STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

Lima – Peru

FINANCIAL STATEMENTS

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STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

Lima - Peru

REPORT ON THE REVIEW OF

FINANCIAL STATEMENTS

for the years ended on

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Directorate of the Institution
STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

1. Our opinion

We have conducted an audit of the financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD.** These financial statements include the statement of financial position as of December 31, 2022, and the statements of income and expenses, changes in equity, and of cash flows for the year ending on that date. Additionally, the financial statements contain a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effect of the matter referred in the Basis for Qualified Opinion section, the accompanying financial statements present reasonably, in all material respects, the financial position of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD** as of December 31 of 2022, as well as its financial performance and its cash flows from to the fiscal year then ended, in accordance with International Financial Reporting Standards for small and midium-sized entities, issued by the International Accounting Standards Board (IASB).

2. Basis for qualified opinion

The Executive Directorate of the Institution has issued an order to estimate the potential doubtful collection of S/ 335,104 for Franky & Ricky. This amount has been deemed uncollectible, resulting in a total accumulated doubtful collection amount of S/ 932,196 according to the accounting records as of December 31, 2022. Additionally, the Institution has decided not to apply any interest on this collection.

From a tax perspective, loans extended to both related parties and third parties should bear interest and be fully collected to avoid the presumption of indirect income distribution. Therefore, **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD** must not provision the debt as doubtful collection nor write it off. Otherwise, in case of a SUNAT audit, there is a risk of losing the Income Tax exemption.

We conducted our audit in accordance with International Standards on Auditing (ISAS) approved for application in Peru by the Board of Deans of Public Accountants of Peru. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Institution in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

3. Other matter

Previously, we examined the financial statements of **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD** for the fiscal year ended December 31, 2021, expressing a modified opinion on those financial statements dated April 19, 2022.

4. Responsibilities of the Executive Directorate for the financial statements

The Directorate bears the responsibility of preparing and presenting these financial statements in compliance with International Financial Reporting Standards. Additionally, the Directorate is responsible for establishing and maintaining internal controls that enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation process, the Executive Directorate is responsible for evaluating the Institution's ability to continue as a going concern. In case of any going concern issues, the Directorate is responsible for disclosing such matters and utilizing the going concern basis of accounting, unless the management intends to liquidate the Institution or cease operations, or has no realistic alternative but to do so.

5. Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstaterment resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant for 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 Institution’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Directorate.

- Conclude on appropriateness of the Executive Directorate's use of the going concern basis of accounting and, based on the evidence we obtain, we will determine whether there is a material uncertainty regarding events or conditions that may cast significant doubt on **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD's** ability to continue as a going concern. If we conclude that such an uncertainty exists, we will draw attention to it in our auditor's report and to any related disclosures in the financial statements. If these disclosures are not sufficient, we may modify our opinion accordingly. Our opinion is based on the evidence we obtain up to the date of our audit report. However, future events or conditions could arise that may cause **STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA – SOLIDARIDAD** to no longer continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

We communicate with the Executive Directorate regarding, among other matters, the planned scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identify during our audit.

Lima, Peru
April 10, 2023

NOLES MONTEBLANCO & ASOCIADOS
member firm of
BAKER TILLY INTERNATIONAL

Guillermo A. Lopez (partner)
Certified Public Accountant
Registration Nº 5983

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022, DECEMBER 31, 2021 AND JANUARY 1, 2021

(In Soles)

ASSETS

	12.31.2022	12.31.2021	01.01.2021
Current Assets:			
Cash and cash equivalents (Note 5)	3 661 106	3 922 338	1 600 667
Trade accounts receivable	13 126	1 968	19 042
Accounts receivable to related (Note 6)	-.-	-.-	
Accounts receivable from projects (Note 7)	1 883 470	2 168 007	2 062 616
Miscellaneous accounts receivable (Note 8)	1 126 113	476 266	218 363
Inventories	88 806	-.-	-.-
Total current assets	**6 772 621**	**6 568 579**	**3 900 688**
Non current assets:			
Miscellaneous accounts receivable (Note 8)	2 285	391 935	599 141
Property, furniture and equipment, net (Note 9)	1 900 452	136 235	135 845
Total non-current assets	**1 902 737**	**528 170**	**734 986**
TOTAL ASSETS	**8 675 358**	**7 096 749**	**4 635 674**

LIABILITIES AND EQUITY

	12.31.2022	12.31.2021	01.01.2021
Current liabilities:			
Trade accounts payable (Note 10)	25 677	-.-	33 099
Accounts to be executed from projects (Note 11)	3 703 578	3 068 086	4 038 746
Accounts payable from projects (Note 12)	1 261 515	1 343 786	74 147
Accounts payable to related (Note 13)	500 689	-.-	-.-
Other accounts payable (Note 14)	545 308	388 730	416 592
Total current liabilities	**6 036 767**	**4 800 602**	**4 562 584**
Non-current liabilities:			
Accounts payable to related (Note 13)	320 771	-.-	-.-
Total non-current liabilities	**320 771**	**-.-**	
Total liabilities	**6 357 538**	**4 800 602**	**4 562 584**
Institutional Equity (Note 15)			
Retained earnings	2 317 820	2 296 147	73 090
Total equity	**2 317 820**	**2 296 147**	**73 090**
TOTAL LIABILITIES AND EQUITY	**8 675 358**	**7 096 749**	**4 635 674**

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

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENTS OF INCOME AND EXPENSES

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

(In Soles)

	2022	2021
INCOME		
Income from project management (Note 16)	8 515 103	8 401 873
Other institutional income (Note 17)	1 077 408	3 264 325
Income from services provided (Note 18)	1 096 183	-.-
Miscellaneous income	3	30
Total income	**10 688 697**	**11 666 228**
SERVICE COST		
Service cost	(694 849)	-.-
Total service cost	**(694 849)**	**-.-**
EXPENSES		
Personnel expenses (Note 19)	(3 607 233)	(3 282 447)
Services provided by third parties (Note 20)	(3 774 714)	(2 937 400)
Taxes	(3 368)	(5 628)
Miscellaneous operational expenses (Note 21)	(2 138 632)	(2 762 193)
Provisions (Note 22)	(457 346)	(69 581)
Total expenses	**(9 981 293)**	**(9 057 249)**
Financial income and financial expenses	(14 509)	342
Exchange difference, net (Note 4)	(418 323)	(386 264)
SURPLUS (DEFICIT) FOR THE YEAR	**(420 277)**	**2 223 057**

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

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENTS OF CHANGES IN EQUITY

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

(In Soles)

	RETAINED EARNINGS	TOTAL EQUITY
Balance as of December 31, 2020	**73 090**	**73 090**
Surplus for the year 2021	2 223 057	2 223 057
Balance as of December 31, 2021	**2 296 147**	**2 296 147**
Adjustment from previous years	441 950	441 950
Deficit for the year 2022	(420 277)	(420 277)
Balance as of December 31, 2022	**2 317 820**	**2 317 820**

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

STICHTING INTERKERKELIJKE AKTIE
VOOR LATIJNS AMERIKA - SOLIDARIDAD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AS OF DECEMBER 31, 2022 AND 2021
(In Soles)

	2022	2021
OPERATING ACTIVITIES		
Income from project execution	1 056 202	11 240 449
Other charges	9 916 033	40 328
Donations to entities	(132 930)	(1 641 061)
Goods and service suppliers	(6 128 816)	(3 160 435)
Remuneration and social benefits	(3 587 158)	(3 240 657)
Other payments	(395 799)	(892 646)
Cash and cash equivalents from operating activities	**727 532**	**2 345 978**
INVESTMENT ACTIVITIES		
Purchase of fixed assets	(1 864 768)	(72 019)
Loan collection to Franky Ricky S.A.	54 546	47 712
Cash and cash equivalents used in investment activities	**(1 810 222)**	**(24 307)**
FINANCIAL ACTIVITIES		
REC NL loan and interest	821 458	-.-
Cash and cash equivalents from financial activities	**821 458**	**-.-**
Net Increase (Decrease) in Cash	**(261 232)**	**2 321 671**
Cash balance at the beginning of the year	3 922 338	1 600 667
Cash balance at the end of the year	**3 661 106**	**3 922 338**

RECONCILIATION OF SURPLUS WITH CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES

	2 0 2 2	2 0 2 1
Deficit (Surplus) for the year	(420 277)	2 223 057
Net Income Adjustment according to the Statement of Financial Position:		
Depreciation for the year	122 242	69 581
Derecognition of fixed asset	13 507	2 050
Social benefits	238 193	225 293
Doubtful collection estimate	335 104	-.-
Debits and credits for net changes in the assets and liabilities:		
Accounts receivable from projects	318 925	(376 641)
Other accounts receivable	(281 178)	26 829
Prepaid expenses	(7 458)	3 591
Services in process	(88 806)	-.-
Trade accounts payable	25 677	(33 099)
Other accounts payable	(81 614)	(253 156)
Projects to be executed	553 217	458 473
Cash and cash equivalents from operating activities	**727 532**	**2 345 978**

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

NOTES TO THE FINANCIAL STATEMENTS
(In Soles)

1. ECONOMIC ACTIVITY OF THE ORGANIZATION

STICHTING INTERKERKELIJKE AKTIE VOOR LATIJNS AMERIKA - SOLIDARIDAD, is a Civil Organization that is not for profit, it is part of the Solidaridad Network entity established in the Netherlands for international cooperation with global experience in facilitating responsible social and environmental development, through the sustainable development of twelve (12) supply chains of products, operating through a network of seven (7) regional centers in five (5) continents.

It was incorporated by means of a public deed dated November 17, 2003, as recorded in item N° 11613699 of the Registry of Foreign Legal Persons of the Public Record Office of Lima, the duration of the Organization being indefinite. Its fiscal domicile and administrative office are located at Reducto Ave. N° 1310, office 203, district of Miraflores, Lima – Peru.

SOLIDARIDAD PERU is part of the REC (Regional Expertise Center) Solidaridad South America (REC SAM), currently working six development programs (coffee, cocoa, gold, palm oil, and banana) in Peru, Colombia, Bolivia and Ecuador, and supports the multi-stakeholder platform "Coalition for sustainable production".

SOLIDARIDAD PERU aspires to a world in which the economy works for everyone: where everything we produce and everything, we consume can sustain us while respecting the planet, the rest and future generations . To achieve this, they work so that both producers and workers obtain a living income, build their own future and produce in balance with nature, collaborating throughout the entire supply chain to make sustainability the norm. Although they work in multiple countries, they share a commitment to a common set of values.

Solidarity: we are faithful to the name of our organization, demonstrating a deep solidarity towards the producers and miners, whose well-being is our prerogative.

Solutions: Faced with the challenges of our markets, we always seek solutions that are pragmatic and offer win-win scenarios.

Impact: our solutions create conditions to be sustained over time, to be adopted by the actors in the territory, and to improve the quality of life of the communities

Independence: we work under the premise that we are interdependent with each other and with the planet, which is why we facilitate collaboration between all the actors in the chains we work with.

Innovation: We believe that everyone has the potential to contribute and the right to be heard.

Integrity: We adhere to the highest ethical principles and professional standards.

SOLIDARIDAD according to its constitution, aims to support the efforts of churches, groups and people in Latin America to ensure that the inhabitants of this region can shape themselves and their life and society, for which it can, among others things, disseminate information about Latin America, collecting from the Netherlands, providing financial support for activities that are considered to contribute to the achievement of this objective.

2. IMPACT OF THE PANDEMIC AND NATIONAL STATE OF EMERGENCY

In December 2019, a new strain of Coronavirus (SARS-CoV-2) was discovered in Wuhan - China, which began to spread exponentially throughout the world and generates the disease called COVID-19.

In March 2020, the World Health Organization declared it a pandemic, since it spread to all continents and to most countries in the world, causing many infections and deaths worldwide.

On January 8, 2021, the identification of the new variant of the virus in the country was confirmed, which led to Supreme Decree N° 184-2020-PCM, extended by Supreme Decree N° 201-2020-PCM, making effective extension of the State of National Emergency.

The directorate continues with the necessary measures to mitigate the negative impact of Covid-19 (SARS-COV-2) on business activities, and manage the negative effects on the Entity's operations, to ensure their continuity in a foreseeable future, on a going concern basis.

The main measures taken by the Directorate in some areas were:

The continuity of remote work and the significant progress in the vaccination process carried out by the Central Government ensures the continuity and normalization of activities.

The organization permanently evaluates possible scenarios, however, the current scenario does not foresee possible risks that may affect the regular performance of the Organization's activities.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year 2022 have been authorized on February 24, 2023 by Management and will be presented to its offices in the Netherlands.

The financial statements for the year ended December 31, 2021 were sent to its offices in the Netherlands on May 23, 2022.

4. ACCOUNTING PRINCIPLES AND/OR PRACTICES

The main accounting policies and practices used in the preparation of the Organization's financial statements are presented below:

a. Compliance Statement

The information contained in these financial statements is the responsibility of the Organization's management, who expressly state that the accompanying financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) and approved for application by the Accounting Standards Board effective as of December 31, 2022 and 2021, respectively.

b. Going concern

The going concern assumption means that the Organization will operate over time and the financial statements should be prepared under that assumption, the Organization has the reasonable expectation of having sufficient resources to continue operating in the foreseeable future, which is why it has prepared budgets and projected cash flows for the medium term.

Therefore, the Organization continues to apply the going concern assumption in the preparation of its financial statements.

c. Basis of preparation and presentation

The separate financial statements have been prepared on a historical cost basis, based on the Organization's accounting records. The accompanying financial statements are presented in Soles (functional and presentation currency).

Basis of presentation and use of estimates and policy changes

i) Responsibility for the information and estimates made.

The information contained in these financial statements is the responsibility of the Organization's Directorate, which expressly states that the principles and criteria included in the International Financial Reporting Standards - IFRS issued by the IASB have been fully applied.

The preparation of the financial statements in accordance with IFRS requires the Organization's Directorate to make estimates and assumptions that have an impact on the reported figures of assets and liabilities, on the disclosure of contingent assets and liabilities as of the date of the statement of financial position, as well as in the figures reported for income and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under current circumstances. In the opinion of the Organization's Directorate, these estimates were made based on its best knowledge of the relevant facts and circumstances at the date of preparation of the financial statements; however, the final results could differ from the estimates included in the financial statements.

The Organization's Directorate does not expect that the variations, if any, will have a material effect on the financial statements.

The most significant estimates made by the Organization's Directorate refers to the determination of the estimate for impairment of doubtful accounts, whose accounting criteria are described below. Any difference from the estimates in subsequent actual results is recorded in the results of the year in which it occurs.

The Organization's Directorate has exercised its critical judgment when applying the accounting policies in the preparation of the attached financial statements, as explained in the corresponding accounting policies.

ii) Financial instruments: initial recognition and subsequent measurement

A financial instrument is any arrangement that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets –

Recognition and initial measurement

Financial assets are classified, on initial recognition, as financial assets at fair value (through profit or loss or other comprehensive income) or assets measured at amortized cost. All financial assets are initially recognized at fair value.

The Organization's financial assets include cash and cash equivalents, trade and various accounts receivable.

Post measurement-

The Organization classifies its financial assets into the following three categories:

- Amortized cost (debt instruments)
- At fair value through other comprehensive income (equity instruments)
- At fair value through profit or loss;

The classification depends on the Organization's business model and the contractual terms of the cash flows.

inancial assets measured at amortized cost–

A financial asset is measured at amortized cost if the following two conditions are met: (i) the financial asset is held within a business model whose objective is to hold financial assets to obtain contractual cash flows; and (ii) 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.

These assets are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment losses. Any gain or loss due to derecognition, modification or impairment is recognized in the income.

This category includes miscellaneous accounts receivable. See note 9 for more information on accounts receivable.

Embedded derivatives within a hybrid contract that contains a financial asset as host are not accounted for separately. The host financial asset (trade account receivable) together with the embedded derivative are recorded as a financial asset at fair value through profit or loss.

As of December 31, 2022 and 2021, the Organization does not maintain financial assets in other categories.

Derecognition –

The Organization will continue to recognize the asset when it has transferred its rights to receive the cash flows generated by the asset, or has entered into an intermediation agreement, but it has not transferred or retained substantially all the risks and rewards of the asset, nor has it transferred control over it.

In this case, the Organization will recognize the transferred asset to the extent of its continuing involvement in the asset and will also recognize the related liability. The transferred asset and the related liability will be measured on a basis that reflects the rights and obligations retained by the Organization.

Impairment –

The Organization evaluates expected credit losses (PCE) associated with its debt instruments accounted for at amortized cost and at fair value through other comprehensive income, taking into account prospective information.

To estimate the expected losses of loans granted to related parties, the Organization applies the general approach that involves estimating expected losses of 12 months or over the entire term of the instrument, depending on whether there is a significant increase in credit risk (except in cases in which the Organization considers that it is a loan with low credit risk and expected losses of 12 months are always estimated).

In determining whether the credit risk of a financial asset has increased significantly since initial recognition by estimating expected credit losses, the Organization considers reasonable and supportable information that is relevant and available without undue cost or effort.

(ii) Financial liabilities –

Recognition and initial measurement –

Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, loans and accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at their fair value and, in the case of loans and accounts payable, recorded at amortized cost, net of transaction costs directly attributable to the acquisition of the financial liability.

The Organization's financial liabilities include trade accounts payable, operating fund accounts payable, taxes and contributions payable, and other accounts payable.

Post measurement -

Liabilities classified at amortized cost are measured using the effective interest rate method. Gains and losses are recognized in the statement of income and expenses when the liabilities are written off, as well as through the amortization process in accordance with the effective interest rate method.

The amortized cost is calculated taking into account any discounts or premiums in the acquisition and the commissions or costs that are an integral part of the effective interest rate. Amortization according to the effective interest rate method is recognized as financial cost in the statement of income and expenses.

Derecognition –

A financial liability is written off when the obligation specified in the corresponding contract has been paid, canceled, or expired.

When an existing financial liability is replaced by another liability from the same lender under substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of income and expense.

(iii) Clearing of financial instruments --

Financial assets and financial liabilities are offset in such a way that the net amount is reported in the statement of financial position, only if there is a current legally enforceable right to offset the recognized amounts, and there is an intention to settle them for the net amount, or to realize the assets and cancel the liabilities simultaneously.

As of December 31, 2022 and 2021, the Organization does not present any financial assets or liabilities for a net amount; nor does it present gross amounts subject to compensation rights.

(iv) Fair value -

The Organization measures its financial instruments, such as embedded derivatives, financial hedging instruments, its financial assets through other results and financial assets at fair value through results at the date of the statement of financial position, the effect of which will be reflected in the statement of income and expenses.

The Organization uses valuation techniques that are appropriate in the circumstances and for which it has sufficient information available to measure fair value, maximizing the use of relevant observable data and minimizing the use of unobservable data.

All assets and liabilities that are recorded at fair value or for which fair values are disclosed in the financial statements are classified within the fair value hierarchy, described below:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques by which the lowest level of information that is significant for the measurement at fair value is directly or indirectly observable.

- Level 3 - Valuation techniques by which the lowest level of information that is significant for the measurement at fair value is not observable.

For purposes of fair value disclosures, the Organization has determined classes of assets and liabilities based on their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

d. Foreign currency transactions

- **Functional currency and presentation currency**

To express its financial statements, the Organization has determined its functional currency, based on the primary business environment where it operates. The financial statements are presented in Soles, which is, in turn, the functional currency and the presentation currency of the Organization. All transactions are measured in the functional currency and, on the contrary, foreign currency is anything other than the functional currency.

- **Transactions and balances in foreign currency**

Foreign currency transactions are recorded in US Dollars, applying the exchange rates on the day of the transaction. Balances as of December 31, 2022 and 2021 are valued at the year-end exchange rate. Gains or losses from exchange differences resulting from the payment of such transactions and translation at the exchange rates at the end of the year of monetary assets and liabilities denominated in foreign currency, are recognized in the statement of income and expenses.

e. Classification of items in current and non-current

The Organization presents assets and liabilities in the statement of financial position classified as current and non-current. An asset is classified as current when the entity:

- expects to realize the asset or intends to sell or consume it in its normal operating cycle;
- holds the asset primarily for trading purposes;
- expects to realize the asset within twelve months after the reporting period; or
- the asset is cash or cash equivalent, unless it is restricted and cannot be exchanged or used to settle a liability for a minimum period of twelve months after the end of the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the entity:

- expects to settle the liability in its normal operating cycle;
- holds the liability primarily for trading purposes;
- the liability must be settled within twelve months after the closing date of the reporting period; or
- does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

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

f. Cash and cash equivalents

Cash comprises both the fixed fund and checking and savings accounts.

The cash disclosed in the statement of cash flows is made up of the balance of the cash and cash equivalents item in the Statement of Financial Position.

g. Accounts receivable

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

The estimate for impairment of accounts receivable is determined based on when there is evidence that Solidaridad will not be able to collect the amounts due in accordance with their original conditions. The amount of the estimate is recognized in the financial statements. Accounts are punished when they are identified as such.

h. Project assets and liabilities accounts

These items record the funds receivable and payable to the institutions from which the financing for the execution of projects is received, said accounts receivable and payable are related to the funds pending reimbursement by the financing sources, and funds pending execution and surrender by SOLIDARIDAD, respectively.

i. Inventory

This item is made up of labor and other costs involved in rendering the service while it has not been completed.

j. Property, furniture and equipment

Property, furniture and miscellaneous equipment are presented at acquisition cost, net of accumulated depreciation, the acquisition cost includes the disbursements that are directly attributable to the acquisition of the assets. Maintenance and repair costs are charged to results, any renewal and significant improvement is capitalized only when it is probable that future economic benefits will be produced that exceed the standard performance originally evaluated for the asset.

The corresponding depreciation is calculated based on the straight-line method, at legally permitted rates considered appropriate, to extinguish said cost at the end of the estimated useful life of the respective assets.

The depreciation method used reflects the pattern according to which the future economic benefits of the asset are expected to be consumed by the Organization.

When assets are sold or withdrawn, their cost and depreciation is eliminated and any profit or loss resulting from their disposal is included in the statement of income and expenses.

k. Impairment of non-financial assets

The Organization assesses at each reporting date whether there is an indicator of impairment of a non-financial asset. The Organization prepares an estimate of the recoverable value of the asset when there is an indication of impairment or when the annual impairment test of an asset is required.

The recoverable amount of an asset is the higher of the fair value of the cash-generating unit less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows independently. When the carrying amount of an asset exceeds its recoverable value. When determining the value in use, the estimated cash flows are discounted to their present value using a discount rate that reflects the current market conditions and the specific risks of the asset. Impairment losses are recognized in the statement of profit and loss.

The Organization performs an assessment at each statement of financial position date to determine whether there is any indication that previously recognized impairment losses no longer exist or may have decreased.

If such an indication exists, the recoverable value is estimated. Previously recognized impairment losses are reversed only if there has been a change in the estimate used to determine the asset's recoverable value since the date the impairment loss was last recognized. If this is the case, the book value of the asset is increased to its recoverable value. Said amount cannot exceed the book value that would have been determined, net of depreciation, if an impairment loss had not been recognized for the asset in previous years. Said reversal is recognized in the statement of profit and loss. After the reversal is made, the depreciation charge is adjusted in future periods, distributing the book value of the asset throughout its remaining useful life.

l. Judgments, estimates and significant accounting assumptions

The preparation of the financial statements, following IFRS, requires Management to use judgments, estimates and assumptions to determine the reported amounts of assets and liabilities, the exposure of contingent assets and liabilities at the date of the financial statements, as well as the amounts reported income and expenses for the years 2022 and 2021.

In Management's opinion, the estimates were made based on its best knowledge of the relevant facts and circumstances at the date of preparation of the financial statements; however, the uncertainty about the estimates and assumptions means that the final results may differ from the estimates included in the financial statements.

The Organization´s Directorate does not expect that the variations, if any, will have a significant effect on the financial statements.

The significant estimates considered by Management in relation to the financial statements basically refer to:

- Allowance for accounts receivable impairment, note 4 (g).
- Residual value, useful life and depreciation of facilities, furniture and equipment, note 4(c).

m. 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 disbursing an economic flow is remote. Contingent assets are not recognized in the financial statements and are only disclosed when resource inflows are probable.

n. Employee Benefits

Employee benefits (includes: wages, vacations, compensation for length of service, gratification and special bonuses) are calculated in accordance with current legislation for the full compensation rights of the workers and are paid through deposits in the financial institutions chosen by them. All employee benefits are recognized as an expense when accrued.

o. Income recognition

Income from subsidies constitutes the amount equivalent to the payments made by Solidaridad in the execution of the operational plans and the annual budgets of the projects that it executes according to the financing agreements signed with different cooperating entities. These incomes are recognized in the Statement of Income and Expenses and Changes in the Organization equity, simultaneously with the execution of the related expenditure.

Other income from training services and any other contribution from mediators or other services of the Organization are recognized as they accrue and in the periods to which they relate, regardless of when they are collected.

p. Recognition of expenses

The disbursements made by Solidaridad in relation to the execution of its resource allocation projects, as well as those disbursements made to fund the Solidaridad operation, are recognized in the statement of income and expenses at the time they are made, in accordance with the accrual basis of accounting.

q. Exchange rate

Gains or losses on foreign currency exchange resulting from the payment of transactions and the conversion at the year-end exchange rate of monetary assets and liabilities denominated in foreign currency are recognized in the results of the period in which they are denominated the mentioned differences.

r. Subsequent events

Events after the close of the fiscal year that provide additional information on Solidaridad's financial position as of the date of the statement of financial position (adjustment events) are included in the financial statements. Significant subsequent events that are not adjustment events are disclosed in notes to the financial statements.

s. New pronouncements and accounting changes

i) Pronouncements in force as of January 1, 2022

Amendments to IFRS 16 “Rent reductions related to COVID-19 after June 30, 2021

In response to the continued impact of the COVID-19 pandemic, on March 31, 2021, the IASB issued an amendment to IFRS 16 Leases, to extend by one year the period of application of the practical solution that helps lessees to accounting for rent concessions linked to COVID-19. With this, the IASB extended the practical remedy to rental concessions that reduce lease payments originally due on or before June 30, 2022.

The amendment is effective for annual periods beginning on or after April 1, 2021, with retrospective application, recognizing the cumulative effect of the initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as applicable) at the beginning of the annual period in which the amendment was first applied. Its early application was allowed, even in financial statements not authorized for publication as of March 31, 2021.

The adoption of these amendments did not generate impacts on the Organization's financial statements on the date of initial application.

Amendments to IFRS 3 References to the Conceptual Framework

On May 14, 2020, the IASB issued a package of limited-scope amendments, including amendments to IFRS 3 Business Combinations. The amendments update the references to the Conceptual Framework issued in 2018, in order to determine what constitutes an asset or a liability in a business combination. In addition, the IASB added a new exception in IFRS 3, which specifies that for liabilities and contingent liabilities within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or IFRIC 21 “Liens”, an acquirer should refer to these standards, rather than the 2018 Framework. Without this exception, an entity would have recognized some liabilities in a business combination that it would not recognize under IAS 37.

The amendments are prospectively applicable to business combinations whose acquisition date is after January 1, 2022.

The adoption of these amendments did not generate impacts on the Organization's financial statements on the date of initial application.

Amendments to IAS 16 Products Obtained before Intended Use

As part of the package of limited scope amendments published in May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment, which prohibit an Organization from deducting from the cost of an item of property, plant and equipment amounts received for the sale of items produced while the Organization prepares the asset for its intended use. Instead, an Organization will recognize such sales revenue and related costs in profit or loss. The amendments also clarify that an entity is “testing whether the asset is working properly” when it evaluates the technical and physical performance of the asset.

These amendments are applicable to annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively, but only from the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of the initial application of the amendments is recognized as an adjustment to the opening balance of retained earnings (or other component of equity as applicable) at the beginning of the first period submitted.

The adoption of these amendments did not generate impacts on the Organization's financial statements on the date of initial application.

Amendments to IAS 37 Onerous Contracts: Cost of Fulfilling a Contract

The third standard amended by the IASB within the package of limited scope amendments issued in May 2020 was IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify what costs an entity must consider when evaluating whether a contract is onerous. In this sense, the amendments clarify that the direct cost of fulfilling a contract includes both the incremental costs of fulfilling that contract (for example, direct labor and materials), as well as the allocation of other costs that are directly related to the fulfillment of contracts (for example, an allowance of depreciation charge for an item of property, plant and equipment used to fulfill the contract).

These amendments are applicable to annual reporting periods beginning on or after January 1, 2022. The organizations must apply these modifications to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period, in which the modifications are first applied. No restatement of comparative information is required. The cumulative effect of initially applying the amendments is recognized as an adjustment to the opening balance of retained earnings (or other component of equity as applicable) on the date of initial application.

The adoption of these amendments did not generate impacts on the Organization's financial statements on the date of initial application.

Annual Improvements to IFRS: 2018-2020 Cycle

On May 14, 2020, the IASB issued a series of minor amendments to IFRS, in order to clarify or correct minor issues or correct possible inconsistencies between the requirements of the standards. The modifications with potential impact on the Organization are the following:

- **IFRS 9 Financial Instruments***:* clarifies that for the purposes of the 10% test for the derecognition of a financial liability, when determining the commissions paid net of the commissions received, the borrower should only consider the commissions paid or received between the borrower and lender.
- These improvements are applicable to annual reporting periods beginning on or after January 1, 2022. Entities must apply these amendments to financial liabilities that are modified or exchanged at the beginning of the annual reporting period, in which the modifications are applied for the first time.
- **Examples that accompany IFRS 16 Leases**: modification of the example related to incentives for reimbursement: In order to eliminate possible confusion about the treatment of incentives for leasing. The example included as part of its history a refund from the landlord to the tenant, related to improvements to the leased property. Since the example did not explain clearly enough whether the refund met the definition of a lease incentive, the IASB decided to remove any reference to this refund from the illustrative example, thereby avoiding any potential for confusion.

The adoption of these amendments did not generate impacts on the Organization's financial statements on the date of initial application.

ii) Accounting pronouncements applicable from January 1, 2023 and following:

As of the date of issuance of these financial statements, the following accounting pronouncements had been issued by the IASB, but were not mandatory.

Amendments to IAS 1 Classification of liabilities as current and non-current

On January 23, 2020, the IASB issued limited scope amendments to IAS 1 Presentation of Financial Statements, with the objective of clarifying how to classify debt and other liabilities as current or non-current. The amendments clarify that a liability is classified as non-current if the entity has, at the end of the reporting period, the substantial right to defer settlement of the liability for at least 12 months. The classification is not affected by the entity's expectations or by events subsequent to the reporting date. The amendments include clarification of the classification requirements for debt that a company could pay off by converting it into equity.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position, not the amount or timing of their recognition, nor the related disclosures. However, they could lead companies to reclassify some liabilities from current to non-current, and vice versa. This could affect compliance with the covenants in the companies' debt contracts.

These modifications are applicable retroactively from January 1, 2023. In response to the Covid-19 pandemic, in July 2020 the IASB extended its effective date by one year, initially set for January 1, 2022, in order to provide companies more time to implement any classification changes resulting from these modifications. Its early application is permitted.

Amendments to IAS 1 and Practice Paper N° 2 Disclosure of Accounting Policies

On February 12, 2021, as the final stage of its improvements in the area of materiality, the IASB issued limited-scope amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Paper N° 2 Making Judgments on Materiality or Relative Importance, with the objective of helping organizations improve accounting policy disclosures, so that they provide more useful information to investors and other main users of financial statements.

The amendments to IAS 1 require companies to disclose information about their material accounting policies, rather than their significant accounting policies. The amendments to IFRS Practice Statement N° 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments are applicable for annual periods beginning on or after January 1, 2023. Early application is permitted.

Amendments to IAS 8 Definition of Accounting Estimates

On February 12, 2021, the IASB issued limited-scope amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in order to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates, and thus reduce diversity in practice.
Such a distinction is important because changes in accounting estimates apply prospectively only to future transactions and other future events, but changes in accounting policy generally also apply retrospectively to past transactions and other past events.

These amendments are applicable to annual periods beginning on or after January 1, 2023, with early application permitted. They will be applied prospectively for changes in estimates and accounting policies that occur from the beginning of the first fiscal year in which the Organization applies the modification.

Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

On May 7, 2021, the IASB issued specific amendments to IAS 12 Income Tax, with the aim of clarifying how companies should account for deferred tax on a single transaction that results in the initial recognition of an asset and a liability simultaneously, as is the case with leases, from the perspective of the lessee, and decommissioning obligations.

Under certain circumstances, companies are exempt from recognizing deferred taxes when they recognize assets or liabilities for the first time. Previously, there was some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations. The amendments clarify that the exemption does not apply to operations that at the time of initial recognition give rise to equal taxable and deductible temporary differences, therefore, companies are required to recognize deferred taxes on such transactions.

The amendments are effective for annual periods beginning on or after January 1, 2023, and early application is permitted.

t. Financial risk management, objectives and policies

The Organization's main financial liabilities are trade accounts payable, to related parties and other accounts payable. The main purpose of such financial liabilities is to finance the Organization's operations. Likewise, it maintains cash, trade accounts receivable, from related parties and other accounts receivable that arise directly from its operations.

The Organization is exposed to credit, market and liquidity risk. The Organization´s Directorate supervises the management of said risks. The Organization's Directorate is supported by the Financial Management that advises on said risks and on the corporate framework for financial risk management that is most appropriate for the Organization. The Financial Management provides assurance to the Organization's Directorate that financial risk taking activities are regulated by appropriate corporate policies and procedures, and that these financial risks are identified, measured and managed in accordance with said Organization policies.

Management reviews and approves the policies to manage each of the risks, which are summarized below:

Credit risk

Credit risk is the risk that a counterparty cannot meet its obligations in relation to a financial instrument or sales contract, generating a financial loss. The Organization is exposed to credit risk due to its operating activities (mainly accounts receivable) and its deposits in banks.

Credit risk related to accounts receivable: customer credit risk is managed by Management, subject to duly established policies, procedures, and controls. The outstanding balances of accounts receivable are periodically reviewed to ensure their recovery; likewise, the Organization has a broad client base.

Credit risk related to bank deposits: credit risks of bank balances are managed by Management in accordance with the Organization's policies. Investments of excess cash are made with top-level financial institutions. The maximum exposure to credit risk as of December 31, 2022 and 2021, is the book value of the cash balances shown in note 5. Consequently, in the opinion of Management, the Organization does not have any concentration that represents a significant credit risk as of December 31, 2022 and 2021.

Market risk: Market risk is the risk of suffering losses in balance sheet positions derived from movements in market prices. These prices include three types of risk: (i) exchange rate, (ii) interest rates and (iii) commodity prices and others. All of the Organization's financial instruments are affected only by exchange rate and interest rate risks.

The sensitivity analyzes in the following sections refer to the positions as of December 31, 2022 and 2021. Likewise, they are based on the fact that the net amount of debt, the fixed interest rate ratio, and the position in currency instruments foreign remain constant.

It has been taken as an assumption that the sensitivities in the separate income and expense statement are the effect of the changes assumed in the respective market risk. This is based on the financial assets and liabilities held as of December 31, 2022 and 2021.

(i) *Exchange rate risk* - Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuate due to changes in exchange rates. Management is responsible for identifying, measuring, controlling and reporting the Organization's exposure to global exchange risk. The exchange risk arises when the Organization presents mismatches between its asset, liability and off-balance sheet positions in the different currencies in which it operates, which are mainly Soles (functional currency) and US dollars.

The Management monitors this risk through the analysis of the country's macroeconomic variables. The Organization's activities, mainly its indebtedness, expose it to the risk of fluctuations in the exchange rates of the US dollar against the Sol. In order to reduce this exposure, the Organization makes efforts to maintain an appropriate balance between the assets and liabilities expressed in US dollars and Euros. It is worth mentioning that part of the Organization's income is received in Euros (or its equivalent in Soles at the exchange rate of the day), an important part of its costs are related to the US dollar and the short and medium term debt is partially agreed in US dollars. Despite this alignment between income, costs and debt, by keeping the accounting in Soles, the debt, as well as the obligations payable in foreign currency, are adjusted with any variation in the exchange rate.

The management permanently evaluates economic coverage alternatives that may be adapted to the reality of the Organization.

Operations in foreign currency are carried out at the free-market exchange rates published by the Superintendency of Banking, Insurance and Pension Fund Administrators. As of December 31, 2022, the weighted average free market exchange rates for transactions in US dollars and Euros were:

	2022 US $	2022 €	2021 US $	2021 €
1 US$ exchange rate purchase	3.808	3.869	3.975	4.344
1 US$ exchange rate sale	3.820	4.360	3.998	4.846

The balances in United States Dollars (US$) and Euros (€) as of December 31, 2022 and 2021 are shown below:

	2022 US $	2022 €	2021 US $	2021 €
Assets:				
Cash and cash equivalents	304 095	291 606	443 547	140 820
Trade accounts receivable	2 360	-.-	-.-	-.-
Accounts receivable to projects	139 423	349 586	121 758	455 552
Other accounts receivable	114 776	37 262	121 036	-.-
	560 654	**678 454**	**686 341**	**596 372**
Liabilities				
Accounts to execute projects	(218 312)	(652 221)	(84 386)	(545 475)
Accounts payable to related parties	-.-	(188 408)	-.-	-.-
Other accounts payable	(39 085)	(2 600)	(33 685)	-.-
	(257 397)	**(843 229)**	**(118 071)**	**(545 475)**
Asset (liability) monetary position, net	**303 257**	**(164 775)**	**568 270**	**50 897**

As of December 31, 2022, the Organization recorded a net exchange difference loss of S/ 418,323 (Net exchange difference loss of S/ 386,264 as of December 31, 2021).

(ii) *Interest rate risk* - The interest rate risk for the Organization arises from its long-term indebtedness. Variable rate borrowing exposes the Organization to interest rate risk on its cash flows. Borrowing at fixed rates exposes the Organization to interest rate risk on the fair value of its liabilities.

The Organization periodically reviews the evolution of interest rates and the possible impact on loans and therefore on the results of income and expenses, which is reviewed with senior management, making the corresponding decisions, negotiating interest rates at the most convenient terms.

Management estimates that given the international financial conditions there will be no interest rate fluctuations that will significantly affect the situation of the Organization and consequently has accepted to assume the interest rate risk on fair value and cash flows.

5. CASH AND CASH EQUIVALENTS

Comprises:

	2022	**2021**
Fixed fund	3 000	2 000
Cash in transit	630	-.-
Current accounts **(a)**	3 620 841	3 603 762
Savings accounts **(b)**	36 635	316 576
	---------------	---------------
	3 661 106	**3 922 338**
	=========	=========

(a) Corresponds mainly to accounts in soles S/ 1,371,259, in US Dollars for US$ 294,474 and €291,606 (S/ 1,545,518, US$ 363,905 and €140,820 in 2021).

(b) Corresponds mainly to accounts in dollars for US$ 9,621 (US$ 79,642 in 2021).

The Organization maintains accounts at Banco de Credito del Peru in Soles, US Dollars and at BBVA (Banco Continental) in Soles, US Dollars and Euros, they are freely available.

6. ACCOUNTS RECEIVABLE TO RELATED

They are summarized as follows:

RELATED	**BEGINNING BALANCE**	**ADDITIONS**	**DEDUC-TIONS**	**FINAL BALANCE**
Year 2022:				
Non Current (a)				
Grupo Hualtaco S.A.C	439 932	-.-	-.-	439 932
(-) Doubtful collection estimate	(439 932)	-.-	-.-	(439 932)
	---------------	---------------	---------------	---------------
	-.-	**-.-**	**-.-**	**-.-**
	========	========	========	========

Grupo Hualtaco S.A.C, a company in liquidation, was dedicated to the production and export of organic fruits.

7. ACCOUNTS RECEIVABLE FROM PROJECTS

Comprises:

	2022	2021
FSLA Colombia – BBC consultancy payment	-.-	126 304
REC NL – Reimbursement of expenses	13 870	968 161
FSLA Panama – Latin American Matrix – Project PE 01068 and reimbursement of expenses (a)	1 623 707	705 820
Solidaridad North America	245 893	-.-
Solidaridad Network	-.-	367 722
	----------------	----------------
	1 883 470	**2 168 007**
	=========	=========

(a) It corresponds to the following reimbursements

PROJECT	EUR
Central Costs (PE01050)	188,298
Project TFA3 BMU (PE01068) 2022	31,745
Project Reclaim Sustainability EPE (PE01071) 2022	39,079
Project Reclaim Sustainability GET MU (PE01071) 2022	45,934
Project Reclaim Sustainability Coffee (PE01071) 2022	38,516

PROJECT	USD
Adobe License Fees covered by SAM 2022	1,028
Alejandra Carbajal ticket receivable from the Netherlands	3,121
Project TFA3 NICFI (PE01068) 2022	12,689
Project USAID (PE01075) 2022	55,985
Project Nestle (PE01027)	4,495

8. MISCELLANEOUS ACCOUNTS RECEIVABLE

Comprises:

	2022	2021
Loans to staff	35 530	3 299
Advances in staff compensation	3 150	345
Deliveries to render	26 254	12 492
Loan to Lister Ramírez	2 285	2 385
Loan to Franky y Ricky S.A **(a)**	335 104	389 550
Interests Franky y Ricky S.A	597 092	597 092
Deposits in guarantee	-.-	20 869
Alicorp S.A.A. - Inclusive Oil Palm Program	385 247	-.-
ICRAF - Reembolso de Gastos de Proyecto	108 491	-.-
EII - Project UK PACT	115 609	-.-
Consultancy Surinam Newmont	250 342	-.-
Miscellaneous accounts receivable **(b)**	143 305	388 534
Insurance paid in advance	58 185	50 727
(-) Doubtful Collection Estimate **(a)**	(932 196)	(597 092)
	1 128 398	**868 201**
Short term	**1 126 113**	**476 266**
Long term	**2 285**	**391 935**

(a) Equivalent to US$88,000 as of December 31, 2022 and US$98,000 as of December 31, 2021. On April 30, 2021, the Institution agreed on an annual payment schedule for the cancellation of the aforementioned debt.

On December 28, 2022, the Executive Directorate of the Institution ordered that an estimate of doubtful collection of US$ 88,000 equivalent to S/ 335,104 be made, considering them potentially uncollectible. The Institution has considered not applying interest on the aforementioned collection right.

The doubtful collection movement is set out below:

	2022	2021
Initial balance	**597 092**	**597 092**
Additions (Note 22)	335 104	-.-
Final balance	**932 196**	**597 092**

(b) Corresponds to deliveries to be rendered by Projects & More – Valerie for S/ 61,472 (US$ 16,143), Maternity Allowance for Belinda Tello for S/ 17,997, VAT for Recovering AECID Project S/ 10,875 and others for S/ 52,961.

9. PROPERTY, FURNITURE AND EQUIPMENT, NET

They are summarized as follows:

CONCEPT	BEGINNING BALANCE	ADDITIONS	DEDUC-TIONS	RECLASSI-FICATIONS	FINAL BALANCE
Year 2022:					
Cost					
Buildings (*)	-.-	1 707 121	-.-	1 707 121	
Facilities	24 074	-.-	(24 074)	-.-	
transport units	162 554	-.-	(13 490)	149 064	
Furniture and fixtures	51 741	76 775	(9 295)	119 221	
Computer equipment	236 309	75 707	(60 140)	251 876	
Miscellaneous equipment	38 919	5 165	(9 828)	34 256	
	513 597	**1 864 768**	**(116 827)**	**2 261 538**	
Accumulated depreciation					
Facilities	(14 659)	(48 068)	15 070	(47 657)	**20**
transport units	(144 986)	(19 931)	25 143	(139 774)	**5**
Furniture and fixtures	(48 377)	(7 260)	14 003	(41 634)	**10**
Computer equipment	(135 084)	(46 983)	84 302	(97 765)	**4**
Miscellaneous equipment	(34 256)	-.-	-.-	(34 256)	**10**
	(377 362)	**(122 242)**	**138 518**	**(361 086)**	
	136 235			**1 900 452**	
Year 2021:					
Cost					
Facilities	24 074	-.-	-.-	24 074	
transport units	162 554	-.-	-.-	162 554	
Furniture and fixtures	51 741	-.-	-.-	51 741	
Computer equipment	167 190	67 934	-.-	235 124	
Miscellaneous equipment	48 694	4 085	(12 675)	40 104	
	454 253	**72 019**	**(12 675)**	**513 597**	
Accumulated depreciation					
Facilities	(13 456)	(1 203)	-.-	(14 659)	**20**
transport units	(120 198)	(24 788)	-.-	(144 986)	**5**
Furniture and fixtures	(45 571)	(2 806)	-.-	(48 377)	**10**
Computer equipment	(98 340)	(36 744)	-.-	(135 084)	**4**
Miscellaneous equipment	(40 843)	(4 039)	10 626	(34 256)	**10**
	(318 408)	**(69 580)**	**10 626**	**(377 362)**	
	135 845			**136 235**	

(*) The acquisition of an administrative office located in Miraflores was made on February 22, 2022.

The depreciation expense for the years ended December 31, 2022 and 2021 has been allocated in the income and expense statements as follows:

	2022	**2021**
Provisions (Note 22)	122 242	69 580
	122 242	**69 580**

10. TRADE ACCOUNTS PAYABLE

Comprises:

	2022	2021
Invoices payable	10 177	-.-
Fees payable	15 500	-.-
	25 677	**-.-**

11. ACCOUNTS TO BE EXECUTED FROM PROJECTS

Comprises:

Cod-Plaza	Nombre del Proyecto	2022	2021
P-1982	International program coordinator	-.-	18 183
C-2460	Alliance for Sustainable & Competitive Coffee	-.-	27 374
P-2233	Tropical Forest Alliance - TFA	-.-	71 698
PR-003745	Empowering smallholder of Rios del Inka assoc with smart climate coffee	45 155	3 198
PR-002221	Operational Project-Peru Office	166 506	125 761
C - 2729	Rabobank	758 695	19 538
C - 2622	EU Good Governance Project KOFI II	-.-	28 121
PR-002217	GP&RI - Responsible practices in the ASM Peruvian and Colombian gold sectors	-.-	94 037
PR-002235	CUSAF (Assignment in use in agroforestry systems (PARA)	-.-	617 506
C - 2625	Good productive practices in palm and renewal of seedlings	-.-	13 414
PR-003041	Inclusive sustainable oil palm program	36 017	99 606
PR-002236	Circular Coffee from Peru: creating value across the chain - RVO	1 026 304	337 858
PR-002236	Circular Coffee from Peru: creating value across the chain - JDE	-.-	27 184
PR-003045	RS! Peru - Gold	197 857	199 231
PR-003921	New Synergies for ASM financial inclusion through processing plants	-.-	31 287
PR-003995	Promote a low-emission, biosafe, inclusive and competitive organic banana chain **(a)**	1 246 013	1 304 008
C -2977	Banana Cluster Sustainability	28 998	-.-
PR-004600	Oro Justo 2.0	198 033	-.-
		3 703 578	**3 068 086**

(a) Contract signed with the "Spanish Agency for International Development Cooperation (AECID), expiring in May 2023.

12. ACCOUNTS PAYABLE FROM PROJECTS

Comprises:

	2022	2021
FSLA Panama	34 770	61 664
FSLA Brasil	70 218	9 182
FSLA Colombia **(a)**	824 595	1 097 547
FSLA Argentina **(b)**	331 932	175 393
	1 261 515	**1 343 786**

(a) Reimbursement of expenses for Project PE0148 for Eur 52,230, Project RS! Eur 13,100 and Project PE01051 – Colombia Platform for Eur 121,776 and others for US$ 2,284.

(b) Reimbursement of expenses for Project PE01048 for Eur 5,791, Project RS! EUR 70,340.

13. ACCOUNTS PAYABLE RELATED

Comprises:

	2022	2021
REC NL – loan	806 601	-.-
REC NL – loan interest	14 859	-.-
	821 460	**-.-**
Short term	**500 689**	**-.-**
Long term	**320 771**	**-.-**

Loan and interest from REC NL for the acquisition of the administrative office, payable until January 2029 (7 years).

14. OTHER ACCOUNTS PAYABLE

Comprises:

	2022	2021
Taxes and contributions to the pension and health system payable	84 983	76 665
Remuneration and vacations payable	264 003	246 638
Compensation for time of service	42 159	38 440
Miscellaneous accounts payable	154 163	26 987
	545 308	**388 730**

15. INSTITUTIONAL EQUITY

It is constituted by the retained earnings of the management of SOLIDARIDAD and is derived mainly from provisions for depreciation and exchange differences.

Likewise, adjustments from previous years were made to the retained earnings of the Institution:

	2022	2021
Useful life adjustment (depreciation)	35 198	-.-
Income from previous years	406 752	-.-
	441 950	**-.-**

16. INCOME FROM PROJECT MANAGEMENT

Comprises:

	2022		2021	
	S/	Eq. US$	S/	Eq. US$
GP&RI Responsible Practices in the Peruvian and Colombian ASM Gold Sectors	769 736	201 502	937 878	234 587
GP&RI - Enhancing the potential of the Sustainable Trade Platform	816 029	213 620	1 816 871	454 445
Tropical Forest Alliance - TFA	237 847	62 264	334 144	83 578
Relief Platform for Pallaqueras Facing Covid -19	-.-	-.-	2 753	689
From Bunch Bags to corner Boards – Recycling Banana Plastic	5 022	1 315	76 462	19 125
Own income	73 433	19 223	169 323	42 352
Empowering smallholder of Rios del Inka assoc with smart climate coffee	2 848	745	67 211	16 811
Norad II Peru	-.-	-.-	1 661 046	415 469
CUSAF (Assignment in use in agroforestry systems (PARA))	615 310	161 076	284 808	71 238
DMNEM - Mining Scale Business Model Development	-.-	-.-	834	208
Palma Program	792 255	207 397	530 157	132 606
Circular Coffee from Peru: creating value across the chain	1 356 183	355 022	583 951	146 061
RS! Peru - Gold	1 590 569	416 379	1 258 734	314 841
Plataforma ACORN	67 243	17 603	189 316	47 353
General Coordination Banana Cluster of Peru	-.-	-.-	50 843	12 717
Implementation of the Cocoa Amazon	139 132	36 422	128 818	32 221
New Synergies for ASM financial inclusion through processing plants	31 287	8 190	236 908	59 257
ASM Technical support & Alternative Livelihoods Program	-.-	-.-	66 044	16 519
Promote a low-emission organic banana chain, biosecure, inclusive and competitive	444 724	116 420	5 772	1 444
Cargill Program	237 243	62 106	-.-	-.-
RS! Coffee	155 343	40 666	-.-	-.-
RS! Global Linking & Learning	341 768	89 468	-.-	-.-
RS! UPSC	12 023	3 147	-.-	-.-
Amazonía Connect	551 849	144 463	-.-	-.-
Oro Justo 2.0	58 550	15 327	-.-	-.-
Banana Cluster Sustainability	13 954	3 653	-.-	-.-
Pilot Circular and inclusive coffee production in Jaen, Peru	86 781	22 718	-.-	-.-
Fostering Low-Emission Rural Development and Forest Carbon Finance in the Peruvian Amazon	115 974	30 360	-.-	-.-
	8 515 103	**2 229 086**	**8 401 873**	**2 101 521**

17. OTHER INSTITUTIONAL INCOME

Comprises:

	2022		2021	
	S/	**US$**	**S/**	**US$**
Implementation of the Cocoa Amazon	2 215	580	-.-	-.-
Institutional Expenses	750 800	196 545	332 304	83 117
GP&RI Responsible practices in the Peruvian and Colombian ASM gold sectors	47 248	12 369	62 186	15 554
GP&RI - Improving the potential of the Sustainable Trade Platform	54 073	14 155	97 791	24 460
Fair Tex Peru **(a)**	-.-	-.-	2 613 013	653 580
RS! Peru - Gold	223 072	58 396	159 031	39 778
	------------	------------	------------	------------
	1 077 408	**282 045**	**3 264 325**	**816 489**
	=======	=======	=======	=======

It corresponds to flexible own income and mainly to the income that SOLIDARIDAD receives for the administration of the projects, which is granted based on a percentage agreed between the donor and SOLIDARIDAD in relation to the expenses incurred in the period.

(a) Corresponds to freely available reserves generated by the balance of the Fair Tex Peru project completed on 12.31.2006. These reserves are made up of the balance of the project and the bank interest generated from its movements. Management confirms that its institutional reserves were kept in the Projects to be Executed item under the name of the Fair Tex Peru Project in order to use them to finance administrative costs and project activities not financed by other donors.

18. INCOME FROM SERVICES PROVIDED

Comprises:

	2022		2021	
	S/	**US$**	**S/**	**US$**
ASM Technical support & Alternative Livelihoods Program	1 032 619	270 319	-.-	-.-
Cocoa Horizons Human Rights Risk Assessment for Ecuador (*)	50 852	13 312	-.-	-.-
Development of Fusarium preventive material	12 712	3 328	-.-	-.-
	------------	------------	------------	------------
	1 096 183	**286 959**	**-.-**	**-.-**
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(*) This refers to consulting services provided to Barry Callebaut, which involved conducting a human rights impact assessment of the Cocoa Horizons program implemented by the company.

19. PERSONNEL EXPENSES

Comprises:

	2022		2021	
	S/	US$	S/	US$
Director of REC South America:				
Salaries	285 178	74 654	264 719	67 795
Gratifications	56 118	14 691	54 021	13 766
Vacations	31 896	8 350	26 769	6 848
Social security and welfare	58 103	15 210	55 455	14 201
	431 295	**112 905**	**400 964**	**102 610**
Legal representatives:				
Salaries	651 313	170 501	617 030	158 511
Gratifications	127 680	33 424	122 757	31 400
Vacations	61 518	16 104	58 719	15 067
Social security and welfare	137 023	35 870	131 683	33 777
Training and attention to staff	13 942	3 650	2 977	762
	991 476	**259 549**	**933 166**	**2 395 518**
Employees:				
Salaries	1 427 873	373 789	1 254 085	320 814
Gratifications	247 715	64 847	239 246	61 000
Vacations	129 993	34 030	120 468	30 796
Social security and welfare	340 697	89 186	308 924	79 061
Training and attention to staff	38 184	9 996	25 594	6522
	2 184 462	**571 848**	**1 948 317**	**498 192**
	3 607 233	**944 302**	**3 282 447**	**840 320**

20. SERVICES PROVIDED BY THIRD PARTIES

Comprises:

	2022		2021	
	S/	US$	S/	US$
Travel expenses	722 637	189 173	293 457	73 401
Mail and telecommunications	23 850	6 243	20 933	5 236
Per diem	12 237	3 203	1 770	443
Fees, commissions and brokerage	2 187 864	572 740	1 772 016	443 226
Maintenance and repair	98 543	25 796	22 351	5 591
Rentals	178 642	46 766	208 408	52 128
Other services	550 941	144 226	618 465	154 694
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	3 774 714	**988 147**	**2 937 400**	**734 719**
	=========	=========	=========	=========

21. MISCELLANEOUS OPERATIONAL EXPENSES

Comprises:

	2022		2021	
	S/	US$	S/	US$
Miscellaneous donations	1 686 246	441 426	2 537 261	634 632
Supplies and toiletries and communications	11 303	2 959	8 494	2 125
Various insurance	32 843	8 598	24 550	6 140
Goods and other minor assets	32 959	8 628	84 445	21 122
Representation expenses	240	63	942	235
Other operational expense	248 193	64 973	57 858	14 472
Fertilizers and seeds	97 194	25 443	31 410	7 856
Fuel	29 654	7 763	17 233	4 310
	----------------	----------------	----------------	----------------
	2 138 632	**559 853**	**2 762 193**	**690 892**
	=========	=========	=========	=========

22. PROVISIONS

Comprises:

	2022		2021	
	S/	US$	S/	US$
Depreciation (Note 9)	122 242	32 001	69 581	17 404
Doubtful collection estimate (Note 8)	335 104	87 724	-.-	-.-
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	457 346	**119 725**	**69 581**	**17 404**
	=========	=========	=========	=========

23. FIRST-TIME IFRS ADOPTION

Until December 31, 2021, the Institution prepared its financial statements in accordance with Peruvian Generally Accepted Accounting Principles (GAAP).

The financial statements for the year ended December 31, 2022 are the first financial statements that the Institution has prepared in accordance with International Financial Reporting Standards (IFRS), for which IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied to the opening statement of financial position as of January 1, 2021, the date of transition to IFRS. The application of IFRS 1 implies that all IFRS are applied retrospectively at the date of transition, including certain mandatory exceptions and optional exemptions defined by the standard.

23.1 Reconciliation of the statement of financial position. -

(a) The reconciliation between the statement of financial position under Peruvian GAAP and IFRS for SMEs as of January 1, 2021 (the date of transition to IFRS) is as follows:

	Balance as of 01.01.2021 Peruvian GAAP Soles	Adjust ments	Balance as of 01.01.2021 IFRS Soles		Balance as of 01.01.2021 Peruvian GAAP Soles	Adjust ments	Balance as of 01.01.2021 IFRS Soles
Assets				Liabilities and Equity			
Current assets :				**Current liabilities :**			
Cash and cash equivalents	1 600 667	-.-	1 600 667	Trade accounts payable	33 099	-.-	33 099
Trade accounts receivable	19 042	-.-	19 042	Project accounts payable	4 038 746	-.-	4 038 746
Project accounts receivable	2 062 616	-.-	2 062 616	Project accounts payable	74 147		74 147
Miscellaneous accounts receivable	218 363	-.-	218 363	Other accounts payable	416 592	-.-	416 592
		-.-				-.-	
Total current assets	**3 900 688**	-.-	**3 900 688**	**Total current liabilities**	**4 562 584**	-.-	**4 562 584**
Non-current assets :							
Miscellaneous accounts receivable	599 141	-.-	599 141				
Facilities, furniture and equipment, net	135 845	-.-	135 845				
Total non-current assets	**734 986**	-.-	**734 986**	**Total liabilities**	**4 562 584**	-.-	**4 562 584**
				Equity:			
				Retained earnings	73 090	-.-	73 090
				Total equity	**73 090)**	-.-	**73 090**
Total Assets	**4 635 674**	-.-	**4 635 674**	**Total liabilities and equity**	**4 635 674**	-.-	**4 635 674**

(b) The reconciliation between the statement of financial position under Peruvian GAAP and IFRS for SMEs as of 31 December 2021 is presented below:

Assets	Balance as of 12.31.2021 Peruvian GAAP Soles	Adjust ments	Balance as of 12.31.2021 IFRS Soles
Current assets :			
Cash and cash equivalents	3 922 338	-.-	3 922 338
Trade accounts receivable	1 958	-.-	1 968
Project accounts receivable	2 168 007	-.-	2 168 007
Miscellaneous accounts receivable	476 266	-.-	476 266
		-.-	
Total current assets	**6 568 579**	-.-	**6 568 579**
Non-current assets :			
Miscellaneous accounts receivable	391 935	-.-	391 935
Facilities, furniture and equipment, net	136 235	-.-	136 235
Total non-current assets	**528 170**	-.-	**528 170**
Total Assets	**7 096 749**	-.-	**7 096 749**

Liabilities and Equity	Balance as of 01.01.2021 Peruvian GAAP Soles	Adjust ments	Balance as of 01.01.2021 IFRS Soles
Current liabilities :			
Trade accounts payable	-.-	-.-	-.-
Project accounts payable	3 068 086	-.-	3 068 086
Project accounts payable	1 343 786		1 343 786
Other accounts payable	388 730	-.-	388 730
		-.-	
Total current liabilities	**4 800 602**	-.-	**4 800 602**
Total liabilities	**4 800 602**	-.-	**4 800 602**
Equity:			
Retained earnings	2 296 147	-.-	2 296 147
Total equity	**2 296 147**	-.-	**2 296 147**
Total liabilities and equity	**7 096 749**	-.-	**7 096 749**

23.2 Reconciliation of the income statement

The reconciliation between the statement of comprehensive income under Peruvian GAAP and IFRS for SMEs for the year 2021 is presented below:

	Balance as of 12.31.2021 Peruvian GAAP Soles	Adjustments	Balance as of 31.12.2021 IFRS Soles
INCOME :			
Project management income	8 401 873	-.-	8 401 873
Other institutional income	3 264 325	-.-	3 264 325
Miscellaneous income	30	-.-	30
	11 666 228	-.-	**11 666 228**
EXPENDITURES:			
Staff costs	(3 282 447)	-.-	(3 282 447)
Services provided by third parties	(2 937 400)	-.-	(2 937 400)
Taxes	(5 628)	-.-	(5 628)
Miscellaneous management charges	(2 762 193)	-.-	(2 762 193)
Provisions	(69 581)	-.-	(69 581)
	2 608 979	-.-	**2 608 979**
Financial income and expenses	342	-.-	342
Exchange difference, net	(386 264)	-.-	(386 264)
SURPLUS FOR THE YEAR	**2 223 057**	-.-	**2 223 057**

23.3 Reconciliation of the statement of changes in equity

The adoption of IFRS has not generated significant changes in the figures reported in the statement of changes in equity.

23.4 Reconciliation of the cash flow statement

The adoption of IFRS has not generated significant changes in the figures reported in the statement of cash flows for operating, investing and financing activities.

24. TAX SITUATION

Income tax

SOLIDARIDAD is exempt from the payment of Income Tax, since May 01, 2004, being registered in the Register of Exempt Entities of Income Tax and in Registration of Entities Receiving Donations deductible from Income Tax, the National Superintendence of Tax Administration.

Law N° 31106 has established that the exemptions included in article 19° of the TUO of the Income Tax Law will be in force until December 31, 2023.

General Sales Tax - GST

SOLIDARIDAD is registered in the National Registry of Foreign Entities and Institutions for International Technical Cooperation (ENIEX), indefinitely, which was communicated with a letter dated October 18, 2019.

SOLIDARIDAD is unaffected by the GST for donations of material received from the Cooperator as indicated in article 2°, paragraph k) of the Consolidated Text of the General Sales Tax and Selective Consumption Tax Law, approved by Supreme Decree N° 055 - 99 EF.

For the fiscal year 2022, SOLIDARIDAD did not obtain a refund of G.S.T. and IPM, due to any request to APCI.

The Directorate of the Organization considers that a possible revision by the Tax Administration will not generate significant liabilities, for which reason it has not considered necessary to constitute a provision in this regard.

25. RISKS ADMINISTRATION

The activities of the Organization expose it to a variety of financial risks whose potential adverse effects are permanently evaluated by the Directorate of the Organization in order to minimize them. Next, we present the financial risks to which the Organization is exposed.

a. **Exchange rate risk:** The Directorate of the Organization considers that there is no significant exchange rate risk that could lead the Organization to a financial situation that is difficult to manage.

b. **Interest, credit and liquidity risk:** The operating income and cash flows of the Organization are substantially independent of changes in market interest rates. The Organization does not have significant assets that accrue interest and significant risks of concentration of credit given its conservative policies on the matter. Likewise, the

Directorate of the Organization considers that it does not have liquidity risks to the extent that the payments of its long-term liabilities have been programmed in coordination with its future cash flows.

26. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On January 23, 2023, a vehicle was claimed as a total loss (toyota truck) that was acquired with funds from the “GP & RI – ASM Gold in Peru and Colombia” Project with reference to Plaza No. 2216 and 2217.

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