZE for US$2,279,837 and to Sun Industries for US$21,398. The loan will not accrue interest and does not have a specific guarantee.

8. EQUITY

a. Share capital
As of December 31, 2022 and 2021, share capital consists of 150 common shares of S/ 10 per value each, authorized, issued and fully paid, expressed at historical exchange rates in the functional currency.

Number of shares	N° of shareholders	Total percentage of participation
149	1	99.99%
1	1	0.01%
150	2	100%

b. Legal reserve
Under the General Corporations Act, a minimum of 10 percent of distributable income for each year is required to be transferred to a legal reserve until such reserve equals 20 percent of capital. The legal reserve can only be used to absorb losses and must be replenished and cannot be distributed as dividends, except in the case of liquidation. In accordance with Article 229 of the General Corporations Act, the Company may capitalize the legal reserve, but is obliged to restore it in the following year in which it obtains profits.

c. Retained earnings

Under current legislation, domiciled legal entities that agree on the distribution of profits are required to withhold at a rate of 5%, unless the distribution is made in favor of legal entities domiciled in Peru, in which case the tax exemption is effective. There are no restrictions for remittance of dividends or repatriation of capital to foreign investors. No dividends were distributed during 2022.

9. DEPRECIATION

At December 31, this heading comprises the following:

	2022	2021
	S/	S/
Office Equipments	-	(1,851)

10. OTHER EXPENSES

At December 31, this heading comprises the following:

	2022	2021
	S/	S/
Bank charges	(1,790)	(777)

11. TAX STATUS

a. Income tax

The Income Tax rate applicable to MyPE companies during the year 2022 is 10% for taxable income up to 15 UIT and 29.5% for the excess of 15 UIT over net taxable income.

The dividends distribution and any form of profits in favor of individuals and non-domiciled legal entities are taxed at a rate of 5%. Likewise, any sum or delivery in kind that result in taxable income of the third category that represents an indirect disposition of income not subject to subsequent tax control, including sums charged to expenses and undeclared income (presumed dividends) are subject to an additional rate of 5%.

The tax result for the period ended December 31 has been determined as follows:

	2022	2021
	S/	S/
Earnings before income tax	391,721	(711,849)
(+) Additions	-	-
(-) Deductions	-	-
Income / tax loss	391,721	(711,849)
(-) Tax losses from previous periods	(195,860)	-
Net income / compensable tax loss	195,861	(711,849)
Up to 15 ITU (10.00%)	69,000	-
Excess 15 UIT (29.50%)	126,861	-
Income tax	44,324	-

The reconciling items between the accounting result and the tax loss carry-forward have been determined in accordance with the provisions of the Income Tax Law and its Regulations, as well as complementary provisions, and may be classified - depending on their effect - as temporary or permanent. The income tax expense shown in the income statement comprises:

	2022	2021
	S/	S/
Current income tax	(44,324)	-
Deferred income tax	-	-
	(44,324)	-

b. Tax (losses)

According to Article 50 of the Income Tax Law, tax losses from previous years may be offset against the net income generated in the year in accordance with one (1) of the following methods:

a) Offset the losses during the four (4) fiscal years immediately following the one in which they were generated against the total net income generated in the fiscal year. The balance remaining after such period may not be offset.

b) Offset the losses against 50% of the net income generated in the immediately subsequent years, without time limit and until their total exhaustion.

The election of the loss offset system must be made at the time of filing the respective income tax return; if no system is chosen, the Tax Administration will choose system "A". Once the system has been chosen, it is not possible to change it, unless the accumulated losses from previous years have been exhausted.

As of December 31, 2022, the Company has an accumulated tax loss carry-forward balance of S/ 4,273,546, which is compensated through the b) method.

c. Other significant matters:

- Legislative Decree N° 1488, published on May 10, 2020, established a special depreciation regime and modified the depreciation rates of assets for tax purposes applicable as from 2021. Thus, buildings and constructions will be depreciated at an annual rate of 20% until they are fully depreciated, provided that the construction has been started as from January 01, 2020 and there is a minimum progress of 80% as of December 31, 2022.

  On the other hand, the following assets – purchased in 2020, 2021 and 2022 – will be depreciated at the following maximum rates:

  1. Data processing equipment: 50%
  2. Machinery and equipment: 10%
  3. Land transport vehicles (except railroads) with EURO IV, Tier II and EPA 2007 technology (regulated by Supreme Decree N° 010-2017-MINAM), employed by companies providing the service of transporting people or goods at provincial, regional and national levels: 33.3%
  4. Hybrid (with piston engine and electric motor) or electric (with electric motor) land transport vehicles (except railroads): 50%.

  Buildings and constructions belonging to lodging establishments, travel and tourism agencies, restaurants and related services, as well as to taxpayers engaged in non-sporting cultural public shows – which during fiscal years 2021 and 2022 have a value to be depreciated – will be depreciated annually at a maximum rate of 20%. On the other hand, land transportation vehicles (except railroads) that are part of the fixed assets of the aforementioned taxpayers and vehicles authorized to provide tourist transportation services – which during fiscal years 2021 and 2022 have a value to be depreciated – may be depreciated at a maximum rate of 33.3%.

- On the other hand, by means of Legislative Decree N° 1481, published on May 08, 2020, it was exceptionally established that domiciled taxpayers generating third category income that had opted or opt to offset the total third category net loss of Peruvian source under system a), will offset the total third category net loss of Peruvian source for the year 2020 by charging it year by year until exhausting its amount to the third category income obtained in the five (5) immediately following years computed as from the year 2021. The remaining balance once this period has elapsed may not be computed in the following fiscal years.

- Finally, Legislative Decree N° 1372, published on August 02, 2018, has established the obligation of domiciled legal persons and legal entities incorporated in the country to report the identification of beneficial owners by filing an affidavit. A beneficial owner is understood as the natural person who effectively and finally owns or controls legal persons or legal entities, or that natural person who finally owns or controls a client – defined by numeral 19.1 of Article 19 of Supreme Decree N° 020-2017-JUS – or on whose behalf a transaction is carried out.

- As from January 01, 2019, the treatment applicable to royalties and retributions for services rendered by non-domiciled companies was modified, eliminating the obligation to pay the amount equivalent to the withholding on the occasion of the accounting record of the cost or expense, and now income tax must be withheld on the occasion of the payment or crediting of the retribution. In order for such cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the date of filing the annual income tax return.

- The rules regulating the obligation of legal persons and/or legal entities to report the identification of their beneficial owners were established. These rules are applicable to legal persons and legal entities incorporated in the country. The obligation reaches non-domiciled legal persons and legal entities incorporated abroad as long as: a) they have a branch, agency or other permanent establishment in the country; b) the natural or legal person that manages the autonomous patrimony or investment funds from abroad, or the natural or legal person that has the capacity of protector or administrator, is domiciled in the country and c) any of the parties of a consortium that is domiciled in the country. This obligation will be fulfilled by filing an informative Affidavit in accordance with the regulations and within the terms established by SUNAT.

- The Tax Code was amended in the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title). As part of this amendment, a new case of joint and several liability is foreseen when the tax debtor is subject to the application of the measures provided by Rule XVI in case of detection of tax evasion; in such case, the joint and several liability will be attributed to the legal representatives whenever they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as evasive. In the case of companies that have a Board of Directors, this corporate body is responsible for defining the tax strategy of the entity and must decide on the approval or not of acts, situations or economic relationships to be carried out within the framework of tax planning, being this power non-delegable. Likewise, it has been established that the application of Rule XVI, regarding the re-characterization of the tax avoidance assumptions, will occur in the definitive audit procedures in which acts, facts or situations produced since July 19, 2012 are reviewed.

- As from January 01, 2019, the indirect credit (corporate tax paid by foreign subsidiaries) is incorporated as a credit applicable against the income tax of domiciled legal entities in order to avoid double economic taxation.

- As from January 01, 2019, the deduction of interest expenses for the determination of income tax for the years 2019 and 2020, the debt limit set is three times the net worth as of December 31 of the previous year; it will be applicable to loans with related parties as well as loans with third parties contracted as from September 14, 2018. As from 2021, the limit for the deduction of financial expenses will be equivalent to 30% of the entity's EBITDA.

- As of January 01, 2019, rules have been established for the accrual of income and expenses for tax purposes as of January 01, 2019. Until 2018, there was no normative definition of this concept, so in many cases it was resorted to the accounting standards for its interpretation. In general terms, with the new criterion, for income tax determination purposes, it will now be considered whether the substantial facts for the generation of the income or expense agreed by the parties that are not subject to a suspensive condition have occurred, in which case the recognition will be given when this is fulfilled; the established collection or payment opportunity will not be taken into account; and, if the determination of the consideration depends on a future fact or event, the total or the part of the income or expense that corresponds will be deferred until that fact or event occurs.

d. Affidavits

The Tax Administration has the power to review and, if applicable, correct the Income Tax determined by the Company within four (4) years following the filing of the corresponding annual affidavit (years open for review).

The Income Tax affidavits for the years 2018 to 2022 are open for review by the Tax Administration.

Due to the fact that differences may arise in the interpretation by the Tax Administration of tax regulations, it is not possible to anticipate whether additional tax liabilities will arise as a result of possible revisions. In the event that tax assessments are received, the higher taxes, surcharges, adjustments, penalties and default interest that may arise will be applied against the income statement of the years in which the final settlements are made.

e. Transfer pricing

For purposes of determining the Income Tax and VAT, the prices and amounts of the consideration that have been agreed in transactions with related parties or that are made from, to or through countries or territories of low or zero taxation are found subject to transfer pricing rules and must have documentation and information that support the valuation methods and criteria applied in its determination.

Since January 01, 2017, taxpayers subject to transfer pricing rules are required to file up to three (3) informative affidavits, if any, as detailed below:

Informative affidavit	Obliged subjects	Information to be included
Local Report	Those who deal with related parties and/or tax havens and have an accrued income of more than 2,300 UIT	Transactions that generate taxable income and/or costs or deductible expenses for Income Tax purposes
Master Report	Taxpayers that form part of a business group whose earned income exceeds 20,000 UIT	Organizational structure, business description and transfer pricing policies in relation to intangibles and group financing and its financial and fiscal position
Country by Country Report	Taxpayers that are part of a multinational group	That related to the global distribution of income, taxes paid and business activities of each of the entities belonging to the group

12. CONTINGENCIES

In the opinion of Management and legal advisors, as of December 31, 2022, there are no significant lawsuits or lawsuits pending resolution or other contingencies for or against the Company.

13. COMMITMENTS

As of December 31, 2022, the company does not maintain letters of guarantee and encumbrances with any financial entity.

14. SUBSEQUENT EVENTS

In Management's opinion, no subsequent events have been identified between December 31, 2022 and the date of approval of the financial statements that should be adjusted and/or disclosed in the financial statements