
Table of Contents**16. Operating leases—Company as lessee**

Plantas Eólicas has entered into operating leases of lands. These contracts are for an initial period of 35 years. These lease agreements expire in 2035. Quarterly payments are determined as three percent of income generated from wind energy; therefore, future payments on these agreements cannot be precisely estimated by the Company.

The lease expense incurred by the Company in 2014 amounted to US\$166,206 (2013: \$143,036) (Note 14).

17. Financial risk management objectives and policies

The Company's main financial instruments are cash, accounts receivable, accounts payable and accrued expenses. The main purpose of these financial instruments is to manage cash flows and raise financing for the Company's capital needs.

Plantas Eólicas is exposed to market, credit, and liquidity risks. The Company's senior Management oversees the management of these risks.

17.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The relevant market risk affecting the Company's financial statements is the foreign currency risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Plantas Eólicas' exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency).

The Costa Rican colon is the main foreign currency used by the Company in its transactions. The Costa Rican Central Bank is the entity responsible for managing the national banking system and regulating the Costa Rican colon's parity to other currencies. Sell and buy rates are established by authorized financial institutions, according to market supply and demand. As of December 31, 2014, sell and buy rates for US dollars were ¢545.53 and ¢533.31, respectively (2013: ¢507.80 and ¢495.01).

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