DECCO JIFKINS MEXICO, S.A.P.I. DE C.V.

Financial Statements

Years Ended March 31, 2018 and 2017,
with Independent Auditor's Report

DECCO JIFKINS MEXICO, S.A.P.I. DE C.V.

Financial Statements

Years Ended March 31, 2018 and 2017

Contents:

RSM México

Ontario No. 989
Pisos 6 y 7 Torre Value
Col. Italia Providencia, 44620
Guadalajara, Jal.

T +52 (33) 3648 4320
F +52 (33) 3648 4325

www.rsmmx.mx

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Decco Jifkins Mexico, S.A.P.I. de C.V.

Opinion

1. We have audited the accompanying financial statements of Decco Jifkins Mexico, S.A.P.I. de C.V. (the Company), which comprise the statement of financial position as at March 31, 2018 and 2017, and the statements of operations and comprehensive loss, changes in stockholders´equity (deficit) and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Decco Jifkins Mexico, S.A.P.I. de C.V. as of March 31, 2018 and 2017, and its financial performance and their cash flows for the years then ended in conformity with Mexican Financial Reporting Standards (MFRSs).

Basis for Opinion

3. We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those 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 Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in México, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

4. This audit report and the accompanying financial statements and their notes have been translated into English solely for the convenience of readers.

Responsibilities of management and those charged with governance for the financial statements

5. Management is responsible for the preparation and fair presentation of the financial statements in accordance with MFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern including the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

8. 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.

9. 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 misstatement 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 to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to 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 manner that achieves fair presentation.

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

RSM México Bogarín, S.C.

Mauricio González
Partner

Guadalajara, Jalisco, Mexico.
April 12, 2018.

DECCO JIFKINS MEXICO, S.A.P.I. DE C.V.

Statements of financial position

(Amounts in Mexican pesos)

	Notes		March 31, 2018		2017
Assets					
Current assets:					
Cash		**Ps.**	**548,086**	Ps.	610,408
Accounts receivable, net (net of allowance for doubtful accounts of $1,366,379 in 2018 and 2017)			**10,561,809**		7,556,487
Recoverable taxes and trade receivables			**1,962,698**		1,332,715
Inventories of finished goods			**8,115,055**		9,226,468
Total current assets			**21,187,648**		18,726,078
Machinery, furniture and equipment, net	*Note 5*		**1,295,006**		375,438
Total assets		**Ps.**	**22,482,654**	Ps.	19,101,516
Liabilities and shareholders' equity (deficit)					
Current liabilities:					
Related parties	*Note 4*	**Ps.**	**17,644,241**	Ps.	10,288,320
Taxes payable			**67,361**		36,937
Other accounts payable and accrued liabilities			**456,970**		680,392
Total current liabilities			**18,168,572**		11,005,649
Long liabilities:					
Related parties	*Note 4*		**26,422,763**		25,282,658
Total liabilities			**44,591,335**		36,288,307
Stockholders' equity (deficit)	*Note 7*				
Capital stock			**50,000**		50,000
Accumulated deficit		**(**	**22,158,681)**	(	17,236,791)
Total stockholders' equity (deficit)		**(**	**22,108,681)**	(	17,186,791)
Total liabilities and stockholders' equity (deficit)		**Ps.**	**22,482,654**	Ps.	19,101,516

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

DECCO JIFKINS MEXICO, S.A.P.I. DE C.V.

Statements of operations and comprehensive loss

(Amounts in Mexican pesos)

	Notes		Years ended March 31, 2018		2017
Net sales		**Ps.**	**26,394,366**	Ps.	24,656,316
Cost of sales			**17,407,617**		17,514,955
Gross profit			**8,986,749**		7,141,361
Operating expenses	*Note 9*		**9,699,671**		8,017,253
Other income, net			**650,356**		64,919
Operating loss		**(**	**62,566)**	(	810,973)
Financing cost:					
Interest expense		**(**	**793,950)**	(	169,821)
Exchange loss, net		**(**	**4,065,374)**	(	3,659,755)
		(	**4,859,324)**	(	3,829,576)
Net loss and comprehensive loss		**Ps.(**	**4,921,890)**	Ps.(	4,640,549)

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

DECCO JIFKINS MEXICO, S.A.P.I. DE C.V.

Statements of Changes in Stockholders' Equity (deficit)

Years ended March 31, 2018 and 2017

(Amounts in Mexican pesos)

	Capital stock		Accumulated deficit		Total shareholders' equity (deficit)	
Balance at March 31, 2016 (deficit)	Ps.	50,000	Ps. (	12,596,242)	Ps. (	12,546,242)
Comprehensive loss			(	4,640,549)	(	4,640,549)
Balance at March 31, 2017 (deficit)		50,000	(	17,236,791)	(	17,186,791)
Comprehensive loss			(	4,921,890)	(	4,921,890)
Balance at March 31, 2018 (deficit)	**Ps.**	**50,000**	**Ps.(**	**22,158,681)**	**Ps.(**	**22,108,681)**

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

DECCO JIFKINS MEXICO, S.A.P.I. DE C.V.

Statements of Cash Flows

(Amounts in Mexican pesos)

	Years ended March 31 2018	2017
Operating activities		
Net loss	**Ps.(4,921,890)**	Ps.(4,640,549)
Item related to investing activities:		
Depreciation	**390,872**	228,230
Item related to financing activities:		
Interest	**793,950**	169,821
Changes in operating assets and liabilities:		
Accounts receivable	**(3,005,322)**	(989,546)
Recoverable taxes and trade receivables	**(629,983)**	(365,443)
Inventories of finished products	**1,111,413**	(443,345)
Related parties	**7,355,921**	5,602,671
Taxes payable	**30,424**	(27,284)
Other accounts payable and accrued liabilities	**(223,422)**	(754,093)
Net cash flow from operating activities	**901,963**	(1,219,538)
Investing activities		
Net cash flow by investing activities for acquisition of machinery, furniture and equipment	**(1,310,440)**	(141,842)
Cash to be obtained of financing activities	**(408,477)**	(1,361,380)
Financing activities		
Related parties	**1,140,105**	341,617
Interest paid	**(793,950)**	(169,821)
Net cash flow by financing activities	**346,155**	171,796
Net decrease in cash	**(62,322)**	(1,189,584)
Cash at beginning of year	**610,408**	1,799,992
Cash at end of year	**Ps. 548,086**	Ps. 610,408

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

Note 1. Business description

Decco Jifkins Mexico, S.A.P.I. de C.V., was incorporated on January 21, 2011, the principal activity is purchase, sale, distribution and import of goods and services post-harvest, including without limitation, wax, additives, soaps, fungicides products for coating, cleaning, sanitation, regulation of growth as well as distribution and commercialization of agrochemicals products and raw materials. The company is a subsidiary of Decco Worldwide Post-Harvest Holdings BV. At March 31, 2018 the Company only has 8 operating employees.

On April 12, 2018, the accompanying financial statements and these notes were authorized by Willian Santo Ruggero, Administration and Operation Manager, for their issuance and subsequent approval by the Board of Directors and stockholders. These financial statements will be submitted to the ordinary shareholders for approval who have the authority to modify the Company's financial statements.

Note 2. Basis of preparation

a) For convenience of users in other countries, the Company translated into English the accompanying financial statements originally issued in Spanish for its use in Mexico.

b) The Entity maintains its books and records in Mexican pesos and prepares financial statements in accordance with Mexican Financial Reporting Standards (MFRS, which is comprised of standards referred to as Normas de Información Financiera or NIFs) issued by the Mexican Board of Financial Reporting Standards.

c) The accompanying financial statements are subject to the recognition of the effects of the inflation in the financial information. In accordance with the provisions of MFRS B-10, since there has been a cumulative inflation below 26% in the most recent three-year period (threshold for defining whether the Mexican economy should be considered as inflationary), the financial statements for the years ended December 31, 2017 and 2016 did not require the recognition of those effects.

d) The financial statements before mention are present in Mexican Pesos that are their inform currency, which is the same of their functional and recording currency. The financial statements are submitted in Mexican pesos unless a contrary mention.

e) The Company classified its costs and expenses presented in the statements of comprehensive income according to their function (nature) because of the practice of the sector to which the Company belongs. In addition to what is established in MFRS B-3, the "Operating Income" line was included, since the Entity considers that it is relevant for the users of its financial information.

Note 3. Significant accounting policies

a) Compliance with Mexican Financial Reporting Standards

The accompanying financial statements were prepared in conformity with Mexican Financial Reporting Standards (Mexican MFRSs), unless a contrary mention.

b) Recognition of revenues

The Company recognizes revenues at the time ownership of products sold is transferred to the customers, which occurs once products have been delivered to the customer.

c) Use of estimates

The preparation of financial statements in conformity with Mexican Financial Reporting Standards (MFRSs) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses included in the reporting period. Actual results could differ from those estimates.

d) Allowance for doubtful accounts

The Company has a policy to establish a doubtful account estimate to cover the balances of account receivable, taking in consideration the historical experience and the specific balance identification. As of March 31, 2018 and 2017 there is a doubtful estimate account for the amount of Ps. 1,366,379.

e) Cash

Cash principally consist of bank deposits.

f) Inventories

Inventories are recognized at historical acquisition cost and are valued using the average cost method. The carrying value of inventories is not in excess of their net realizable value.

g) Machinery, furniture and equipment

Machinery, furniture and equipment are recorded at acquisition cost.

Depreciation of machinery, furniture and equipment is computed on historical cost using the straight-line method, based on the estimated useful lives of the related assets.

The value of machinery, furniture and equipment is checked when there are signs of impairment in the value of these assets. When the value of recovery, which is the largest between the selling price and its value in use (which is the present value of future cash flows), is lower than the net book value, the difference is recognized as an impairment loss.

At March 31, 2018 and 2017, there were no signs of impairment.

h) Accrued liabilities, reserves, contingent assets and liabilities and commitments

Accrued liabilities are recognized whenever: (i) the Company has current obligations (legal or assumed) resulting from a past event, (ii) when it is probable the obligation will most likely give rise to a future cash disbursement for its settlement and (iii) the amount of the obligation can be reasonably estimated.

When the effect of the time value of money is significant, the amount of the liability is determined as the present value of the expected disbursements to settle the obligation. The discount rate applied is determined on a pre-tax basis and reflects current market conditions at the balance sheet date and, where appropriate, the risks specific to the liability.

Contingent liabilities are recognized only when it is probable they will give rise to a future cash disbursement for their settlement. Also, commitments are only recognized when they will generate a loss.

i) Labor obligations

Seniority premiums are paid to workers as required by Mexican labor law. Under Mexican labor law, the Company is also liable for certain benefits accruing to workers who leave the Company or who were dismissed in certain circumstances.

At March 31, 2018 and 2017, the Company has no provision for labor obligations, as it considers the related liability to be immaterial for the financial statements taken as a whole in view of the limited number of workers and their little acquired seniority.

j) Employee profit sharing

Employee profit sharing is determined at the rate of 10% on the taxable income as prescribed by the Income Tax Law and presented as an ordinary expense in the income statement. Does not recognize the effect of deferred profit sharing due to is considered not relevant.

At March 31, 2018 and 2017 the company has not record the deferred profit sharing, as it considers the related estimate amount is not material for the financial statements.

k) Exchange differences

Transactions in foreign currency are recorded at the prevailing exchange rate on the day of the related transactions. Foreign currency denominated assets and liabilities are valued at the prevailing exchange rate at the latest balance sheet date. Exchange differences determined from the transaction date to the time foreign currency denominated assets and liabilities are settled or translated at the balance sheet date.

l) Comprehensive loss

Comprehensive loss consists of the net loss for the period plus, if applicable, those items that are reflected directly in stockholders' equity and that do not constitute capital contributions, reductions or distributions.

m) Taxes on profits

Deferred taxes on profits are recognized using the asset and liability method. Under this method, deferred taxes on profits are recognized on all differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate or flat-rate business tax rate effective as of the balance sheet date, or the enacted rate at the balance sheet date that will be in effect when deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and, if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.

n) Income statement presentation

Cost and expenses in the income statements are presented in accordance with its function, since this classification allow us to evaluate properly gross profit (loss) margins and operational.

The presentation of operating (loss) income is not required; however it is presented as an important indicator of our results.

Note 4. Related parties

a) An analysis of this caption at March 31, 2018 and 2017, is a follows:

		2018		2017
Due to:				
Short term(1)				
Decco US Post-Harvest, Inc.	**Ps.**	**16,932,129**	Ps.	9,642,221
Decco Iberica Post Cosecha, SAU		**574,426**		646,099
Decco Chile, SPA		**137,686**		-
	Ps.	**17,644,241**	Ps.	10,288,320

		2018		2017
Due to:				
Long term				
Decco US Post-Harvest, Inc. (2)	**Ps.**	**18,994,409**	Ps.	18,768,000
Decco Worlwide Post-harvest Holdings BV (3)		**7,428,354**		6,514,658
	Ps.	**26,422,763**	Ps.	25,282,658

(1) As of March 31, 2018 and 2017, the balances due to related parties are the balances of current accounts without interest.

(2) On March 27, 2017 the Company has an agreement with their related parties to recognize USD$1,000,000 as long-term debt, this agreement established an interest for London InterBank Offered Rate (LIBOR) plus 2 points.

(3) As of March 31, 2018 and 2017, the loan agreement, with simple interest at 3.06% annual rate.

b) The following are the details of the transactions entered by the Company for the year ended March 31, 2018 and 2017:

		2018		2017
Purchases				
Decco US Post-Harvest, Inc.	**Ps.**	**11,434,929**	Ps.	17,648,129
Decco Iberica Post Cosecha, SAU		**1,355,298**		1,529,179
Decco Chile, SPA		**636,465**		-
Selling, general and administrative expense				
Decco Worlwide Post-harvest Holdings, BV.		**923,922**		890,176
Interest expense				
Decco Worlwide Post-harvest Holdings, BV.		**136,931**		144,744
Decco US Post-Harvest, Inc.		**636,856**		4,756

Note 5. Machinery, furniture and equipment

a) An analysis of this caption at March 31, 2018 and 2017, is a follows:

		2018		2017	Estimated useful life
Automotive equipment	**Ps.**	**1,991,591**	Ps.	943,574	**4 years**
Wax sprinkler equipment		**795,356**		553,391	**10 years**
Computer equipment		**217,432**		208,381	**3.3 years**
Machinery and equipment		**199,741**		199,741	**10 years**
Office furniture and equipment		**87,516**		87,516	**10 years**
		3,291,636		1,992,603	
Accumulated depreciation		**(1,996,630)**		(1,617,165)	
	Ps.	**1,295,006**	Ps.	375,438	

b) Depreciation expense for the years ended March 31, 2018 and 2017, aggregated Ps.390,872 and Ps. 228,230, respectively.

Note 6. Foreign Currency Balances and Transactions

a) The financial statements at March 31, 2018 and 2017 include the following U.S. dollar USD denominated assets and liabilities:

	(Amounts USD)			
		2018		2017
Current Assets	**USD $**	**627,666**	USD $	513,112
Liabilities		**(961,479)**		(583,831)
Long Liabilities		**(1,438,835)**		(1,347,115)
Monetary liability position, net	**USD $**	**(1,772,648)**	USD $	(1,417,834)

At March 31, 2018 and 2017, the exchange rates used to translate the above amounts to Mexican pesos were Ps. 18.3640 and Ps. 18.7680, respectively, per U.S. dollar. At April 12, 2018, the date of the audit report on these financial statements, the exchange rate is Ps. 18.2018 per U.S. dollar.

b) The main foreign currency transactions made by the Company during 2018 and 2017 were for purchases of inventories, which amounted to USD $713,098 and $801,668, respectively.

Note 7. Shareholders' Equity

a) Capital stock

At March 31, 2018 and 2017, the Company's capital stock is represented by 2 common, registered shares, issued and outstanding, with a par value of Ps.49,900 and Ps.100 Mexican peso each.

b) Legal reserve

In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued until the legal reserve reaches 20% of the value of capital stock.

c) Tax accounts

Any distribution of dividends in excess of the Net taxed profits account (CUFIN) balance will be subject to payment of corporate income tax at the statutory rate at the time of payment.

The Restated contributed capital account (CUCA) represents the amount of capital that, under certain circumstances, may be withdrawn without paying income tax.

At March 31, 2018 y 2017, is a follows:

		2018		2017
CUCA	**Ps.**	**65,258**	Ps.	61,118

d) Accumulated deficit

At March 31, 2018 and 2017, the Company has a deficit in its partnership capital. In conformity with the Mexican Corporations Act, this situation could, in the worst of scenarios, constitute cause for the dissolution of the Company at the request of an interested third party. The financial statements do not include those adjustments related to the valuation and classification of assets and liabilities that might be necessary if the Company is unable to continue in operation settings, these adjustments are not included as the group is providing a comfort letter to support the entity in such a situation.

Note 8. Income tax

a) Income tax

Income tax is computed on taxable income, which differs from net income for financial reporting purposes principally due to the treatment of the inflationary effects, the cost of labor liabilities for employee benefits, depreciation and other accounting provisions. A tax loss can be carried forward and applied against future taxable income.

For the years ended March 31, 2018 and 2017 the tax rate was 30%. The rate for next years will be 30%.

For the years ended March 31, 2018 and 2017, the Company reported taxable loss of Ps. 1,671,031 and Ps. 5,443,397 respectively; these tax losses are composed as follows:

Reconciliation of the accounting loss to taxable loss	2018	2017
Net loss	**Ps. (4,921,890)**	Ps. (4,640,549)
(+) Plus: Tax incomes:		
Annual adjustment for inflation	**1,933,377**	768,791
Financial deductions:		
Depreciation and amortization	**331,052**	232,267
Workers tax-exempt revenues	**11,769**	16,441
Non-deductible expenses	**918,500**	404,850
Decco worldwide post-harves interests	**605,301**	143,427
	1,866,622	796,985
(-) Minus: Financial incomes:		
Other incomes	**188,921**	2,115,940
Fiscal deductions:		
Depreciation	**360,219**	252,684
Net taxable loss	**Ps.(1,671,031)**	Ps. (5,443,397)

At March 31, 2017, the Company has tax losses from prior years that may be carried forward against the taxable income of future years. An analysis is as follows:

Year of tax payment	Restated amount at March 31, 2018 Available tax loss carried forward	Year of expiration
2014	Ps. 843,416	2024
2015	4,077,307	2025
2016	5,772,025	2026
2017	1,722,748	2027
	Ps. 12,415,496	

b) Deferred income tax

An analysis of deferred income tax shown in the balance sheet at March 31, 2018 and 2017, is as follows:

	2018	2017
Deferred income tax assets:		
Tax loss carry forward	**Ps. 3,724,649**	Ps. 3,057,569
Allowance for doubtful accounts	**409,914**	409,914
	4,134,563	3,467,483
Valuation allowance reserve	**(4,134,563)**	(3,467,483)
	Ps. -	Ps. -

Note 9. Operating expenses

a) An analysis of this caption at March 31, 2018 and 2017, is a follows:

		2018		2017
Operating expenses:				
Salaries	**Ps.**	**2,114,451**	Ps.	1,977,629
Other		**1,461,900**		1,513,020
Admin services		**975,090**		848,990
Management fee		**923,922**		890,176
Freight		**877,356**		581,259
Leases warehouse		**417,862**		450,229
Non-deductible expenses		**714,792**		346,723
Travel expenses		**703,803**		177,423
Other tax		**497,215**		446,949
Fuels & lubricants		**402,208**		348,125
Depreciation and amortization		**390,872**		228,230
Leases office		**139,200**		132,000
Audit fee		**81,000**		76,500
	Ps.	**9,699,671**	Ps.	8,017,253

Note 10. New accounting pronouncements for fiscal year ended December 31, 2017

Improvements to MFRS 2017:

The Mexican Financial Reporting Standards Board (CINIF per its acronym in Spanish), issued the following improvements to the MFRS applicable in fiscal 2017:

Section I. Improvements to MFRS that cause accounting changes.

NIF B-7, Business combinations.
NIF B-13, Subsequent events to the date of financial statements.
NIF B-6, Statement of financial position.
NIF C-19, Financial instruments payable.
NIF C-20, Receivable financial instruments.
NIF C-4, Inventories.
NIF C-11, Equity.
NIF D-3, Employee´s benefits.

Section II. Improvements to MFRS that do not cause accounting changes.

NIF C-2, Financial instruments.
NIF C-3, Accounts receivable.
NIF C-15, Impairment of long live assets and its disposition.
NIF C-16, Impairment of receivable financial instruments.
NIF C-20, Receivable financial instruments, principal and interest.

The Company considers that these improvements to the MFRS did not have impact in the presentation of its financial statements and related disclosures in the supplementary footnotes.

Note 11. New accounting pronouncements for subsequent years

As at December 31, 2017, the CINIF had promulgated the following MFRS that may have impact in the Company´s financial statements:

a) Effective January 1st, 2018 the following changes to the MFRS improvements were into effect:

Improvements to MFRS that cause accounting changes.

NIF B-2, Statements of Cash flow
NIF B-10, Inflation effects in the financial statements
NIF C-6, Property, plant and equipment
NIF C-8, Intangible assets
NIF C-14, Transfer and de-recognition of financial assets

Improvements to MFRS that do not cause accounting changes.

NIF B-7, Business combinations.
NIF B-15, Translation of foreign currencies.
NIF C-2, Investment in financial instruments.
NIF C-3, Accounts receivable.
NIF C-10, Derivatives financial instruments and hedging activities.
NIF C-16, Impairment of receivable financial instruments.
NIF C-19, Financial instruments payable.
NIF C-20, Receivable financial instruments, principal and interest.

b) Effective January 1st 2018 the following MFRS were into effect:

NIF B-17, Determination of fair value.
NIF C-2, Investment in financial instruments.
NIF C-3, Accounts receivable.
NIF C-9, Liabilities, contingencies and commitments.
NIF C-10, Derivative financial instruments and hedging activities.
NIF C-16, Impairment of receivable financial instruments.
NIF C-19, Financial instruments payable.
NIF C-20, Receivable financial instruments, principal and interest.
NIF D-1, Revenues from contracts with customers.
NIF D-2, Costs from contracts with customers.

c) Effective January 1st 2019 the following MFRS was into effect:

NIF D-5, Leases.

At the date of issuance of the financial statements, the Company is in the process of determining the effects of these new MFRS on the financial information.

Note 12. Contingencies and commitments

Contingencies

a) The tax authority has the verification capacity for the compliance of the Company tax obligations as a tax payable and tax retainer of the last 5 fiscal years and can determinate difference between the declared tax results that in their opinion could cause the payment of tax credits.

In the same way, the tax criteria followed by the Company may not be the same as those of said authorities and in case of present this situation, the Company shall through of the established procedures for such purpose, promote before the instances that are convenient the legal resources to defend them.

In the same way, the fiscal criteria followed by the Company may not be the same as those of said authorities and, should this situation arise, the Company shall, through the procedures established for such purpose, promote, before appropriate instances, the legal resources to defend them.

b) The ISR law establishes the requirement regarding the operations with related parties, that taxable income and deductible expenses being determined considering the prices and consideration amounts which have been utilized with or between independent parties based on comparable transactions. As of the date of these financial statements, the Entity is in the process of obtaining the documentation to prove that those operations approximates to arm's length prices; consequently, in case of a review of the tax authorities, differences on taxes may arise, if such authorities estimate that the prices and consideration amounts utilized by the Entity are not comparable to those that are utilized with or between independent parties in comparable transactions. The Entity's management estimates that no material effects would result once the required documentation is obtained.

Commitments

c) The Company leases the building where its offices and warehouse are located; expenditures for rent amounted to $557,062 in march 2018 and $582,229 in march 2017; as follow:

- The lease contract of the office establish an a monthly payment and the expense for the year is for Ps. 120,000, the annual payment increase according to the Mexican tax inflation. The contract is annual and can be renewable.

- The lease contract for the warehouse established a variable payment according to the using area. The contract is annual and can be renewable.