



**URBIZAGÁSTEGUI & ASOCIADOS**  
Auditores & Consultores

**DESIGNIT PERÚ S.A.C.**

**AUDIT OF THE FINANCIAL STATEMENTS  
TO DECEMBER 31, 2018  
(With independent auditor's opinion)**

**Abril, 2019**



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**DESIGNIT PERÚ S.A.C.****AUDIT OF THE FINANCIAL STATEMENTS  
TO DECEMBER 31, 2018**

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**Abbreviations:**

S/ = Soles

US\$. = United States Dollars

## OPINION OF THE INDEPENDENT AUDITORS

To the Shareholders of  
**DESIGNIT PERU S.A.C.**

We have audited the attached financial statements for **Designit Peru S.A.C.** (a subsidiary of Designit Group A/S, domiciled in Denmark), which consist of the statement of financial position as at 31 December 2018, income statement, statement of changes in shareholders' equity and cash flow statement for the year ending 31 December 2018, a summary of significant accounting policies and other explanatory notes from 1 to 24 accompanying these financial statements.

### ***Management Responsibility for the Financial Statements***

Management is responsible for preparing and presenting the financial statements fairly in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the internal control procedures that management deems necessary to enable the financial statements to be prepared without any material misstatements being made, whether due to fraud or error.

### ***Responsibility of the Auditor***

Our responsibility consists of expressing an opinion on these financial statements based on the audit we have conducted. Our audit was carried out in accordance with the International Standards on Auditing approved to be applied in Peru by the Board of the Peruvian Association of Public Accountants. These standards require us to meet ethical requirements, and that we plan and conduct the audit to obtain reasonable assurance that the financial statements do not contain material errors.

An audit consists of applying procedures to obtain audit evidence of the amounts and information disclosed in the financial statements. The procedures are selected at the discretion of the auditor, which include assessing the risk that the financial statements contain material errors, whether due to fraud or error. In assessing risk, the auditor considers the relevant internal control procedures of the Company for the financial statements to be prepared and presented fairly in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the efficiency of the Company's internal control system. An audit also includes assessing whether the accounting policies applied are appropriate and whether the accounting estimates made by Management are fair, as well as assessing the overall presentation of the financial statements.

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



To the Shareholders of  
DESIGNIT PERU S.A.C.  
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***Opinion***

In our opinion, the attached financial statements fairly present the financial position of Designit Peru S.A.C. as at 31 December 2018, its financial performance and cash flow for the year ending on said date in all material respects and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 14 of the financial statements, which describes that as at 31 December 2018 the Company has recorded accumulated losses of S/ 1,618,288; nonetheless, the Company has met all its obligations. For the 2019 financial year, Designit A/S, shareholder of Designit Spain Digital SL, has formally committed to provide the necessary financial support to Designit Peru S.A.C. for the next 12 months in order for it to continue its activities and meet its financial obligations in its ordinary course of business.

***Other Matters***

The financial statements of Designit Peru S.A.C. for the year ended 31 December 2017 included in this report for comparative purposes have not been audited.

Lima, PERU  
19 April 2019

Signed by:

**Urbizagástegui &  
Asociados**

*sd*

(Principal Partner)

**Florentino Urbizagástegui Pacheco**  
Certified Public Accountant  
CCPL Registration<sup>(1)</sup> N° 11778

*sd*

<sup>(1)</sup> Lima College of Public Accountants, PERU

**DESIGNIT PERU S.A.C.**
**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018 AND 2017**

 (Note 2)  
Expressed in Soles

	S/		S/	
	2018	2017	2018	2017
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents (Note 3)	980,496	729,276		0
Trade Accounts Receivable - Third Parties (Note 4)	513,964	126,970	8,841	2,841,704
Trade Accounts Receivable - Related Parties (Note 5)	123,266	37,112	3,257,304	106,418
Other Accounts Receivable - Third Parties (Note 6)	174,775	302,653	207,949	1,249
Services and Other Items Paid in Advance	2,703	0	117,237	
<b>TOTAL CURRENT ASSETS</b>	<b>1,795,203</b>	<b>1,196,011</b>	<b>3,591,331</b>	<b>2,949,371</b>
Deferred Assets (Note 7)	321,140	363,620		
Property, Machinery and Equipment, net (Note 8)	298,445	293,234	207,500	0
			114,245	0
<b>TOTAL ASSETS</b>	<b>2,414,788</b>	<b>1,852,865</b>	<b>3,913,076</b>	<b>2,949,371</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade Accounts Payable - Third Parties (Note 9)	251,219			
Trade Accounts Payable - Related Parties (Note 5)	386,994			
Sundry Accounts Payable - Third Parties (Note 10)	86,154			
Other Accounts Payable - Related Parties (Note 11)	(127,878)			
	2,703			
<b>TOTAL CURRENT LIABILITIES</b>	<b>592,192</b>			
Other Accounts Payable - Related Parties (Note 11)			207,500	0
Deferred Income (Note 12)			114,245	0
<b>TOTAL LIABILITIES</b>			<b>3,913,076</b>	<b>2,949,371</b>
<b>EQUITY</b>				
Capital (Note 13)	321,140	363,620	120,000	120,000
Retained Earnings (Note 14)	298,445	293,234	(1,616,288)	(1,216,508)
<b>TOTAL EQUITY</b>	<b>2,414,788</b>	<b>1,852,865</b>	<b>(1,498,288)</b>	<b>(1,096,596)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,414,788</b>	<b>1,852,865</b>	<b>2,414,788</b>	<b>1,852,865</b>

The accompanying notes are an integral part of the financial statements.

**DESIGNIT PERU S.A.C.**

**STATEMENT OF INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
 (Note 2)  
 Expressed in Soles

	S/	
	2018	2017
<b>NET SALES</b>		
Income from the Sale of Services (Note 15)	6,675,593	4,011,922
<b>TOTAL GROSS INCOME</b>	<b>6,675,593</b>	<b>4,011,922</b>
<b>COST OF SALES (Note 16)</b>	(4,112,839)	(3,198,999)
	<b>2,562,754</b>	<b>812,923</b>
<b>GROSS PROFIT</b>		
<b>OPERATING EXPENSES:</b>		
Selling Expenses (Note 17)	(415,079)	(421,312)
Administrative Expenses (Note 18)	(2,331,695)	(1,369,081)
Other Income (Note 19)	2,849	273
	<b>(181,171)</b>	<b>(977,197)</b>
<b>OPERATING PROFIT</b>		
<b>OTHER INCOME (EXPENSES)</b>		
Financial Income (Note 20)	460,583	34,842
Financial Expenses (Note 21)	(638,714)	(215,769)
	<b>(359,302)</b>	<b>(1,158,124)</b>
<b>PROFIT BEFORE PROFIT-SHARING, DEDUCTIONS AND INCOME TAX</b>		
Income Tax (Note 22)	(42,480)	246,976
<b>NET PROFIT OR LOSS FOR THE YEAR</b>	<b>(401,782)</b>	<b>(911,148)</b>

The accompanying notes are an integral part of the financial statements.

**DESIGNIT PERU S.A.C.**
**STATEMENT OF CHANGES IN NET EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Note 2)

Expressed in Soles

Activity	S/		
	Capital (Note 13)	Retained Earnings (Note 14)	Total Net Equity
Balance as at 31 December 2016	120,000	(305,358)	(185,358)
Loss for the year		(911,148)	(911,148)
Balance as at 31 December 2017	120,000	(1,216,506)	(1,096,506)
Loss for the year		(401,782)	(401,782)
Balance as at 31 December 2018	120,000	(1,618,288)	(1,498,288)

The accompanying notes are an integral part of the financial statements.

**DESIGNIT PERU S.A.C.**
**CASH FLOW STATEMENT  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Note 2)

Expressed in Soles

	S/	
	2018	2017
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Loss for the year	(401,782)	(911,148)
Adjustment to reconcile net loss with net cash from (used) operating activities:		
Depreciation of Property, Machinery and Equipment (Note 8)	90,090	12,749
Fixed Asset Write Offs (Note 8)	25,484	0
Provision for Compensation for Length of Service	105,543	0
<b>Net Variations in Assets and Liabilities:</b>		
(Increase) Decrease in Trade Accounts Receivable	(386,994)	1,106,588
(Increase) Decrease in Trade Accounts Receivable - Related Parties	(86,154)	(37,112)
(Increase) Decrease in Other Accounts Receivable - Third Parties	127,878	(74,387)
(Increase) Decrease in Services and Other Items Paid in Advance	(2,703)	0
(Increase) Decrease in Deferred Assets	42,480	(246,976)
Increase (Decrease) in Trade Accounts Payable - Third Parties	8,841	(1,635)
Increase (Decrease) in Trade Accounts Payable - Related Parties	415,600	1,890,869
Increase (Decrease) in Other Accounts Payable - Third Parties	95,510	6,167
Increase (Decrease) in Other Accounts Payable - Related Parties	115,988	0
Increase (Decrease) in Deferred Income	114,245	(518,927)
Payment of Compensation for Length of Service	(99,522)	0
Advances to Suppliers	0	(1,029)
Tax to be recovered	0	(185,986)
Remuneration payable	0	21,750
Withholding Taxes	0	(67,664)
Tax Payable	0	(25,384)
Adjustment for Accumulated Depreciation (Note 8)	9,147	0
<b>Increase (Decrease) in Cash and Cash Equivalents from Operating Activities</b>	<b>173,651</b>	<b>967,875</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Purchase of Property, Machinery and Equipment (Note 8)	(129,932)	(296,956)
<b>Increase (Decrease) in Cash and Cash Equivalents from Investment Activities</b>	<b>(129,932)</b>	<b>(296,956)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Loan from Parent Company (Note 11)	207,500	0
Loan Payment to Parent Company	0	(103,717)
<b>Increase (Decrease) in Cash and Cash Equivalents from Financing Activities</b>	<b>207,500</b>	<b>(103,717)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	251,219	567,202
Opening Cash and Cash Equivalents Balance	729,276	162,074
<b>Closing Cash and Cash Equivalents Balance</b>	<b>980,495</b>	<b>729,276</b>

The accompanying notes are an integral part of the financial statements.



**DESIGNIT PERU S.A.C.****Notes to the Financial Statements  
as at 31 December 2018****1. Economic Activity of the Company**

Designit Peru S.A.C. (hereinafter the Company) was established by Public Deed in the city of Lima in 2016. Its main shareholder is Designit Spain Digital SL, who owns 99.90% of the Company's shares.

The business purpose of the company is providing consulting and services for total quality management and quality certification processes; distribution and sale of training courses; third-party assignments to create, plan, execute, distribute and supervise promotional marketing campaigns, execution of marketing strategies and company organisation, market studies, design, advisory and advertising campaigns on behalf of third parties, through the necessary media outlets, as well as execution monitoring and control; execution of direct, telephone and public relations marketing programmes and campaigns; design, execution and marketing of all kinds of photographic, audio-visual or informative reports, montages and reproductions; selection and training of sales teams and senior and middle management; as well as human resources advisory and optimisation, consulting and preparation of systems to improve the quality of companies and entities. These activities may be fully or partially carried out by the company in Peru or abroad, as well as directly or indirectly.

In carrying out its business purpose, the company may provide and receive consulting, advisory, technical assistance, operation, installation, start-up, administration, management and/or all kinds of services linked to activities related to its business purpose.

In the same sense, to manage and fulfil its business purpose better and more adequately, the company may directly or through third parties establish, acquire or integrate other companies, institutions, foundations, corporations or associations of any kind or nature in Peru and abroad, as well as carry out any activities related or pertaining to the areas stated in its business purpose and/or are related to the purposes of the company, without restriction or limitation other than those established by Peruvian legislation.

The company may also carry out any other kind of activities permitted by Peruvian law for this kind of company, for these purposes being able to carry out any kind of act and sign contracts that may directly or indirectly be necessary to properly run the company, as well as being able to take part in all kinds of public and/or private, national or foreign bidding and/or tender processes, and in general any business activity related to its business purpose.

The legal address and administrative offices of the Company are located at Av. Alberto del Campo 409, Magdalena del Mar.

**2. Accounting Principles and Practices**

In preparing the financial statements, Company Management has followed the current International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), consisting of the International Financial Reporting Standards, IFRS interpretations, International Accounting Standards and IAS interpretations. The financial statements have been prepared on the basis of historical cost, based on the accounting records kept by the Company.

The main accounting policies adopted by the Company in the preparation and presentation of its financial statements have been applied consistently since 2016, when the Company started operating, as outlined below:

**DESIGNIT PERU S.A.C.****Notes to the Financial Statements  
as at 31 December 2018****a. Qualitative characteristics**

When preparing its financial statements, the company shall apply the relevant and required qualitative characteristics to financial information, so that it can be adapted to the common needs of the different users, in order to help achieve the objectives of the Company and guarantee efficiency in the use of said information.

**b. Functional and Presentation Currency**

The Company prepares and presents its financial statements in Soles, which is its functional currency. Functional currency is the currency of the main economic environment in which an entity operates. The financial statements are presented in Soles, which is the functional and presentation currency of the Company. All transactions are measured in functional currency (Soles), and foreign currency is any currency other than the functional currency.

**c. Foreign Currency Transactions**

Assets and liabilities in foreign currency are recorded in Soles at the exchange rate set by the Superintendency of Banking, Insurance and Private Pension Funds (hereinafter SBS) at the end of each month using the exchange rate set by the SBS at that date. Gains or losses generated between the transaction payment rate or the statement of financial position closing rate and the exchange rate at which transactions were initially recorded are recognised as exchange rate differences (gain or loss) in the statement of comprehensive income in the period in which they are generated.

**d. Fair Presentation**

The company shall fairly and faithfully present its financial position, financial performance and cash flows, revealing additional information deemed necessary to understand the information better.

**e. Accrual Principle**

The company shall prepare its financial statements on an accrual accounting basis. This means that the items are recognised as assets, liabilities, equity, income and expenses, when they meet the definition and recognition criteria of these elements. The only financial statement to which this principle does not apply is the statement of cash flow, which is prepared using the cash basis accounting.

**f. Use of Accounting Estimates**

The preparation of the financial statements following international financial reporting standards requires that the Company's Management make estimates that affect the reported figures of assets and liabilities, the disclosure of active and passive contingencies as at the date of the financial statements, as well as reported figures of income and expenses for the year ended 31 December 2018. The actual figures arising in the future may differ from the estimated figures due to variations in the circumstances on which they were based, so the effect of the change would be included in the determination of net profit or loss for the year in which the change occurs. The most significant estimates related to the accompanying financial statements refer to the estimate of the useful life assigned to property, machinery and equipment to calculate depreciation, deferred income tax and other provisions.

**g. Financial Statements****g.1 Statement of Financial Position**

In this statement, the company presents its assets, liabilities and equity. Assets and liabilities are also classified as current and non-current, in separate categories based on their level of liquidity.

**DESIGNIT PERU S.A.C.****Notes to the Financial Statements  
as at 31 December 2018**

An entity shall classify an asset as current when:

- a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- b) it holds the asset primarily for the purpose of trading; with this being understood as not only selling the asset, but all transactions that could generate a transfer of resources within twelve months after the reporting period;
- c) it expects to realise the asset within twelve months after the reporting period; or
- d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The company shall classify all other assets that do not meet the definition of a current asset as non-current. When the normal operating cycle is not clearly identifiable, its duration will be assumed to be twelve months.

The company shall classify a liability as current when:

- a) it expects to settle the liability in its normal operating cycle;
- b) it holds the liability primarily for the purpose of trading;
- c) the liability is due to be settled within twelve months after the reporting period; or
- d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The company shall classify all other liabilities as non-current. The company has chosen to present its assets and liabilities in descending order of liquidity, as this is more reliable and relevant according to the characteristics of the business, maintaining the structure of starting with assets and proceeding with liabilities.

**g.1.1 Trade Accounts Receivable and Other Accounts Receivable**

Trade Accounts Receivable and Other Accounts Receivable are recorded at the face value of commercial invoices and debts.

**g.1.2 Property, Plant and Equipment (Net)**

This accounting policy must be applied to the tangible assets that the company owns to be used to supply goods and services, for administrative purposes and that are expected to be used for more than one period and which are measured at cost.

- Office equipment
- Computing and communication equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be operated and used.

Depreciation is calculated using the straight-line method based on the useful life stated below:

**DESIGNIT PERU S.A.C.**
**Notes to the Financial Statements  
as at 31 December 2018**

Item	Useful Life
Office equipment	5 years
Computing equipment	2 years
Vehicles	4 years
Air conditioning units	6 years
Improvements to third-party property	7 years (or less, according to the contract)

The following expenses shall be recognised as property, plant and equipment:

**Additions or major maintenance:** These expenses shall be recognised as fixed assets if their effect increases the value and/or useful life of the asset or provides a reduction in costs. If these conditions are not met, they shall be recognised as expenses.

**Replacement of property, plant and equipment:** The replaced component shall be written off in the books.

**Daily maintenance costs** of the element shall be recognised in the statement of income as an expense. Other subsequent expenditure incurred which does not involve future additional economic benefits shall be recognised as an expense in the period in which they are incurred.

**g.1.3 Impairment Loss**

When there are economic events or changes that indicate that the value of a long-lived asset may not be recoverable, Management reviews the book value of these assets. If after this analysis it is found that its book value exceeds its recoverable value, an impairment loss is recognised in the income statement, for an amount equivalent to the excess of the book value. The recoverable amounts are estimated for each asset or, if this is not possible, for each cash-generating unit.

The recoverable value of a long-lived asset or cash-generating unit is the higher value between its fair value minus selling costs and its value in use. The fair value minus the costs to sell a long-lived asset or cash-generating unit is the amount that can be obtained by selling it, in a transaction carried out under arm-length conditions, minus the corresponding sales costs. The value in use is the present value of the estimated future cash flows expected to be obtained from an asset or cash-generating unit.

**g.1.4 Financial Leasing**

In financial leasing transactions, the method followed is to include in the fixed asset the total cost of the contract and its corresponding liability for the same amount, equal to the fair value of the leased asset or the present value of the minimum lease payments if lower, determined at the beginning of the lease. Financial expenses are charged to income in the period in which they are accrued, and the depreciation of the assets is charged to income based on the estimated useful life according to Company policies.

**DESIGNIT PERU S.A.C.****Notes to the Financial Statements  
as at 31 December 2018****g.1.5 Provision for Social Benefits**

The provision for social benefits of staff is calculated according to what is established in the current labour legislation and is charged to results as they accrue. The calculation of the provision is made assuming that all staff voluntarily retire on the date of the financial statements.

**g.1.6 Contingent assets and liabilities**

Probable contingent liabilities are recognised in the financial statements in the period in which a change in probability occurs, that is, when it is determined that an outflow of resources is likely to occur to cover said liability. The probable contingent assets shall be recognised in the financial statements in the period in which it is determined that it is virtually certain that income will occur. Possible contingent liabilities are not recognised in the financial statements, they are only disclosed in a note to the financial statements.

**g.1.7 Financial Instruments**

Financial instruments are defined as any contract that simultaneously gives rise to a financial asset of one company and a financial liability or capital instrument of another company. In the case of Designit Peru SAC, financial instruments correspond to primary instruments such as cash and cash equivalents, trade accounts receivable - third parties, trade accounts receivable - related parties, other accounts receivable - third parties, trade accounts payable - third parties, trade accounts payable - related parties, other accounts payable - third parties and other accounts payable - related parties.

In the opinion of the Company's Management, the balances presented in cash and cash equivalents, trade accounts receivable - third parties, trade accounts receivable - related parties, other accounts receivable - third parties, trade accounts payable - third parties, trade accounts payable - related parties, other accounts payable - third parties and other accounts payable - related parties as at 31 December 2018, do not significantly differ from their fair market values. The accounting policies regarding their recognition and valuation are disclosed in the respective Notes to the Financial Statements.

**g.2 Statement of Income and Statement of Comprehensive Income**

The company has chosen to present its statement of income by function of expense, as this provides information that is more reliable and relevant to the company's own needs. The presentation of the income statement based on this approach requires the company to group the amounts according to their function as part of the cost of sales or, for example, distribution or administration costs. As a minimum, the company shall disclose its cost of sales separately from other expenses.

In relation to the presentation of the statement of comprehensive income or statement of other comprehensive income, the company has decided to present it as a continuation of the Income Statement. A single statement of comprehensive income, in which case the statement of comprehensive income shall present all income and expense items recognised in the period.

A change of approach from a single statement to the two-statement approach or vice versa is a change in accounting policy to which the Accounting Policies, Estimates and Errors policy applies.

**DESIGNIT PERU S.A.C.****Notes to the Financial Statements**  
**as at 31 December 2018****g.2.1 Recognition of Income**

Income from Designit Peru S.A.C. projects for customers is recognised according to degree of progress, not by billing. Therefore, when a project ends and is closed, the amount recognised as revenue is the same as the invoiced amount.

There are cases in which the provisioned amount is not the same as the amount invoiced due to the billing method stated in the contract. In this case, deferred income is recognised.

**g.2.2 Recognition of income from foreign exchange differences and other income**

Foreign exchange differences corresponding to the adjustment of monetary items recorded in foreign currency to the benefit of the Company are recognised as financial income when accrued. Other income is recognised as accrued.

**g.2.3 Recognition of cost of services, expenses from foreign exchange differences and other expenses**

The cost of services related to project execution is recorded when accrued. Foreign exchange differences corresponding to the adjustment of the monetary items represented in foreign currency that are unfavourable to the Company are recognised as financial expenses when accrued. Other expenses are recognised as they accrue, regardless of when they are paid, and are recorded in the periods to which they relate.

**6.2.4 Income Tax**

**Current income tax** is calculated based on legal regulations and the rates set to determine this in force at the date of the annual financial statements.

**Deferred income tax** arises from temporary differences between financial and tax assets and liabilities, insofar as it is probable that, in the future, the Company will have taxable income to offset temporary differences that are reversed, using the current income tax rate for the year of the financial statements, due to the annual nature of said tax. Deferred income tax is recognised as an expense or income for the year.

**g.3 Statement of Changes in Net Equity**

The company shall present a statement of changes in net equity that shows:

- Total comprehensive income for the period
- For each equity component, the effects of retrospective application or restatement recognised in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- For each equity component, reconciliation between book values, at the start and end of the period, separately disclosing changes resulting from:
  - ✓ Profit and loss
  - ✓ All other comprehensive income entries
  - ✓ Transactions with shareholders, separately showing contributions made by shareholders and distributions to shareholders.

**DESIGNIT PERU S.A.C.**
**Notes to the Financial Statements  
as at 31 December 2018**
**g.4 Cash Flow Statement**

The Company prepares its cash flow statement using the indirect method, based on the following considerations:

- **Cash on hand and cash at bank:**  
Includes cash on hand and cash at financial institutions. In the statement of financial position, bank overdrafts are classified as external resources under current liabilities.
- **Operating Activities:**  
These are activities that are the main source of ordinary income of the company, as well as other activities that cannot be classified as investment or financing activities.
- **Investment Activities:**  
These are activities related to the acquisition, sale or disposal by other means of non-current assets and other investments not included under cash and cash equivalents.
- **Financing Activities:**  
Activities that result in changes in the size and composition of net equity and financial liabilities.

**3. Cash and Cash Equivalents**

This item is made up of:

	Soles	
	2018	2017
Cash	0	6
Current Accounts	906,717	602,495
Current Accounts for specific purposes	73,778	126,775
	<b>980,495</b>	<b>729,276</b>

Current Accounts are funds owned by the Company, and are freely available, except tax deduction deposits kept in the current account at the Banco de la Nación to be used exclusively to pay taxes.

**4. Trade Accounts Receivable - Third Parties**

This item is made up of:

	Soles	
	2018	2017
Uncollected Invoices not issued in local currency	0	121,245
Uncollected Invoices issued in local currency	513,964	5,725
	<b>513,964</b>	<b>126,970</b>

Trade accounts receivable mainly arise from providing consulting and strategic design services. It is denominated in local and foreign currency, have current maturity and do not accrue interest. At the end of 2018, the Company only holds accounts receivable in local currency.

**DESIGNIT PERU S.A.C.**
Notes to the Financial Statements  
as at 31 December 2018
**5. Trade Accounts Receivable - Related Parties**

This item consists of accounts receivable from related companies during the financial year, as shown below:

Related Companies	Balance as at	Movements 2018		Balance as at
	31.12.2018	Additions	Collections	31.12.2017
	S/			S/
Designit A/S	0	8,679	(25,825)	17,146
Designit Colombia S.A.S	22,157	85,842	(63,685)	0
Designit Spain Digital, SL.	101,109	113,636	(32,493)	19,966
	<b>123,266</b>	<b>208,157</b>	<b>(122,003)</b>	<b>37,112</b>

Trade Accounts Receivable from Related Parties corresponds to the reimbursement of expenses and time that Designit Peru staff have spent on developing and supporting projects for related companies.

**6. Sundry Accounts Receivable - Third Parties**

This item is made up of:

	Soles	
	2018	2017
Security Deposits	71,040	83,939
VAT Services Provided by Non-Residents	0	139,173
Income tax prepayments	98,149	60,537
Advances to suppliers	254	2,291
Other Sundry Accounts Receivable	5,332	16,713
	<b>174,775</b>	<b>302,653</b>

This items mainly consists of security deposits for leasing the company's office as well as renting apartments abroad for staff working on projects for Designit Peru. It also consists of 2018 income tax prepayments and other sundry accounts receivable.

**7. Deferred Assets**

This item is made up of:

	Soles	
	2018	2017
Deferred Income Tax		
Vacations	7,775	4,230
Tax Loss	297,234	358,990
Depreciation Rate Differences	16,131	400
	<b>321,140</b>	<b>363,620</b>



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This item consolidates deferred tax assets from deductible temporary differences to the extent that it is probable to recover such amounts using taxable profit, against which deductible temporary differences can be used.

**8. Property, Machinery and Equipment (net)**

This item is made up of:

	Balance as	2018 Activity			Balance as
	at	Additions	Withdrawals	Transfers /	at
	31.12.2018			Reclassifications	31.12.2017
	S/	S/	S/		S/
Improvements to Leased Premises	218,535	66,889		151,646	0
Furniture and Fittings	90,743	11,906	( 7,347)	79,160	7,024
Sundry Equipment	0			( 1,400)	1,400
Computing Equipment	96,542	37,653	( 23,001)		81,890
Work in Progress	0	13,484		( 229,406)	215,922
	<b>405,820</b>	<b>129,932</b>	<b>(30,348)</b>	<b>0</b>	<b>306,236</b>
Less: Accumulated Depreciation					
Improvements to Leased Premises	(38,950)	( 38,950)			0
Furniture and Fittings	(16,941)	( 16,213)	899		(1,627)
Sundry Equipment	(51,484)	( 34,927)	3,965	(9,147)	(11,375)
	<b>(107,375)</b>	<b>( 90,090)</b>	<b>4,864</b>	<b>(9,147)</b>	<b>(13,002)</b>
<b>Net Fixed Assets</b>	<b>298,445</b>	<b>39,842</b>	<b>( 25,484)</b>	<b>(9,147)</b>	<b>293,234</b>

This includes improvements made to the leased premises where the Company operates, furniture and fittings and computing equipment purchased by Designit Peru S.A.C. to carry out its business activities.

Management believes that the recoverable value of its fixed assets as at 31 December 2018 and 2017 is higher than their respective book values; therefore, additional devaluation losses for these assets at this date are not deemed necessary.

**9. Trade Accounts Payable – Related Parties**

This item is made up of:

Related Companies	Balance as at	2018 Activity		Balance as at
	31.12.2018	Additions	Payments	31.12.2017
	S/	S/	S/	S/
Designit Spain Digital S.L.	19,971		2,262,415	2,282,386
Cooper Software INC	47,781	47,781		0
Designit Group A/S	3,189,552	2,934,401		255,151

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Related Companies	Balance as at	2018 Activity		Balance as at
	31.12.2018	Additions	Payments	31.12.2017
	S/	S/	S/	S/
Designit Colombia S.A.S.	0		302,146	302,146
Noya de la Piedra Manuel Antonio Martin	0		2,021	2,021
	<b>3,257,304</b>	<b>2,982,182</b>	<b>2,566,582</b>	<b>2,841,704</b>

Accounts Payable to Related Companies corresponds to reimbursement of expenses, man-hours spent on projects, shared management and administration costs and expenses.

**10. Other Accounts Payable – Third Party**

This item is made up of:

	Soles	
	2018	2017
<b>Taxes Payable:</b>		
Central Government	131,711	55,352
Contributions to Public Institutions	7,854	5,894
Contributions to Private Pension Fund Companies (AFPs)	13,678	8,355
<b>Remuneration and Profit Sharing Payable:</b>		
Holiday Pay Payable	26,355	14,338
Compensation for Length of Service	19,233	13,212
<b>Other Sundry Accounts Payable</b>	<b>9,118</b>	<b>9,267</b>
	<b>207,949</b>	<b>106,418</b>

This includes taxes payment to central government, contributions to public institutions, contributions to AFPs, holiday pay payable to workers, compensation for length of service to workers and other sundry accounts payable.

**11. Other Accounts Payable – Related Parties**

This item is made up of:

Related Parties	Balance as at 31.12.2018	2018 Activity			Balance as at 31.12.2017
		Additions	Payment	Reclassif. Exchange Rate Diff.	
	S/	S/		S/	S/
<b>Loans Payable from Related Parties:</b>					
Designit Spain Digital S.L.	203,100	190,378		2,722	0
Designit Group A/S	12,050			2,050	0
Designit Spain Digital S.L.	(7,650)			(7,650)	0

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Related Parties	Balance as at 31.12.2018	2018 Activity				Balance as at 31.12.2017
		Additions	Payment	Reclassif.	Exchange Rate Diff.	
	<b>207,500</b>	<b>190,378</b>	<b>0</b>	<b>0</b>	<b>17,122</b>	<b>0</b>
<b>Interest Payable from Related Parties:</b>	S/	S/			S/	S/
Designit Spain Digital S.L.	101				101	0
Designit Group A/S	116,206	145,799	( 2,073)	(31,571)	4,051	0
Designit Spain Digital S.L.	930	1,311	( 105)	( 1,525)		1,249
	<b>117,237</b>	<b>147,110</b>	<b>( 2,178)</b>	<b>(33,096)</b>	<b>4,152</b>	<b>1,249</b>
	<b>324,737</b>	<b>337,488</b>	<b>( 2,178)</b>	<b>(33,096)</b>	<b>21,274</b>	<b>1,249</b>

This item includes the balance of loans and interest for Designit Group A/S, Designit Spain Digital S.L. and Designit Spain Digital S.L.

**12. Deferred income**

This item is made up of:

	Soles	
	2018	2017
Billed service not yet provided - Relationship Model project	64,947	0
Billed service not yet provided - Totora project	49,298	0
	<b>114,245</b>	<b>0</b>

**13. Capital**

This item is made up of:

	Soles	
	2018	2017
Capital	120,000	120,000
	<b>120,000</b>	<b>120,000</b>

The social capital of the Company as at 31 December 2018 and 2017 is S/120,000 represented by 120,000 common shares each with a nominal value of S/1.00, fully subscribed and paid and distributed as follows:

Shareholders	Share %	N° of shares	Nominal Value per share S/	Subscribed and Paid Capital S/
Designit Spain Digital SL	99.90	119,880	1.00	119,880
Designit Colombia SAS	0.10	120	1.00	120
	<b>100.00</b>	<b>120,000</b>	<b>1.00</b>	<b>120,000</b>

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**14. Retained Earnings**

This item is made up of:

	Soles	
	2018	2017
Accumulated Losses	1,216,506	305,358
Losses in the year	401,782	911,148
	<b>1,618,288</b>	<b>1,216,506</b>

This includes accumulated losses from previous years and the loss recorded in the 2018 financial year.

**15. Revenue from Sale of Services**

This item is made up of:

	Soles	
	2018	2017
Consulting and strategic design services (national)	901,123	1,625,683
Income from reimbursable expenses	5,753,523	2,336,600
Other services	20,947	49,638
	<b>6,675,593</b>	<b>4,011,922</b>

This includes income from the Company's business activity related to design, products, services and systems to innovate the business of the companies.

**16. Cost of Sales**

This item is made up of:

	Soles	
	2018	2017
Personnel Costs	1,136,746	867,874
Services provided by third parties	2,974,326	2,328,405
Sundry management costs	1,767	2,720
	<b>4,112,839</b>	<b>3,198,999</b>

This includes Personnel Costs mainly corresponding to costs related to company staff who are directly involved in carrying out projects.

Services provided by third parties mainly corresponds to services billed by related companies for time and costs incurred in carrying out projects for S/2,586,441 and S/2,134,571 for 2018 and 2017 respectively.

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**17. Sales Expenses**

This item is made up of:

	Soles	
	2018	2017
Personnel Costs	376,833	365,691
Services provided by third parties	38,177	55,621
Sundry management costs	69	0
	<b>415,079</b>	<b>421,312</b>

This includes the expenses incurred by the Company to provide consulting services: payment of staff costs, services provided by third parties and sundry management costs.

**18. Administrative Expenses**

This item is made up of:

	Soles	
	2018	2017
Staff Costs	262,444	321,228
Services provided by third parties	652,272	517,609
Sundry management costs	1,281,483	517,494
Provisions in the year	135,496	12,750
	<b>2,331,695</b>	<b>1,369,081</b>

This is mainly made up of Services Provided by Third Parties, which includes travel and transfer expenses, accounting and legal services, rent, telephone and Internet.

This also includes sundry management expenses corresponding to expenses invoiced by related parties related to administrative expenses for S/1,053,023 and S/458,999 for 2018 and 2017 respectively.

**19. Financial Income**

This item is made up of:

	Soles	
	2018	2017
Exchange Rate Gain	460,583	34,842
	<b>460,583</b>	<b>34,842</b>

This includes financial gains from exchange rate differences from business dealings with third parties and related companies.

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**20. Financial Expenses**

This item is made up of:

	Soles	
	2018	2017
Interest on Loans from Related Parties	118,964	1,235
Late and Compensatory Interest	1	0
Foreign Exchange Losses	519,749	214,534
	<u>638,714</u>	<u>215,769</u>

This includes interest on loans from related parties, foreign exchange losses during the financial year, mainly from interest on loans received.

**21. Income Tax**

According to current legislation, net taxable income to calculate Business Income Tax for the 2018 financial year has been determined by adjusting the Accounting Loss for the Year with the permanent and temporary additions and deductions established in the Income Tax Act.

Also, with respect to accounting treatment and presentation of said tax in the financial statements, International Accounting Standard 12 criteria have been applied. The amounts determined for these items are as follows:

<u>Determination of net taxable income</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Accounting loss for the year	( 359,301)	(1,158,124)
Permanent additions	503,292	318,557
Temporary additions	145,464	55,129
Permanent deductions	( 80,110)	( 41,351)
<b>Net Taxable Income</b>	<u>209,345</u>	<u>( 825,789)</u>
Loss in previous years	(1,216,916)	( 391,127)
<b>Net Taxable Loss</b>	<u>(1,007,571)</u>	<u>(1,216,916)</u>

**22. Tax Situation and Contingencies**
**22.1 Tax Situation**

The tax authority has the power to review and, if applicable, correct the Income Tax and General Sales Tax calculated by the Company within four years after filing tax returns. Income Tax and General Sales Tax declarations for the years 2014 to 2018 inclusive are subject to inspection by the tax authority. Due to the possible interpretations that the tax administration may give to the legal standards in force, it is not currently possible to determine whether assessments made will result in liabilities for the Company; therefore, any higher tax or surcharge that could result from the tax reviews would be applied to profit and loss the financial year in which it is determined.

**DESIGNIT PERU S.A.C.****Notes to the Financial Statements  
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In the opinion of the Company's Management and its legal advisors, by applying these standards, no significant tax liabilities not disclosed in the financial statements as of December 31, 2018 will arise for the Company. In any case, any tax liability determined by the tax authorities would be recognised in the year in which it occurs.

**22.2 Transfer Pricing**

Companies that carry out transactions with related parties and/or from, to and through tax havens are subject to the Transfer Pricing rules, as well as having to provide documentation and information that supports such transactions.

By means of Legislative Decree 1312, published on 31 December 2016, several changes were made to Transfer Pricing regulations which were subsequently regulated by Supreme Decree No. 333-2017-EF and resolutions issued by SUNAT [Peruvian Tax Authority].

Therefore, for transactions subject to the scope of application of the Transfer Pricing standards, an Informative Declaration called Local Reporting needs to be filed by taxpayers whose accrued income in the financial year exceeds 2,300 Tax Units (UIT) and whose transactions are equal to or greater than 100 UIT or when the taxpayer has sold assets to related parties with a market value lower than its tax basis.

Whereas taxpayers that form part of a group whose accrued income in the tax year exceeds 20,000 UIT with transactions equal to or greater than 400 UIT shall file an Informative Tax Return called Master Report, which shall contain, among other elements, the organisational structure, description of the business(es) and transfer pricing policies for Group intangible assets and financing, as well as its financial and tax situation.

On the other hand, taxpayers whose accrued income (according to the consolidated financial statements prepared by the parent company of the multinational group) is equal to or greater than S/ 2,700,000,000 and certain other conditions are met in the previous tax year shall file an Informative Tax Return called Country-by-Country report.

Company Management believes that for Income Tax purposes, tax legislation provisions on transfer pricing have been taken into account for transactions between economically related companies and those residing in a low or no tax territory, and no significant liabilities will arise as at 31 December 2018.

**22.3 Temporary Tax on Net Assets**

Since 2005, a Temporary Tax on Net Assets has been established, which is calculated on the value of net assets. The tax rate is 0.4% and is applied to the amount of assets over S/1,000,000. This tax can be paid in cash or over nine continuous monthly instalments. The amount paid can be used as credit against income tax prepayments in the year.

**22.4 Contingencies**

According to the information provided by the Company's external legal advisors by letter dated 31 January 2019, as at 31 December 2018 Designit Peru S.A.C. does not have any pending legal action that may generate any type of contingency.

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**Notes to the Financial Statements  
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**23. Administration of Financial Risks**

The Company, due to the nature of its activities, is exposed to several financial risks, which include the effects of variations in market value, interest rates, and the foreign currency exchange rate:

**23.1 Exchange Rate Risk**

The exchange rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to variations in exchange rates. The Company's exposure to exchange rate risk is mainly related to the Company's operating activities. The current position in foreign currency comprises the assets and liabilities that are expressed at the exchange rate on the date of the statement of financial position.

Transactions in foreign currency are carried out at the free market exchange rates published by the Superintendency of Banking, Insurance and AFPs. As at 31 December 2018, the weighted average free market exchange rates for transactions in US dollars were as follows:

	American Dollars	
	2018	2017
US \$ - Buy (assets)	3.369	3.238
US \$ - Sell (liabilities)	3.379	3.245

Balances in foreign currency held by the Company which are exposed to foreign exchange risk as at 31 December 2018 for assets and liabilities in foreign currency were:

Line on the Financial Statements	American Dollars	
	2018	2017
<b>Assets:</b>		
Cash and Cash Equivalents	4,832	2,254
Accounts Receivable – Related Parties		0
Other Accounts Receivable	21,086	25,923
Services and Other Items paid in advance	803	0
<b>Total Assets</b>	<b>26,721</b>	<b>784,238</b>
<b>Liabilities:</b>		
Trade Accounts Payable – Third Party	( 75)	0
Accounts Payable – Related Parties	( 966,846)	( 781,984)
Other Accounts Payable - Related Parties	( 23,227)	0
Other Accounts Payable	0	( 2,408)
<b>Total Liabilities</b>	<b>( 990,148)</b>	<b>( 784,392)</b>
<b>Net Asset Position exposed to Foreign Exchange Risk</b>	<b>( 963,427)</b>	<b>( 756,215)</b>
<b>Equivalent in Soles (S/)</b>	<b>( 3,255,420)</b>	<b>( 2,448,623)</b>



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During the 2018 financial year, the Company recorded foreign exchange gains of S/ 460,583 (Note 19) and foreign exchange losses of S/ 519,749 (Note 20), i.e. the company has recorded a net loss of S/ 59,166 from foreign exchange transactions in the year.

**23.2 Interest Rate Risk**

The company's exposure to this risk is defined as the risk of incurring losses due to changes in interest rates, either because these variations affect the company's financial margin or because they affect the equity value of its own resources. As at 31 December 2018, Designit Peru S.A.C. does not have significant interest rate risks.

**23.3 Credit Risk**

Exposure to this risk is related to debtors' inability to meet the payment of their obligations to the Company as they fall due, and default by parties to cash and cash equivalent transactions. This risk is limited to balances deposited at banks and accounts receivable at the date of the statement of financial position. Therefore, the Company does not expect to incur losses due to this risk, because accounts receivable as at 31 December 2018 are within the normal credit periods granted by the Company.

**23.4 Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its payment obligations related to financial liabilities as they fall due and replace these funds when they are withdrawn. Designit Peru S.A.C. is not exposed to Liquidity risk, mainly because in carrying out its operations it obtains the necessary funds to meet its commitments associated with financial instruments.

The resources obtained by the company are mainly based on the income from charging for consulting services in project execution. As at 31 December 2018, the Company holds sufficient cash funds to cover its current obligations, according to the nature of its business.

**23.5 Capital Management Risk**

The Company's objective in managing capital is to safeguard its ability to continue as a going concern, with the purpose of generating returns to its shareholders and maintaining an optimal capital structure to reduce the cost of capital.

The policy of the shareholders is to finance short and long-term operations mainly with their own resources. The liability and equity balances of Designit Peru S.A.C. and their share percentages as at 31 December 2018 and 2017 were as follows:

Items	2018		2017	
	S/	%	S/	%
Total Liabilities	3,913,076	1.62	2,949,371	1.59
Total Net Equity	(1,498,288)	( 0.62)	(1,096,506)	( 0.59)
<b>Total Liabilities and Net Equity</b>	<b>2,414,788</b>	<b>100.00</b>	<b>1,852,865</b>	<b>100.00</b>

As at 31 December 2018, the Company's leverage ratio was 162%, and it has a negative net equity position that reaches 62% of its Net Assets; however, of all its total liabilities, approximately 92% corresponds to loans from related companies (see notes 9 and 11). According to Company

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Management, this mitigates any risk on management's plans in relation to the continuity of the company as a going concern.

**24. Events subsequent to the date of the financial statements**

From 31 December 2018 to the date this report is issued (19 April 2019), there have been no subsequent events of financial, accounting and/or tax nature that in the opinion of Company Management need to be disclosed in notes to the financial statements.

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