

(Free translation from the original in Spanish)

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS  
AMERIKA - SOLIDARIDAD**

**FINANCIAL STATEMENTS AT DECEMBER 31<sup>ST</sup> 2015  
AND 2014, INCLUDING THE INDEPENDENT  
AUDITOR'S REPORT.**

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**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

FINANCIAL STATEMENTS AS OF DECEMBER 31<sup>ST</sup> 2015 AND 2014  
INCLUDING THE INDEPENDENT AUDITOR'S REPORT.

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S/ - Sol  
US \$ - American Dollar

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To the Director of:

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

We have audited the accompanying financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**, (hereinafter Solidaridad) including the statement of assets, liabilities, and institutional equity, as of December 31<sup>ST</sup> 2015 and 2014, the statement of income, expenses and change in institutional equity and the statement of cash flow for the years then ended as well as a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Peru. This responsibility includes: designing implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that do not contain misstatements of relative importance, derived from a fraud or error; select and adopt appropriate accounting policies, and making accounting estimates that are reasonable under the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audits. Our audits were conducted in accordance to auditing standards generally accepted in Peru, covered mainly by International Auditing Standards issued by the Auditing Standards and Assurance Committee of the International Federation of Accountants - IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the evaluation of the risk that the financial statements may contain material misstatements of relative importance whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's for preparation and fair presentation of the financial statements in order to design audit procedures in accordance with the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing whether the accounting principles applied are appropriate and whether the accounting estimates made by management are reasonable, as well as evaluating the overall presentation of these financial statements.

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

*Opinion*

In our opinion, the financial statements attached, presents fairly in all material respects the financial position of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**, as at December 31<sup>st</sup> 2015 and 2014, and its financial performance for the year then ended in accordance to generally accepted accounting principles in Peru.

Lima, Perú

March 14th 2016

Signed by:



Justo E. Manrique Aragón (Partner)  
Certified Public Accountant  
Register Nº 09579



**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

**STATEMENT OF ASSETS, LIABILITIES AND INSTITUTIONAL EQUITY**

At December 31st 2015 and 2014

(Expressed in PEN)

ASSETS	Note	2015	2014	LIABILITIES AND EQUITY	Note	2015	2014
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents	4	5,699,338	3,586,907	Accounts payable -comercial		1,110	942
Accounts receivable - Related parties	5	615,438	787,118	Other accounts payable	9	547,069	652,874
Accounts receivable - Other	6	331,522	282,801	Total current liabilities		548,179	653,816
Total current assets		<u>6,646,298</u>	<u>4,656,826</u>	<b>PROJECTS TO EXECUTE</b>	10	7,341,820	5,157,760
				Total Liabilities		<u>7,889,999</u>	<u>5,811,576</u>
ACCOUNTS PAYABLE - LONG - TERM	7	851,080	892,828				
ACCOUNTS PAYABLE - RELATED PARTIES	5	171,364	171,364				
INVESTMENTS		-	-	<b>INSTITUTIONAL EQUITY</b>	11		
				Accumulated remmant		7,770	176,357
FACILITIES, FURNITURE AND EQUIPMENT	8	<u>229,027</u>	<u>266,915</u>	Total equity		<u>7,770</u>	<u>176,357</u>
Total assets		<u><u>7,897,769</u></u>	<u><u>5,987,933</u></u>	Total liabilities and equity		<u><u>7,897,769</u></u>	<u><u>5,987,933</u></u>

The notes that follow are integral to this fianncial statement

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJS AMERIKA - SOLIDARIDAD**

**STATEMENT OF INCOME, EXPENSES AND CHANGE IN INSTITUTIONAL EQUITY**

For the years ending December 31st 2015 and 2014

(Expressed in PEN)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>INCOME</b>			
Income from projects	12	15,023,840	9,372,434
Institutional income	13	921,826	171,514
Other income	14	806	198,658
		<u>15,946,472</u>	<u>9,742,606</u>
<b>Operative costs:</b>			
Personel costs	15	(1,717,311)	(1,488,251)
Services operated by third parties	16	(2,442,626)	(1,756,094)
Taxes		(30,457)	(3,489)
Administration costs - diverse	17	(10,368,983)	(5,086,459)
Provisions		<u>(73,197)</u>	<u>(617,430)</u>
		<u>(14,632,574)</u>	<u>(8,951,723)</u>
Operating Income		1,313,898	790,883
Net Financial Income		152	150
Net exchange rate difference	3 a)	(1,482,637)	(155,507)
Surplus (deficit) of the year		<u>(168,587)</u>	<u>635,526</u>
<b>INSTITUTIONAL EQUITY</b>			
Balance at the begining of the year		176,357	(459,169)
Other adjustments		-	-
Surplus (deficit) of the year		<u>(168,587)</u>	<u>635,526</u>
Balance at closing year		<u>7,770</u>	<u>176,357</u>

The notes that follow are integral to this fianncial statement

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD**

**STATEMENT OF CASH FLOW**

For the years ended December 31st 2015 y 2014

(Expressed in PEN)

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Income from projects and services	18,129,725	6,450,562
Other income	578	(168)
Donations	(10,087,263)	(4,863,602)
Suppliers	(2,805,669)	(1,986,333)
Salaries and social benefits	(1,685,223)	(1,437,760)
Taxes	39,962	(51,092)
Other cash payments of operating activities	(1,439,478)	(108,420)
Increase ( decrease) in cash and cash equivalents from activities of operation	<u>2,152,633</u>	<u>(1,996,813)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(40,203)	(110,620)
Other investing activities	-	-
Decrease in cash and cash equivalents from activities of investment	<u>(40,203)</u>	<u>(110,620)</u>
Net Increase in cash and cash equivalents	2,112,430	(2,107,433)
Balance of cash and cash equivalents at the beginning of the period	<u>3,586,907</u>	<u>5,694,340</u>
Balance of cash and cash equivalents at the end of the period	<u><u>5,699,337</u></u>	<u><u>3,586,908</u></u>
<b>Conciliation of Net Income with cash and cash equivalents from operating activities:</b>		
Net Income	(168,588)	635,526
Depreciation and amortization	73,197	67,326
Provision for devaluation of investments	673	-
Recuperation of devaluated investments		(196,441)
Estimation of doubtful accounts receivable		550,104
Net variation of assets and liabilities:		
Accounts receivable - related	171,680	(402,577)
Accounts receivable - other	(43,241)	196,268
Anticipated costs	3,016	(3,101)
Accounts payable - Commercial	167	(1,233)
Accounts payable - Other	(68,331)	250,637
Projects to execute	<u>2,184,060</u>	<u>(3,094,794)</u>
	<u><u>2,152,633</u></u>	<u><u>(1,998,285)</u></u>

The notes that follow are integral to this financial statement

## STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

### NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31<sup>ST</sup> 2015 AND 2014

#### 1. INSTITUTIONAL ACTIVITIES

##### a) Background and economic activity

**STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD** (hereinafter Solidaridad), is a civil non-profit organization being part of the Solidaridad Network, entity constituted in the Netherlands for international cooperation with global experience in facilitating socially responsible development, ecology and development of sustainable supply chains of twelve different products, operating through a network of 9 regional centers across 5 continents

In Peru, Solidaridad is recognized entity in accordance with article 2073 of the civil code and the Resolution of the National Superintendent of Public Registries No. 057-2002 - SUNARP – SN, in that way it is considered able to practice all actions and benefit of all rights corresponding to this area, as stated in Item No. 11613699, Registry of Legal Person of Lima dated November 17<sup>th</sup>, 2003. It has its offices and administrative address in Roosevelt Ave N ° 5866, District of Miraflores, Lima - Peru.

Solidaridad is part of Solidaridad Network as the Andes REC (Regional Center of Expertise) and currently has six development programs (coffee, cocoa, gold, palm oil, fruit, flowers) between Peru, Colombia, Bolivia and Ecuador. For the development of its activities it has the following personnel:

	2015	2014
Director	1	1
Program Managers	5	5
Field Technicians and administrators	30	24
	<u>36</u>	<u>30</u>

##### b) Objectives

At international level, the organization's mission is to bring together different actors from the supply chain and engage them in innovative solutions for improving production, ensuring the transition to a sustainable and inclusive economy that maximizes the benefits to all.

As REC, it has the following objectives:

- To provide support to producer's organizations, civil society organizations and businesses that are looking to grow and innovatively fight against poverty and environmental damage.
- To strengthen producer's organizations and civil society organizations working towards the sustainable development of their economies.
- Involve companies and investors in the development of trade chains with added value for producers, using fair trade and corporate social responsibility.



According to its constitution, its objective is to support churches, groups and individuals in Latin America to ensure that the inhabitants of this region could shape their own lifestyle and society. To do so, it can, among other things, disseminate information on Latin America, request funding from Holland, and provide financial support for activities considered to contribute to achieving this goal.

c) Approval of financial statements

The Management of Solidaridad has approved the financial statements for the years 2015 and 2014.

## **2. ACCOUNTING PRINCIPLES AND PRACTICES**

The accounting principles and practices applied to the recording of transactions and preparing financial statements of SOLIDARIDAD are described below. They have been applied uniformly in all the years presented, unless indicated otherwise:

**a) Basis of preparation and presentation**

The Framework of International Financial Reporting Standards indicates that such rules can be adopted voluntarily by nonprofit organizations, when they interact with entities or cooperating agencies, if applicable. In this context, Solidaridad has voluntarily adopted the reference framework for the preparation of financial information for external use.

As a result, the accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conjunction with taxation practices for the determination of estimated accounts, which constitute accounting principles generally accepted in Peru, formalized through Resolutions issued by the Accounting Standards Board.

The IFRS are incorporated into the International Accounting Standards (IAS) and the pronouncements of the Interpretation Committees SIC and IFRIC. At the date of the financial statements the Accounting Standards Board has approved the application of IAS 1 to 41, IFRS 1 to 15 and SIC 1 to 32 and all pronouncements 1 to 15 from the current Interpretations Committee (IFRIC).

**b) Use of accounting estimates**

Management continually evaluates the estimates and accounting criteria used, based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The process of preparation of financial statements requires accounting estimates and assumptions in determining the reported amounts of assets and liabilities done by management, including exposure to contingencies and the recognition of revenues and expenses.

The resulting accounting estimates will rarely be equal to the related actual results. However, in management's opinion, estimates and assumptions applied by Solidaridad do not have a significant risk of causing a material adjustment of assets and liabilities within the next year setting.

If these estimates or assumptions, which are based on the best judgment of management as at the date of the financial statements, vary in the future as a result of changes in the assumptions on which they were based, the corresponding balances of the financial statements will be corrected on the date on which the change in estimates and assumptions occur.

The main estimates related to the financial statements refer to the useful life and depreciation of facilities, machinery and equipment, the allowance for doubtful and the provision of employee's severance indemnities, which accounting criteria is described below.

Management has applied critical judgment in applying accounting policies for the preparation of the attached financial statements, as explained in the accounting policies.

**c) Functional currency and foreign currency transactions**

Items included in the financial statements are expressed in the currency of the main economic environment in which Solidaridad operates (functional currency). The financial statements are presented in Soles, which is the functional and presentation currency of the organization.

Transactions in foreign currency are those that are made in a different currency than the functional currency. Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in US dollars are expressed in Soles at the exchange rate of supply and demand prevailing at the date of the balance sheet published by the Superintendence of Banking and Insurance and AFP.

Gains or losses by differences in exchange rates resulting from the payment of such transactions and from the translation at the exchange rates at year-end of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of income and expenses for the period in which those differences occur.

**d) Financial instruments**

Financial instruments are agreements that give rise to both a financial asset for one entity and a financial liability or equity instrument for another entity.

In the case of Solidaridad, financial instruments correspond to primary instruments such as: cash and cash equivalents, accounts receivable and payable.

Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual agreement that originated them. Interest, gains and losses relating to a financial instrument classified as an asset or liability are recorded as income or expense in the statement of income and expenses and changes in institutional equity.

Financial instruments should be recognized in the financial statements at fair value. Financial instruments are offset when Solidaridad has the legal right to offset and the management intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Management considers that the carrying value of assets and liabilities of the organization is similar to its fair value.

**e) Cash and cash equivalents**

The money received as a result of contributions and grants and own income is disclosed in the statement of assets, liabilities and institutional equity as available funds in cash and cash equivalents item.

Such contributions and donations are recorded upon reception against the Projects to Execute in order to recognize the responsibility of Solidaridad, in relation with the final destination of those received resources and to control the available resources for the implementation of projects under institution's approval rules.

**f) Accounts receivable and allowance for impairment**

Accounts receivable are recorded at net nominal value of the corresponding estimate for impairment.

The estimate impairment of accounts receivables is determined based on whenever there is evidence that Solidaridad cannot collect overdue amounts according to their original conditions. The amount of the estimate is recognized in the statement of use of funds and changes in institutional equity.

**g) Facilities, furniture and equipment**

Furniture and equipment are stated at cost of acquisition less accumulated depreciation.

The cost and accumulated depreciation of assets retired or sold are removed from the respective accounts and any resulting gain or loss is included in the statement of assets, liabilities and institutional equity in which it occurs.

Depreciation of facilities, furniture and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

	<u>Years</u>
Facilities	20
Transport equipment	5
Furniture and fixtures	10
Other equipment	10
Computer equipment	4

Depreciation methods, useful lives and residual values are reviewed and adjusted by management, if necessary, at each date of the statement of assets, liabilities and institutional equity.

**h) Investments**

These assets are included in non -current assets unless the express decision of liquidating the investment in the current period is taken.

The values correspond to shares in the fund managed by Solidaridad, which keeps the purpose of investing in liquid financial instruments. These investments are initially recorded at cost and are valued at market value determined by its share value, with gains and losses generated in the income statement as incurred.

**i) Employee's severance indemnities**

The provision for employees' severance indemnities is recorded for the full rights of compensation in accordance with current legal regulations. Payments are deposited in a financial institution elected by the employees. This is included in the item other accounts payable and is recognized in the statement of income on an accrual basis.

**j) Provisions**

Provisions are recognized when Solidaridad has a present obligation, legal or implicit as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and it is possible to reliably estimate its amount.

Annual vacations of employees and other paid absences are recognized on an accrual basis. Provision for annual vacations resulting from services rendered by employees is recognized at the date of the statement of assets, liabilities and change in institutional equity.

**k) Contingent assets and liabilities**

Contingent liabilities are not recognized in the financial statements. These are disclosed in notes to the financial statements, unless the possibility of an outflow of economic benefits may be possible.

Contingent assets are not recognized in the financial statements and are disclosed only when it is likely that revenues will be generated.

**l) Projects to execute**

The contributions and donations received by foreign cooperating entities and from the country are accredited in the statement of assets, liabilities and institutional equity as projects to execute, in order to recognize the responsibility of Solidaridad on those sources.

Payments amount made by Solidaridad in the execution of the operating plan and annual budget are debited in the statement of assets, liabilities and institutional equity against projects to execute, in order to reduce the liability of Solidaridad on those applications and recognize the corresponding revenue.

**m) Recognition of Income**

The payments made by Solidaridad in the execution of its operative plan and annual budgets of the projects implemented are considered as income from donations, under the financing agreements signed with various cooperating entities. These revenues are recognized in the statement of income and expenses and changes in institutional equity simultaneously with the execution of the related expense.

Other income for training services and other contributions of mediators or other service of the institution are recognized as it accrues and affected in the periods to which they relate, regardless of when they are collected or paid.

**n) Recognition of costs**

Disbursements made by Solidaridad in connection with the execution of their projects allocation of resources, as well as those disbursements used to finance the operativity of Solidaridad, are recognized in the statement of income and expenses as operating expenses when they occur, in accordance with the accrual basis of accounting.

**o) Reclassifications**

Certain amounts of the balance in 2014 have been reclassified for purposes of comparison with the balance of 2015.

**3. MONITORING AND MANAGMENT OF FINANCIAL RISKS**

Solidaridad's activities expose it to a variety of financial risks including the effects of changes in exchange rates of foreign currency, interest rates and fair values of financial assets and liabilities.

The overall risk management program of Solidaridad mainly focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Management is responsible for risk management. It also identifies, evaluates and hedges financial risks in close cooperation with the Technical Coordinator.

Management approves guidelines for overall risk management, as well as written policies covering specific areas, such as the risk of fluctuations in exchange rates of foreign currency areas, investment of surplus liquidity and risk capital.

**a) Currency risk**

Solidaridad's activities, usually in foreign currency, are exposed to the risk of fluctuations in the exchange rates of US Dollars and the Euros.

Management believes that future fluctuations in the exchange rate of the Peruvian currency, against the US dollar and Euro, may affect the results of future operations, which is why it mainly maintains net monetary liabilities in foreign currency and management assumes it.

Balances in US dollars (US \$) and Euro (€) at December 31<sup>st</sup> are summarized as follows:

	At December 31 <sup>st</sup> of			
	2015		2014	
	US\$	€	US\$	€
Assets:				
Cash and Cash equivalents	613,428	922,192	234,042	682,593
Accounts Receivable - Related parties	164,972	-	166,472	16,497
Accounts Receivable - Diverse	260,208	-	13,669	-
Accounts Receivable - Long - Term	-	-	300,000	-
Total Assets	1,038,608	922,192	714,183	699,090
Liabilities:				
Accounts Payable - Commercial	-	-	-	-
Accounts Payable - Diverse	(48,214)	(55,000)	(129,082)	(35,000)
Projects to execute	(1,370,018)	(678,150)	(871,582)	(604,307)
Total Liabilities	(1,418,232)	(733,150)	(1,000,664)	(639,307)
Position Assets(Liabilities)	(379,624)	189,042	(286,481)	59,783

Such amounts have been expressed in Soles at the following exchange rates for exchange market established by the Superintendency of Banking and Insurance and AFP at December 31<sup>st</sup> as follows:

	At December 31 <sup>st</sup> of			
	2015		2014	
	US \$	€	US \$	€
1 US\$ - Exchange rate – investment (Assets)	3.408	3.591	2.981	3.545
1 US\$ - Exchange rate - sale (Liabilities)	3.413	3.811	2.989	3.766

During 2015 Solidaridad registered losses for net foreign exchange rate for S/ 1,482,637 (S/ 155,507 in year 2014) the same as presented in the Foreign exchange item in the statement of income and expenses.

	At December 31 <sup>st</sup> of	
	2015	2014
	S/	S/
Profit due to exchange rate	804,892	883,584
Loss due to exchange rate	(2,287,529)	(1,039,091)
	(1,482,637)	(155,507)

## b) Credit Risk

Credit risk caused by the inability of debtors to meet their payment obligations to Solidaridad as they become due and breach of counterparts in cash transactions is limited to balances deposited in banks and accounts receivable at the date of the statement of financial position.

With respect to bank deposits, Solidaridad reduces the likelihood of credit risk because it keeps its deposits and places its surplus cash in a financial institution notch.

With respect to accounts receivable, significant concentrations of credit risk, individual or group, are limited due to the existence of agreed conventions and Solidaridad's policies to continuously assess the credit history of its mediators and its financial condition to meet its obligations to Solidaridad. Management expects not to incur significant losses for credit risk.

#### 4. CASH AND CASH EQUIVALENTS

This account includes:

	At December 31 <sup>st</sup> of	
	2015	2014
	S/	S/
Fixed Funds	7,100	4,600
Current Accounts (a)	5,297,318	2,886,135
Savings Accounts (b)	394,920	696,172
	<u>5,699,338</u>	<u>3,586,907</u>

- (a) Includes six current accounts in PEN, US\$ and Euros at Banco de Crédito del Peru (BCP) which are used to receive funds from donations and to transfer those funds to the according project accounts; and one account withdrawals at Banco de la Nación.
- (b) Includes three savings accounts at Banco de Crédito del Perú (BCP) used for institutional expenses.

Bank accounts are available at all times and savings accounts earn interest.

#### 5. TRANSACTIONS AND BALANCE WITH RELATED PARTIES

The movement of this account during 2015 was:

Entity	Balance at 01.01.2015	Additions	Withdrawals	Balance at 12.31.2015
	S/	S/	S/	S/
<u>Current (a)</u>				
Oro Blanco S.A.	610,413	66,949	(451,774)	225,588
Grupo Hualtaco S.A.C.	<u>176,705</u>	<u>277,101</u>	<u>(63,956)</u>	<u>389,850</u>
	<u>787,118</u>	<u>344,050</u>	<u>(515,730)</u>	<u>615,438</u>
<u>Non - Current (b)</u>				
Oro Blanco S.A. (US\$ 33,195)	81,903	-	-	81,903
Grupo Hualtaco S.A.C. (US\$28,828)	<u>89,461</u>	<u>-</u>	<u>-</u>	<u>89,461</u>
	<u>171,364</u>	<u>-</u>	<u>-</u>	<u>171,364</u>

The movement of this account during 2014 was:

Entity	Balance at 01.01.2014	Additions	Withdrawals	Balance at 31.12.2014
	S/	S/	S/	S/
<b>Current (a)</b>				
Oro Blanco S.A.	292,148	322,605	(4,340)	610,413
Grupo Hualtaco S.A.C.	24,675	791,151	(639,121)	176,705
	<u>316,823</u>	<u>1,113,756</u>	<u>(643,461)</u>	<u>787,118</u>
<b>Non - Current (b)</b>				
Oro Blanco S.A. (US\$ 33,195)	81,903	-	-	81,903
Grupo Hualtaco S.A.C. (US\$28,828)	89,461	-	-	89,461
	<u>171,364</u>	<u>-</u>	<u>-</u>	<u>171,364</u>

Oro Blanco SA dedicates itself to the sale of agricultural products, particularly cotton and its derivatives; it produces cotton yarn sold in local markets. The Hualtaco SAC Group is dedicated to the production and export of organic fruit. Both companies belong to the sectors of textiles and fruit sectors in which Solidaridad promotes the development of its supply chain.

- (a) Represents short term loans for working capital in Soles and Dollars, only those loans with a maturity of one year and with a maximum renewal option of a year generate an annual 6% interest. The amounts include interests of S/. S/ 90,204 as at December 31<sup>st</sup>, 2015, (at December 31<sup>st</sup>, 2014 it includes S/ 67,782)
- (b) Represents transfers of capital contribution to the two companies (in the year 2010) that have been recognized as additional capital in the records of each company until their respective Shareholders approve the formalization as capital stock. The position of Solidaridad in both companies is to keep these transfers as part of their capital.

## 6. ACCOUNTS PAYABLE - OTHER

This account includes:

	At December 31 <sup>st</sup>	
	2015	2014
	S/	S/
Personal loans	28,748	69,057
Loans to third parties	2,045	2,021
Deliveries to account	4,021	1,606
Prepaid services	25,897	48,702
Deposits in guarantee	82,580	21,497
Advances to suppliers	5,400	5,448
Accounts receivable from projects	147,387	68,136
Tax credits (IGV)	35,444	66,334
	<u>331,522</u>	<u>282,801</u>



## 7. ACCOUNTS RECEIVABLE – LONG-TERM

This account Includes:

	At December 31 <sup>st</sup>	
	2015	2014
	S/	S/
Loans	852,000	894,300
Interests	627,008	548,448
Doubtful accounts receivable	(627,928)	(549,920)
	<u>851,080</u>	<u>892,828</u>

Corresponds to a loan of US \$ 300,000 given to the textile company Dolphintex S.A. in May 2006 with a due date in November of the same year. By year of contracting and loan agreement, Dolphintex S.A. sells the debt to its related company Incaholland Textile S.A.C. The loan generates an interest of 6.5 % per annum, amounting to US \$ 183,981 estimated until December 31, 2014.

On October 1<sup>st</sup>, 2015 Textill Incaholland Company merges with a related company Franky and Ricky S.A., who currently holds the related debt. Management is in discussion with the management of this company to set the date and method of recovery of this account and conservatively has recognized impairment of the interest receivable until negotiations are realized.

## 8. FACILITIES, FURNITURE & EQUIPMENT

The composition of the category facilities, furniture and equipment as well as it's movement and accumulated depreciation as of December 31, 2015 are presented as follows:

Cost	Initial Balance	Additions	Withdrawals	Final Balance
	S/	S/	S/	S/
Facilities	24,074	-	-	24,074
Transport units	151,622	16,800	-	168,422
Furniture and fixtures	57,699	-	-	57,699
Other equipment	78,294	-	1,030	77,265
Computer equipment	207,292	19,181	98,061	128,412
	<u>518,981</u>	<u>35,981</u>	<u>99,091</u>	<u>455,872</u>
Accumulated depreciation				
Facilities	6,579	1,204	-	7,783
Transport units	51,782	30,865	-	82,647
Furniture and fixtures	25,890	5,770	-	31,660
Other equipment	27,191	7,876	357	34,710
Computer equipment	140,624	27,482	98,061	70,045
	<u>252,066</u>	<u>73,197</u>	<u>(98,418)</u>	<u>226,844</u>
Net Cost	<u>266,915</u>			<u>229,027</u>

The breakdown of facilities, furniture and equipment as well as the movement and the related accumulated depreciation at December 31<sup>st</sup>, 2014 are presented as follows:

Cost	Initial Balance	Additions	Withdrawals and / or Transfers	Final Balance
	S/	S/	S/	S/
Facilities	24,074	-	-	24,074
Transport equipment	117,607	38,735	(4,720)	151,622
Furniture and fixtures	53,186	4,513	-	57,699
Other equipment	69,285	11,279	(2,270)	78,294
Computer equipment	161,415	52,625	(6,748)	207,292
	<u>425,567</u>	<u>107,152</u>	<u>(13,738)</u>	<u>518,981</u>
 <u>Accumulated depreciation</u>				
Facilities	5,375	1,204	-	6,579
Transport equipment	31,338	23,158	(2,714)	51,782
Furniture and fixtures	20,546	5,344	-	25,890
Other equipment	20,271	7,136	(216)	27,191
Computer equipment	113,507	30,484	(3,367)	140,624
	<u>191,037</u>	<u>67,326</u>	<u>(6,297)</u>	<u>252,066</u>
Net Cost	<u>234,530</u>			<u>266,915</u>

## 9. OTHER ACCOUNTS PAYABLE

This account includes:

	At December 31 <sup>st</sup> of	
	2015	2014
	S/	S/
Taxes	23,815	18,000
Salaries	167,151	137,424
Pension plans - AFP	14,634	10,793
Employees severance indemnities	18,785	16,424
Diverse	322,684	470,233
	<u>547,069</u>	<u>652,874</u>

## 10. PROJECTS TO EXECUTE

Balances in this account include received funds from donors that are pending to be executed in the following projects:

	At December 31 <sup>st</sup>	
	2015	2014
	S/	S/
<b>Fair Tex Perú.-</b> Investing Funds for the development of textile supply chains in Peru (US\$ 820,097 in 2015 and US\$ 815,588 in 2014 ).	2,798,990	2,437,794
<b>REC Andes.-</b> Program for the development of supply chains of coffee, cotton, textile and other (S/.49,275 in 2015 y 2014)	(49,275)	(49,275)

	At December 31 <sup>st</sup>	
	2015	2014
<b><u>Private Donation.-</u></b> By Gonzalo La Cruz to “SOLIDARIDAD” for US\$ 13,571.	S/ 46,316	S/ 40,562
<b><u>Improvement Tools for coffee growers –</u></b> Project to improve the coffee sector in Colombia, its main objective is to develop new tools to train technicians and farmers (US\$ 11,926 in 2015 and US\$ 13,315 in 2014).	40,704	39,798
<b><u>Support Network for Cocoa – Ecuador. –</u></b> Program of development of cocoa supply chain in Ecuador (€29,333 in 2015 and €31,922 in 2014).	111,786	120,219
<b><u>Coordinator of International Program.-</u></b> Funds for the payment of fees and current expenses that derives from the functions of the International Coffee Program Coordinator's position.	9,616	-
<b><u>Fund for coffee in LA (HIVOS International).</u></b> - Funds for development projects in the coffee sector in Latin America. (€ 9,673 in 2015 and €9,769 in 2014).	36,863	36,789
<b><u>Education Pilot Project.-</u></b> Project for the implementation of the Methodology “Escuela Nueva” among school children of farmers stage in the Cajamarca region (€ 3,439 in 2014)	-	12,952
<b><u>ASM Project Madre de Dios.-</u></b> Support Project of alluvial gold mining in Madre de Dios in the management of good mining practices to achieve fair trade certification (€13,619 in 2014)	-	51,289
<b><u>Proyecto Farmer Support Program.-</u></b> Support Project for the main chains in sustainable agri - commodities : soybeans , palm oil and sugar cane (€ 106,984 plus S/ 305,013 in 2014)	-	707,914
<b><u>EU Project - Mining.-</u></b> Project in support of the small-scale mining through technical assistance and workshops in the middle south of Peru (€ 13,129 plus S/.26,643 in 2015 and S/21,043 in 2014)	76,677	21,043
<b><u>Platform for Sustainable Trade (PCS).</u></b> - Project to support the strengthening of production, trade and sustainable consumption of coffee, bananas and flowers in Colombia (€217,370 in 2015 and €247,639 in 2014).	828,396	932,607
<b><u>Technical Services for Coffee.-</u></b> Project that seeks young men and women to specialize in techniques for sustainable coffee in the region of San Martin (€ 3,767 in 2014 )	-	14,185
<b><u>Coffee, Knowledge and Carbon for REDD + in Peru and Colombia (CCC).-</u></b> Project that aims to make a sustainable and resilient agriculture to climate change, that also happens to be a problem turned into a solution to deforestation through smart agriculture, leaving aside the conventional coffee farming (€ 309,960 in 2015 and € 155,683 in 2014)	1,181,257	586,302

	At December 31 <sup>st</sup>	
	2015	2014
	S/	S/
<b><u>Sustainable Coffee Program - CARCAFE.-</u></b> Executed by the Company Carcafe, in order to accelerate the sustainable production in the sector and to promote the collaboration between the local government and industry (US\$ 29,600 in 2015 and US\$ 29,109 in 2014)	101,025	87,007
<b><u>Land of Sustainable Flowers.-</u></b> Project implemented in order to improve the working and environmental conditions in the sector of flowers in Colombia (€ 31,485 in 2015 and 2014)	119,991	118,574
<b><u>Development of the Banano Chain.-</u></b> The project is implemented to improve the competitiveness of the banana production chain, at the level of small producers and workers in the valleys of Chira and San Lorenzo. (€ 30,149 in 2015).	114,899	-
<b><u>Creation of a Platform for responsible mining in LA.-</u></b> Project implemented in order to create a platform for responsible mining in Latin America (€ 15,938 in 2015).	60,740	-
<b><u>Increase of the Family income by the activity of organic banana, region Piura.-</u></b> Project implemented in order to increase the household incomes through the banana production chain at the level of small producers (S/.104,150 in 2015).	104,150	-
<b><u>Occupational Health and Safety Initiative in the banana sector.-</u></b> Project implemented to improve occupational health and safety in Ecuador's banana sector (€ 16,618 in 2015)	63,333	-
<b><u>Rural Horizon Adaptation in the Context of Sugar Cane in Colombia.-</u></b> Project implemented in order to adapt a software of Rural Horizon used for flowers to the Sugar Cane Industry in Colombia (€ 1,971 in 2015)	7,513	-
<b><u>Study of the potential for improving low-carbon agriculture and forestry investment in the Peruvian Amazon.-</u></b> Funds corresponding to a consultancy for the study of the potential for improving low-carbon agriculture and forestry investment in the Peruvian Amazon (US\$ 110,673 in 2015)	377,727	-
<b><u>Sustainable Coffee Program – ECOM.-</u></b> Executed by the Company ECOM, in order to accelerate the sustainable production in the sector and to promote the collaboration between the local government and industry (US\$ 50,624 in 2015).	172,780	-
<b><u>Sustainable Coffee Program – TECHNOSERVE.-</u></b> Executed by the Company TECHNOSERVE, in order to accelerate the sustainable production in the sector and to promote the collaboration between the local government and industry (US\$ 5,648 in 2015).	19,277	-

	At December 31 <sup>st</sup>	
	2015	2014
	S/	S/
<b><u>Sustainable Coffee Program – PURPROJECT.-</u></b> Executed by the Company PURPROJECT, in order to accelerate the sustainable production in the sector and to promote the collaboration between the local government and industry (US\$ 143,200 in 2015).	488,742	-
<b><u>Sustainable Coffee Program – CAFEXPORT.-</u></b> Executed by the Company CAFEXPORT, in order to accelerate the sustainable production in the sector and to promote the collaboration between the local government and industry (US\$ 1 in 2015).	3	-
<b><u>Sustainable Coffee Program – NESCAFE.-</u></b> Executed by the Company Nescafe, in order to accelerate the sustainable production in the sector and to promote the collaboration between the local government and industry (US\$ 184,679 in 2015).	630,309	-
	<u>7,341,820</u>	<u>5,157,760</u>

## 11. INSTITUTIONAL EQUITY

Institutional equity is constituted by the accumulated net income and management of Solidaridad and mainly derived from depreciation and institutional income.

## 12. INCOME FOR PROJECT MANAGEMENT

This account includes

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Fair Tex Perú	422	124	550,404	184,143
Rec Andes	-	-	257,950	86,300
Fund for coffee in LA (Hivos International)	366	107	354	118
Development of Banana Chain	93,026	27,256	77,983	26,090
Support Network for Cocoa – Ecuador	-	-	4,153	1,389
Improvement Tools for Coffee Growers	-	-	111,910	37,441
International Coffee Program	-	-	183,664	61,447
Network Support for Small Mining	-	-	15,587	5,215
Organic Cotton Project	-	-	99,254	33,206
Coffee Value Chain (CVC)	-	-	59,019	19,745
Education Pilot Project	13,106	3,840	19,088	6,386
MSM Project Yanaquihua	133,720	39,180	168,614	56,411
ASM Project Madre de Dios	51,902	15,207	203,523	68,091
Farmer Support Program (FSP)	676,538	198,224	201,803	67,515
Back to REDD+ Project	-	-	78,470	26,253
EU Project - Mining	302,726	88,698	528,551	176,832
Platform for Sustainable Trade	2,895,066	848,247	1,786,227	597,600
Technical Services for Coffee	14,354	4,206	64,691	21,643
Coffee, Knowledge and Carbon for REDD + in Peru and Colombia (CCC)	3,844,428	1,126,407	1,752,619	586,356
Sustainable Coffee Program	507,384	148,662	242,899	81,264
Land of Sustainable Flowers	-	-	6,742	2,255
Kering Project	-	-	94,400	31,582
Farmer Support Program (FSP) - Agrobiz	1,174,740	344,196	1,180,180	394,841

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Farmer Support Program (FSP) - NHG	78,479	22,994	354,710	118,672
Sustainable Coffee Program - ECOM	174,193	51,038	259,532	86,829
Sustainable Coffee Program - TECHNOSERVE	285,178	83,556	222,178	74,332
Sustainable Coffee Program - PURPROJECT	1,201,789	352,121	458,367	153,351
Sustainable Coffee Program – CAFEXPORT	392,978	115,142	228,229	76,357
Sustainable Coffee Program – CARCAFE	526,044	154,130	116,048	38,825
Sustainable Coffee Program – NESCAFE	2,024,691	593,229	45,285	15,151
Creation of a Platform for responsible mining in LA	268,525	78,677	-	-
Increase of the Family income by the activity of organic banana, region Piura	203,879	59,736	-	-
Occupational Health and Safety Initiative in the banana sector	39,093	11,454	-	-
Rural Horizon Adaptation in the Context of Sugar Cane in Colombia	68,598	20,099	-	-
Study of the potential for improving low-carbon agriculture and forestry investment in the Peruvian Amazon	6,512	1,908	-	-
Coordinator of International Program	46,103	13,508	-	-
	<b>15,023,840</b>	<b>4,401,946</b>	<b>9,372,434</b>	<b>3,135,640</b>

### 13. OTHER INSTITUTIONAL INCOME

This account corresponds to income received by Solidaridad for the management of major projects, which are granted based on an agreed percentage between the donor and Solidaridad in relation to expenses incurred in the period:

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Coffee, Knowledge and Carbon for REDD + in Peru and Colombia (CCC)	228,052	66,819	103,859	34,747
Platform for Sustainable Trade	190,832	55,913	53,643	17,947
EU Project - Mining	-	-	13,280	4,442
Support Network for Cocoa – Ecuador	9,869	2,892	-	-
Improvement Tools for coffee growers	4,736	1,388	-	-
MSM Project Yanaquihua	21,777	6,381	-	-
Creation of a Platform for responsible mining in LA	44,034	12,902	-	-
FSP Project	37,411	10,961	-	-
Development of Banana Chain	48,150	14,108	-	-
Increase of the Family income	12,654	3,708	-	-
Own Income	324,311	95,022	-	-
Other Services to third parties	-	-	732	245
	<b>921,826</b>	<b>270,093</b>	<b>171,514</b>	<b>57,381</b>

#### 14. OTHER INCOME

This account includes:

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Recuperation of investments (note 15)	-	-	196,441	65,722
Discounts	578	169	1,409	471
Other administrative income	-	-	641	214
Rounding	228	67	167	56
	<u>806</u>	<u>236</u>	<u>198,658</u>	<u>66,463</u>

#### 15. PERSONNEL COSTS

This account includes:

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Wages	1,107,827	324,590	959,056	321,723
Gratifications	214,940	62,977	184,566	61,914
Vacations	100,837	29,545	88,959	29,842
Bonifications	33,088	9,695	13,818	4,635
Social security and preventive costs	248,517	72,815	223,685	75,037
Training and personnel advantages	12,101	3,546	18,167	6,095
	<u>1,717,311</u>	<u>503,168</u>	<u>1,488,251</u>	<u>499,246</u>

#### 16. THIRD-PARTIES SERVICES

This account includes:

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Travel Costs	358,442	105,023	332,444	111,520
Mailing and communications	24,347	7,134	25,616	8,593
Fees, commissions and brokerages	1,493,851	437,694	916,830	307,558
Maintenance and repair	53,320	15,623	45,368	15,219
Rentals	523,564	153,403	220,502	73,969
Other services	-	-	-	63,155
	<u>2,442,626</u>	<u>715,683</u>	<u>1,756,094</u>	<u>589,096</u>

## 17. DIVERSE ADMINISTRATIVE COSTS

This account includes:

	At December 31 <sup>st</sup>			
	2015		2014	
	S/	US\$	S/	US\$
Donations	10,071,340	2,950,876	4,863,601	1,631,534
Office supplies, cleaning products and communications	-	-	6,740	2,261
Insurance - various	34,858	10,213	14,805	4,966
Goods and other minor assets	22,163	6,486	35,544	11,924
Representation costs	8,471	2,461	3,051	1,023
Other administrative costs	112,173	32,740	79,889	24,538
Fertilizers and seeds	88,334	25,883	50,293	16,872
Fuel	31,644	9,272	39,276	13,176
	<u>10,368,983</u>	<u>3,037,931</u>	<u>5,086,459</u>	<u>1,706,294</u>

## 18. FISCAL SITUATION

### a) Income Tax:

As a nonprofit institution, Solidaridad is registered in the Register of Entities of Exempt Income Tax (Art . 19, subsection b ) of the Consolidated Text of the Law on Income Tax approved by Supreme Decree No. 179-2004 -EF and the Register of Institutions and Foreign Institutions of International Technical Cooperation - ENIEX - led by the Peruvian Agency for International Cooperation - APCI. Solidaridad is subject to the obligations set out in Articles 71 and 72 of the Rules of Legislative Decree No. 179 - Law of International Technical Cooperation, which will be valid until October 13, 2017.

### b) Value Added Tax:

Solidaridad is exempt of the Value Added Tax for donations in goods received from cooperating donors as provided in Article 2 paragraph k) of the Consolidated Text of the Law of General Sales Tax and Excise Tax, approved by Supreme Decree No. 055-99 EF. However, income from service delivery such as forums, seminars, advertising, rent court, among others that are regularly provided are taxed with the General Sales Tax, constituting third category income. In the case of movable and immovable property, the requirement of being regularly provided is not mandatory (Directive N° 003-95-SUNAT). Solidaridad may also make use of the credit tax provided as long as they meet the requirements for implementation.

### c) In accordance with the Law 28079 in which the Executive is empowered to legislate on taxation on customs internal taxation, it have established various changes to the tax laws , which are current as of January 2004, between the which we mention in particular:

- It has established the use of means of payment by companies of the financial system to prevent evasion. The obligation to use means of payment of the financial system is for all payment equal to or greater than S/. 3,500.00 or US\$ 1,000.00. Those payments without using these means will not be valid for tax purposes.



**19. EVENTS AFTER THE REPORTING DATE**

Between December 31<sup>st</sup> 2015 and the approval date of the financial statements, no events have occurred that require it revelation

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