

**Red de Agricultura Sostenible  
A. C. and Subsidiary**

Consolidated Financial Statements  
for the Years Ended December 31,  
2018 and 2017, and Independent  
Auditors' Report Dated June 18th,  
2019



**Red de Agricultura Sostenible A.C. and Subsidiaries**  
**Independent Auditors' Report and**  
**Consolidated Financial Statements for 2018**  
**and 2017**

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## Independent Auditors' Report to the General Assembly of Red de Agricultura Sostenible A. C. and Subsidiaries.

### *Opinion*

We have audited the consolidated financial statements of Red de Agricultura Sostenible, A. C. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the consolidated financial statements of activities and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial statements of the Entity as of December 31, 2018 and 2017, the consolidated financial performance and their consolidated cash flows, for the years then ended in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Independent Auditor's Responsibilities for the Audit of Consolidated Financial Statements* section in our report. We are independent of the Entity in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professionals Accountants* (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code); we have fulfilled our ethical responsibilities in accordance with the IESBA Code and IMCP Code.

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

### *Other matter*

The accompanying consolidated financial statements have been translated to English for the convenience of readers.

### *Management's Responsibilities related with the Consolidated Financial Statements.*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control; as management 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 consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable; matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated 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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date in our report. However, future events or conditions may cause the Entity to cease being a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

Galaz, Yamazaki, Ruiz Urgiza, S. C.  
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Victor Manuel Alvarado Cedillo

June 18th, 2019



## Red de Agricultura Sostenible, A. C. and Subsidiaries

# Consolidated Statements of Financial Position

As of December 31, 2018 and 2017  
(In US dollars)

<b>Assets</b>	Notes	2018	2017
Current assets:			
Cash		\$ 3,142,868	\$ 3,118,135
Other accounts receivables	5	177,232	692,753
Prepaid expenses		<u>34,018</u>	<u>27,744</u>
Total current assets		3,354,118	3,838,632
Furniture and equipment - Net	6	42,257	53,213
Software - Net		-	540
Guarantee deposits		<u>2,834</u>	<u>2,839</u>
Total assets		<u>\$ 3,399,209</u>	<u>\$ 3,895,224</u>
<b>Liabilities and Equity</b>			
Current liabilities:			
Trade accounts payable		\$ 2,904	\$ 9,334
Advances received from customers		10,000	10,000
Accrued expenses and taxes	8	<u>69,553</u>	<u>64,283</u>
Total liabilities		82,457	83,617
Unrestricted Equity:			
Accumulated Equity		3,919,650	4,425,972
Cumulative translation adjustments		<u>(602,898)</u>	<u>(614,365)</u>
Total Equity:		<u>3,316,752</u>	<u>3,811,607</u>
Total liabilities and equity.		<u>\$ 3,399,209</u>	<u>\$ 3,895,224</u>

See accompanying notes to consolidated financial statements.

## Red de Agricultura Sostenible A.C. and Subsidiary

# Consolidated Statements of Activities

For the years ended December 31, 2018 and 2017  
(In US dollars)

	Notes	2018	2017
Revenue:			
Royalties		\$ 506,547	\$ 3,067,133
Other income		<u>503,585</u>	<u>45,964</u>
		1,010,132	3,113,097
Operating expenses	11	1,476,793	1,831,610
Interest income		(2,126)	(1,668)
Interest expenses		328	14
Exchange loss		<u>27,265</u>	<u>19,459</u>
		<u>1,502,260</u>	<u>1,849,415</u>
Equity increase before income taxes		(492,128)	1,263,682
Income taxes expense	12	14,184	15,320
Equity at the beginning of the year		<u>4,425,972</u>	<u>3,177,610</u>
Accumulated Equity		<u>\$ 3,919,660</u>	<u>\$ 4,425,972</u>

See accompanying notes to consolidated financial statements.

Red de Agricultura Sostenible, A.C. and Subsidiary

**Consolidated Statements of Cash Flows**

For the years ended December 31, 2018 and 2017

(In US dollars)

	2018	2017
Operating activities:		
Equity increase before income taxes	\$ (492,128)	\$ 1,263,682
Adjustments for:		
Depreciation and amortization	13,042	15,716
Loss on sale and disposal of equipment	248	-
Interest income	(2,126)	(1,668)
Interest expense	<u>328</u>	<u>14</u>
	(480,636)	1,277,744
(Increase) decrease in:		
Accounts receivables	515,521	(107,936)
Prepaid expenses	(6,269)	22,938
Increase (decrease) in:		
Trade accounts payable	(6,430)	(5,885)
Taxes, accrued expenses and deferred income	5,269	(21,928)
Income taxes paid	<u>(14,183)</u>	<u>(15,320)</u>
Net cash flows provided by operating activities	13,272	1,149,613
Investing activities:		
Acquisition of furniture and equipment	(1,794)	(2,703)
Sale of furniture and equipment	-	3,803
Acquisition of software	-	(2,160)
Interest received	<u>2,126</u>	<u>1,668</u>
Net cash flows used in investing activities	332	608
Financing activities:		
Interest paid	<u>(328)</u>	<u>(14)</u>
Net cash flows used in financing activities	<u>(328)</u>	<u>(14)</u>
Net increase in cash	13,276	1,150,207
Cash at beginning of year	3,118,135	1,909,711
Effects of exchange rates changes on cash	<u>11,457</u>	<u>58,217</u>
Cash at end of year	<u>\$ 3,142,868</u>	<u>\$ 3,118,135</u>

See accompanying notes to consolidated financial statements.



## Red de Agricultura Sostenible A.C. and Subsidiary

# Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017  
(In US dollars)

### 1. Activities

Red de Agricultura Sostenible A.C and Subsidiary (the "Entity") is a corporation incorporated under the Mexican Laws. Its corporate offices are located in Av. Augusto Rodin 52 B, Napoles, Benito Juarez,, C.P. 03810, Mexico City, Mexico.

The Entity is composed by an international group of non-profit organizations working in favor of biodiversity conservation and rural development.

The Sustainable Agriculture Network (RAS) is an international network of nonprofit organizations focused on shaping the agriculture that the world needs. Our mission is to be a global network to transform agriculture into a sustainable activity.

We promote sustainable agriculture, the conservation of biodiversity and the improvement of rural livelihoods on and off farms through the implementation of technical services, based on the experience and knowledge of our local partners.

### 2. Adoption of new and revised International Financial Reporting Standards

*Explanation for translation into English* - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### a. *Application of new and revised International Financing Reporting Standars ("IFRSs" or "IAS") and interpretations that are madatory efective for the current year*

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

*New and modified IFRS that are effective for the current year*

*Initial impact of the application of IFRS 9 – Financial Instruments*

In the current fiscal year, the Entity has applied IFRS 9, *Financial Instruments* (as revised in July 2014) and the adjustments related to other IFRS Standards that are effective for the year beginning on or after January 1, 2018. The transitional provisions of IFRS 9 allow the entity not to restate comparative financial statements.

Additionally, the Entity has adopted the adjustments of the IFRS 7, *Financial Instruments Disclosures*, which were applied to the 2018 disclosures.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Deterioration of financial assets, and
3. Hedge accounting.

Details of these new requirements as well as their impact on the Entity's consolidated financial statements are described below.





The Entity has adopted IFRS 9 in accordance with the transition provisions contemplated in IFRS 9.

a) *Classification and measurement of financial assets*

The date of initial application (i.e. the date on which the Entity has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the Entity has applied the requirements of IFRS 9 to instruments that continue to be recognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income.
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss.

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through profit and or loss if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Entity has not designated any debt investments that meet the amortized cost or fair value through other comprehensive income criteria as measured at fair value through profit and or loss.

When a debt investment measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at fair value through other comprehensive income are subject to impairment. See (b) below.



b) *Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Entity to recognize a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortized cost or at fair value through other comprehensive income,
- (2) Lease receivables,
- (3) Trade receivables and contract assets, and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Because the Entity has elected to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognized on the date of initial application of IFRS 9 (i.e. 1 January 2018).

The adoption of IFRS 9 did not have any impact on the Entity's financial information.

c) *Classification and measurement of financial liabilities*

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The application of IFRS 9 did not have any impact on the classification and measurement of the Entity's financial liabilities as there were not reclassifications applied.



d) *Impact of application of IFRS 15 Revenue from Contracts with Customers*

In the current year, the Entity has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The application of IFRS 15 did not have any impact on the financial position and on the financial performance of the Entity.

**New and revised IFRS Standards in issue but not yet effective**

At the date of authorization of these financial statements, The Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

IFRS 16 *Leases*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements consolidate of the Entity in future periods, except as noted below:

**IFRS 16 Leases**

*General impact of application of IFRS 16 Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Entity will be 1 January 2019.

The Entity has chosen the full retrospective application of IFRS 16 in accordance with IFRS 16:C5(a). Consequently, the Entity will restate the comparative information.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

*Impact of the new definition of a lease*

The Entity will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Entity.

*Impact on Lessee Accounting*

**Operating leases**

IFRS 16 will change how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.



On initial application of IFRS 16, for all leases (except as noted below), the Entity will:

- a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

### 3. Summary of significant accounting policies

#### a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) released by the IASB.

#### b. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies below.

##### i. *Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

##### ii. *Fair value*

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or use value in IAS 36.



In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

c. *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Entity and its subsidiaries. See Note 7 for more information. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding voting rights, relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.



#### Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### d. *Financial assets*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

#### *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).



(i) *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

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

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item (note 60). Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;



- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item (note 60); and
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

#### Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date

#### (ii) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;





- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(iii) Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



(iv) *Credit-impaired financial assets*

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

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event (see (ii) above);
- (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

(v) *Write-off policy*

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(vi) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.



The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings

e. *Prepaid expenses*

Prepaid expenses are measured at the amount of cash paid and recognized as assets from the date in which the payment is made. They are recognized in profit or loss during the period in which the related services are received or the goods are used. They are classified as short-term or long-term depending on whether the period of use of the services or goods goes beyond 12 months.

f. *Plant and equipment*

Plant and equipment are initially recognized at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in such estimates accounted for on a prospective basis.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and it is recognized in profit or loss.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets, as follows:

	Average years
Leasehold improvements	3
Plant and equipment	10
Computers	5

Leasehold improvements are amortized over the shorter of either their useful life or the lease term.



g. *Software*

Costs incurred in the development phase that meet certain requirements and that the Entity has determined will have future economic benefits are capitalized and amortized using the straight-line method over their estimated useful lives. Disbursements that do not meet such requirements, as well as research cost, are recorded in profit or loss of the period in which they are incurred.

h. *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

i. *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the Entity's functional currency (Colón - Costa Rica) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are restated at the prevailing rates to the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not restated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated to American dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income.

j. *Financial liabilities and equity instruments*

(i) Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(iii) Other financial liabilities

Other financial liabilities (including loans) are subsequently measured at amortized cost using the effective interest method.



The effective interest method is a method for calculating the amortized cost of a financial liability and for allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(iv) Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(v) Offset

Financial assets and liabilities are subject to offset and the net amount is shown in the financial status statement only when the Entity has a legal right to offset the amounts and its purpose is to carry out liquidation on a net basis or to simultaneously realize the asset and liquidate the liability.

k. *Provisions*

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

l. *Income taxes*

The Entity is not a taxpayer of Income Taxes (ISR), so the Entity only pay taxes on the remaining distributable or items that are considered as such, therefore, no deferred income tax is recognized according to IAS 12, Income Taxes, as a non-profit organization purposes.

m. *Revenue recognition*

Services

Revenue is converted into the fair value of the consideration received in the sale of goods or services in the normal course of operations, which occurs when the control has been transferred to customers a change in consideration to the quality of the Entity consider having the right to change said goods or services.

Royalties

Are recognized as they are accrued in accordance with the substance of the relevant agreement (provided that it is likely that the economic benefits will flow to the Entity and the income can be reliably measured). Royalties determined over a period of time are recognized using the straight-line method over the term of the agreement. Royalty agreements that are based on production, sales and other measurements are recognized by reference to the underlying agreement.



n. *Statement of Cash Flows*

The Entity reports cash flows for investment transactions using the indirect method whereby the profit or loss is adjusted for the effects of transactions a nature different than cash, any deferral of inflow or outflow of cash for past or future accumulation or entries of income or expenses associated with cash flows from investment or financing activities.

4. **Critical accounting judgments and key sources of uncertainty estimation.**

In the application of the Entity's accounting policies, which are described in Note 3, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. *Critical accounting judgments when applying accounting policies*

As of December 31, 2018 there were no critical accounting judgments identify when applying accounting policies.

b. *Key sources of uncertainty estimation.*

The following are the key assumptions about the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. *Furniture and equipment*

The Entity determines the useful lives and residual values of its furniture and equipment based on its experience and the advice of internal specialists.

ii. *Impairment testing*

The Entity is required to test its definite useful live long-lived assets for impairment when there are indicators that an impairment loss has occurred and to test its indefinite useful live assets and other intangible assets, at least on an annual basis. To calculate impairment losses of long-lived assets in use, it is necessary to determine the asset's recoverable amount. Recoverable amount is defined as the higher of the asset's fair value less cost to sell or its value in use, which is the present value of the future cash flows expected to be derived from the asset. Determining whether goodwill is impaired requires an estimation of the value-in use of the cash-generating units to which goodwill has been allocated. The value-in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, determined using a suitable discount.

5. **Cash**

For the purposes of the consolidated statement of cash flows, the cash include cash on hand and in banks, net of outstanding bank overdrafts.



6. Other account receivable

	2018	2017
Accounts receivables	\$ 149,568	\$ 668,835
Other accounts receivables	7,715	6,147
Recoverable income taxes	<u>19,949</u>	<u>17,771</u>
	<u>\$ 177,232</u>	<u>\$ 692,753</u>

7. Furniture and equipment

	2018	2017
<b>Gross investment at cost:</b>		
Leasehold improvements	\$ 8,100	\$ 8,100
Furniture and equipment	47,230	48,522
Computers	<u>29,600</u>	<u>27,806</u>
Gross investment	<u>\$ 84,930</u>	<u>\$ 84,428</u>
<b>Accumulated depreciation:</b>		
Leasehold improvements	\$ (8,100)	\$ (6,032)
Furniture and equipment	(14,489)	(10,486)
Computers	<u>(20,084)</u>	<u>(14,697)</u>
Accumulated depreciation	<u>\$ (42,673)</u>	<u>\$ (31,215)</u>
<b>Net investment:</b>		
Leasehold improvements	\$ -	\$ 2,068
Furniture and equipment	32,741	38,036
Computers	<u>9,516</u>	<u>13,109</u>
Total furniture and equipment - Net	<u>\$ 42,257</u>	<u>\$ 53,213</u>

a. The roll forward of the net book value of furniture and equipment is as it follows:

	Buildings and leasehold improvements	Furniture and equipment	Computers	Total furniture and equipment
Balance at the beginning of 2017	\$ 3,828	\$ 45,965	\$ 17,629	\$ 67,422
Additions	1,385	-	1,318	2,703
Disposals	-	(3,756)	(1,011)	(4,767)
Depreciation	(3,145)	(4,727)	(5,237)	(13,109)
Eliminated on disposals of assets	<u>-</u>	<u>554</u>	<u>410</u>	<u>964</u>



	Buildings and leasehold improvements	Furniture and equipment	Computers	Total furniture and equipment
Balance as of December 31, 2017	2,068	38,036	13,109	53,213
Additions	-	-	1,794	1,794
Disposals	-	(587)	-	(587)
Depreciation	(2,068)	(5,047)	(5,387)	(12,502)
Eliminated on disposals of assets	-	339	-	339
Balance as of December 31, 2018	\$ -	\$ 32,741	\$ 9,516	\$ 42,257

Depreciation expense is presented in the operating expenses line items in the consolidated statements of activities. During the years ended December 31, 2018 and 2017, there were no impairment losses recognized.

#### 8. Consolidation of subsidiary

The subsidiary listed below is a company incorporated in Mexico with operations in Costa Rica.

The ownership interest and voting power held by the Entity in its direct subsidiary is as follows:

Entity	Ownership 2018	Ownership 2017	Activity
Red de Agricultura Sostenible CR S. A.	100.00%	100.00%	A non-profit company working in favor of biodiversity conservation and rural development.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

#### 9. Accrued expenses and taxes

	2018	2017
Taxes payable - mainly ISR	\$ 9,970	\$ 4,765
Accrued operating expenses	<u>59,583</u>	<u>59,518</u>
	<u>\$ 69,553</u>	<u>\$ 64,283</u>

#### 10. Financial instruments

##### a. Categories of financial instruments:

The Entity recognizes all of the assets or liabilities arising from operations with derivative financial instruments in the balance sheet at fair value, regardless of the purpose for which they are held. The Entity's general strategy has not been modified this year. The Entity's general strategy has not been modified this year.





The main financial instruments of the Entity as presented in the consolidated financial statements are the following:

		2018		2017
i.	Cash	\$	3,142,868	\$ 3,118,135
ii.	Other accounts receivables		177,232	23,918
iii.	Trade accounts payable		2,904	9,334

During the year there were no reclassifications of financial instruments between categories.

a. **Liquidity risk management:**

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its General Assembly. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Trade accounts payable	\$ <u>2,904</u>	\$ <u>-</u>	\$ <u>-</u>

**4. Transactions with related parties**

Balances and transactions between the Entity and its subsidiary, which are related parties of the Entity, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Entity and other related parties are disclosed below.

a. Transactions with related parties during the years, carried out in the ordinary course of business, were as follows:

	2018	2017
<b>Revenue:</b>		
Royalties	\$ -	\$ 2,596,452
Completion contract Rain Forest Alliance	506,547	470,681
Reimbursement	\$ -	4,344
<b>Expenses:</b>		
Reimbursement	104,120	167,031

The above transactions with related parties were performed with the usual listed prices of the Entity.

**5. Operating expenses**

a. Operating expenses are as follows:

	2018	2017
Fees	\$ 582,094	\$ 794,639
Employee benefits	686,207	737,324
Travel expenses	37,263	108,353
Insurance	57,655	67,081
Rental expense	34,225	35,914

	2018	2017
Subscriptions	5,044	16,692
Depreciation and amortization	13,042	13,210
Telecommunication	449	9,833
Maintenance	378	11,223
Bank commissions	4,037	5,326
Other operating expenses	<u>56,399</u>	<u>32,015</u>
Total operating expenses	<u>\$ 1,476,793</u>	<u>\$ 1,831,610</u>

## 6. Income taxes

In accordance with article 79, section XII of Income Taxes Law, the Entity is not a contributor. The Entity may be subject to the payment of income taxes only for non-deductible expenses incurred and by received income from activities other than those which was authorized.

*Income taxes in other countries*, for Red de Agricultura Sostenible in Costa Rica calculate their individual income taxes, according to the regulations of that country. The income tax generated at December 31, 2018 and 2017 was of \$14,183 and \$15,320, respectively.

## 7. Contingent

The Entity, as well as its assets, is not subject to any legal action other than those of a routine nature proper to its activity.

In accordance with current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

In regards of transactions with related parties, the Entity is in the process of obtaining the information and / or evidence that demonstrate that it determined its cumulative income and its authorized deductions, considering the prices and the amounts of the considerations that were used with or between related parties in comparable operations, as established in section IX and XII of article 76 of the Ley de Impasto sobre la Renta related to the year 2018.

## 8. Authorization to issue the consolidated financial statements

On May 24th, 2019, the issuance of the consolidated financial statements was authorized by Geovanna Rojas Flores the Entity's Administrative and Finance Manager. These consolidated financial statements are subject to the approval the General Assembly, which may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

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