**United Cacao Limited SEZC and Subsidiaries**

Consolidated financial statements as of 31 December 2015 and 2014, together with the independent auditor’s report

## United Cacao Limited SEZC and Subsidiaries

# Consolidated financial statements as of 31 December 2015 and 2014, together with the independent auditor's report

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Paredes, Zaldívar, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

# Independent auditor's report

To the Directors and Shareholders of United Cacao Limited SEZC and Subsidiaries

We have audited the accompanying consolidated financial statements of United Cacao Limited SEZC (a holding investment company, incorporated in the Cayman Islands' Special Economic Zone) and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of 31 December 2015 and 2014, and the consolidated statement of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and the summary of significant accounting policies and related notes to the consolidated financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS), as adopted by the European Union.

This report is made solely for the company's directors as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Directors' responsibility for the consolidated financial statements*

The Directors are responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to audit and express an opinion on these consolidated financial statements in accordance with the applicable law and International Standards on Auditing (International Federation of Accountants). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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# Independent auditor's report (continued)

*Scope of the audit of the consolidated financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: (i) whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; (ii) the reasonableness of significant accounting estimates made by the Directors; and (iii) the overall presentation of the consolidated financial statements.

*Opinion of the consolidated financial statements*
In our opinion:

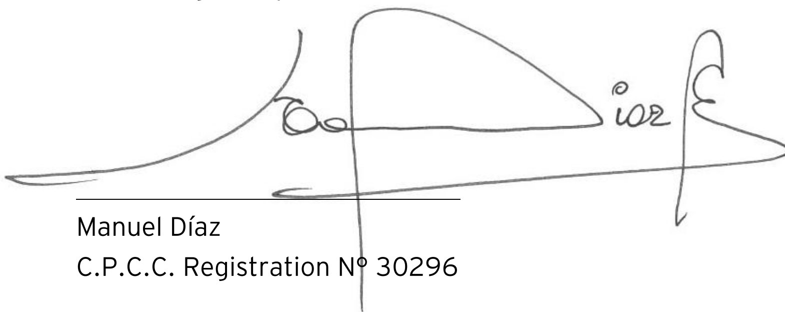
- the consolidated financial statements give a true and fair view of the state of the Group's affairs as of 31 December 2015 and 2014, and of the Group's loss for the years then ended;

- the consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union

Lima, Peru,
27 May 2016

Paredes, Zaldívar, Burga & Asociados

Countersigned by:



Manuel Díaz
C.P.C.C. Registration Nº 30296

## United Cacao Limited SEZC and Subsidiaries

# Consolidated statements of financial position

As of 31 December 2015 and 2014

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | 4 | 4,666,287 | 5,949,459 |
| Other accounts receivable, net | 6 | 15,170 | 1,810,582 |
| Inventories | 7 | 208,944 | 65,296 |
| Prepaid expenses | | 65,988 | 92,541 |
| | | 4,956,389 | 7,917,878 |
| **Non-current assets** | | | |
| Land, agriculture machinery, vehicles, bearer plants, equipment and construction in progress, net | 8 | 14,493,846 | 8,115,242 |
| | | 14,493,846 | 8,115,242 |
| **Total assets** | | 19,450,235 | 16,033,120 |
| **Liabilities and shareholders' equity, net** | | | |
| **Current liabilities** | | | |
| Secured convertible bond | 9 | 828,184 | - |
| Trade and other accounts payable | 10 | 384,676 | 445,734 |
| Accounts payable to related parties | 5(c) | - | 107,028 |
| | | 1,212,860 | 552,762 |
| **Non – current liability** | | | |
| Secured convertible bond | 9 | 3,759,478 | - |
| **Total liabilities** | | 4,972,338 | 552,762 |
| **Shareholders' equity, net** | 11 | | |
| Issued capital | | 19,172 | 18,430 |
| Share premium | | 20,129,054 | 18,613,436 |
| Other reserves | | 2,287,647 | 566,743 |
| Accumulated losses | | (7,957,976) | (3,718,251) |
| **Total shareholders' equity, net** | | 14,477,897 | 15,480,358 |
| **Total liabilities and shareholders' equity, net** | | 19,450,235 | 16,033,120 |

The accompanying notes are an integral part of these consolidated financial statements.

## United Cacao Limited SEZC and Subsidiaries

# Consolidated statement of comprehensive income

For the years ended as of 31 December 2015 and 2014

| | Note | 2015<br>US$ | 2014<br>US$ |
|---|---|---|---|
| **Pre-operating expenses** | | | |
| Administrative expenses | 14 | (3,940,522) | (2,876,639) |
| **Pre-operating loss** | | (3,940,522) | (2,876,639) |
| **Other expenses** | | | |
| Financial expenses | 9(c) | (129,941) | - |
| Exchange rate difference, net | 3 | (158,912) | (105,344) |
| **Loss before income tax** | | (4,229,375) | (2,981,983) |
| **Total comprehensive loss** | | (4,229,375) | (2,981,983) |
| **Loss per share** | 16 | (0.23) | (0.23) |

The accompanying notes are an integral part of these consolidated financial statements.

United Cacao Limited SEZC and Subsidiaries

# Consolidated statements of changes in equity

For the years ended as of 31 December 2015 and 2014

| | Issued capital US$ | Share Premium US$ | Other reserves: Shared based payment reserve US$ | Other reserves: Senior Note equity component US$ | Accumulated losses US$ | Total US$ |
|---|---|---|---|---|---|---|
| **Balance as of 1 January 2014** | 6,595 | 2,510,215 | 125,853 | - | (735,897) | 1,906,766 |
| Net loss | - | - | - | - | (2,981,983) | (2,981,983) |
| Capital contributions, note 1(c) and 11(b) | 11,835 | 16,103,221 | - | - | - | 16,115,056 |
| Share based payments, note 12(b) | - | - | 440,890 | - | - | 440,890 |
| Other adjustments | - | - | - | - | (371) | (371) |
| **Balance as of 31 December 2014** | 18,430 | 18,613,436 | 566,743 | - | (3,718,251) | 15,480,358 |
| Net loss | - | - | - | - | (4,229,375) | (4,229,375) |
| Capital contributions, note 11(b) | 742 | 1,515,618 | - | - | - | 1,516,360 |
| Share based payments, note 12(b) | - | - | 497,303 | - | (10,350) | 486,953 |
| Secured Convertible Bond, 9(c) | - | - | - | 1,223,601 | - | 1,223,601 |
| **Balance as of 31 December 2015** | 19,172 | 20,129,054 | 1,064,046 | 1,223,601 | (7,957,976) | 14,477,897 |

The accompanying notes are an integral part of these consolidated financial statements.

## United Cacao Limited SEZC and Subsidiaries

# Consolidated statements of cash flows

For the years ended as of 31 December 2015 and 2014

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| **Operating activities -** | | |
| Net loss | (4,229,375) | (2,981,983) |
| **Reconciliation of net loss to cash used in operating activities:** | | |
| Share based payments provision, note 14(a) | 345,169 | 336,505 |
| Allowance for VAT impairment, note 14(a) | 70,536 | 129,387 |
| Allowance for PAPEC, note 14 (a) | 104,431 | - |
| Depreciation, note 8(d) | 40,889 | 4,312 |
| Write-off of seeds, note 14(a) | 11,980 | 3,542 |
| Accrued interest expenses, note 8 | 54,549 | - |
| Gain for disposal of vehicle | (1,738) | - |
| Amortization | 21 | - |
| Other, net | (5,100) | (5,665) |
| **Net changes in assets and liabilities accounts:** | | |
| Decrease (Increase) in other accounts receivable | 1,484,723 | (1,918,034) |
| (Increase) in inventory | (143,648) | (63,348) |
| Decrease (Increase) in prepaid expenses | 26,553 | (86,376) |
| (Decrease) Increase in trade and other accounts payable | 98,227 | 413,731 |
| (Decrease) increase in payable to related parties | - | 90,845 |
| Cash collections from related parties, note 5(a) | 136,127 | 3,657,574 |
| Cash payments to related parties | (236,618) | (3,657,574) |
| **Net cash used in operating activities** | (2,243,274) | (4,077,084) |
| **Investment activities -** | | |
| Acquisition of land, equipment, vehicles and bearer plants , note 8 | (6,220,309) | (6,847,101) |
| Acquisition of vehicles to related parties,note 5(c) | (107,028) | - |
| Additions to intangibles | (425) | - |
| Disposal of vehicle and lands, note 5(a) | 14,790 | 14,968 |
| **Net cash used in investment activities** | (6,312,972) | (6,832,133) |
| **Financing activities -** | | |
| Capital contributions, net | 1,516,360 | 16,115,056 |
| Proceeds from issuance of convertible bonds, net | 5,756,714 | - |
| **Net cash provided by financing activities** | 7,273,074 | 16,115,056 |
| Net (decrease) increase in cash | (1,283,172) | 5,205,839 |
| Cash at the beginning of the year | 5,949,459 | 743,620 |
| **Cash at the end of the year** | 4,666,287 | 5,949,459 |
| **Non-cash transaction:** | | |
| Depreciation and share-based payment reserve capitalized as land, agriculture machinery, vehicles, bearer plants,equipment and construction in progress, net | 347,409 | 246,043 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Identification and business activity of the Company

(a) Identification -

United Cacao Limited SEZC (hereinafter "the Company" or "UCL") is an investment holding Company incorporated in the Cayman Islands on 21 May 2013 and licensed by the Special Economic Zone Authority of the Cayman Islands Government.

As of 31 December 2015, there was no majority shareholder in the registry of the Company; however, East Pacific Capital Private Limited, an entity controlled by the Chairman and CEO, holds approximately 27 percent of the Company's capital stock (28 percent as of 31 December 2014) with telephone +1 (345) 815 2710.

The legal domicile of the Company is Cricket Square, Hutchins Drive, PO Box 2681 Grand Cayman KY1-1111, Cayman Islands. Also the Company maintains an office at HSBC House, 68 West Bay Road, PO Box 10315, Georgetown, Grand Cayman, KY1-1003, Cayman Islands.

(b) Business activity -

UCL is a holding company for its Peruvian subsidiaries, Cacao Del Peru Norte S.A.C. ("CDPN") and Cooperativa de Cacao Peruano S.A.C. (CCP) (the "Subsidiaries"), which operate in the agricultural sector. The Company's participation in its Subsidiaries is as follows:

| | Ownership in capital as of 31 December 2015 | | |
|---|---|---|---|
| | Incorporated in | Direct % | Indirect % |
| **Investment holding** | | | |
| Grupo Cacao del Perú Limited | British Virgin Islands | 100.00 | - |
| **Agricultural operations (cacao cultivation)** | | | |
| Cacao del Perú Norte S.A.C. (previously "Plantaciones de Loreto Sur S.A.C.") | Perú | 99.99 | 0.01 |
| Cooperativa de Cacao Peruano S.A.C. (previously "Plantaciones de Loreto Norte S.A.C.") | Perú | 99.99 | 0.01 |

As of 31 December 2015 and 2014, the Company and its Subsidiaries are involved in the ownership development and management of cacao estates which consists of acquisition, development and preparation of land for planting. As of 31 December 2015, the Company, through its operating subsidiaries owned agriculturally, titled land of 3,985 hectares (unaudited), cleared 2,032 hectares (unaudited) and planted 1,469 hectares of land (unaudited) (compare with titled land 3,877 (unaudited) and planted 527 hectares of land (unaudited), as of December 31, 2014), see note 8(b).

The Company's Board of Directors and Management have established business plans and assumptions to ensure the continuity of the Company. In this sense, the continuity of the business operations depends of the success of such plans. The main plan established by the Board is the purchase of agricultural land in order to plant and harvest approximately 2,000 hectares of cacao.

(c) Initial Public Offering (IPO) -
On 2 December 2014, the Company conducted an international offering of new shares through Alternative Investment Market of the London Stock Exchange ("AIM") on 2 December 2014.

As part of the offering, the Company: (i) authorized the issuance of 5,000,000 common shares with par value of US$0.001, and (ii) set the issuance price of the new shares at 128 pence (equivalent to approximately US$2.00 at the time) per share in the Peruvian and international markets. The issuance of new common shares represented for the Company a gross cash contribution of US$9,955,044 and a net cash contribution of US$8,739,055 (equivalent to £6.4 million approximately) after fees and expenses. Such cash contribution was recorded in the shareholders' equity as share capital and share premium of US$5,000 and US$8,734,055, respectively, see note 11(b).

**2. Significant accounting policies and practices**

(a) Basis of preparation –

*Declaration of compliance –*
These consolidated financial statements of the Company for the years ended 31 December 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

*Responsibility for the information -*
The information contained in these consolidated financial statements are the responsibility of Management and the Board of the Company, which expressly state they have fully implemented the principles and criteria contained in the International Financial Reporting Standards ("IFRS") as adopted by EU as of 31 December 2015 and 2014.

*Basis of measurement -*
The consolidated financial statements have been prepared under the historical cost basis, from the accounting records kept by the Company. The accompanying consolidated financial statements are presented in U.S. Dollars (functional and presentation currency).

*Used of judgments and estimates -*
The preparation of financial information in accordance with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the reporting period. Although these estimates are based on Management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainly and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note (f) below. IFRS also require management to exercise its judgment in the process of applying the Company's accounting policies.

(b) Going Concern–
This historical financial information relating to the Company has been prepared on a going concern basis, which assumes that the Company will continue its operations and will be able to meet its liabilities as they fall due for the foreseeable future. Management considers that the Company has sufficient funds for the foreseeable future that is for at least twelve months from the date of this document.

(c) New and revised IFRS adopted by the EU -
The accounting policies adopted are consistent with those applied in previous years, except that the Company has adopted the new and revised IFRS and IAS's that are mandatory for periods beginning on or after 1 January  2015, as described below:

- Annual Improvements 2010-2012 Cycle
  These improvements did not generate impacts on the Group's financial statements. They include:

  *IFRS 8 Operating Segments*
  The amendment clarifies that:
  An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".

  The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  This amendment is not relevant for the Group.

  *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
  The amendment clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the Group during the current period.

*IAS 24 Related Party Disclosures*
The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

- Annual Improvements 2011-2013 Cycle
  These improvements did not generate impacts on the Group's financial statements. They include:

  *IFRS 13 Fair Value Measurement*
  The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

  *IFRS 3 Business Combinations*
  This amendment did not have any impact to the Group during the current period.

  *IFRS 40 Investment property*
  This amendment to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. This amendment did not have any impact to the Group during the current period.

- Annual Improvements 2012-2014 Cycle

  These improvements did not generate impacts on the Group's financial statements. They include:

  IAS 19 "Defined Benefit Plans: Employee Contributions"
  Applicable for annual periods beginning on or after February 1, 2015. The amendments clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. This amendment did not have any impact to the Group during the current period.

  The Group has not yet adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) Basis of consolidation-

The consolidated financial statements comprise the financial statements of the Company and the controlled entities. Control is presumed when the Company owns, directly or indirectly, more than half of the voting rights of the issued share capital of Subsidiaries, and has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All balances, sales and other transactions between the Company and its Subsidiaries have been eliminated in full, including the realized and unrealized gains and losses resulting from such transactions.

(e) Segment Reporting–

Operating segments are reporting in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors and the Financial Controller.

(f) Estimates and assumptions -

The preparation of the consolidated financial statements requires management to use estimates and assumptions to determine the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses for the year ended 31 December 2015 and 2014.

These accounting judgments and estimates are based on the best knowledge by Management of material events and circumstances, taking into account historical experience; however, the actual results obtained in future periods may differ from the estimated amounts. The Company and Subsidiaries' Management do not expect that these changes, if any, will have a significant effect on the consolidated financial statements.

Significant estimates and assumptions are as follows:

- Fair value of financial assets and liabilities.
- Determination of the useful life and depreciation method of Property, plant and equipment.
- Estimation of the provision for impairment of long-lived assets.
- Estimation of the provision for contingencies arising from legal processes and administrative procedures.
- Stock options valuation (share-based payments) and senior note equity component

Any difference between estimates and actual results thereafter is recorded in year's results in which it occurs.

(g) Foreign currency transactions -

*Functional and presentation currency -*

The functional currency was determined by Management at the Company and its Subsidiaries and is the U.S. Dollar, which is also its presentation currency.

*Transactions and balances in foreign currency -*

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling as of the date of the consolidated statements of financial position. Gains or losses from exchange difference resulting from the settlement of such transactions and translation of monetary assets and liabilities in foreign currencies at rates of exchange ruling as of the date of the consolidated statements of financial position are recognized in the consolidated statements of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rates as of the dates of the initial transactions.

(h) Financial assets -

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company and its Subsidiaries determine the classification of its financial assets at initial recognition.

The Company and its Subsidiaries' financial assets include cash, and other receivable. As of 31 December 2015 and 2014 the Company and its Subsidiaries do not have financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments, or derivatives designated as hedging instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

*Amortized cost*

Any premium or discount in the debt instruments classified into the loans and receivables category is considered in the calculation of the amortized cost by applying the effective interest rate methodology, recognizing the accrued interest in the "Financial income" caption of the income statements.

(i) Impairment of financial assets -

The Company and its Subsidiaries assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (for example, the effective interest rate calculated at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss decreases and the loss can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced up to the point where the carrying value of the assets does not exceed its amortized cost as of the reduction date. Any subsequent reduction related to an impairment loss will be recognized in the consolidated statements of comprehensive income.

(j) Cash -

Cash in the consolidated statements of financial position comprise current bank accounts.

(k) Inventories -

Inventories correspond mainly to cacao seeds and supplies. Such are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Inventory -
  At acquisition cost, using the weighted average cost method.

- Inventory in transit -
  At specific acquisition cost.

Management periodically assesses the devaluation and obsolescence of these assets. Obsolescence and devaluation are recorded when it is estimated that these are necessary changes to the assets based on technical areas of the Company.

(l) Land, vehicles, agriculture machinery, bearer plants, equipment and construction in progress, net -

Land, vehicles, agriculture machinery, bearer plants and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

The initial cost comprises the purchase price, including import duties and non-refundable purchase taxes and any directly attributable cost necessary to place and bring the asset to its working condition. For land, including subsequent costs and charges related to preparation and adaptation in order to use as growing field. Other subsequent disbursements related to repair and maintenance costs are recognized in the results of the period when incurred. Subsequent disbursements that will result in future economic benefits, in excess of the originally assessed standard of performance, are capitalized as an additional cost.

Land is not be depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | **Years** |
|---|---|
| Roads | 25 |
| Buildings | 15 |
| Agriculture machinery | 10 |
| Vehicles | 5 |
| Furniture and fixtures | 10 |
| Computer equipment | 4 |
| Other equipment | 10 |

When selling or retiring vehicles and equipment, the cost and associated accumulated depreciation is eliminated, and any gain or loss arising on such disposal is included in the consolidated statements of comprehensive income.

*Construction in progress* –
Construction in progress includes the costs incurred for the construction of assets and other expenses directly attributable to such constructions, accrued during its execution. Constructions in progress are capitalized when completed and its depreciation is measured and recorded since the moment when they are put into use.

To capitalize directly attributable personnel expenses, the Company identifies each one of the areas and time dedicated to the planning, execution and management of the construction.

The book value of an asset is provisioned immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable value.

(m) Impairment of long-lived assets –
Whenever events or circumstances indicate that the carrying amount of long-term duration assets may not be recoverable, the Company assesses the value of land, vehicles and equipment; and biological assets to verify that there is no impairment. When the book value exceeds its recoverable value, an impairment loss is recognized in the consolidated statements comprehensive income.

The recoverable value is the higher between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of an asset on a free market, while the value in use is the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for each asset or cash generating unit.

(n) Administrative and other expenses recognition -
Costs and expenses are recognized on an accrual basis, regardless of when they are paid, and are recorded in the periods to which they relate.

(o) Share based payments –
The Company operates an equity settled share based option scheme under which the entity receives services from employees' in consideration for equity instruments (options) of the Company. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The fair value of the employees' services received in exchange for the grant of options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The total amount expensed is recognized over the vesting period, which is the period over which all the specified conditions are satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the vesting conditions. The dilutive effect of outstanding stock options is reflected as additional share dilution in the computation of diluted earnings per share, when it is applicable (further details are given in Note 16).

(p) Compound financial instruments –
The Company recognizes separately the components of a financial instrument that creates (a) a financial liability of the company and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the company.

The classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders.

The Company, as an issuer of a Secured Convertible Bond with a warrant instrument which may convert into ordinary shares, determines initially the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the warrant instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

(q) Income tax –
*Current income tax*
Assets and liabilities for current income tax are measured by the amount expected to be recovered or paid to the Tax Authority. The tax rates and tax laws used to compute the amount are those in effect on the date of closing of the reporting period reported in Peru.

*Deferred income tax*

Deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that have been enacted and are expected to apply in the year when the asset is realized or the liability is settled. The measurement of deferred assets and deferred liabilities reflects the tax consequences that arise from the manner in which the Company and its Subsidiaries expect, as of the date of the consolidated statement of financial position, to recover or settle the carrying amount of its assets and liabilities.

Value added tax -

Revenue, expenses and assets are recognized excluding the amount of Value Added Tax (VAT), except:

- When the VAT incurred on a purchase of asset or service is not recoverable from the Tax Authorities, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expenditure, as appropriate;
- Receivables and payables that are already expressed by the amount of VAT included.

(r) Provisions –

Provisions are recognized when the Company and its Subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(s) Share capital –

Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of those shares is classified as "share premium".

(t) New accounting pronouncements –

*New and revised IFRS adopted by the EU that are not mandatorily effective (but allow early application) for the year ending 31 December 2015:*

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations, applicable for annual periods beginning on or after January 2016.

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied

to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Amendments to IAS 1 disclosure initiative, applicable for annual periods beginning on or after January 2016.

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and amortization, applicable for annual periods beginning on or after January 2016.

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Annual improvements in the 2012-2014 cycle are applicable for annual periods beginning on or after January 2016.

These improvements relate to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting and are effective from 1 January 2016.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants are applicable for annual periods beginning on or after January 2016. The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16. On the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous

carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

**2.1. Change in accounting policy**

The Company's Board decided to early adopt amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"; which change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g. fruit trees). Agricultural products grown in the bearer plants (e.g. fruit that grows on a tree) will remain within the scope of IAS 41. As a result of these amendments, bearer plants (production plants) will be subject to all the requirements for recognition and measurement of IAS 16, including the choice between the cost model and the revaluation model. In addition, government grants related to bearer plants will be accounted for in accordance with IAS 20 instead of IAS 41. This standard is effective for annual periods beginning on or after 1 January 2016.

This early adoption has no significant accounting effects in the consolidated financial statement considering the early start-up stage of the Company's activities (indicated in note 1). As of 31 December 2015 and 2014, the Company considered the costs incurred in the planted cacao tree as bearer plants, valued at its historical cost. Based on this amendment, these costs are considered as bearer plants under IAS 16, also valued at its historical cost. See (l).

Then table below describes the main modification on the financial statements as of 31 December 2014:

| | Balance reported 2014 US$ | Accounting policy change US$ | Modified Balances 2014 US$ |
|---|---|---|---|
| **Consolidated statements of financial position -** | | | |
| Biological assets | 1,722,976 | (1,722,976) | - |
| Land, agriculture, machinery, vehicles and constructions in progress, net | 6,392,266 | 1,722,976 | 8,115,242 |

*Standards and Interpretations issued by the IASB but not yet adopted by the EU –*

As of the date of these financial statements, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as of 31 December 2015 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- IFRS 9 "Financial Instruments", not yet endorsed by the EU.
  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

- IFRS 14 "Regulatory Deferral Accounts", not yet endorsed by the EU.
  IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016, with earlier application permitted.

- IFRS 15 "Revenue from contracts with customers", not yet endorsed by the EU.
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, not yet endorsed by the EU.
  These amendments clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture requiring full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations) and the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These amendments are effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception, not yet endorsed by the EU.
  The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. These amendments are effective for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 27 Equity Method in Separate Financial Statements, not yet endorsed by the EU.
  IAS 27 Separate Financial Statements requires an entity to account for its investments in subsidiaries, joint ventures and associates either at cost or in accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9). The amendments allow an entity to apply also the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate

financial statements. The accounting option must be applied by category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred. These amendments are effective for annual periods beginning on or after 1 January 2016.

The Company is in the process of evaluating the impact of the application of these rules, if any, on its consolidated financial statements and disclosures in the notes of the consolidated financial statements.

## 3. Transactions and balances in foreign currency

The main foreign exchange operations are stated in "Soles" (Peruvian currency), which are carried out at market exchange rates published by the Peruvian Superintendencia de Banca y Seguros y AFP. As of 31 December 2015, the exchange rates issued for Soles for that institution were US$0.2930 for buying and US$0.2934 for sale (US$0.3346 and US$0.3355 as of 31 December 2014, respectively), and have been applied by the Company for the accounts of assets and liabilities, respectively.

As of the dates of statements of financial position, the Company had the following assets and liabilities denominated in Soles:

| | 2015<br>S/ | 2014<br>S/ |
|---|---|---|
| **Asset** | | |
| Cash | 481,590 | 5,450,697 |
| Other accounts receivable | 32,935 | 13,822 |
| | 514,525 | 5,464,519 |
| **Liabilities** | | |
| Trade and other accounts payable | 997,861 | 1,000,503 |
| | 997,861 | 1,000,503 |
| **Net (liability) asset position** | (483,336) | 4,464,016 |

As of 31 December 2015 and 2014, the Company and its Subsidiaries do not use derivative instruments to reduce the foreign exchange risk.

During year 2015, the net loss originated from exchange differences was US$158,912 (US$105,344, during 2014). All of these effects are presented in the "Exchange rate differences, net" caption in the consolidated statement of comprehensive income.

## 4. Cash

The Company and its Subsidiaries held current accounts mainly in Peruvian and Singaporean banks and are denominated in Soles and U.S. Dollar. These funds are freely available and do not earn interest.

5. **Transactions and balances with related parties**

(a) During 2015 and 2014, the Company carried out the following transactions with related parties:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| **Revenue -** | | |
| Income from disposal of vehicle and land (d) | 14,790 | 14,968 |
| **Expenses -** | | |
| Management operating services (e) | - | 20,487 |
| **Cash granted/(collected) (b)** | | |
| Plantaciones Perú Este | 107,055 | 10,709 |
| Plantaciones de San Francisco S.A.C. | 25,089 | 10,064 |
| Cacao de la Amazonía S.A.C. | 1,573 | - |
| Plantaciones de Loreto S.A.C. | 1,089 | 524 |
| Plantaciones de Ucayali S.A.C. | 694 | 1,379,952 |
| Cacao de Requena Este S.A.C. | 135 | 60 |
| Plantaciones de Napo Norte S.A.C. | 135 | 60 |
| Plantaciones de Lima S.A.C. | 129 | - |
| Plantaciones de Iquitos S.A.C. | 114 | - |
| Cacao de Requena Oeste S.A.C. | 82 | 60 |
| Plantaciones de Loreto Este S.A.C. | 27 | 8 |
| Plantaciones de Marin S.A.C. | 5 | 42 |
| Plantaciones de Pucallpa S.A.C. | - | 1,780,871 |
| Servicios Ripio S.A.C | - | 262,160 |
| Grupo Palmas del Peru S.A.C. | - | 87,219 |
| Industrias de Palma Aceitera S.A.C. | - | 51,255 |
| Plantaciones de Masisea S.A.C | - | 1,006 |
| Plantaciones de Napo S.A.C. | - | 60 |
| Plantaciones de Napo Sur S.A.C. | - | 60 |
| Cash collected from related parties | (136,127) | (3,584,110) |
| | - | - |
| **Secured Convertible Bond** | | |
| Book value of Secured Convertible Bond due 30 June 2019, note 9(b) | 1,275,000 | - |
| Accrued interest expense | 27,249 | - |
| | 1,302,249 | - |

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| **Cash received /(paid) –(b)** | | |
| Plantaciones de Lima S.A.C. | 235,551 | - |
| Plantaciones Loreto S.A.C. | 425 | 27,189 |
| Plantaciones de San Francisco S.A.C | 317 | - |
| Plantaciones de Iquitos S.A.C. | 133 | - |
| Plantaciones de Inahuaya S.A.C. | 104 | - |
| Plantaciones de Pucallpa S.A.C. | 88 | 21,793 |
| Plantaciones de Ucayali S.A.C. | - | 7,009 |
| Cacao de Requena Oeste S.A.C. | - | 711 |
| Servicios Ripio S.A.C. | - | 16,728 |
| Industrias de Palma Aceitera S.A.C. | - | 34 |
| Cash paid to related parties | (236,618) | (73,464) |
| | - | - |
| Purchase of boats (c) | - | 107,028 |

(b) The Company received and performed money transfers from/to its related parties during the year to cover temporary working capital needs. These transfers don't accrue interest and have maturities in less than 30 days.

(c) As of 31 December 2014, the Company had an accounts payable for the purchase of boats used in the transportation of people and goods to the location of the Company's plantations through the Amazon river to Plantaciones del Perú Este S.A.C., a related party, amounting to US$107,028. Such balances are denominated in U.S. Dollar and Soles (Peruvian currency); have current maturities, are not interest earning and have been provided no guarantees. The said amount was entirely paid by the Company during 2015.

(d) Corresponds to the sale of vehicles by Cacao Del Peru Norte S.A.C. to Plantaciones de Ucayali S.A.C during 2015 and to the sale of land to Plantaciones de Loreto S.A.C during 2014.

(e) Corresponds to support and management services in the operation provided by its related party Grupo Palmas del Perú S.A.C. in 2014.

(f) Key management compensation -

Key management comprises the Directors and Executive Officers of the Company. During 2015, the compensation of key management personnel amounted to US$89,250 (US$44,517, during 2014), which corresponds to short-term employee benefits. No post-retirement and termination benefits are paid to key management. The share-based payment pertaining to key management amounted approximately to US$127,745 during 2015 (US$143,613, during 2014).

*Classified by Directors –*

| | Bonus and Salary US$ | Share-based payment US$ |
|---|---|---|
| **2015** | | |
| Dennis Melka (Chairman) | 84,250 | 41,162 |
| Anthony Kozuch (Executive Director) | 5,000 | 86,583 |
| | 89,250 | 127,745 |
| **2014** | | |
| Dennis Melka (Chairman) | 36,250 | 65,219 |
| Anthony Kozuch (Executive Director) | 5,000 | 78,394 |
| Constantine Gonticas (Non-Executive Director) | 2,614 | - |
| Roberto Tello (Non-Executive Director) | 653 | - |
| | 44,517 | 143,613 |

## 6. Other accounts receivable, net

(a) This item is made up as follows:

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Accounts receivable from broker (b) | - | 1,806,238 |
| Tax credit of VAT (c) | 225,898 | 155,362 |
| Estimate PAPEC (d) | 104,431 | - |
| Advances to suppliers | 5,102 | - |
| Guarantee deposit for operating lease | 2,054 | 2,348 |
| Other | 8,014 | 1,996 |
| | 345,499 | 1,965,944 |
| **Less:** | | |
| Allowance for impairment of other accounts receivable (e) | (330,329) | (155,362) |
| | 15,170 | 1,810,582 |

(b) As of 31 December 2014, this balance corresponds to an account receivable provided by IPO contributions collected by the Company's broker. This balance was credited to the Company on 6 January 2015.

(c) Corresponds to the tax credit of VAT generated from the purchase of goods and services in accordance with the tax regime described in Note 13.

(d) Productive Strategic Alliance Program of Cocoa ("PAPEC") is a small farmer financing mechanism established by Cooperativa de Cacao Peruano S.A.C. to promote the cacao industry in communities around their plantations. As of 31 December 2015, there were 147 participants who planted 187 hectares of cacao. The Company is financing approximately S/6,800 per hectare. The interest rate is 11.0% which accretes to the loan and in the fourth year, the participant begins to pay back cash to reduce the loan balance. Based on the terms of the PAPEC programme, the Company undertakes to pay 75% of the benchmark price for wet beans up to US$4,000 per tonne or 65% of any price above US$4,000 per tonne. As of 31 December 2015, the Company has givens loans of approximately US$103,964 with an accumulated interest of approximately US$467.

(e) The movement of the allowance for doubtful accounts is as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| **Opening balance** | 155,362 | 25,975 |
| Additions, note 14 (a) | 174,967 | 129,387 |
| **Ending balance** | 330,329 | 155,362 |

As of 31 December 2015 corresponds to: (i) an amount of US$225,898 related to the full amount of tax credit of VAT from the purchase of goods and services recognized as expense due to the uncertainty of its recoverability and (ii) an amount of US$104,431 related to PAPEC recognized as expense.

(f) All receivables at each reporting date are current. Any receivables are neither past due nor impaired. The Company considers that the carrying amount of the other receivables do not differ significantly from their estimated fair value at each reporting date.

## 7. Inventories

(a) This item is made up as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Fertilizer and agricultural consumables (b) | 186,027 | 65,296 |
| Fuel | 22,917 | - |
| | 208,944 | 65,296 |

(b) Corresponds to fertilizers and other agricultural consumables to be used in the Company's operations. In Management's opinion, it is not necessary to record a provision for inventory obsolescence as of 31 December 2015 and 2014.

## 8. Land, agriculture machinery, vehicles, bearer plants, equipment and constructions in progress, net

(a) The movement and composition of this item is as follows:

| | 2015 | | | | | | | | | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Lands US$ | Buildings US$ | Roads US$ | Agriculture machinery US$ | Vehicles US$ | Furniture and fixtures US$ | Computer equipment US$ | Other equipment US$ | Bearer Plants(f) US$ | Construction in progress (e) US$ | Other assets in progress US$ | Total US$ | Total US$ |
| **Cost -** | | | | | | | | | | | | | |
| Balance as of 1 January | 3,694,054 | - | - | 936,539 | 587,322 | 5,025 | 14,857 | 165,133 | 1,722,976 | 1,140,713 | - | 8,266,619 | 1,189,160 |
| Additions (b) | 2,048,950 | - | - | 113,964 | 60,563 | 37,865 | 16,862 | 86,485 | 2,432,977 | 1,755,297 | 14,755 | 6,567,718 | 6,986,290 |
| Disposals and adjustments | - | - | - | (48,000) | (18,795) | - | - | (23,333) | - | - | - | (90,128) | (15,685) |
| Stock options, note12(b) | - | - | - | - | - | - | - | - | 141,784 | - | - | 141,784 | 106,854 |
| Transfers | - | 359,101 | 747,594 | - | (107,028) | - | - | 107,028 | - | (1,106,695) | - | - | - |
| Balance as of 31 December | 5,743,004 | 359,101 | 747,594 | 1,002,503 | 522,062 | 42,890 | 31,719 | 335,313 | 4,297,737 | 1,789,315 | 14,755 | 14,885,993 | 8,266,619 |
| **Accumulated depreciation -** | | | | | | | | | | | | | |
| Balance as of 1 January | - | - | - | 77,305 | 61,339 | 323 | 3,698 | 8,712 | - | - | - | 151,377 | 7,876 |
| Additions (d) | - | 2,163 | 14,952 | 92,412 | 98,277 | 1,610 | 7,813 | 29,286 | - | - | - | 246,513 | 143,501 |
| Transfers | - | - | - | - | (5,743) | - | - | - | - | - | - | (5,743) | - |
| Balance as of 31 December | - | 2,163 | 14,952 | 169,717 | 153,873 | 1,933 | 11,511 | 37,998 | - | - | - | 392,147 | 151,377 |
| **Net cost** | 5,743,004 | 356,938 | 732,642 | 832,786 | 368,189 | 40,957 | 20,208 | 297,315 | 4,297,737 | 1,789,315 | 14,755 | 14,493,846 | 8,115,242 |

(b) During 2015, the Company acquired 159 hectares of titled agricultural land for a total cost amounting to US$19,993 (compare with 442 hectares of titled agriculture land during 2014 for a total cost amounting to US$74,613). Improvements include costs of approximately US$2,028,957 (US$2,771,876 during 2014) related to the preparation and adaptation in order to use the land as a growing field.

Additionally, the Company acquired equipment and vehicles for an amount of approximately US$174,527, which were principally trucks, motorcycles and heavy construction equipment (compare with US$1,415,000 during 2014).

(c) The Company keeps insurance contracts on their main non-land assets, in accordance with the policy established by Management. In Management's opinion, its insurance policies are consistent with industry practice. The risk of potential losses for claims considered in the insurance policy is reasonable considering the type of assets held.

(d) During the periods presented, the depreciation was allocated as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Land | 205,625 | 139,189 |
| Administrative expenses, note 14(a) | 40,888 | 4,312 |
| | 246,513 | 143,501 |

(e) Construction in progress correspond to disbursements related to the construction of roads necessary for transportation from and to the plantations as well as to costs incurred in the fields of the operating locations.

(f) During 2015 and 2014, the Company prepared 87 and 49 hectares (unaudited) land for cultivation, respectively; and during 2015 planted 918 hectares (unaudited) in the final growing fields. The Company incurred costs amounting to US$2,432,977 that mainly correspond to disbursements for the preparation of agricultural land, treatment of seeds in the nursery and operating costs for planting seedlings in the final growing field, payroll dedicated to such activities (salaries), and other consumables (US$1,445,069 during 2014).

(g) As of 31 December 2015 and 2014, Management has assessed the recoverable amount of its long-term assets and did not find any impairment indicator.

**9. Secured Convertible Bond**

(a) This item is made up as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Face value of senior notes (b) | 6,080,000 | - |
| Less: Senior note equity component (c) | (1,292,316) | - |
| Less: Transaction costs on liability component | (254,571) | - |
| Liability component at initial recognition | 4,533,113 | - |
| Add: Accretion of interest on the senior notes | 54,549 | - |
| | 4,587,662 | - |
| **Classification for maturity:** | | |
| Current portion | 828,184 | - |
| Non – current portion | 3,759,478 | - |
| | 4,587,662 | - |

The fair value of the Secured Convertible Bond is as follows:

| | 2015 | |
|---|---|---|
| **Secured Convertible Bond** | US$<br>(face value) | US$<br>(fair value) |
| 27 October 2015 | 6,080,000 | 4,533,113 |
| | 6,080,000 | 4,533,113 |
| Accretion of interest on the Secured Convertible Bond | | 54,549 |
| | | 4,587,662 |

(b) The Secured Convertible Bond was issued in one series for a total amount of US$6,080,000 on 27 October 2015 and is listed on the ISDX exchange; which have the maturity date on 30 June 2019 (unless previously prepaid by acceleration), bear a cash interest coupon of 7 percent per annum and is payable semi-annually (commencing on 27 October 2015).

The Secured Convertible Bond were issued to third parties and directors of the Company; whose total face value for each group amounted to US$4,805,000 and US$1,275,000; respectively, see note 5(a).

(c) At maturity, Bondholders may choose to either convert the outstanding principal of the Bonds into Ordinary Shares at a conversion price of US$3.40 per share (approximately 222 pence) or to redeem it in cash. At maturity, the maximum number of Ordinary Shares that may be issued under Tranche one, assuming full conversion to equity is 1,788,235.

Based on accounting policies described in note 2(p), the value of the equity component is determined as follow:

| | 2015<br>US$ |
|---|---|
| Contractual value of the compound instrument | 6,080,000 |
| Less: fair value of Secured Convertible Bond without transaction costs | (4,787,684) |
| Fair value liability component | 1,292,316 |
| Less: Transaction costs on equity component | (68,715) |
| | 1,223,601 |

During 2015, interest expense was approximately US$129,941, which is included in the "Financial expenses" caption in the consolidated statement of comprehensive income. Interest paid during the year was amounting to US$75,392.

**10. Trade and other accounts payable**

(a) This item is made up as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Trade payables (b) | 238,375 | 349,908 |
| Other: | | |
| Vacation payable | 70,796 | 45,493 |
| Taxes and contributions | 40,637 | 27,775 |
| Social benefits | 8,524 | 7,099 |
| Wages payable | 21,356 | 2,334 |
| Other | 4,988 | 13,125 |
| | 146,301 | 95,826 |
| | 384,676 | 445,734 |

(b) As of 31 December 2015 and 2014, mainly corresponds to the provision for professional services payable such as audit, legal and accounting services.

## 11. Shareholders' equity, net

(a) Issued capital -

As of 31 December 2015, the Company's share capital amounted to US$19,172, which is represented by 19,171,574 ordinary shares issued and fully paid as set out below (US$18,430 and 18,430,000 ordinary shares respectively, as of 31 December 2014). All of which have a par book value of US$0.001:

| Class of shares | 2015<br>Number | 2014<br>Number |
|---|---|---|
| Ordinary shares (previously Class A shares) | 4,500,000 | 4,500,000 |
| Ordinary shares (previously Class A-1 shares) | 6,020,000 | 6,020,000 |
| Ordinary shares (previously Class A-2 shares) | 2,910,000 | 2,910,000 |
| Public ordinary shares issuance, note 1(c) | 5,000,000 | 5,000,000 |
| Ordinary shares (exercised options) | 267,500 | - |
| Public ordinary share issuance | 474,074 | - |
| | 19,171,574 | 18,430,000 |

All classes of shares have the same rights, mainly related to voting rights (one vote per share), dividends as the Board may from time to time declare, and others.

(b) Share premium -

This item is made up for the share premium account, as follows:

| | Nominal value<br>US$ | Ordinary shares issued<br>Number | Share capital<br>US$ | Share premium<br>US$ |
|---|---|---|---|---|
| **As of 1 January 2014** | | 6,595,000 | 6,595 | 2,510,215 |
| Class A-1 Ordinary Shares Issued (i) | 0.001 | 3,925,000 | 3,925 | 3,888,575 |
| Class A-2 Ordinary Shares Issued (ii) | 0.001 | 2,910,000 | 2,910 | 3,480,591 |
| New Ordinary Shares Issued (iv) | 0.001 | 5,000,000 | 5,000 | 8,734,055 |
| **As of 31 December 2014** | | 18,430,000 | 18,430 | 18,613,436 |
| New ordinary shares exercised options (v) | 0.001 | 267,500 | 268 | 312,232 |
| New Ordinary Shares Issued (vi) | 0.001 | 474,074 | 474 | 1,203,386 |
| **As of 31 December 2015** | | 19,171,574 | 19,172 | 20,129,054 |

(i) On 15 January 2014, the Company and third parties ("Investors") entered the Class A-1 Share Subscription Agreement, whereby, each Investor agreed to subscribe and purchase a number of Class A-1 Shares, at a price of US$1.00 per subscription share (the par value was US$0.001 each), as follows:

| Closing | Subscription Shares Number | Aggregate Purchase Price US$ |
|---|---|---|
| 15 January 2014 | 3,925,000 | 3,892,500 |

The Company received a total amount of US$3,892,500, net of its corresponding transaction costs.

(ii) On 28 April 2014, the Investors entered the Class A-2 Share Subscription Agreement, whereby each Investor agreed to subscribe and purchase a number of Class A-2 Shares, at a price of US$1.25 per subscription share (the par value was agreed in US$0.001 each), as follows:

| Closing | Subscription Shares Number | Aggregate Purchase Price US$ |
|---|---|---|
| 28 April 2014 (first closing) | 2,828,327 | 3,385,733 |
| 30 May 2014 (second closing) | 81,673 | 97,768 |

The Company received a total amount of US$3,483,501, net of its corresponding transaction costs.

(iii) On 11 November 2014, all members of the Class A Ordinary Shares, the Class A-1 Ordinary Shares and the Class A-2 Ordinary Shares agreed to amend their respective class rights and restrictions, so that each share class has equal rights and restrictions effective upon Admission. Contingent on and effective upon Admission, all Members in the Company approved the conversion of all classes presently in issue into Ordinary Shares.

(iv) On 2 December 2014, 5,000,000 new ordinary shares were allotted in the Company, each at a price of 128 pence (equivalent to approximately US$2.00) (the nominal value was agreed in US$0.001 each), and consisting of 1,447,753 Placing Shares and 3,552,247 Subscription Shares, to raise gross proceeds of £6.4m equivalent to US$9,955,044 (approximately £5.5m net of expenses, equivalent to US$8,739,055).

| Closing | Subscription Shares Number | Net Proceeds US$ |
|---|---|---|
| 2 December 2014 | 5,000,000 | 8,739,055 |

(v) On 5 January 2015, the Company´s Chairman, Dennis Melka, exercised options for 150,000 ordinary shares of US$0.001 at an exercise price of US$1.00 per Ordinary Share and 10,000 Ordinary Shares at an exercise price of US$1.25 per Ordinary Share.

On 27 October 2015, an employee exercised options for 50,000 ordinary shares of US$0.001 at an exercise price of US$1.00 per Ordinary Share, 20,000 Ordinary Shares at an exercise price of US$1.25 per Ordinary Share and 37,500 Ordinary Shares at an exercise price of US$2.00 per Ordinary Share.

| Closing | Subscription Shares Number | Net Proceeds US$ |
|---|---|---|
| 5 January 2015 | 160,000 | 162,340 |
| 27 October 2015 | 107,500 | 149,892 |

(vi) On 27 October 2015, the Company completed a US$1,203,278 equity placement in Peru, net of transaction costs, through the placing of 474,074 new ordinary shares with par value of US$0.001 each at a placing price of US$2.70 (approximately 176 pence at the time) per Ordinary Share.

| Closing | Subscription Shares Number | Net Proceeds US$ |
|---|---|---|
| 27 October 2015 | 474,074 | 1,203,860 |

(c) Other reserves -

*Share-based payments -*

The share-based payment reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration, see Note 12 for further details of these plans.

*Senior note equity component -*

Represents the equity component of the senior notes issued on 27 October 2015, see note 9. When the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting the fair value of the instrument as a whole the amount separately determined for the liability component.

12. **Share based payments**

(a) The Company operates a share option scheme for the benefit of its employees. Grants are made at the discretion of the Board of Directors. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of each option granted is 10 years and there are no cash settlement alternative employees (employees must remain in service until 2017). Options are forfeited three months following the employee termination date with the Company and can only be exercised to the extent that they have vested.

The fair value of share options granted is estimated at grant date using a Hull and White 2002 valuation model, taking into account the terms and conditions upon which the share options were granted.

(b) The movement on options in issue under these schemes is set out below:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price (WAEP) | Number of share options | Weighted average exercise price (WAEP) |
| Outstanding at the beginning of the year | 2,140,000 | 1.43 | 1,000,000 | 1.00 |
| Granted during the year | - | - | 1,140,000 | 1.82 |
| Exercised | (267,500) | 1.17 | - | - |
| **Outstanding at the end of the year** | 1,872,500 | 1.47 | 2,140,000 | 1.43 |
| **Exercisable at the end of the year** | 902,500 | 1.47 | 685,000 | 1.34 |

During 2015, no options were granted to employees and the options outstanding as of that date had a weighted average remaining contractual life of 8.2 years. During 2014, 1,140,000 options were granted to employees at fair value of US$877,800, and the options outstanding had a weighted average remaining contractual life of 9.2 years.

Based on the calculation of the total fair value of the options granted, during 2015, the Company recognized a total charge through the consolidated statements of comprehensive income of US$345,169 (US$336,505 during 2014) and a charge of US$141,784 during 2015 to biological assets for the portion related to operating personnel (US$106,854 during 2014). The total fair value amounted to US$497,303 (US$440,890 during 2014) was accredited to "Stock options reserve" caption in the consolidated statement of changes in equity.

The inputs used in the Hull and White option pricing model are as follows:

| | |
|---|---|
| Weighted average share price | 1.82 |
| Weighted average share exercise price | 1.43 |
| Expected volatility | 41.10% |
| Contractual life | 10 years |
| Post vesting factor | 1.83 |
| Risk free rate | 2.42% |
| Expected dividend yield | 0% |

Expected volatility and the expected life used in the model are based in management's best estimates and are adjusted for the effects on non-transferability, exercise restrictions and behavioral considerations. The risk free rate is based on the US Treasury rate.

**13. Tax situation**

(a) UCL is subject to the tax and regulatory regime established by the Special Economic Zone Authority of The Cayman Islands.

(b) Peruvian tax regime -

Peruvian Subsidiaries are subject to the Peruvian tax law. As of December 31, 2015 and 2014, the statutory Income Tax rate was 28 and 30 percent, respectively, on the taxable income, calculated on the period results in Soles.

From the financial year 2015, in response to the Law 30296 published on 31 December 2014 and effective from 1 January 2015, the tax rate applicable on taxable income, after deducting the workers' profit sharing will be as follows:

- Year 2015 and 2016: 28 per cent.
- Years 2017 and 2018: 27 per cent.
- Year 2019 onwards: 26 per cent.

Legal persons not domiciled in Peru and individuals are subject to retention of an additional tax on dividends received. In attention to Law 30296, the additional tax on dividends is as follows:

- 4.1 per cent of the profits generated until 31 December 2014.
- For profits generated from 2015, whose distribution is made after that date will be the following:

  - 2015 and 2016: 6.8 per cent.
  - 2017 and 2018: 8 per cent.
  - 2019 onwards: 9.3 per cent.

According to Law No. 27037 - Taxation of Investment Promotion in the Amazon (hereinafter "the Amazon Law"), if the Peruvian Subsidiaries qualify for the requirements of this Law, they could enjoy tax benefits related to the value added tax, such as exemption from the sale of goods for consumption in the Amazon, services and construction contracts made in this area, special tax credit of 25 or 50 per cent depending on the area in which the activities of the Peruvian Subsidiaries and the nature of activity are carried out, and that tax exemption on the import of goods contained in the Appendix to Decree Law No. 21503 and specified and fully released in the common tariff annexed to the protocol amending of the Convention Colombian Peruvian Customs Cooperation (PECO), 1938. Furthermore, in compliance with the Amazon Law, the Peruvian Subsidiaries may also access the related tax benefits on income tax, which basically consist of obtaining reduced rates of 0 percent, 5 percent and 10 percent depending on the activities to be performed, the specific area where they develop and the type of crop.

Tax benefits related to income tax and value added tax will be effective until 2048, except for the benefit of the tax exemption for the import of goods to be consumed in the Amazon region, which expires in 2018.

According to the Amazon Law, the Subsidiaries may use the benefits indicated in the previous paragraph only if all the requirements below are fulfilled:

(i) The head office must be in the Amazon, where the administration and accounting is carried out.
(ii) The administration shall be held in the Amazon.
(iii) The accounting records and the individual responsible of keeping the books shall be located in the Amazon.
(iv) The company must be registered in the registry office of the Amazon.
(v) At least 70 percent of the assets must be in the Amazon.
(vi) Production should be in the Amazon. Service companies cannot provide services outside the Amazon. Goods produced in the Amazon may be placed inside or outside the Amazon.

As of 31 December, 2015 and 2014, the Company and its Subsidiaries are performing procedures to comply with the requirements of the Tax Authorities, and thus enjoy the benefits of the Amazon Law.

*(b.1) Transfer pricing transactions -*

For the purpose of determining the income tax, the transfer pricing of transactions with related companies and companies residing in areas of low or no taxation, should be supported by documentation and information on the valuation methods used and the criteria used for its determination. To date, the transfer pricing rules are in force in Peru and these regulate transactions with related companies and local or foreign companies domiciled in tax havens must be carried at market value. Based on the analysis of the Company's and Subsidiaries operations, in Management's opinions and of its legal advisors, as a result of the application of these standards will not result in significant contingencies for the Company and its Subsidiaries as of 31 December 2015 and 2014.

(b.2) *Tax Authority reviews -*

The Peruvian Tax Authority is entitled to review and, if applicable, amend the income tax calculated by the Company's Subsidiaries up to four years after the tax return was filed. Due to the interpretations likely to be given by the Peruvian Tax Authority on current legal regulations, it is not possible to determine, as of this date, if whether the reviews to be conducted will result or not in liabilities for the Company and its Subsidiaries, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the consolidated results of the year in which is determined. In Management's opinion and of its tax advisors, any additional tax settlement will not be significant for the consolidated historical financial information as of 31 December 2015 and 2014.

(b.3) During the years 2015 and 2014, the Company's Subsidiaries generated tax losses. According to the recovery system chosen by the Management, the tax loss can be carried forward indefinitely and offset up to a maximum of 50 per cent of taxable earnings for each year. The amount of the tax loss carry forward is subject to the outcome of the reviews referred to in paragraph (b.2) above.

As of 31 December 2015 and 2014, Cacao Del Peru Norte S.A.C. had tax losses declared to the tax administration amounting to S/9,401,285 and S/3,426,599, respectively (equivalent to US$2,754,551 and US$1,146,403, respectively). The Subsidiaries are in start-up phase and Management expects to have taxable income over the long term. In addition, as explained in literal (b.2), Subsidiaries are subjected to the Tax Administrator's review in order to offset any tax losses. Management assessed there is no certainty about when the Company would be able to apply its carry forward tax losses. Thus, Management has decided not to recognize deferred tax asset on the carry forward tax loss as of 31 December 2015 and 2014.

## 14. Administrative expenses

(a) This item is made up as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Services provided by third parties (b) | 1,979,880 | 1,500,909 |
| Personnel expenses (c) | 1,033,084 | 682,652 |
| Provision for share based payments, note 12(b) | 345,169 | 336,505 |
| Allowance for VAT and PAPEC impairment, note 6(e) | 174,967 | 129,387 |
| Depreciation, note 8(d) | 40,888 | 4,312 |
| Write-off of seeds | 11,980 | 3,542 |
| Taxes | 12,555 | 15,511 |
| Amortization | 21 | - |
| Other (d) | 341,978 | 203,821 |
| | 3,940,522 | 2,876,639 |

(b) The services provided by third parties is further broken down as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Advisory services | 476,239 | 524,685 |
| Travel expenses | 173,835 | 328,213 |
| Legal services | 219,380 | 251,754 |
| Other labor services | 341,656 | 105,127 |
| Publicity | 142,291 | - |
| Payroll services | 168,738 | 100,030 |
| Accounting and administrative services | 257,795 | 84,045 |
| Bank expenses | 22,568 | 22,519 |
| Other | 177,378 | 84,536 |
| | 1,979,880 | 1,500,909 |

(c) Personnel expenses are made up as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Wages and salaries | 682,174 | 390,932 |
| Ordinary benefits | 93,319 | 84,914 |
| Social security contributions | 26,299 | 38,338 |
| Vacation expenses | 49,338 | 29,845 |
| Other | 181,954 | 138,623 |
| | 1,033,084 | 682,652 |

Average number of employees -

The average number of people employed by the Company during the periods was:

| | 2015 | 2014 |
|---|---|---|
| Administrative | 61 | 31 |
| Workers | 368 | 182 |
| | 429 | 213 |

(d) The item is made up as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Office and sundry supplies | 95,097 | 101,287 |
| Environment management activities | 34,996 | 36,503 |
| Machinery spare parts | 121,097 | 12,759 |
| Insurance | 16,097 | 14,550 |
| Other | 74,691 | 38,722 |
| | 341,978 | 203,821 |

## 15. Contingencies

Certain non-governmental organizations have expressed concern on the internet and the AIM related to the environmental impact of the Company's activities.

In accordance with the opinion of the Company's Management and its legal counsel, the Company operates in full compliance with all applicable Peruvian environmental laws relating to planning, land use, development, operation and plantation standards. It operates on freehold land zoned for agricultural purposes by the relevant government authorities of Loreto, Peru. Additionally, on 12 January 2016, the Federal Supreme Court of Peru re-affirmed the Loreto Superior Court of Appeals' ruling on 26 March 2015 (previously detailed via RNS on 29 September 2015), which itself originally confirmed the Company's environmental permitting and agricultural zoning since 1997. Further to this and as previously disclosed in its Admission Document, on 10 September 2013, the Company submitted its terms of reference for the environmental reporting documentation, known locally as a PAMA. The authorities requested that the Company submit a PAMA due to the on-going nature of agricultural activities on the Company's land; since that time the authorities have not issued documentation to the Company changing this position nor requesting an alternative environmental certification. The Company's terms of reference for the PAMA were approved by the relevant authorities on 9 October 2013. As part of this PAMA, United Cacao's community participation plan was submitted to the relevant authorities on 4 September 2014 and subsequently approved. Final approval of the PAMA is expected during the course of 2016.

Thus, in the Company's opinion, this situation will not have a significant impact and there is no litigation or other contingencies on the consolidated financial statements of the Company and its Subsidiaries as of 31 December 2015 and 2014.

## 16. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into Ordinary Shares.

The following reflects the loss and share data used in the basic and diluted loss per share computations:

| | 2015 | 2014 |
|---|---|---|
| Net loss attributable to equity holders of the parent for basic and diluted earnings (numerator) | (4,229,375) | (2,981,983) |
| Weighted average number of ordinary shares for basic and diluted earnings per share (denominator) (*) | 18,696,678 | 12,745,429 |
| **Basic and diluted loss per share (average)** | (0.23) | (0.23) |

(*) The weighted average number of shares takes into account the weighted average effect of changes in ordinary share transactions during the year

The Company has granted stock options to certain employees whose corresponding number of shares related to outstanding options (see note 12) may have a dilutive effect in earnings per share in future periods. However, considering that the Company had net losses during 2015 and 2014, these options were not considered in the earnings per share calculation as of 31 December 2015 and 2014, due to its potential anti-dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

## 17. Financial risk management

The activities of the Company and its Subsidiaries are exposed to market risks during the normal course of their operations; however, Management, based on its technical knowledge and experience, intends to diminish the potential adverse effects in its financial performance, establishing policies for credit, liquidity, currency and interest risks.

The Company’s Management is aware of market conditions and, based on its knowledge and experience, manages liquidity, interest rate, currency and credit risks following the policies adopted by the Board. The most important aspects of managing these risks are:

(a) Market risks-

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products. In case of the Company and its Subsidiaries, the financial

instruments affected by the market risks include bank deposits, receivable and payable accounts which are exposed to currency, interest rates, credit and liquidity risks.

(b) Currency risk -

The Company and its Subsidiaries obtain financing for working capital and investments in U.S. Dollars, so there is no exchange rate risk. The Company's Subsidiaries are in start-up stage so there are some local buys in foreign currency (mainly Soles). Management believes that future fluctuations in the exchange rate of Peruvian currency against the U.S. Dollar will not affect significantly the results of the Company's future operations.

The following table demonstrates the sensitivity to a reasonably possible change in the Nuevos Soles (Peruvian Currency – S/.) exchange rate, with all other variables held constant. The impact on the Company's results before income tax is due to changes in the fair value of monetary assets and liabilities:

| Change in S/. rates | (Increase) decrease of net loss for the year ended at 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | US$ | US$ |
| % | | |
| +5 | 7,102 | 74,638 |
| +10 | 14,204 | 149,276 |
| -5 | (7,102) | (74,638) |
| -10 | (14,204) | (149,276) |

(c) Credit risk -

Credit risk is the risk that counterparty does not perform its assumed obligations in a financial instruments or a commercial contract, and this causes a financial loss. The Company and its subsidiaries are exposed to credit risk from its operating and financial activities, including deposits in banks and financial institutions and other financial instruments.

Financial instruments and bank deposits -

The credit risk on bank balances is managed by the Finance Department in accordance with Company's policies. The counterparty credit limits are reviewed by Management and the Board of Directors.

The limits are set to minimize the concentration of risks and therefore mitigate financial losses from potential counterparty defaults. The Company and its subsidiaries' maximum exposure to credit risk for the components of the consolidated statements of financial position as of 31 December 2015 and 2014 is the carrying amount as illustrated in notes 4 and 6.

In Management's opinion, as of 31 December 2015 and 2014, the Company does not consider that those concentrations imply unusual risk for its operations.

(d) Liquidity risk -

Liquidity risk originates from the inability to obtain funds necessary to meet the Company's financial obligations.

The administration of the liquidity risk implies keeping enough cash as well as having the availability to obtain financing through adequate credit sources and the capability to liquidate transactions.

As of 31 December 2015 and 2014, the Company's subsidiaries are in the initial agricultural growth stage and have the financing support of its shareholders. In Management's opinion, the Company and its subsidiaries are not exposed to a significant risk of liquidity risk.

(e) Interest rate risk -

The Company's exposure to this risk arises from changes in interest rates, mainly for those long-term financial obligations which would keep at variable interest rates. The Company seeks to minimize this risk by maintaining a balance between fixed and variable interest rates on its obligations balanced. When assuming new loans or debt, Management applies its criterion in order to decide whether a fixed or variable rate is more favorable to the Company during an expected period until the new liability's maturity.

As explained in note 9, as of 31 December 2015, the Company maintained financial obligations related to Secured Convertible Bond, which are subject to fixed interest rates. As of 31 December 2043, the Company did not maintain financial obligations at variable interest rate.

In that sense, The Board considers that the Company is not exposed to significant fluctuations of the interest rates.

(f) Capital management -

The primary objective of the Company and its Subsidiaries capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company and its Subsidiaries manage its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and its Subsidiaries may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended as of 31 December 2015 and 2014.

## 18. Fair value information

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In Management's opinion, the fair value of the Company and its Subsidiaries financial instruments is not significantly different from their carrying values; therefore, the disclosure of this information has no effect on the consolidated historical financial information as of 31 December 2015 and 2014.

The following table presents an analysis of the financial instruments that are measured at fair value as of 31 December 2015 and 2014:

| | 2015 | | 2014 |
|---|---|---|---|
| | Book value US$ | Fair value US$ | US$ |
| Secured Convertible Bond | 4,587,662 | 4,954,470 | - |

## 19. Segment information

The Company's activities consist of agricultural operations related to cacao cultivation. The Board of Directors and the Financial Controller are together considered be the chief operating decision makers. The business is managed as one entity, and activities are not split into any further regional or product subdivisions in the internal management reporting as any such split would not provide management with meaningful information. Consequently, all activities are related to this one segment. All non-current assets are located in the Subsidiaries' country of domicile, being Peru.

## 20. Commitments

There were no capital commitments as of 31 December 2015 and 2014.

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