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CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Contents

Report of Independent Auditors’

To the Stockholders and Board of Directors of
Grupo Rotoplas, S. A. B. de C. V.

Opinion

We have audited the consolidated financial statements of Grupo Rotoplas, S. A. B. de C. V. and its sub-sidiaries (the “Company”), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of net income and comprehensive income, of changes in equity and of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material res-pects, the consolidated financial position of the Company as at December 31, 2016, and its financial per-formance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsi-bilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Company in accordan¬ce with the Ethics Standards of Mexican Institute of Public Accountants together with other requirements applicable to our audit in Mexico. We have fulfilled our other ethical responsibilities in accordance with those requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Property, plant and equipment valuation in Dalka do Brasil, Ltda.	
As described in Note 7 of the consolidated financial statements, the Company has property, plant and equipment in Brazil for an amount of $321 million (R.51 million). This investment is conside¬red a Cash Generating Unit ("CGU") for Company's Management. During 2016, and based on the analysis performed by the Company, indicators of impairment were identified, related with future cash flows expectations based on the lack of opportunities with the Brazilian government and its dependencies. We have focused in the valuation of property, plant and equipment that are located in Brazil as at December 31, 2016, which are rele¬vant to the consolidated financial statements and due to the fact that the determination of the re¬coverable value of the CGU in Brazil involves significant judgements by Management. In particular, we focused our audit efforts in evaluating the significant assumptions such as: forecasted growth rates in revenue, gross margins, and discount rates applied to future cash flows for the determination of the value in use for the CGU in Brazil.	Our audit procedures included, the evaluation of forecasted future cash flows prepared by Management, and the processes in their determi¬nation. In particular, we evaluated if the CGUs are properly identified, if the internal processes per-formed by Management to determine the forecasts, include a timely supervision and analy¬sis from the Finance Department, as well as their consistency to those approved by the Board of Directors. Since the significant judgements used in deter-mining the value in use and with the support from our valuation experts, we assessed the assumptions and methodologies used by the Company, in particular those related to the forecasted growth rates in revenue, gross margins, and discount rates applied to future cash flows. For the aforementioned assets, we challenged the assumptions used by Management in the forecasts, related to: i) growth rates in revenue and gross margins, by comparing them to economical and industry projections, and ii) discount rate, in evaluating the reasonableness of the finance cost of the Company. We compared the current year results of the CGU to the budgeted figures in prior year for current year, to consider if any assumption included in such projections could be considered optimistic. We discussed with Management the sensitivity on the calculation for such CGU, determining the grade in which these assumptions would have to be modified so that an impairment adjustment would be required. Also, we discussed the proba-bility of occurrence for such changes with Management.

Other Information

Management is responsible for the other information. The other information comprises the annual re-port presented to Comisión Nacional Bancaria y de Valores ("CNBV"), but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other infor¬mation identified above when it becomes available and, in doing so, consider whether the other infor¬mation is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is nece-ssary to enable the preparation of consolidated financial statements that are free from material miss-tatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going con-cern and using 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.

Those charged with governance are responsible for overseeing the Company´s financial reporting pro-cess.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guaran-tee 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial state-ments, 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 omi-ssions, 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 accoun-ting estimates and related disclosures made by Management.

- Conclude on the appropriateness of management's use of the going concern basis of accoun-ting 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 re¬quired to draw attention in our auditors' report to the related disclosures in the consolidated financial state-ments or, if such disclosures are inadequate, to modify our opinion. Our con¬clusions are based on the audit evidence obtained up to the date of our auditors' 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 consolidated financial statem-ents, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the enti-ties or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, rela-ted safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or re-gulation precludes public disclosure about the matter or when, in extremely rare circumstances, we de-termine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the Company's audit is: Alberto Del Castillo Velasco Vilchis.

PricewaterhouseCoopers, S. C.

L. C. C. Alberto Del Castillo Velasco Vilchis
Audit Partner

Mexico City, April 18, 2017

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Financial Position

Thousands of Mexican pesos

Assets	Notes		December 31, 2016		2015
CURRENT ASSETS:					
Cash and cash equivalents	8	$	1,562,545	$	3,476,252
Accounts receivable and other accounts receivable	9		1,792,128		1,820,163
Related parties	10		13,505		5,246
Income tax receivable			99,613		23,013
Other recoverable taxes	11		334,595		156,228
Inventories	12		891,903		768,113
Prepayments	13		97,091		57,625
Financial assets at fair value through profit or loss	14		14,664		17,249
Total current assets			**4,806,044**		**6,323,889**
NON-CURRENT ASSETS:					
Related parties	10		86,354		89,093
Property, plant and equipment - Net	15		2,282,699		1,304,293
Investment in associate	16		130,796		9,339
Intangibles	17		1,972,628		168,064
Deferred income tax asset	25		263,829		203,179
Guarantee deposits	6		35,533		49,640
Derivative financial instruments	18		34,498		-
Total assets		**$**	**9,612,381**	**$**	**8,147,497**
Liabilities and equity					
CURRENT LIABILITIES:					
Bank loans	19	$	285,104	$	12,986
Suppliers	20		291,487		269,325
Other accounts payable	21		448,716		294,432
Provisions	22		33,634		33,607
Income taxes payable			160,253		151,795
Other taxes payable			103,441		57,393
Employees' statutory profit sharing			22,476		18,980
Total current liabilities			**1,345,111**		**838,518**
NON-CURRENT LIABILITIES:					
Bank loans	19		957,800		1,203,929
Employee benefits	23		9,248		8,592
Referred value units	23		12,091		-
Deferred income tax liability	25		67,281		28,861
Derivative financial instruments	18		-		14,389
Total liabilities			**2,391,531**		**2,094,289**
EQUITY:					
Capital stock	24		4,988,913		5,039,571
Share premium			33,759		33,759
Retained earnings			1,608,107		1,288,605
Legal reserve			18,270		11,105
Currency translation effect in subsidiaries	2.4		189,973		(518,214)
Revaluation surplus	2.5 and 15.1		329,556		196,149
Capital participation attributable to:					
Controlling interest			7,168,578		6,050,975
Non-controlling interest			52,272		2,233
Total equity			**7,220,850**		**6,053,208**
Total liabilities and equity		**$**	**9,612,381**	**$**	**8,147,497**

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

Carlos Rojas Mota Velasco
Executive President

Mario A. Romero Orozco
Finance and Administrative Vice president

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Income

Thousands of Mexican pesos

	Notes	Year ended on December 31			
			2016		2015
Net sales	7	$	5,353,266	$	5,700,400
Cost of sales	26		3,096,584		3,396,818
Gross profit			2,256,682		2,303,582
Operating expenses	27		1,676,942		1,641,385
Operating profit			579,740		662,197
Financial income	28		218,040		127,470
Financial expenses	28		(148,191)		(214,154)
Net financial income/(costs)			69,849		(86,684)
Profit from associated companies	16		(4,191)		302
Profit before income taxes			645,398		575,815
Income taxes	25		(196,201)		(173,583)
Consolidated profit for the year		$	449,197	$	402,232
Profit attributable to:					
Controlling interest		$	446,538	$	402,075
Non-controlling interest			2,659		157
		$	449,197	$	402,232
Basic and diluted earnings per share*	2.27 and 24	$	0.932	$	0.831

* The basic and diluted earnings per share are expressed in Mexican pesos.

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

Carlos Rojas Mota Velasco
Executive President

Mario A. Romero Orozco
Finance and Administrative Vice President

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Comprehensive Income

Thousands of Mexican pesos

	Notes	December 31 2016		2015
Consolidated net profit		$	449,197	$	402,232
Other comprehensive income:					
Items that will not be subsequently reclassified to profit and loss:					
Land and buildings revaluation surplus - Net of taxes	2.5 and 15.1		133,759		-
Items that may be subsequently reclassified to profit of loss:					
Currency translation effect in subsidiaries	2.4		708,187		(342,656)
Consolidated comprehensive income for the year		$	1,291,143	$	59,576
Consolidated comprehensive income for the year attributable to:					
Controlling interest		$	1,288,132	$	60,873
Non-controlling interest			3,011		(1,297)
		$	1,291,143	$	59,576

* These items were not subject to payment of income taxes.

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

Carlos Rojas Mota Velasco
Executive President

Mario A. Romero Orozco
Finance and Administrative Vice President

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Changes in Equity

Thousands of Mexican pesos

	Notes	Ordinary shares	Share Premium	Retained earnings	Legal reserve	Currency translation effect in subsidiaries	Revaluation surplus	Total equity of controlling interest	Non-controlling interest	Total equity
Balances as at January 1, 2015		$ 5,211,295	$ 33,759	$ 897,635	$ -	($ 177,012)	$ 196,149	$ 6,161,826	$ 3,530	$ 6,165,356
Comprehensive income for the period:										
Other comprehensive income		-	-	-	-	(341,202)	-	(341,202)	(1,454)	(342,656)
Profit for the year		-	-	402,075	-	-	-	402,075	157	402,232
Total comprehensive income		**-**	**-**	**402,075**	**-**	**(341,202)**	**-**	**60,873**	**(1,297)**	**59,576**
Transactions with shareholders recognized directly in equity:										
Acquisition of treasury shares	24	(171,724)	-	-	-	-	-	(171,724)	-	(171,724)
Legal reserve allocation	24	-	-	(11,105)	11,105	-	-	-	-	- .
Total transactions with shareholders recognized directly in equity:		(171,724)	-	(11,105)	11,105	-	-	(171,724)	-	(171,724)
Balances as at December 31, 2015		**5,039,571**	**33,759**	**1,288,605**	**11,105**	**(518,214)**	**196,149**	**6,050,975**	**2,233**	**6,053,208**
Comprehensive income for the period:										
Other comprehensive income		-	-	-	-	708,187	133,407	841,594	352	841,946
Profit for the year		-	-	446,538	-	-	-	446,538	2,659	449,197
Total comprehensive income		-	-	446,538	-	708,187	133,407	1,288,132	3,011	1,291,143
Transactions with shareholders recognized directly in equity:										
Acquisition of treasury shares	24	(239,826)	-	-	-	-	-	(239,826)	-	(239,826)
Sale of treasury shares	24	189,168	-	-	-	-	-	189,168	-	189,168
Dividend payment unanimously approved On May 9, 2016	24	-	-	(119,871)	-	-	-	(119,871)	-	(119,871)
Legal reserve allocation	24	-	-	(7,165)	7,165	-	-	-	-	- .
Total transactions with shareholders recognized directly in equity:		(50,658)	-	(127,036)	7,165	-	-	(170,529)	-	(170,529)
PNon-controlling interest recognized from business combinations	30.2	-	-	-	-	-	-	-	47,028	47,028
Balances as at December 31, 2016		**$ 4,988,913**	**$ 33,759**	**$ 1,608,107**	**$ 18,270**	**$ 189,973**	**$ 329,556**	**$ 7,168,578**	**$ 52,272**	**$ 7,220,850**

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

Carlos Rojas Mota Velasco
Executive President

Mario A. Romero Orozco
Finance and Administrative Vice President

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Cash Flows

Thousands of Mexican pesos

		December 31	
Operating activities	**Notes**	**2016**	**2015**
Profit before income taxes		$ 645,398	$ 575,815
Adjustments for items not involving cash flows:			
Depreciation and amortization included in expenses and costs	15 and 17	154,052	104,770
Loss on sale of property, plant and equipment		1,900	4,180
Profit from associated companies	16	4,191	(302)
Derivative financial instruments	28	(48,887)	(10,879)
Allowance for doubtful accounts	9	5,406	5,373
Interest income	28	(117,349)	(116,591)
Interest expense	28	131,641	101,425
Employee benefits costs	23	957	1,319
Referred value units	23	12,091	-
Changes in assets and liabilities:			
Accounts receivable		507,081	(355,574)
Recoverable income tax		(49,979)	75,516
Other recoverable taxes		(117,822)	(22,700)
Inventories		(6,292)	72,488
Prepayments		(23,838)	52,159
Guarantee deposits		19,493	(9,195)
Suppliers		(74,651)	(288,695)
Other accounts payable		(28,139)	(28,164)
Other taxes payable		42,172	(2,404)
Employees' statutory profit sharing		1,233	7,801
Employee benefits payments	23	(301)	(220)
Net cash flows from operating activities		1,058,357	166,122
Income taxes paid		(291,474)	(95,016)
Net cash flows from operating activities		766,883	71,106
Investing activities			
Acquisitions of property, plant and equipment	15	(315,940)	(275,089)
Proceeds from sale of property, plant and equipment		709	337
Acquisition of financial asset at fair value through profit or loss		(12,915)	(17,249)
Acquisition of intangible assets	17	(55,220)	(53,071)
Businesses acquisitions net of acquired cash and cash equivalents	30	(1,919,933)	-
Investment in associates	16	(86,669)	-
Related parties		(5,520)	(26,254)
Interest received		117,349	113,867
Net cash flows from investing activities		(2,278,139)	(257,459)
Financing activities			
Dividends paid to shareholders	24	(119,871)	-
Acquisition of treasury shares	24	(239,826)	(171,724)
Sale of treasury shares	24	189,168	-
Payment of bank loans		(100,279)	(9,067)
Interest paid		(131,643)	(101,425)
Net cash flows from financing activities		(402,451)	(282,216)
Decrease in cash and cash equivalents		(1,913,707)	(468,569)
Cash and cash equivalents at the beginning of the year		3,476,252	3,944,821
Cash and cash equivalents at the end of the year	8	$ 1,562,545	$ 3,476,252

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

Carlos Rojas Mota Velasco
Executive President

Mario A. Romero Orozco
Finance and Administrative Vice President

Notes to the Audited Consolidated Financial Statements

December 31, 2016 and 2015
Thousands of pesos, unless otherwise specified

Note 1 - Company information:

Grupo Rotoplas, S. A. B. de C. V. (Grupo Rotoplas) and subsidiaries (the Company or Group) started their operations in Mexico City in 1978, and it is ultimately controlled by a group of stockholders. The Company is mainly engaged in manufacturing, purchasing, selling and installation of plastic containers and accessories that provide water storage, conduction and water improvement solutions, and in provi-ding individual and comprehensive water solutions to its clients. The Company has defined January 1 to December 31 as its normal operating period.

The Group operates nine production plants in Mexico City, Guadalajara, Lerma, Monterrey, León, Mérida, Veracruz, Tuxtla Gutiérrez and Los Mochis, as well as distribution center in the city of Hermosillo. Fur-thermore the Group also operates production plants in Guatemala, Peru, Argentina, United States (USA) and Brazil and distribution centers in El Salvador, Belize, Honduras, Nicaragua and Costa Rica, which enhances an extensive market in Mexico, USA, Central and South America.

The Company is an anonymous trading society ("sociedad anónima bursatil"), whose capital stocks are traded in the Mexican stock market and is located and incorporated in Mexico.

The Company's address and main place of business is:

Pedregal 24, piso 19
Col. Molino del Rey
11040 Mexico City

Relevant transactions

a. Manufacturing plants closure

i. On June 8, 2016 the Company decided to close the plant in Tucumán, located in the capital of San Miguel de Tucumán, Argentina.

ii. On June 9, 2015 the Company decided to close the plant in Montes Claros, located in the state of Minas Gerais, Brazil.

iii. On April 29, 2015 the Company decided to close the rotomoloding plants in Teresina and Penedo, located in the states of Piaui y Alagoas, Brazil, respectively.

The above decisions were made by the Company in order to achieve efficiencies in distribution and costs reduction. The molds and machinery that where located at the plants were relocated to different Company's plants to maintain the same production capacity.

b. Manufacturing plants opening

On January 14 and December 21, 2015 the Company announced the opening of two new plants in Fort Worth, Texas and Tallapoosa, Georgia, USA, respectively, which are a fundamental part of the strategy to meet the demand for water in this country.

c. Share investment in other entities

i. Talsar, S. A.

On March 4, 2016 the Company announced the completion of the acquisition of the total shares of the Argentinian company Talsar, S. A. (Talsar), by a total of $644 million. Talsar is the lead company in Argentina dedicated to the design, manufacture, distribution and commercialization of heat-tanks, heaters and radiant panels under the “Señorial” brand and it has a 700 client network. (Refer to Note 30).

ii. Advance Innovation Center (AIC)

On May 2, 2016 the Company announced the fulfillment of the terms and conditions included in the subscription agreement, for the purchase of the interests acquired over AIC by USD. 6,000,000 ($106 million Mexican Pesos). (Refer to Note 16).

iii. Soluciones y Tratamiento Ecológico, S. A. P. I. de C. V. (Sytesa)

On August 30, 2016 the Company concluded the acquisition of 80% of the share interests of the Mexican company Sytesa by a total of $1,457,044, as such, from this date on, the Company controls the entity by obtaining the rights of the variable returns due to its involvement in the entity, and by ob-taining the faculties of affecting these returns through its power over the entity, additionally from this date on, the balances and results of Sytesa are consolidated as part of the Group. (Refer to Note 30).

Note 2 - Summary of significant accounting policies:

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below, which have applied consistently to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements at December 31, 2016 and 2015 have been prepared in accor-dance with International Financial Reporting Standards (IFRS) and the Interpretations issued by the IFRS Interpretations Committee (IFRIC). As such, the historical cost convention has been used for the valua-tion of captions, except for property, plant and equipment, financial asset and derivative financial instru-ments, which have been determined at their fair value.

IFRS require certain critical accounting estimates to be made when preparing the financial statements. They also require Management to exercise its judgment in determining the accounting policies to be applied by the Group. The areas involving a higher degree of judgment or complexity and where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

2.1.1.1 New amendment and improvement to standards applied by the Company.

The following amendment and improvement have been adopted for the first time by the Company for the period starting on January 1, 2016:

- Annual improvement to the International Accounting Standard (IAS) 19 “Employee benefits”. Specifies that when determining the discount rate for postemployment benefit obligations, the currency that must be considered is the currency that the liabilities are denominated and not the country where they arise.

- Amendments to IAS 1 “Presentation of Financial Statements”. These are made in the context of the International Accounting Standards Board's (IASB) disclosure initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

a. Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

b. Disaggregation and subtotals: line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

c. Notes: confirmation that the notes do not need to be presented in a particular order.

d. Other Comprehensive Income (OCI) arising from investments accounted for under the equity method: the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be pre¬sented as a single line item in the statement of OCI.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards or accounting policies are not required for these amendments.

The adoption of these modifications had no impact in the actual period or in any other prior period and is not considered probable that they might affect future periods.

2.1.1.2 New standards issued, which adoption is not mandatory, and that were not adopted by the Company.

A number of new standards, modifications and interpretations to IFRS have been issued, which are not effective for the reporting periods at December 31, 2016 and have not been adopted with anticipation by the Company, are shown as follows:

- IFRS 9 “Financial instruments”. addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement cate¬gories for financial assets: i. fair value through profit and loss, ii. fair value through OCI and iii. measured at amortized cost. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI without recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for recognition of changes in own credit risk in OCI , for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness test. It requires an economic relationship between the hedged item and the hedging instrument and for the hedging ratio to be the same as the one Management actually use for risk management purposes. Contemporaneous documentation is still required, but is different to the currently prepared under IAS 39. The standard is effective for periods beginning on or after January 1, 2018. Early adoption is permitted.

- **IFRS 15 "Revenue from contracts with customers"** This standard deals with revenue recognition and it establishes principles for reporting useful information for the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and has the ability to direct the use and obtain benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and the related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, and earlier application is permitted.

- **IFRS 16 "Leases".** Specifies how leases are meant to be recognized, measured, presented and disclosed. The standard establishes a unique lease model, requiring that the assets and liabilities are recognized upon beginning of the lease, unless that their period term is twelve months or less or else that the lease is immaterial. The lessors continue to classify their leases as operating or finance. The standard replaces IAS 17 "Leases". The standard is effective for annual periods beginning on or after January 1, 2019.

At the date of the accompanying financial statements, Company's management is in the process of analyzing the effects of the adoption of these new standards.

There are no other additional standards, changes or interpretations that are not yet effective that would be expected to have a material impact on the Company's financial information.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date control ceases.

The Company applies the acquisition method to account the business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Company. The consideration transferred includes the fair value of any asset of liability resulting from a contingent consideration arrangement. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The cost related to the acquisition are registered as expense when they are incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains of losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 "Financial instruments": Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Transactions, balances and unrealized gains or losses between Group companies are eliminated. When necessary, the accounting policies applied by the subsidiaries have been modified to ensure their consistency with those adopted by the Group.

The accompanying consolidated financial statements include those of the company and the following subsidiaries:

Participation in 2016 and 2015

Company	(%)	Activities
Mexican subsidiaries:		
Rotoplas, S. A. de C. V. (Rotoplas)[1]	99.99	Manufacturing and sale of plastic tanks for water storage.
Fideicomiso AAA Grupo Rotoplas (Fideicomiso AAA)[2]	100	Granting of financial support.
Suministros Rotoplas, S. A. de C. V. (Suministros)	99.99	Administrative services provided to manufacturing companies.
Rotoplas Recursos Humanos, S. A. de C. V. (Recursos)	99.99	Rendering of administrative services.
Servicios Rotoplas, S. A. de C. V. (Servicios)	99.99	Rendering of administrative services.
Rotoplas Comercializadora, S. A. de C. V. (Comercializadora)	99.99	Subholding entity of shares.
Rotoplas de Latinoamérica, S. A. de C. V. (Latino) [3]	99.99	Subholding entity of shares.
Rotoplas Bienes Raíces, S. A. de C. V. (Bienes Raíces)[1]	42.63	Real estate services.
Soluciones y Tratamiento Ecológico, S. A. P. I. de C. V. (Sytesa)[4]	80.00	Residual water treatment
Subsidiary in the USA:		
Molding Acquisiton, Corp. (MAC)	100	Manufacturing and sale of plastic tanks for water storage

[1] Rotoplas is in turn the holder of 56.96% of the shares of Bienes Raices.
[2] Fideicomiso AAA was set up on March 15, 2007 by the Company in its capacity of trustor in order to promote the development of companies by operating a preferential financial support system aimed at suppliers and distributors. (Refer to Note 29).
[3] Latino is the holding entity of the shares of the following tier two companies for consolidated financial statement purposes:

Participation in 2016 and 2015

Company	(%)	Activities
Dalka do Brasil, Ltda. (Brasil)	99.99	Manufacturing and sale of plastic tanks for water storage.
Dalka, S. A. C. (Perú)	99.99	Manufacturing and sale of plastic tanks for water storage.
Rotoplas Argentina, S. A. (Argentina)	98.87	Manufacturing and sale of plastic tanks for water storage.
Talsar S. A. (Talsar/Argentina)[4]	99.92	Design, manufacturing, distribution and commercialization of heat-tanks, heaters and radiant panels
Tinacos y Tanques de Centroamérica, S. A. y subsidiarias (Guatemala), (Centroamérica)[5]	98.87	Manufacturing and sale of plastic tanks for water storage.

[4] The percentage of participation of Sytesa and Talsar relates to the period when the Company acquired control over these. (Refer to Note 30).
[5] Centroamerica is the holding entity of the shares of the following tier three companies for consolidated financial statement purposes:

Equity in 2016 and 2015

Company	(%)	Activities
Exportadora y Comercializadora del Caribe, S. A. (Guatemala)	90	Exportation, importation and distribution of water storage plastic tanks.
Servicios Apolo, S. A. (Guatemala)	90	Rendering of administrative services.
Tinacos y Tanques de Honduras, S. A. de C. V.	99	Manufacturing and sale of water storage plastic tanks.
Tanques y Plásticos, S. A. (Costa Rica)	100	Manufacturing and sale of water storage plastic tanks.
Tinacos y Tanques de Centroamérica, S. A. de C. V. (El Salvador)	100	Manufacturing and sale of water storage plastic tanks.
Tinacos y Tanques de Nicaragua, S. A.	99.99	Manufacturing and sale of water storage plastic tanks.

2.2.2 Changes in the interest of subsidiaries without loss of control

Transactions carried out with the non-controlling interest that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. At December 31, 2016 and 2015 no changes in the participation of subsidiaries existed without loss of control.

2.2.3 Disposal of subsidiaries

When the Company ceases to have control or significant influence in an entity, retained interest in the entity is remeasured to its fair value, recognizing the effect in the profit and loss. Fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset, accordingly. In addition, any amounts previously recognized in OCI in respect to that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss in some cases. As of December 31, 2016 and 2015 no disposal of subsidiaries existed.

2.2.4 Associates

Associates are all entities over which the Group has significant influence but not control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at their cost and the carrying value increases or decreases to recognize the participation of the investment in the profit or loss of the invested entity after the date of acquisition. The investment of the Group in associates includes identified goodwill at the moment of the acquisition, net of any accrued impairment loss. (Refer to Note 16).

If the ownership interest in an associate is reduced but significant influence is retained, only a proportion of the amounts previously recognized in OCI are reclassified to profit or loss where appropriate. At December 31, 2016 and 2015 no reduction on the participation of any associate existed.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in OCI is recognized in OCI. At December 2016 and 2015 there were no participation in OCIs of the associates. These post-acquisition movements are accrued and are adjusted to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in "profit from associated companies" in the income statement.

Profit and losses resulting from upstream and downstream transactions between the group and its associate are recognized in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company, in case it was necessary.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.3 Segment reporting

Operating segments are reported 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 the operating segments, has been identified as the steering committee that makes strategic decisions. (Refer to Note 7).

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency by entity is presented in section 2.4.3. The consolidated financial statements are presented in Mexican pesos ($), which is the Group's functional and presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in OCI as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or expenses".

2.4.3 Group companies

The results and financial position of the Company's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

b. Income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

c. All resulting exchange differences are recognized as part of the comprehensive income.

Goodwill and adjustments to assets and liabilities, arising at the date of an acquisition of foreign operation to be measured at their fair value, are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in OCI.

The main exchange rates used in the different translation processes are as follows:

		Equivalent functional currency in Mexican pesos			
		Average exchange rate at December 31			
Country	**Local currency**	**2016**	**2015**	**2016**	**2015**
Brazil	Brazilian Real	6.34	4.42	5.39	4.81
Argentina	Argentinian Peso	1.30	1.32	1.26	1.72
Central America	Quetzal	2.75	2.26	2.46	2.07
Peru	Sol	6.15	5.06	5.53	4.97
USA	Dollar	20.66	17.25	18.67	15.86

2.5 Property, plant and equipment

Land and buildings comprise mainly the production and distribution plants and the offices. Land and buildings are shown at fair value based on valuations performed by external experts, less subsequent building depreciation. Valuations are performed with sufficient regularity (at least each five years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The remaining property, plant and equipment are expressed at its historical cost less the accumulated depreciation. The historical cost includes all those directly attributable expenses at the moment of the element acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognized to OCI and shown as revaluation surplus in equity. Decreases that reverse previous increases of the same asset are first recognized in OCI to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	20
Machinery and equipment	10
Furniture, fixtures and computer equipment	3
Transportation equipment	4
Molds	10
Leasehold improvements	10-12
Treatment plants	15

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When the carrying amount of an asset exceeds its estimated recoverable value, an impairment loss is recognized to reduce the book value to its recoverable value.

When revalued assets are disposed, the amounts included in OCI are transferred to retained earnings.

Gains and losses on disposals of property, plant and equipment are recognized within operating expenses and costs of sales of the income statement, depending on the function of assets.

In the event that revalued land and building are disposed, the revaluation surplus included in stockholder's equity is reclassified directly to retained earnings. This comprise the total transfer of the revaluation surplus when the entity dispose of the asset. Transfers from the revaluation surplus to retained earnings will not be recognized in profit and loss of the period.

2.5.1 Leasehold improvements

Improvements and modifications to leased property and commercial space in which the Company acts as lessee are recognized at their historical cost less accumulated depreciation. Depreciation of leasehold improvements is measured by the straight-line method based on the initial term of the lease agreement or the useful life of improvements, the lower of these two.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired. If the total of the transferred consideration, the non-controlling interest recognized and the previously held participation measured at fair value is lower that the fair value of the net assets of the acquired subsidiary, in case of bargain purchase, the difference is recognized directly in profit and loss. (Refer to Notes 17 and 30).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each Cash-Generating Unit (CGU) or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units in which goodwill has been allocated are identified at the lowest level at which goodwill is monitored for internal management purposes. Goodwill is then monitored at a segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less the cost of disposal. Any impairment, if any, is recognized immediately as an expense and is not subsequently reserved.

2.6.2 Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Licenses have a definite useful life and are subsequently carried at cost less accumulated amortization. Amortization is calculated by the straight-line method based on estimated useful lives of three to five years. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years. (Refer to Note 17).

Trademarks have an indefinite useful life since it is expected that it will contribute to the net cash flows on an undefined period term, they are recognized at their historical cost less impairment. At December 31, 2016 and 2015 there are no accrued losses for impairment on trademarks.

2.6.3 Computer software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

Computer software development programs assets are recognized at their costs less their accrued amortization. Amortization is determined over their useful life on a straight-line basis, which does not exceed three years. (Refer to Note 17).

2.7 Impairment of non-financial assets

Intangible assets with indefinite useful lives, e.g. goodwill or trademarks, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels in which they generate cash flows (CGUs). Prior impairments of non-financial assets other than goodwill are reviewed for possible reversal at each reporting date. At December 31, 2016 and 2015 there are no accrued losses for impairment on non-financial assets.

2.8 Financial assets

2.8.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and accounts receivable. Management classifies its financial assets under those categories at the time of initial recognition, considering the purpose for which they were acquired.

2.8.1.1 Financial assets measured at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

2.8.1.2 Loans and accounts receivable
Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Loans and accounts receivable are shown in the following captions of the statement of financial position: cash and cash equivalents, accounts receivable, other accounts receivable, sundry debtors and employees, guarantee deposits and related parties.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “Financial income and expenses” in the period in which they arise.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of breach, insolvency or bankruptcy of the Company or the counterparty. At December 31, 2016 and 2015 no offsetting of financial instruments was recognized.

2.10 Impairment of financial assets

2.10.1 Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Group may measure impairment on the basis of an instrument’s fair value using an observable market price. As a practical experience, the Group evaluates the impairment estimate for accounts receivable when these clients overreach 90 days of not have received the payment the due payment, the analysis is performed for each account and under individual behavior basis. Increases to this estimate are recognized under operating expenses in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss in profit and loss or OCI depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Financial instruments that fail to comply with hedging accounting are recognized at their fair value through profit or loss.

At December 31, 2016 and 2015, the Company has derivative financial instruments contracted for economic hedging purposes; however, it does not recognize them as hedge accounting. (Refer to Note 18).

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value, controlled through the standard cost method, which is adjusted at the end of each month to recognize their values through the weighted average cost method. The cost of finished products and of work in progress includes raw materials, direct labor costs and related overheads based on the Group's regular operating capacity. Net realizable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses.

2.13 Accounts receivable

Accounts receivable represent amounts due from customers and arise from the sale of goods over the ordinary course of business. If collection is expected in one year or less from the closing date, they are classified as current assets. Otherwise, they are shown as non-current assets. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any.

2.13.1 Prepayments

Prepayments comprise expenses incurred by the Company where the risks and rewards inherent to the goods to be acquired and services to be received have not been transferred yet. Prepayments are recorded at cost and are shown in the statement of financial position as current assets or if they are expected to be transferred in more than one year as non-current assets. Once the goods and/or services are received, related to prepayments, they must be recognized as an asset or an expense in the statement of income in the period, respectively.

2.13.2 Guarantee deposits

Guarantee deposits relate to disbursements made to secure commitments assumed under certain agreements (mainly related to lease property). Guarantee deposits, whose recoverability will take place in a period of over 12 months, are recognized at their amortized cost using the effective interest method. Guarantee deposits to be recovered over a period of less than 12 months are not discounted. (Refer to Note 6).

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly-liquid investments with maturities of three months or less. At December 31, 2016 and 2015, short-term highly-liquid investments with maturities of three months or less are invested in bank debt securities and government bonds. (Refer to Note 8).

2.15 Equity

2.15.1 Capital stock

Ordinary shares are classified as capital stock in equity and are expressed at their historical cost. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Capital stock includes inflation effects recognized until December 31, 1997. (Refer to Note 24).

2.15.2 Share premium

The share premium represents the excess between the payment for share subscription and the par value thereof on historical bases.

2.15.3 Legal reserve

Under the Corporations Law, 5% of the net profit must be set aside to increase the legal reserve until it is the equivalent of 20% of the historical capital stock. The purpose behind that reserve is to keep a minimum amount of capital to cover unforeseen funding needs.

2.15.4 Retained earnings

This item relates to accumulated net income of previous years and includes the effects of inflation recognized until December 31, 1997.

2.15.5 Comprehensive income

Comprehensive income is comprised of the net income for the year, plus other capital reserves, net of taxes, which are made up of the effects of currency translation of foreign entities, remeasurement of employee benefits and other items that in accordance with specific provisions must be recorded in equity and do not qualify as capital contributions, equity reductions or distributions.

2.15.6 Treasury shares

The stockholders' board meetings may at times authorize disbursements of a maximum limit to acquire own shares. When an entity's own shares are repurchased, they become treasury shares. The related paid amount, including the directly attributable costs of the acquisitions (net of tax), are recognized as a decrease in capital stock of the Group until the shares are canceled or reissued. When the shares are reissued, the amount received, including incremental costs directly attributable to the transaction (net of tax), are recognized as part of the Group's capital stock.

2.16 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

2.17 Bank loans

Loans are initially recognized at their fair value, net of related costs incurred, and are subsequently recognized at their amortized cost. Any differences between the proceeds received (net of related costs incurred) and the redemption value are recognized in the income statement over the period of the loan using the effective interest method. (Refer to Note 19).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw down occurs.

2.18 Loan costs

General and specific loan costs directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. At December 31, 2016 and 2015, no financing costs had been capitalized.

All other loan costs are recognized in profit or loss in the period in which they are incurred.

2.19 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, income tax is recognized together with the balance that gave rise to it.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. (Refer to Note 25).

Deferred income tax assets is only recognized on the base that it is probable that the future economic benefits will arise against temporary liability differences.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognized.

2.20 Employee benefits

2.20.1 Pension Plan

Defined benefit plans

A defined benefit plan is the amount of a seniority premium benefit to which an employee is entitled at retirement, which usually depends on one or two factors, such as age, years of service and compensation. In this case, the Company is required to pay the amount established in the plan when it comes due. The Group companies have established a plan in conformity with the requirements set forth in the Federal Labor Law in respect of which the Group companies that have personnel are required to pay their employees, and the latter are entitled to receive, a seniority premium upon termination of employment after 15 years of service.

The liability recognized in the statement of financial position for seniority premium, which is considered to be a defined benefit, is the present value of the defined benefit obligation at the end of the reporting period less the fair of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using interest rates for high-quality government bonds that are denominated in the same currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. (Refer to Note 23).

Costs of present services of the defined benefit plan, are recognized in the income statement in the employee benefit expense, unless these are included as part of an asset, reflects the increase of the defined benefit obligation arising of the employee service over a year, modifications of the benefit and liquidation.

Past-service costs are recognized immediately in the statement of income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

2.20.2 Retirement benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntarily redundancy in exchange for those benefits. The Company recognizes termination benefits at the earlier of the following dates: a) when the Company can no longer withdraw the offer those benefits, and b) when the Company recognizes costs for a restructuring that is in scope of IAS 37 "Provisions, contingent liabilities and contingent assets" and involves the payment of termination benefits. If an offer is made to encourage voluntary termination of the employment relationship by employees, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due on a long-term are discounted to their present value. (Refer to Note 23).

2.20.3 Other officer bonuses

As part of a retention plan, the Company gives to its officers support in order to acquire Company's shares. Depending on certain factors, mainly years of service, eligible employees can opt to accept a loan for a future purchase of shares, which is periodically discounted from their pay and which bears market value interest. (Refer to Note 10c.)

2.20.4 Referred value units

The Company operates a compensation plan, where the entity receives services from its employees in exchange of Referred Value Units ("RVU"). The fair value of the related services received are recognized as an expense. The expense amount to be recognized in profit and loss is determined by reference to the value of the options granted.

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimate, if any, in profit or loss. (Refer to Note 23).

Additionally, in some circumstances, employees may provide the services before the grant date and, therefore, the fair value at the grant date is estimated with the effects of recognizing an expense during the period between the beginning of the service and the granting date.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

2.20.5 Employees' Statutory Profit-Sharing ("ESPS") and gratifications

The Company recognizes a liability and a bonus expense and employees' statutory profit sharing based on a calculation that considers the profit attributable to the Company's stockholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a past practice that generates a constructive obligation. (Refer to Note 27).

2.21 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses. (Refer to Note 22).

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Revenue recognition

Revenue from the sale of goods in the normal course of the Company's operations is measured at the fair value of the consideration received or receivable. Revenue is stated net of Value-Added Tax (VAT), rebates and discounts, after eliminating intercompany sales. The Company recognizes revenue when it can be reliably measured, when economic benefits are likely to flow to the entity, and when specific criteria have been met for each type of operation, as described follows.

2.22.1 Revenue from sales of plastic containers and accessories (wholesale)

The Company manufactures and sells a broad variety of plastic containers and accessories in the wholesale market. Sales of those products are recognized when the Company has delivered the products to the customer, who is entitled to decide the distribution channel and sales price of the products to be sold in the retail market, and when there is no longer a pending obligation to be met by the Company that could result in the return or rejection of products. The Company provides a life time term guarantee in its products, as such, the Company analyzes the amount of expected claims, however the determined expected amount is not relevant in relation to the consolidated financial statements, and therefore no provision is recognized.

Products are considered to have been delivered to the customer when they have been placed in the location specified in the contract, the related loss risks have been transferred to the customer and the customer has accepted the products as per the agreement in place, or the return terms have expired, or the Company has objective evidence that it has complied with all the requirements for the customer to accept the products.

Plastic containers and accessories are generally sold at a discount for volume. Additionally, customers have the right to return defective products. Sales are recognized on the basis of the prices agreed in the respective agreements, net of an allowance for discounts for volume and returned items. Allowances for discounts for volume and returned items are determined on the basis of past experience. It is not considered that financing is being offered to customers as a separate component of a sales transaction, since the credit term is 7 to 60 days, which is consistent with market practices.

The Group determines its estimates based on past experience, taking into account the type of customer, the type of operation and the specific terms of each contract.

2.22.2 Revenue from rendering of services related to the maintenance of facilities

The Company provides maintenance services over the installations of individual or comprehensive solutions. As such, revenue is recognized in the account period in which services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual service provided as a percentage of the total expected services that will be provided.

2.23 Interest income

Interest income is recognized using the effective interest method. When a loan or account receivable is impaired, its carrying value is adjusted to its recoverable value, which is determined discounting the estimated future cash flow at the instrument's original effective interest rate. Interest income on impaired loan and account receivables is recognized using the original effective interest rate.

2.24 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.25 Leases

Classification of leases as financial or operating leases depends on the substance of transactions rather than on the form of the respective agreements.

2.25.1 Operating leases

Leases in which a significant portion of the risks and benefits related to the leased items are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentives received from the lessor) are charged to the statement of income based on the straight line method over the period of the lease.

2.25.2 Financial leases

Leases where the Company assumes substantially all the risks and rewards of the leased property are classified as financial leases. Financial leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum payments. If it is practical, the calculation to discount the minimum payments at present value is carried out using the implicit lease interest rate. At December 31, 2016 and 2015 the Company does not operate financial leases.

2.26 Dividend distributions

Dividend distributions to the Company's shareholders are recognized as a liability in the consolidated financial statements in the period in which dividends are approved by the Company's stockholders and the right to receive this payment is established. In order to pay dividends (which are discounted from retained earnings), the Company uses the individual financial statements prepared in accordance with IFRS for statutory purposes.

2.27 Basic and diluted earnings per share

Net basic earnings per share is calculated by dividing the profit of the year attributable to the controlling interest by the weighted average number of ordinary shares in circulation during the year.

Net diluted earnings per share is calculated by dividing the profit of the year, by the weighted average number of shares in circulation during 2016 and 2015, decreasing such average of such potential dilutive shares. At December 31, 2016 and 2015, there are no profit dilutive components. (Refer to Note 24).

2.28 Comparison

Classifications of certain balances have been analyzed, and the comparative data have been amended to the new policies and standards for a better presentation in the consolidated financial statements.

Note 3 - Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, such as: market risk (including currency risk, cash flows and price risks), credit risk and liquidity risk. The purpose behind the Group's risk management plan is to minimize the potential adverse effects arising from the unpredictable nature of markets on the Group's financial performance.

The Group's financial risk management is overseen by the Finance department in accordance with the policies approved by the Board of Directors, which has issued general policies on financial risk management and specific risks.

3.1.1 Market risks

i. Foreign currency exchange

The Group operates internationally and it is exposed to US dollar (USD) and euro (¬) exchange risks in relation to the functional currencies of each subsidiary. Exchange risk arises from future commercial operations in foreign currency and from certain foreign currency assets and liabilities and by the net investments in foreign transactions.

The Finance department has established a policy requiring Group companies to manage exchange risks in relation to their functional currency. The Group companies must hedge their exposure to foreign currency exchange risks through the Group's Treasury department. In managing exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group companies can use different instruments such as forwards agreements negotiated by the Group Treasury. Exchange rate risk arises when future commercial transactions and recognized assets and liabilities are contracted in a currency other than the entity's functional currency. At December 31 of the reporting years, the Group had no forward contracts or similar.

As part of its risk management policies, the Group's Finance department periodically analyzes its exposure to risk and when the economic conditions of each country in which it operates require it, the Group contracts expected cash flow hedges for the following 12 months, for each relevant currency. Additionally, the Group calculates sham differences in exchange rates and, when necessary, it adjusts the costs of its products. At December 31, 2016 and 2015, the Group had no contracted financial instruments to hedge exchange rate risks.

The Group has contracted foreign currency financing and peso bank loans. The Group is mainly exposed to the risk of fluctuations in the peso-US dollar and peso-euro exchange rates associated to merchandise that it imports from the USA, Portugal and Italy, mainly. Purchases of merchandise paid in a currency other than the Mexican peso represent approximately 35% of total purchases. The Company's consolidated operations were exposed to exchange rate risk in thousands of (USD12,414) and (1,063) at December 31, 2016 and (USD9,877) and (¬13) at December 31, 2015.

At December 31, 2016 and 2015, in the event of a 10% increase in the peso-USD (and euro) exchange rate, the Company would have incurred in a loss of approximately $25,653 and $17,036, respectively for the USD position and $2,314 and $23, respectively, due to its euro position. This 10% represents the sensitivity rate used when the exchange risk is reported internally to the Finance department, and represents management's assessment of possible changes in exchange rates. The sensitivity analysis includes only those monetary items not yet settled denominated in a foreign currency at the period end.

The Group has a number of investments in foreign operations, whose net assets are exposed to exchange rate risk. Currency exchange rate exposure arising from the net assets of the Group’s foreign operations is managed mainly through borrowings denominated in the relevant foreign currencies.

The Company and its subsidiaries had monetary assets and liabilities denominated in thousands of USD and, as follows:

	December 31							
	2016				2015			
		Dollars		**Euros**		**Dollars**		**Euros**
Assets	USD	5,318	€	-	USD	2,824	€	-
Liabilities		(17,732)		(1,063)		(12,701)		(13)
Net liability position	(USD	12,414)	(€	1,063)	(USD	9,877)	(€	13)

At December 31, 2016 and 2015, the exchange rate was $20.66 and $17.25 per USD, respectively, and $21.77 and $18.92 per, respectively.

At April 18, 2017, date of issuance of these financial statements, the exchange rate was $18.56 per USD and $20.10 per.

The exchange rate of the USD to the currency of the subsidiaries established abroad at December 31, 2016 and 2015 is as follows:

Foreign currency equivalent in USD

		December 31	
Country	**Currency**	**2016**	**2015**
Argentina	Peso	0.0629	0.0890
Brazil	Real	0.3068	0.3001
Chile	Peso	0.0015	0.0014
Costa Rica	Colon	0.0018	0.0019
Ecuador	USD	1.0000	1.0000
El Salvador	USD	1.0000	1.0000
Guatemala	Quetzal	0.1329	0.1310
Honduras	Lempira	0.0423	0.0448
Nicaragua	Cordoba	0.0341	0.0359
Peru	Sol	0.2976	0.2893

ii. Price risk

The Company is exposed to price risk fluctuation in relation to the prices of raw materials needed to manufacture its products Risk price arises form fluctuations in the prices of resin, which is the main raw material used and which is associated to the oil commodity. The risk arises because the price of an asset may vary due to economic uncertainty.

The Company does not utilize hedge financial instruments or guaranteed purchase agreements with its suppliers. Instead, the best prices for this raw material are analyzed and purchases are made based on the best price identified. The Company prepares simulations to analyze the risk of price fluctuations and, if necessary, adjusts the cost of products.

In the event of a 10% increase or decrease in the prices of resin at December 31, 2016 and 2015, the Company would experience an increase or decrease in the cost of sales of approximately $8,033 and $9,402, respectively, which would be charged through the sales prices. This 10% represents the sensitivity rate used when the price risk is reported internally to the Finance department, and it represents Management's assessment of possible changes in the price of resin.

iii. Cash flows and fair value of interest rates

The Company’s interest rate risk arises from long-term borrowings. Loans bearing interest at variable rates expose the Company to the risk of fluctuations in the related future cash flows. That risk is partially compensated by cash equivalents also bearing interest at variable rates. Loans bearing interest at fixed rates expose the Company to the risk of market value of interest rates. In 2016 and 2015, the Company's borrowings bearing interest at variable rates were denominated in pesos and reals.

The Company analyzes its exposure to interest rate risk in a dynamic way. Various scenarios are simulated taking into consideration refinancing arrangements, renewal of existing positions, alternative forms of financing and hedge contracts. Based on these scenarios, the Company calculates the impact of a change in interest rates on income for the year. For each simulation, the same interest rate fluctuation is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Company manages its risk of changes in cash flows arising from loans contracted at variable rates by contracting swaps with variable-to-fixed interest rates. Those swaps have the effect of changing variable rates on loans to fixed rates. The main reason for using these financial instruments is to know for certain the cash flows that the Company will pay to meet its contractual obligations.

With these interest-rate swaps, the Company agrees with other parties to periodically deliver or receive the existing difference between the amount of interest of variable rates set forth in debt agreements and the amount of interest of fixed rates contracted under derivative financial instruments.

If the interest rates of borrowings contracted in pesos not hedged with financial instruments had increased/decreased by 10%, while the rest of the variables remained constant, after-tax income for 2016 would have increased/decreased by $3,450, mainly due to the difference in the cost of interest on borrowings contracted at variable rates; while income for 2015 would have increased/decreased by $1,439, mainly as a result of the change in the market value of fixed rate financial assets.

Additionally, if the variable interest rates had been five basis points above/below, and all other variables had remained constant, net income for the period at December 31, 2016 and 2015 would have increased/decreased by $1,725 and $720, respectively, as a result of the changes in the fair value of hedge derivative financial instruments contracted to hedge exposure to the changes in variable interest rates of loans contracted in Mexican pesos.

At December 31, 2016 and 2015 the interest rates of hired loans are variable in their totality.

At December 31, 2016 and 2015, bank loans with variable rates are hedged by the financial instruments described in Note 18.

3.1.2 Credit risk

Credit risk is managed on a consolidated basis, except for risk related to accounts receivable balances. Each Company subsidiary is responsible for managing and analyzing each of its new customer's credit risk prior to determining the credit terms and conditions for delivery. Credit risk relates to cash and investments in securities, derivative financial instruments and deposits in banks and financial institutions, as well as to credit granted to wholesale and retail customers, including balances not yet collected. Banks and financial institutions only accept clients that have been issued acceptable credit rates by specialized agencies to meet the respective financial obligations (e.g., minimum "A" rate). Independent ratings are considered for wholesale clients, when available. If there are none, the Company's management estimates the customer's credit quality, taking into account its financial situation, past experience and other factors. Individual credit limits are established based on internal and external ratings, according to the policies established by the Finance department. Credit limits are regularly monitored.

Credit limits were not exceeded in the years being reported and Management does not expect the Company to incur losses from breach by those entities.

Credit quality of the financial assets not yet matured or impaired, which has been evaluated using external credit ratings as reference, when available, or historical information on compliance ratios of their issuers and counterparties, is shown as follows:

	December 31			
Clients		**2016**		**2015**
Counterparties without external credit ratings:				
Group A	$	61,342	$	15,501
Group B		1,290,033		1,535,838
Group C		316,327		173,847
Total accounts receivable from a customers, not impaired	$	1,667,702	$	1,725,186
Cash at bank and short-term bank deposits				
Counterparties with external credit ratings:				
AAA	$	266,575	$	149,201
AA		1,204,265		3,232,704
A		91,705		94,347
	$	1,562,545	$	3,476,252
Derivative financial instruments				
Counterparties with external credit ratings:				
AAA	$	34,498	$	-
Loans to related parties				
Counterparties without external credit ratings:				
Group B	$	86,354	$	89,093

Group A: new clients /related parties (less than six months of operations).

Group B: clients/existing related parties (more than six months of operations) with no past breaches.

Group C: clients/existing related parties (more than six months of operations) with some past breaches. In those cases, past due balances were collected in full.

No financial assets have been renegotiated. There are no past due balances receivable from related parties.

3.1.3 Liquidity risk

Cash flow forecasting is performed at the operating subsidiary level and the Finance department subsequently consolidates that information. The Company's Finance department monitors cash flow forecasts and the Company's liquidity requirements, ensuring that cash and investments in trading securities are sufficient to meet operating needs. These forecasts consider financing plans through loans, compliance with contractual obligations, compliance with financial ratios based on the current financial situation and, if applicable, external and legal regulatory requirements.

The Company constantly monitors, and makes decisions not to violate, the limits and covenants established in indebtedness contract. Projections consider Company financing plans and compliance with covenants, minimum internal liquidity ratios and legal or regulatory requirements.

At December 31, 2016 and 2015 the Company did not have unused credit lines.

The table below analyzes the Group's financial liabilities, presented for the period between the date of the consolidated statement of financial position and the date of its expiration. Amounts shown in the table correspond to non-discounted cash flows, including contractual interests.

December 31, 2016	Under 3 months	Between 3 months & 1 year	Between 1 & 5 years	Total
Bank loans and interests	$ -	$ 367,514	$ 1,064,958	$ 1,432,472
Suppliers	291,487	-	-	291,487
Other accounts payable	426,943	-	-	426,943
Total	$ 718,430	$ 367,514	$ 1,064,958	$ 2,150,902

December 31, 2015	Under 3 months	Between 3 months & 1 year	Between 1 & 5 years	Total
Bank loans and interests	$ -	$ 75,716	$ 1,334,798	$ 1,410,514
Derivative financial instruments for economic hedging	-	-	14,389	14,389
Suppliers	266,939	2,386	-	269,325
Other accounts payable	294,432	-	-	294,432
Total	$ 561,371	$ 78,102	$ 1,349,187	$ 1,988,660

Group's derivative financial instruments portfolio with negative fair value changes have been presented at their fair value of $34,498 ($14,389 in 2015) in the 1 to 5 year term. Since the contractual maturities are not relevant for the understanding of the cash flows periods. These contracts are managed on a net fair value and not in accordance with their maturity. Derivatives that are settled on a net basis comprehend interest rate swaps used by the Group to manage the interest rate profile. (Refer to Note 18).

3.2 Capital management

The Company's objectives in managing capital are: to safeguard its capacity to continue in business as a going concern, provide returns for the stockholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can vary the amount of dividends payable to the stockholders, conduct a capital stock reduction, issue new shares or sell assets and reduce its debt. The Company has the practice of reinvesting its profits as a capitalization instrument.

Like other entities in the industry, the Company monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (including current and non-current loans as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt.

In general, the Group monitors the gearing ratio with a view to avoid exceeding the 50% threshold. The gearing ratios for the reporting periods were as follows:

	December 31			
		2016		2015
Total loans (Note 18)	$	1,242,904	$	1,216,915
Less: cash and cash equivalents (Note 8)		(1,562,545)		(3,476,252)
(Excess of cash over debt)		(319,641)		(2,259,337)
Total controlling interest equity		7,168,578		6,050,975
Total capital - Net	$	6,848,937	$	3,791,638
Gearing ratio		- %		- %

At December 31, 2016 and 2015, the Company has determined that the gearing ratio is zero, in view of the cash flows arising from public offering of stocks made by the Company in 2014.

3.3 Fair value estimate

The table below shows the financial instruments recorded at fair value, classified as per the valuation method used in each case. The different levels are determined as follows:

Level 1: quoted price (not adjusted) of an identical asset or liability.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (i.e., derived from prices).

Level 3: inputs for an asset or liability that are not based on observable market data (i.e., unobservable inputs).

The following table discloses Group's financial assets and liabilities that are measured through fair value. Refer to Note 15.1 to observe the disclosures related to property and buildings that are measured at fair value.

December 31, 2016		Level 1		Level 2		Level 3		Total
Financial assets at fair value through profit or loss	$	-	$	14,664	$	-	$	14,664
Derivative financial instruments - Asset	$	-	$	34,498	$	-	$	34,498
December 31, 2015								
Financial assets at fair value through profit or loss	$	-	$	17,249	$	-	$	17,249
Derivative financial instruments - Liability	$	-	($	14,389)	$	-	($	14,389)

During the years ended on December 31, 2016 and 2015 no transfers between the fair value levels occurred.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from a stock exchange, negotiators, brokers, industrial groups, price services or a regulating agency and those prices represent real and recurring transactions in the market on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in Level 1. The instruments included in level 1 comprise mainly tradable securities or securities available for sale.

The fair value of financial instruments not traded in active markets, e.g., over-the-counter derivatives, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimations. If all relevant inputs required to fair value of a financial instrument are observable, the instrument is included in Level 2.

If one or more relevant inputs are not based on observable market information, the instrument is included in Level 3.

The fair value for interest rate swaps is determined based on the fair value of the estimated cash flows based on observable performance outcomes.

3.4 Offsetting of financial assets and liabilities

At December 31, 2016 and 2015, the Company did not offset financial assets and liabilities.

Note 4 - Critical accounting estimates and judgments:

Estimations and judgments used in preparing the financial statements are constantly evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

The Company uses estimates and judgements over future events to recognize and measure certain items in the financial statements. The recognized accounting estimates may deferred from the actual outcomes or events. The estimates and judgements that have higher risk in resulting in material adjustments on the assets and liabilities recognized in the following period are as follows:

4.1 Impairment of goodwill

The company tests annually whether goodwill has suffered any impairment; in accordance with the criteria set forth in Note 2.6.1. The recoverable amount of CGU has been determined based on their value-in use calculations. The determination of the value-in use requires the use of certain estimates. (Refer to Note 17).

Based on tests performed by the Company, it was determined that at December 31, 2016 and 2015 there was no impairment in goodwill and therefore it was considered unnecessary to carry out sensitivity tests, since cash flow surpluses at present value significantly exceed the carrying value.

4.2 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgments are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The Company recognizes liabilities for matters observed during tax audits if it considers that they will likely result in the determination of tax in addition to the amount originally incurred. Where the final outcome of these matters is different from the estimated liability, these differences are recognized in income taxes payable and/or deferred for the period.

The Company recognizes a deferred tax asset for accumulated tax losses based on the projections and estimations for realization of the respective tax benefit through future tax profits and considering the existing market conditions at the year closing.

If the tax result of those processes differs 5% from recognized estimates, the Company must increase or reduce the income tax liability by $9,681 and $9,641, and reduce or increase the deferred tax asset by $12,520 and $8,716, for 2016 and 2015, respectively.

4.3 Derivative financial instruments at fair value

The fair value of derivative financial instruments that are not traded in an active market is determined through the use of valuation methods. The Company uses its judgment to select the methods and assumptions to be considered, which are mainly based on existing market conditions at year end. (Refer to Note 18).

The Company has determined the fair value of derivative financial assets by estimating their discounted cash flows. The use of estimation methods could result in amounts different from those shown at maturity. The effects on income of swaps contracts would be lower by $932 and $2,454, or higher by $4,889 and $1,088 respectively, if the discount rate used in the analysis of discounted cash flows had varied by 10% from Management's estimates for 2016 and 2015, respectively.

4.4 Retirement benefits

The present value of retirement obligations depends on the number of circumstances determined on the basis of actuarial studies using several assumptions. The assumptions used in determining the net cost for the period include the discount rate. Any changes to these assumptions would affect the liability recognized. (Refer to Note 23).

The cost of employee benefits that qualify as defined benefit plans is determined using actuarial valuations. An actuarial valuation involves assumptions with respect to discount rates, future salary increases, personnel turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimations are subject to a significant amount of uncertainty.

At the end of each year, the Company estimates the discount rate for determining the present value of future cash flows calculated to liquidate retirement obligations, based on the interest rates of top-quality corporate bonuses, expressed in the same currency as pension benefits with similar maturity dates. Other factors used to estimate pension obligations are based on current market conditions. Additional information is disclosed in Note 23.

If the discount rate for 2015 had varied by 1% above or below the discount rate estimated by management, the book value of labor obligations would have been $10,775 or $8,010 (2015: $8,493 or $8,650), respectively.

4.5 Revaluation surplus

The conditions of the non-observable inputs are determined under the best estimate of the Company based on the expert's assumptions hired for this purpose over the non-observable inputs, considering external and internal facts. The Company analyzes on a recurring basis the valuation of land and buildings to determine if there are factors that would suggest the need to reevaluate such assets. (Refer to Note 15.1).

4.6 Participation in AIC

As mentioned in Note 16, the Company celebrated an agreement to obtain interests in AIC, LLC., where a percentage of participation of 15.44% was obtained in such entity. Management has defined that significant influence has been achieved in this entity due to the fact that four members out of seven, of the Board of Directors are under Company's Management, as such it is not considered that control has been achieved in the Company since the main shareholder of AIC has the ability to remove discretionary the board members of AIC.

4.7 AIC additional purchase option

As mentioned in Note 16, the Company signed a Unit Purchase Agreement in which an additional purchase of $217,560 (USD 10,360,000) of AIC's participation is stated, in this aspect Management have analyzed the potential determination of the fair value of this option and since the comparable input data is not observable and, therefore, unreliably measured, Management has decided not to recognize the contract as an asset.

4.8 Accounts receivable with government clients

As mentioned in Note 9, the Company has stopped receiving payments in the agreed terms part of the total outstanding balances, in this aspect Management has performed an analysis of the contracts with the government instances, and in adherence with the country's legislation, there are juridical provisions that could enforce the payment of the government of such debt, due to this fact the Company has considered reasonable not to increase the impairment estimate for such account receivables.

Note 5 - Financial instruments categories:

Financial assets according to the consolidated statement of financial position:

December 31, 2016	Assets at fair value through profit and loss	Loans and accounts receivable	Total
Cash and cash equivalents	$ -	$ 1,562,545	$ 1,562,545
Accounts receivable and other accounts receivable	-	1,667,702	1,667,702
Sundry debtors and employees	-	27,912	27,912
Guarantee deposits	-	35,533	35,533
Financial asset at fair value through profit and loss	14,664	-	14,664
Related parties	-	99,859	99,859
Derivative financial instruments	34,498	-	34,498
	$ 49,162	$ 3,393,551	$ 3,442,713

December 31, 2015	Assets at fair value through profit and loss	Loans and accounts receivable	Total
Cash and cash equivalents	$ -	$ 3,476,252	$ 3,476,252
Accounts receivable and other accounts receivable	-	1,725,186	1,725,186
Sundry debtors and employees	-	19,413	19,413
Guarantee deposits	-	49,640	49,640
Financial asset at fair value through profit and loss	17,249	-	17,249
Related parties	-	94,339	94,339
	$ 17,249	$ 5,364,830	$ 5,382,079

Financial liabilities according to the consolidated statement of financial position:

December 31, 2016	At fair value through profit and loss	At amortized cost	Total
Bank loans	$ -	$ 1,242,904	$ 1,242,904
Accounts payable	-	291,487	291,487
Other accounts payable	-	460,807	460,807
	$ -	$ 1,995,198	$ 1,995,198

December 31, 2015	At fair value through profit and loss	At amortized cost	Total
Bank loans	$ -	$ 1,216,915	$ 1,216,915
Accounts payable	-	269,325	269,325
Other accounts payable	-	294,432	294,432
Derivative financial instruments	14,389	-	14,389
	$ 14,389	$ 1,780,672	$ 1,795,061

Guarantee deposits:

	December 31	
	2016	2015
Guarantee for purchase of Conmix Argentina, S. A.	$ -	$ 18,731
Guarantee for electric power services	8,089	8,017
Guarantee for leasing of real estate	10,462	10,234
Guarantee for sundry services	16,982	12,658
	$ 35,533	$ 49,640

Note 7 - Segment reporting:

General Management is the maximum authority for making Company operation decisions. Therefore, General Management has determined the operating segments to be reported based on internal reports previously reviewed to make strategic business decisions.

An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis. Revenue of the different Company segments streams mainly from the sale of products.

"Individual solutions" segment

Individual solutions are products that by themselves satisfy the needs of customers on a permanent basis. These products are commercialized through the Company's distributor network, without the need for additional services such as installation or maintenance services.

"Comprehensive solutions" segment

Comprehensive solutions are systems made up of different Individual Solutions that interact with each other to meet more complex needs. In general, those systems include added value services such as installations or maintenance to ensure that they function properly.

Segments where business combinations are included:

As mentioned in Note 1 of these consolidated financial statements, the Company acquired the Talsar an Argentinian entity and Sytesa a Mexican entity. On standalone basis these entities do not qualify as an individual operating segment disclosed separately. However, in accordance with the type of solutions they offer to their clients, Management has classified them with the individual and comprehensive operating segments, respectively.

Income and results per operating segment:

The Company evaluates the performance of each operating segment based on Earnings Before Financial Results, Taxes, Depreciation and amortizations and donations (EBITDA), and considers that indicator to be a good measure to evaluate the yield of each Group operating segment, as well as the capacity to fund capital investments and working capital requirements. Nevertheless, EBITDA is not a financial performance measure under IFRS and it should not be considered an alternative to net profit to measure operating performance, or cash flows to measure liquidity.

The Company has defined EBITDA as the consolidated profit (loss) before taxes after adding or subtracting, as the case may be: 1) depreciation, amortization and impairment of non-current assets; 2) the net financial result (includes interest costs and income, and exchange gains or losses), 3) profit from associated company, and 4) donations.

Geographic markets:

The Company also controls its assets and liabilities per geographic market, classified as Mexico, Brazil and Others (Peru, Argentina, USA, Guatemala, Honduras, Nicaragua, Costa Rica, and El Salvador).

Below is an analysis of income and results per segment to be reported: The other income statement items are not assigned, as they are managed on a corporate level. The information disclosed in each segment is shown net of eliminations related to transactions conducted between Group companies. This form of presentation is the same as that used by management in its periodic review processes of the Company's performance.

	Year ended on December 31											
		2016		2015		2016		2015		2016		2015
	Individual Solutions				Comprehensive Solutions				Consolidated			
Sales to external customers	$	4,966,949	$	4,477,085	$	386,317	$	1,223,315	$	5,353,266	$	5,700,400
Profit before tax	$	580,003	$	376,645	$	65,395	$	199,170	$	645,398	$	575,815
EBITDA	$	637,068	$	625,449	$	100,527	$	145,149	$	737,595	$	770,598

Revenue of approximately $485,269 ($793,481 in 2015) are derived from six external customers. This revenue is attributable to the Mexico and Brazil segments.

Profit before tax per period is as follows:

	Year ended on December 31			
		2016		2015
EBITDA	$	737,595	$	770,598
Depreciation and amortization		(154,052)		(104,770)
Donations		(3,803)		(3,631)
Net financial income/(costs)		69,849		(86,684)
Profit from associated company		(4,191)		302
Income before taxes	$	645,398	$	575,815

Geographic information:

Sales per geographic market for the year ended on December 31:

	Year ended on December 31:			
		2016		2015
Mexico	$	3,463,647	$	3,632,264
Brazil		404,842		1,117,546
Other		1,484,777		950,590
	$	5,353,266	$	5,700,400

Property, plant and equipment where located per geographic market:

	December 31,			
		2016		2015
Mexico	$	1,493,967	$	899,279
Brazil		320,503		223,275
Other		468,229		181,739
	$	2,282,699	$	1,304,293

Company's total information

	Year ended on, December 31,			
		2016		2015
Products sales	$	5,254,673	$	5,700,400
Revenue from services and maintenance		71,535		-
Revenue from operating leases		27,058		-
Total	$	5,353,266	$	5,700,400

Note 8 - Cash and cash equivalents:

	December 31			
		2016		2015
Cash	$	323	$	278
Bank deposits		450,922		256,908
Short-term highly-liquid investments with maturities of three months or less		1,111,300		3,219,066
Total cash and cash equivalents	$	1,562,545	$	3,476,252

As of the date of issuance of these consolidated financial statements, the Company has utilized the resources obtained through the initial public offering made in December 2014 mainly in investment activities through the acquisition of businesses in Argentina and Mexico (Refer to Note 30), as well as an investment in an associate located in Chile (Refer to Note 16).

Additionally, these resources have been utilized in operating activities, mainly in the comprehensive solutions segment in the different countries where the entity operates.

Note 9 - Accounts receivable and other accounts receivable:

	December 31,			
		2016		2015
Clients	$	1,691,426	$	1,747,252
Less: impairment estimate		(23,724)		(22,066)
		1,667,702		1,725,186
Sundry debtors		24,081		8,469
Employees		3,831		10,944
VAT not yet credited		96,514		75,564
		124,426		94,977
	$	1,792,128	$	1,820,163

The fair value of accounts receivable at December 31, 2016 and 2015 is similar to their book value.

Accounts receivable include balances receivable from the following customers:

	December 31,			
		2016		2015
Brazilian government clients*	$	776,527	$	1,068,605
Grupo Daxme, S. A. de C. V.		437		90,259
Home Depot México, S. de R.L de C.V.		30,118		32,282
Imelda López García		31,367		-
Other		829,253		534,040
	$	1,667,702	$	1,725,186

*Brazilian government clients.

In adherence to the "Programa Federal Agua para Todos" (APT), Dalka do Brasil was engaged by different Brazilian government agencies to supply and install rain water caption systems in several counties of the semiarid region. In the beginning of 2015, the federal government started to withhold the transfer of funds to these agencies; as such Dalka do Brasil stopped receiving payments in the agreed terms.

In this regard, these accounts receivable with government agencies are guaranteed by the "Programa de Aceleación de crecimiento" (PAC), at the federal government protection, who has recognized the amount owed by such agencies.

As such, during 2015 the Company recognized inflation adjustments as part of the account receivable; this adjustment is made based on the legal protection of this country and in accordance with the specific terms of each contract, which cover the loss of acquisitive power in the price on each of the outstanding invoices. The accounts receivable balance, with government agencies at December 31, 2016 and 2015 in thousand reales was R.122,473 and R.241,913, respectively.

The accounts receivable with the Brazilian government agencies have not been impaired since there are legal resources to demand immediate payment. The ageing of the balances with such government agencies at December 31, is shown as follows:

	December 31			
Range		**2016**		**2015**
Current	$	79,851	$	172,148
From 30 to 120 days		15,361		108,560
More than 120 days		681,315		787,897
	$	776,527	$	1,068,605

Balance analysis

The analysis of past due but not impaired accounts receivable from customers is as follows:

	December 31,			
		2016		2015
Over 120 days	$	711,884	$	824,108

Movements in allowance for impairment of the customer portfolio are as follows:

	December 31,			
		2016		2015
Book value at January 1	$	22,066	$	23,568
Impairment for the year		5,406		5,373
Account cancellations		(3,748)		(6,875)
Net book value	$	23,724	$	22,066

Charges and reversals to the client impairment estimate have been included under operating expenses in the statement of income. When there is no further expectation of recovery of an account from a customer, the balance is canceled together with the respective impairment provision.

At December 31, 2016, accounts receivable from customers of $23,724 (2015: $22,066) were impaired and have been fully reserved. Accounts receivable from customers impaired individually relate mainly to customers who are unexpectedly going through economic difficulties.

Net book value of account receivables and other account receivables net of impairment estimate of the Company are denominated in the following currencies:

	December 31,			
		2016		2015
Mexican Peso	$	478,114	$	496,467
Argentinian Peso	A$	172,310	A$	50,947
USD	USD	485	USD	286
Real	R.	136,460	R.	260,574
Sol	S/	14,731	S/	13,416
Other in Quetzal (Central America)	Q.	45,179	Q.	14,370

The maximum exposure to credit risk at year end is the book value of customers and other accounts receivable. The group received no guarantees in relation to customers or other accounts receivable.

Note 10 - Related parties:

a. The following operations were carried out with related parties at market value:

	Year ended on December 31,			
Sells of goods and render of services to associates:		**2016**		**2015**
Dalkasa, S. A.	$	12,744	$	11,056
AIC Rotoplas S.P.A.		583		-
Advanced Innovation Center, LLC		4,785		-
	$	18,112	$	11,056

b. Year-end balances resulting from sells/purchases of goods and services.

	December 31,			
Accounts receivable for sell of gods and render of services to associates		**2016**		**2015**
Dalkasa, S. A.	$	8,137	$	5,246
AIC Rotoplas S.P.A.		583		-
Advanced Innovation Center, LLC		4,785		-
	$	13,505	$	5,246

Accounts receivables from related parties arise from sell transactions and are due after a term of 60 days from the transaction date, at December 31, 2016 and 2015 the Company had no account receivables past due from related parties. This account receivables had no guarantees engaged and nor interest calculated. At December 31, 2016 and 2015 no impairment estimate has been recognized for these account receivables.

c. Loans granted to officers

At December 31, 2016 and 2015, loans granted to key officers are subject to fixed and variable interest rates, shown below:

Officer	**1**		**2**		**3**	**4**		**5**	**6**	
Engagement date	**January 29, 2013**	**August 28, 2011**	**January 1, 2013**	**October 2, 2014**	**January 1, 2013**	**January 21, 2013**	**February 21, 2012**	**January 10, 2013**	**December 1, 2013**	**Total**
Interest rate	6.9%	UDI	6.9%	UDI	6.90%	6.9%	UDI	UDI	6.9%	
December 31, 2016										
Opening balances	$ 15,816	$ 1,671	$ 13,089	$ 6,000	$ 10,710	$ 10,264	$ 510	$ 496	$ 30,537	$ 89,093
Loan	-	-	-	-	-	-	-	$ 3,051	$ 70,406	$ 73,457
Collections	-	-	-	(6,788)	-	-	(516)	-	(73,120)	(80,424)
Interests	881	(700)	727	788	583	558	6	98	1,287	4,228
Total	$ 16,697	$ 971	$ 13,816	$ -	$ 11,293	$ 10,822	$ -	$ 3,645	$ 29,110	$ 86,354

Officer	**1**		**2**		**3**	**4**		**5**	**6**	
Engagement date	**January 29, 2013**	**August 28, 2011**	**January 1, 2013**	**October 2, 2014**	**January 1, 2013**	**January 21, 2013**	**February 21, 2012**	**January 10, 2013**	**December 1, 2013**	**Total**
Interest rate	6.9%	UDI	6.9%	UDI	6.9%	6.9%	UDI	UDI	6.9%	
December 31, 2015.										
Opening balances	$ 14,989	$ 1,550	$ 12,406	$ 6,000	$ 10,163	$ 9,739	$ 499	$ 486	$ 5,928	$ 61,760
Loan									51,531	51,531
Collections									(26,922)	(26,922)
Interests	827	121	683	-	547	525	11	10	-	2,724
Total	$ 15,816	$ 1,671	$ 13,089	$ 6,000	$ 10,710	$ 10,264	$ 510	$ 496	$ 30,537	$ 89,093

The fair value of officers' loans as at December 31, 2016 and 2015 was $86,020 and $85,430, respectively. Loans are due until June 1, 2024.

As at December 31, 2016 and 2015 no impairment estimates were necessary over the values of these loans.

As at December 31, 2016 and 2015, the effective interest rates of such loans were between 4-8% and 3.4-5%, respectively.

d. Compensations paid to directors and other management members were as follows:

	Year ended on December 31, 2016		2015
Salaries and other short-term benefits	$ 143,569		$ 132,942

Compensation paid to directors and key executives is determined by the Board of Directors based on their performance and on market trends.

e. Other related parties
During 2016 and 2015 the Company carried out operations with Corporativo Grupo Bursatil Mexicano (GBM), which in turn holds the shares of GBM International, Inc. and GBM México.

Corporativo GBM and subsidiaries have a commercial relationship with the Company and its subsidiaries, and to date have provided financial advisory services, investment banking services and other bank services.

Carlos Rojas Mota Velasco, main Company stockholder and President of the Board of Directors and CEO, has a familiar relationship with the main stockholder of Corporativo GBM and therefore Corporativo GBM and its subsidiaries are considered related parties.

i. As at December 31, 2016 and 2015, the Company had no balances receivable from or payable to Corporativo GBM.

ii. The Company conducted the following operations with Corporativo GBM:

	Year ended on December 31, 2016	2015
Commissions paid	$ 656	$ 1,575
Interest collected	$ 81,447	$ 103,047

Note 11 - Other recoverable taxes:

	December 31,			
		2016		2015
Recoverable VAT	$	34,386	$	7,336
Excise tax on industrialized products[1]		187,461		45,966
Income tax prepayments		70,573		-
Other taxes[2]		42,175		102,926
	$	334,595	$	156,228

[1] Relates to a federal Brazilian tax paid on the purchase of an industrialized product, which can be deducted from the amount earned from the sale of that product to third parties.

[2] Relates to different minor local taxes incurred by the different entities located in Latin America, the most relevant being Brazil and Peru.

Note 12 - Inventories:

	December 31,			
		2016		2015
Raw materials	$	435,483	$	423,182
Packaging materials		16,604		13,978
Work in progress		43,988		34,161
Finished goodss		363,609		265,110
		859,684		736,431
Plus:				
Merchandise in transit		32,219		31,682
	$	891,903	$	768,113

Note 13 - Prepayments:

	December 31,			
		2016		2015
Prepaid insurance	$	8,869	$	6,005
Prepaid expenses		53,160		-
Expenses related to business investigation projects		35,062		16,863
Advances for cistern installations*		-		34,757
	$	97,091	$	57,625

Note 14 - Financial asset at fair value through profit or loss:

	December 31, 2016		December 31, 2015	
B37 Ventures, LLC.[1]	$	14,664	$	-
AIC, LLC (Note 16)		-		17,249
	$	14,664	$	17,249

Changes in fair value of financial assets at fair value through profit or loss are recognized in the income statement line of "Financial income and costs".

The maximum risk exposure at the date of the report is the book value of the debt instruments classified as available for sale.

During the period ended on December 31, 2016 an investment in the fund B37 Ventures, LLC., whose purpose includes the investment in debt or capital investments at discretion of the fund administrators, these investments are subject to valuation through market references and values that might not be available, such fund investment might not be subject to high liquidity ratios and depends on the performance of the entities in which the fund is investing. At December 31, 2016 and 2015 these investments were not overdue or deteriorated.

Note 15 - Property, plant and equipment:

Year ended on December 31, 2015:	Land	Constructions in progress	Buildings	Machinery and tools	Furniture, fixtures and computer equipment	Transportation equipment	Molds	Leasehold improvements	Treatment Plants	Total
Opening balances	$ 263,827	$ 203,123	$ 343,161	$ 295,731	$ $ 9,330	$ 5,778	$ 71,410	$ 3,757	$	$ 1,196,117
Effect of currency translation	(7,330)	(37,849)	4,523	(7,260)	$2,818	(1,867)	(3,101)	(885)	-	(50,951)
Transfers	-	(119,093)	21,604	23,058	$7,448	1,797	42,316	2,430	-	(20,440)
Acquisitions	-	$251,247	$3,007	13,950	$3,101	1,793	1,832	159	-	275,089
Disposals	-	(1,020)	(24,275)	(1,613)	(4,017)	(2,900)	(1,626)	-	-	(35,451)
Depreciation of disposals	-	-	23,876	(713)	$4,237	2,918	1,979	(1,363)	-	$30,934
Depreciation for the period	-	-	(20,956)	(40,332)	(6,644)	(1,907)	(20,686)	(480)	-	(91,005)
Closing balances	$ 256,497	$ 296,408	$ 350,940	$ 282,821	$ $16,273	$ 5,612	$ 92,124	$ 3,618	$ -	$ 1,304,293
Balances at December 31, 2015:										
Cost	$ 256,497	$ 296,408	$ 525,727	$ 560,399	$ $78,453	$ 20,328	$ 292,128	$ 5,550	$ -	$ 2,035,490
Accumulated depreciation	-	-	(174,787)	(277,578)	(62,180)	(14,716)	(200,004)	(1,932)	-	(731,197)
Closing balance	$ 256,497	$ 296,408	$ 350,940	$ 282,821	$ $16,273	$ 5,612	$ 92,124	$ 3,618	$ -	$ 1,304,293
Year ended on December 31, 2015:										
Opening balances	$ 256,497	$ 296,408	$ 350,940	$ 282,821	$ 16,273	$ 5,612	$ 92,124	$ 3,618	$ -	$ 1,304,293
Effect of currency translation	15,390	28,442	22,273	52,029	2,095	763	12,131	6,097	-	139,220
Business acquisition	25,116	-	36,575	565	2,599	718	972	-	395,110	461,655
Net movement of revaluation surplus	129,172	-	58,440	-	-	-	-	-	-	187,612
Transfers	2,426	(348,675)	20,077	154,674	23,040	187	75,079	80,699	-	7,507
Acquisitions	-	289,979	1,591	12,849	2,394	5,546	3,539	42	-	315,940
Disposals	-	(236)	(13,854)	(1,501)	(10,463)	(1,458)	(1,617)	-	-	(29,129)
Depreciation of disposals	-	-	13,136	2,637	9,485	1,458	1,086	-	-	27,802
Depreciación del año	-	-	(22,787)	(48,879)	(7,971)	(2,531)	(25,243)	(2,976)	(21,814)	(132,201)
Closing balance	$ 428,601	$ 265,918	$ 466,391	$ 455,195	$ 37,452	$ 10,295	$ 158,071	$ 87,480	$ 373,296	$ 2,282,699
Balances at December 31, 2016:										
Cost	$ 428,601	$ 265,918	$ 758,885	$ 801,559	$ 101,191	$ 28,825	$ 399,373	$ 93,471	$ $670,386	$ 3,548,209
Accumulated depreciation	-	-	(292,494)	(346,364)	(63,739)	(18,530)	(241,302)	(5,991)	(297,090)	(1,265,510)
Closing balance	$ 428,601	$ 265,918	$ 466,391	$ 455,195	$ 37,452	$ 10,295	$ 158,071	$ 87,480	$ 373,296	$ 2,282,699

At December 31, 2016 and 2015, the charge for depreciation is included in the cost of sales by $80,504 and $69,231 and in operating expenses by $51,697 and $21,774, respectively.

If land and buildings had been measured using the historic cost valuation method instead of by the revaluation method, the balances recorded would have been as follows:

	December 31,			
		2016		2015
Cost of land	$	261,219	$	98,180
Cost of buildings		598,142		473,627
Accumulated depreciation		(210,786)		(163,600)
		387,356		310,027
Net book value	$	648,575	$	408,207

At December 31, 2016, the Company lends to its clients (mainly Nueva Wal-Mart de México, S. de R. L. de C. V.) machinery and equipment under non-cancellable operating lease contracts with a net book value of $373,296. The term of the leases are up to 10 years, the assets will property of the Company at the end of these terms. This operation is the outcome of the acquisition of the company Sytesa. (Refer to Note 30).

At December 31, 2016 and 2015, the Company has not capitalized financing costs.

At December 31, 2016 and 2015 the Company does not operate contracts under financial lease.

Note 15.1 Fair value of land and buildings

In 2016, appraisals of land and buildings were carried out by independent experts. The increase of revaluation was recognized net of deferred taxes under revaluation surplus.

Assets are classified under different levels depending on their features, as follows;

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable data).

Information on fair value measurements carried out in 2016 using non-observable data classified as level 2, is shown as follows:

Description	Fair value at January 1, 2016	Valuation techniques	Non-observable data	Range of non-observable data weighted average prices * Higher	Used	Lower
Mexico City						
Land	84,581	Comparison of prices	Price per m2	8,950	8,950	-
Buildings	14,188	Comparison of prices	Price per m2	3,123	3,123	-
Total Ciudad de Mexico	98,769					
Guadalupe, Nuevo León						
Land	79,786	Comparison of prices	Price per m2	1,060	1,060	-
Buildings	66,509	Comparison of prices	Price per m2	8,071	8,071	-
Total Guadalupe, Nuevo León	146,295					
Tlajomulco de Zúñiga, Jalisco						
Land	25,390	Comparison of prices	Price per m2	314	314	-
Buildings	23,291	Comparison of prices	Price per m2	4,717	4,717	-
Total Tlajomulco de Zúñiga, Jalisco	48,681					
León, Guanajuato						
Land	16,448	Comparison of prices	Price per m2	210	210	-
Buildings	128,080	Comparison of prices	Price per m2	6,517	6,517	-
Total León, Guanajuato	144,528					
Los Mochis, Sinaloa						
Land	3,875	Comparison of prices	Price per m2	290	290	-
Buildings	14,042	Comparison of prices	Price per m2	5,590	5,590	-
Total Los Mochis, Sinaloa	17,917					
Lerma, Estado de México						
Land	18,788	Comparison of prices	Price per m2	1,450	1,450	-
Buildings	48,038	Comparison of prices	Price per m2	5,703	5,703	-
Total Lerma, Estado de México	66,826					
Mérida, Yucatán						
Land	39,501	Comparison of prices	Price per m2	1,330	1,330	-
Buildings	18,867	Comparison of prices	Price per m2	4,709	4,709	-
Total Mérida, Yucatán	58,368					
Tejería, Veracruz						
Land	29,185	Comparison of prices	Price per m2	880	880	-
Buildings	33,078	Comparison of prices	Price per m2	5,916	5,916	-
Total Tejería, Veracruz	62,263					
Total México	643,647					
Pilar, Buenos Aires	35,921	Comparison of prices	Price per m2	7,372	7,372	-
Vicente López, Buenos Aires	47,768	Comparison of prices	Price per m2	5,980	5,980	-
Total Argentina	83,689					
Villanueva, Guatemala	24,485	Comparison of prices	Price per m2	6,977	6,977	-
Total Guatemala	24,485					
Extrema, Brazil	90,692	Comparación de precios	Precio por m2	7,751	7,751	-
Total Brazil	90,692					
	$ 842,513					

* The values utilized are expressed in Mexican Pesos.

During the years ended on December 31, 2016 and 2015 there were no transfers between the different levels of fair value.

Fair values net of movements for the periods are as follows:

	December 31					
	Land		Buildings		Totals	
	2016	2015	2016	2015	2016	2015
Mexico	$ 297,553	$ 211,136	$ 345,003	$ 295,379	$ 642,556	$ 506,515
Argentina	31,770	2,632	37,472	7,254	69,242	9,886
Guatemala	15,239	11,053	12,871	3,618	28,110	14,671
Brazil	65,376	31,676	39,732	44,689	105,108	76,365
	$ 409,938	$ 256,497	$ 435,078	$ 350,940	$ 845,016	$ 607,437

Changes in fair value measurement using significant observable inputs (level 2):

	December 31,	
	2016	2015
Lands and buildings:		
Opening balances	$ 607,437	$ 607,437
Business acquisition	56,764	-
Revaluation surplus	189,881	-
Depreciation	(9,066)	-
Closing balance	$ 845,016	$ 607,437

Valuation techniques used to determine level 2 fair values:

The level 2 fair value of land and buildings has been derived using the sales comparison approach. The sale prices of land and buildings in the comparable proximities are adjusted to the different key characteristics, for example size of the property. The key input under this approach is the price per square meter

Group valuation process

The Group's Finance and Administration department performs the valuations of land and buildings required for financial reporting purposes. This department reports directly to the senior directors of the Finance department. The results of valuation and annual processes performed serve to confirm that the conditions set forth in the accounting policy for revaluation of assets takes place every five years is still in force.

Valuations of land and buildings performed by external parties take place every five years if the conditions shown in non-observable data or of assets are affected by external and internal elements. Based on discussions between management and the external appraisers, it has been determined that non-observable data used as the basis for valuations, such as age, dimensions and borders, conditions of land and buildings, locations and local economic factors, are comparable to the prices of the respective locations of assets.

The ratio of non-observable data when measuring the fair value is as follows: the higher the price per square meter, the higher the fair value.

Note 16 - Investment in associates:

The group's principal subsidiaries at 31 December 2016 are set out below, these are accounted for by using the equity method. These associates have a share capital consisting solely of ordinary shares.

Nature of the investment:

Dalkasa, S. A. (Dalkasa)

Dalkasa, a private entity incorporated and operating in Quito, Ecuador, is mainly engaged in manufacturing and selling plastic water containers for water storage. At December 31, 2016 and 2015, the interest in the associate was 49.88%.

The Company holds no joint control over Dalkasa because it does not meet the requirements to do so. Instead, in accordance with IFRS, it holds significant influence in Dalkasa because it has participation in the Board of Directors; it participates in policy processes and in significant transactions, and in the supply of technical information.

AIC, LLC.

On March 9, 2016, the Company celebrated a unit purchase agreement through its subsidiary Molding Acquisition, Corp. (MAC). In this regard and based on the fulfillment of all the terms and conditions included in the subscription agreement, the purchase of all acquired interests stipulated took place for a final amount of USD.6,000,000 ($106 million Mexican pesos), of which USD.1,000,000 ($17,249 Mexican pesos) were paid on November 18, 2015 and the rest was paid on May 2, 2016, reaching a participation in the society of 15.44% over the subscription interests of AIC located in the US and who is in turn the parent entity of the share capital of AIC-Rotoplas in Chile. As mentioned in Note 4.6, Management has defined that significant influence in this entity has been reached, due to the involvement in the board of directors in this entity, however the main shareholder has the ability to nominate at will any member of the board of directors.

As a consequence of the abovementioned, beginning on May 2, 2016 the investment was reclassified from financial assets at fair value through profit and loss to investment in associates. The carrying value of the financial asset at fair value through profit and loss at the date of this transaction was $17,249. The policy of the Company in regards to acquisition by stages in associates is to reverse the fair value of the investment and recognize it as part of the acquisition cost, recognizing the transaction in full and the new acquisition by a total of USD. 6,000,000 ($106 million Mexican pesos).

Additionally, the Company signed a Unit Purchase Agreement in which an additional purchase of $217,560 (USD 10,360,000) of AIC's participation is stated, such contract does not enforce the Company to exercise the purchase option, and the period in which it can be exercised is two years from May 2, 2016. As of the date of issuance of these financial statements, AIC does not expect to generate revenue before the expiration date, hence the Company has not make the option effective in the additional purchase of participation. Management has analyzed the possible fair value determination in such option and due to the fact that the comparable input data is not observable and therefore unreliably measured, Management has decided not to recognize the contract as an asset.

Certain information of Dalkasa and AIC is shown below:

a. Summarized statements of financial position

	Dalkasa		AIC		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
CURRENT ASSETS:						
Cash and cash equivalents	$ 2,782	$ 4,085	$ 26,686	$ -	$ 29,468	$ 4,085
Accounts receivable and other accounts receivables	22,309	7,577	-	-	22,309	7,577
Related parties	-	-	19,986	-	19,986	-
Other recoverable taxes	-	-	90	-	90	-
Inventories	9,400	10,054	-	-	9,400	10,054
Prepayments	97	-	1,196	-	1,293	-
Total current assets	34,588	21,716	47,958	$ -	$ 82,546	$ 21,716
Related parties	-	-	2,893	-	2,893	-
Property, plant and equipment	5,462	4,484	4,199	-	9,661	4,484
Intangible assets	-	-	108,135	-	108,135	-
Total assets	$ 40,050	$ 26,200	$ 163,185	-	203,235	26,200
Liabilities and Equity						
CURRENT LIABILITIES:						
Suppliers	$ 884	$ 345	$ 19,249	$ -	$ 20,133	$ 345
Other accounts payable	9,617	6,623	243	-	9,860	6,623
Related parties	-	-	10,114	-	10,114	-
Provisions	1,329	227	846	-	2,175	227
Income taxes payable	919	74	-	-	919	74
Other taxes payable	1,168	207	175	-	1,343	207
Total liabilities	13,917	7,476	30,627	-	44,544	7,476
Total net assets	$ 26,133	$ 18,724	$ 132,558	$ -	$ 158,691	$ 18,724

b. Summarized statements of comprehensive income

	Dalkasa		AIC		Total	
	Year ended on December 31,					
	2016	2015	2016	2015	2016	2015
Net sales	$ 39,975	$ 25,899	$ 9,097	$ -	$ 49,072	$ 25,899
Cost of sales	(24,832)	(19,423)	-	-	(24,832)	(19,423)
Gross profit	15,143	6,476	9,097	-	24,240	6,476
Operating expenses	(9,479)	(5,310)	(53,003)	-	(62,482)	(5,310)
Other income (expenses) - Net	187	(562)	-	-	187	(562)
Financial costs - Net	(26)	-	(2,180)	-	(2,206)	-
Profit (loss) for the year	$ 5,825	$ 604	($ 46,086)	$	($ 40,261)	$ 604

At December 31, 2016 and 2015 Dalkasa and AIC are private companies and there is no observable market available for their shares.

The abovementioned information shows the quantities presented in the adjusted financial statements of the associates by the differences in the accounting policies between the Company and the associate.

Investment contingencies and commitments:

At December 31, 2016 and 2015, the company had no contingencies related with the investment in associates.

At December 31, 2016 and 2015, the Company has no restrictions over cash and cash equivalents in the investment in associates.

c. Reconciliation of summarized financial information at carrying value regarding equity in associates is as follows:

	Dalkasa		AIC		Total	
			December 31,			
Summarized financial information	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net assets as of January 1,	$ 9,339	$ 7,795	$ 153,092	$ -	$ 162,431	$ 7,795
Profit for the year	5,825	604	(46,086)	-	(40,261)	604
Currency translation effect	10,969	10,325	25,552	-	36,521	10,325
Net assets as of December 31,	$ 26,133	$ 18,724	$ 132,558	$ -	$ 158,691	$ 18,724

d. Share of profit of associate based on the equity method is as follows:

Dalkasa	**Year ended on December 31,**	
	2016	**2015**
Net profit of the associate	$ 5,824	$ 604
Investment in associate	49.88%	49.88%
	2,905	302
AIC		
Net loss of the associate for the period the Company was exposed to the returns of the associate	($ 45,959)	$ -
Investment in associate	15.44%	-%
	(7,096)	-
Net of share profit in associates	($ 4,191)	$ 302

Note 17 - Intangibles:

		Goodwill		Trademark		Software and SAP licenses		Total
Balance at January 1, 2015:								
Opening balances	$	56,626	$	20,937	$	30,791	$	108,354
Currency translation effect		-		-		(36)		(36)
Investments		-		-		53,071		53,071
Transfers		-		-		20,440		20,440
Amortization for the period		-		-		(13,765)		(13,765)
Balance at December 31, 2016	$	56,626	$	20,937	$	90,501	$	168,064
Net book value:								
Cost	$	56,626	$	20,937	$	230,335	$	307,898
Accrued amortization		-		-		(139,834)		(139,834)
Balance at December 31, 2015	$	56,626	$	20,937	$	90,501	$	168,064
Balance at January 1, 2016:								
Opening balances	$	56,626	$	20,937	$	90,501	$	168,064
Currency translation effect		-		-		1,044		1,044
Business acquisitions		1,765,452		-		247		1,765,699
Investments		-		-		55,220		55,220
Transfers		-		-		4,452		4,452
Amortization for the period		-		-		(21,851)		(21,851)
Balance at December 31, 2016	$	1,822,078	$	20,937	$	129,613	$	1,972,628
Net book value:								
Cost	$	1,822,078	$	20,937	$	292,200	$	2,135,215
Accrued amortization		-		-		(162,587)		(162,587)
Balance at December 31, 2016	$	1,822,078	$	20,937	$	129,613	$	1,972,628

At December 31, 2016 and 2015, the charge for amortization is included in operating expenses by $21,851 and $13,765, respectively.

Trademark (Forteplas)

It has been determined that the trademark is an indefinite useful life asset, since it is expected that it will contribute indefinitely to future cash flows. As such, the trademark will not be amortized unless it is determined that it has a definite life. Trademark is tested on an annual basis for impairment purposes or in the moment impairment indicators arise.

As mentioned in Note 1, the Company acquired businesses during the year ended on December 31, 2016, being the main increase in the value of intangible assets. (Refer to Note 30).

Impairment testing on goodwill

Goodwill is assigned to the CGU and is monitored at the Group operating segment level.

Allocation of goodwill by CGU is shown as follows:

	December 31,			
CGU		**2016**		**2015**
Argentina	$	56,626	$	56,626
Talsar (1)		499,826		-
Sytesa(1)		1,265,626		-
	$	1,822,078	$	56,626

(1) At the date of the business acquisition, Management performed an impairment analysis over these CGUs, and identified that the expected future cash flows of these CGUs are materially higher than the recognized value of such intangibles. Subsequently Management will analyze the value assignment through the analysis of the purchase price allocation at the moment of acquisition. Refer to Note 30.

(2) The recoverable value of Argentina has been determined on the basis of their value in use, which is determined through projections of cash flows before taxes, based on financial budgets approved by Management, covering a five-year period. Cash flows subsequent to that period are extrapolated using the following estimated growth rates, which do not exceed the average long-term growth rate for the business in which each CGU operates.

Key assumptions used to calculate value in use are as follows:

	Talsar	**Sytesa**	**Argentina**	
		December 31,		
	2016 (%)	**2016 (%)**	**2016 (%)**	**2015 (%)**
Gross margin	34.05	24.63	40.47	41.43
Long-term growth rate	15.18	19.14	1.00	0.73
Discount rate	13.57	15.53	20.53	12.83

The gross margin has been budgeted based on past performance and on expectations of development for each market. The long-term growth rates used are consistent with the projections included in the industry's reports. The discount rates used are pre-tax and reflect specific risks relating to the each CGU.

At December 31, 2016, the value in use of the CGU is significantly higher that the carrying values of goodwill and the sensibility to changes in the inputs used is remote.

Note 18 - Derivative financial instruments:

Derivatives held for trading are classified as current assets or liabilities. The fair value of derivative designated as hedge is classified as non-current asset or liability, if the remaining settlement date of the hedged item is higher than 12 months and as current asset or liability, if the remaining settlement date is less than 12 months.

Contracted interest rates and position instruments at each year end were as follows:

	Date of		Interest rate		Fair value at December 31,	
Notional amount	**Execution**	**Maturity**	**Instrument**	**Debt**	**2016**	**2015**
Swap						
$ 1,200,000	Feb 2014	Dic - 2020	7.5%	5.0%	$ 34,498	($ 12,883)
212,160	Nov 2011	Nov - 2016	6.0%	4.8%	-	(1,506)
					$ 34,498	($ 14,389)

Such protection has the target to establish a maximum rate and manage the interest rate agreed on the bank loan contracted with Banco Santander, S.A. (Refer to Note 19). When the reference rate is above the level of the agreed-upon interbank interest rate (TIIE), the right, yet not obligation is generated to exercise the agreed-upon rate. While the reference rate is below the level of the agreed-upon rate, the rate exercised is the reference rate.

The notional amounts related to derivative financial instruments reflect the reference volume contracted; however, they do not reflect the amounts at risk as concerns future flows. Amounts at risk are usually limited to the unrealized profit or loss on market valuation of those instruments, which may vary depending on the changes in the market value of the underlying goods, their volatility and the credit rating of the counterparts.

Note 19 - Bank loans:

The book value of bank loans is as follows:

	December 31,	
	2016	2015
Long-term bank loans:		
Banco Mercantil del Norte, S. A.1	$ 478,795	$ 598,648
Banco Santander, S. A.2	478,657	598,455
Banco Nacional de Desenvolvimiento		
Económico e Social (BNDES).3	348	6,826
	957,800	1,203,929
Short-term bank loans:		
BNDES3	7,815	11,469
Banco Mercantil del Norte, S. A.1	138,641	755
Banco Santander, S. A.2	138,648	762
	285,104	12,986
Total	$ 1,242,904	$ 1,216,915

[1] On December 20, 2013, Grupo Rotoplas signed a loan opening agreement with Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte, for $600,000 subject to variable interest that will be the result of adding the TIIE plus 1.50 additional points. The agreement is for a period of seven years, maturing on December 19, 2020. The Company agrees to settle the loan in 84 monthly installments. The agreement establishes 36 months of that term as the grace period for payment of the capital, starting as from the date of execution and accrues interests on a monthly basis.

[2] On December 19, 2013, Grupo Rotoplas singed a loan opening agreement with Banco Santander (México), S. A., Institución de Banca Múltiple, Grupo Financiero Santander México, for $600,000 subject to variable interest that will be the result of adding the TIIE plus 1.55 additional points. The agreement is for a period of seven years, maturing on December 19, 2020. The Company agrees to settle the loan in 84 monthly installments. The agreement establishes 36 months of that term as the grace period for payment of the capital, starting as from the date of execution and accrues interests on a monthly basis.

Rotoplas Comercializadora, S. A. de C. V., Rotoplas Bienes Raíces, S. A. de C. V., Rotoplas, S. A. de C. V., Servicios Rotoplas, S. A. de C. V., Suministros Rotoplas, S. A. de C. V., Rotoplas Recursos Humanos, S. A. de C. V. and Rotoplas de Latinoamérica, S. A. de C. V. are mutually liable with the borrower with respect to each and every obligation contracted under the above agreements.

[3] These amounts (net) are broken down as follows:

On January 3, 2012 Dalka do Brasil, Ltda. (Dalka Brasil), signed a straight loan opening agreement with BNDES for $4,999 (R.901 thousand reales), subject to variable interest rate that is determined by adding 3.90 additional points to the UMBNDES rate. The loan is on a five-year period term, from the date of execution of the agreement and accrues interests on a monthly basis. As of December 31, 2016 there was no unpaid balance remaining and at December 31, 2015 the unpaid balance in thousands was R.435.

On June 25, 2012, Dalka Brasil signed a straight loan opening agreement with BNDES for $14,678 (R$2,646 thousand reales), subject to variable interest rate that is determined by adding 3.90 additional points to the UMBNDES rate. The loan is on a five-year period term, from the date of execution of the agreement and accrues interests on a monthly basis. As of December 31, 2016 and 2015 the unpaid balances in thousands were R.548 and R.1,781, respectively.

On August 2, 2012, Dalka Brasil signed a straight loan opening agreement with BNDES for $8,321 (R.1,499 thousand reales), subject to variable interest rate that is determined by adding 3.90 additional points to the UMBNDES rate. The loan is on a five-year period term, from the date of execution of the agreement and accrues interests on a monthly basis. As of December 31, 2016 and 2015 the unpaid balances in thousands were R.355 and R.1,072, respectively.

On February 15, 2013, Dalka Brasil signed a straight loan opening agreement with BNDES for $4,992 (R.899 thousand reales), subject to variable interest rate that is determined by adding 3.90 additional points to the UMBNDES rate. The loan is on a five-year period term, from the date of execution of the agreement and accrues interests on a monthly basis. As of December 31, 2016 and 2015 the unpaid balances in thousands were R.384 and R.854, respectively.

The aforementioned agreements establish obligations of to do and not to do, such as contracting further debt at an additional cost (under certain circumstances); restrictions on capital investments, and maintaining certain financial indicators, which have been complied with at December 31, 2016 and 2015.

The effective interest rates are shown as follows:

	Year ended on December 31,	
	2016	**2015**
	(%)	**(%)**
Banco Mercantil del Norte, S. A.	7.60	4.88
Banco Santander, S. A.	7.65	4.95
BNDES	3.9	8.29

The fair value of bank loans is as follows:

	December 31,			
Fair value		**2016**		**2015**
Bank loans:				
Banco Mercantil del Norte, S. A.	$	603,926	$	602,598
Banco Santander, S. A.		603,952		602,623
BNDES		8,408		18,515
	$	1,216,286	$	1,223,736

The fair values of the loans based on discounted cash flow using rates (%) for each debt are as follows:

	December 31	
Fair value	**2016**	**2015**
	(%)	(%)
Banco Mercantil del Norte, S. A.	7.60	5.03
Banco Santander (México), S. A.	7.65	5.08
BNDES	3.90	3.90

The aforementioned fair values fall within level 2.

The book values of the Company's loans are expressed in the following currencies:

	December 31			
		2016		**2015**
Reales *	R$	1,287	R$	4,142
* Equivalent of reales in Mexican pesos	$	8,163	$	18,296
Mexican peso loan		1,234,741		1,198,619
Total in Mexican pesos	$	1,242,904	$	1,216,915

Note 20 - Suppliers:

	December 31, 2016		2015
Indelpro, S. A. de C. V.	$ 26,777	$	28,902
Dow Internacional Mexicana, S. A. de C. V.	55,307		15,736
Marangon Danilo & Co., S. de R. L.	21,919		11,214
Arco Colores, S. A. de C. V.	12,483		8,966
Neoscpec, S. A. de C. V.	8,858		-
Braskem, S. A.	2,882		26,009
Equistar Chemicals LP	1,485		26,181
Xingfa International Co. Ltda.	1,396		3,243
Velbus del Oriente, S. A. de.C. V.	1,176		-
Otros	159,204		149,074
	$ 291,487	$	269,325

Note 21 - Other accounts payable:

	December 31 2016		2015
Sundry creditors	$ 201,843	$	162,613
Accrued expenses and other accounts payable*	246,873		131,819
	$ 448,716	$	294,432

* Accrued expenses refer to expenses incurred for services received.

Note 22 - Provisions:

For the period of 2015	Employee bonuses	Legal suits	Total
At January 1, 2015	$ 993	$ 27,697	$ 28,690
Charge to the profit and loss	3,559	9,454	13,013
Cancellations	-	(3,102)	(3,102)
Payments	(993)	(4,001)	(4,994)
At December 31, 2015	$ 3,559	$ 30,048	$ 33,607
For the period of 2016			
At January 1, 2016	$ 3,559	$ 30,048	$ 33,607
Effect of currency translation		4,714	4,714
Charge to the profit and loss	-	10,383	10,383
Cancellations	(29)	(4,444)	(4,473)
Payments	(3,530)	(7,067)	(10,597)
At December 31, 2016	$ -	$ 33,634	$ 33,634

Provisions mainly include liabilities for estimated compliance and performance bonuses expected to be covered in the following year, as well as labor suits filed against the company and other commercial suits that have been assessed under management's best estimation and are expected to be covered in the short-term.

Note 23 - Employee benefits:

The value of obligations for benefits acquired at December 31, 2016 and 2015 totaled $9,248 and $8,592, respectively.

The amount shown as a liability in the consolidated statement of financial position is comprised as follows:

	December 31	
	2016	2015
Obligations for acquired benefits	$ 9,248	$ 8,592
Fair value of plan assets	-	-
Current situation	$ 9,248	$ 8,592
Present value of non-funded obligations	$ 9,248	$ 8,592
Liability in the statement of financial position	$ 9,248	$ 8,592

Defined benefit obligation movements were as follows:

	Seniority premium December 31,			
		2016		2015
Balance at January 1,	$	8,592	$	7,493
Net cost for the period		1,539		1,395
Payments with reserve charge		(301)		(220)
Actuarial (gains) losses		(582)		(76)
Balance at December 31,	$	9,248	$	8,592

The net cost for the period is as follows:

	Seniority premium December 31,			
		2016		2015
Cost of service for the period	$	948	$	896
Financial costs - Net		591		500
	$	1,539	$	1,396

The economic hypotheses in nominal and real terms used were as follows:

	December 31	
	2016	2015
Mexico	(%)	(%)
Discount rate	7.4	7.0
Salary increase rate	5.8	5.8
Minimum wage increase rate	4.0	4.0
Expected long-term inflation rate	4.0	4.0

The sensitivity of the obligation for defined benefits due to changes in the weighted average of the main assumptions is as follows:

		Impact on the obligation for defined benefits	
December 31, 2016	**Change in assumptions (%)**	**Increase in assumptions (%)**	**Decrease in assumptions (%)**
Discount rate	1.0	Decrease of 13.4	Increase of 14.2
Salary increase rates	1.0	Increase of 12.0	Decrease of 11.4

		Impact on the obligation for defined benefits	
December 31, 2015	**Change in assumptions (%)**	**Increase in assumptions (%)**	**Decrease in assumptions (%)**
Discount rate	1.0	Decrease of 10.3	Increase of 10.9
Salary increase rates	1.0	Increase of 11.2	Decrease of 13.2

The foregoing sensitivity analyses are based on a change in one assumption with all other assumptions remaining constant. In practice, this is unlikely and changes in other assumptions can be correlated. In calculating the sensitivity of the obligation for defined benefits, we applied the same method as that used for significant actuarial assumptions (current value of obligations for defined benefits calculated by the projected unit credit method at the end of the period of reference). This method was also applied to the calculation of the liability for pensions recognized in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not vary in relation to the preceding period.

Referred value units (“RVU”)

RVU are granted to directors and certain employees. The exercise price of the granted RVUs is equal to the market value of the Company’s share and are settled in cash. RVUs are subject to the conclusion by the employee of a service period. RVUs can be exercised after a year of the grant date, subject to the performance of the Company in the increase of profits per share in the period. RVUs have a contractual term of ten years. As of December 31, 2016 available RVUs were 2,037,070 and their fair value is $12,091, as of December 31, 2015 the fair value of the RVUs was not considered significant and therefore was not recognized.

The movement in the number of effective RVUs and their respective weighted average value is as follows:

			2016			2015
		Weight average value	**RVUs number**		**Weight average value**	**RVUs number**
January 1,	$	15.99	2,886,601	$	2.21	2,391,297
Granted		29.51	429,051		11.94	572,139
Exercised		5.02	(213,006)		13.39	(76,835)
December 31,	$	13.82	3,102,646	$	15.99	2,886,601

Effective RVUs at year end have the following maturity dates and exercisable share prices:

			RVUs number	
Granted	Maturity date June 30	Assignment value	2016	2015
2009-2013	2019	$ 8.11	649,570	649,570
2011-2015	2021	9.30	390,335	390,335
2012-2016	2022	9.30	528,417	601,681
2013-2017	2023	11.94	598,097	672,877
2014-2018	2024	29.67	507,176	572,138
2015-2019	2025	29.51	429,051	-
			3,102,646	2,886,601

Weight average fair value of the granted RVUs during the period, is determined utilizing the binomial model.

Note 24 - Equity:

The capital stock is comprised as follows:

Shares *	Description	Total
15,104	Represents the minimum fixed portion of equity with no withdrawal rights (Class I)	$ 50
486,219,830	Represents the variable portion of capital with withdrawal rights (Class II)	5,139,854
486,234,934	Historical capital stock	5,139,904
	Restatement increase up to 1997	71,391
		5,211,295
(8,825,101)	Treasury shares	(222,382)
477,409,833	Capital stock at December 31, 2016 and 2015	$ 4,988,913

* Common, nominative shares with no par value at December 31, 2016 and 2015 of $10.76623 and $10.70575, respectively, fully subscribed and paid in.

The elements used in determining the basic and diluted earnings per share are as follows:

	Year ended on December 31,			
		2016		2015
Profit attributable to Company controlling interest	$	446,537	$	402,075
Weighted average of common shares in circulation (in thousands)		479,335		483,686
Basic and diluted earnings per share		0.932		0.831

Reconciliation of treasury shares is shown as follows:

	Number of shares		Total
Balance at January 1, 2015	-	$	-
Acquisition of treasury shares*	6,127,759		171,724
Balance at December 31, 2015	6,127,759		171,724
Treasury shares acquired*	8,105,570		239,826
Treasury shares sold*	(5,408,228)		(189,168)
Balance at December 31, 2016	8,825,101	$	222,382

* Represent common, nominative shares unique series, with no par value, class II and the amount has been decreased from Company's capital stock. The shares are held as treasury shares and the Company has the right to reissue these shares in a subsequently.

On April 28, 2016, it was unanimously agreed to pay a dividend of $119,871 on a $0.25 cents basis per share in one exhibition; this amount is from retained earnings and they will be equally paid to the stock holders in accordance to their participation. These dividends are fully paid from Net Tax Profit Account (CUFIN, by its Spanish acronym).

On April 30, 2015, it was unanimously agreed to provide with a maximum amount, to operate the share repurchase fund in 2015, an amount equivalent to the retained earnings at December 31, 2014.

In 2016 and 2015, the Company acquired 8,105,570 and 6,127,759 of its own shares at an average price of $28.13 per share, the total amount of bought shares during these periods was $239,826 and $171,724, respectively, targeting to manage liquidity over exceeds.

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the paid capital stock.

Dividends are subject to a 10% tax payment on earnings generated from 2014 on, paid to physical residents in Mexico and residents abroad.

Dividends are not subject to income tax if paid from the CUFIN. Dividends in excess of the CUFIN are subject to 42.86% tax if paid in 2017. The tax is payable by the Company and may be credited against income tax of the current period or that of the following two periods. Dividends paid from previously taxed profits are not subject to tax withholding or additional payments. At December 31, 2016 and 2015 the CUFIN balance was $34,270 and $33,157, respectively.

At December 31, 2016 and 2015 the balance of the restated capital contribution account was $6,176,779 and $5,975,986, respectively.

In the event of a capital reduction, any excess of equity over capital contributions, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends.

In the Income Act of the Federation published on November 18, 2015 in Article Three of the provisions of temporary validity of the Income Tax Law, a tax incentive granted to individuals resident in Mexico who are subject to the additional payment of 10% on dividends or distributed profits. The incentive is applicable provided that such dividends or profits were generated in 2014, 2015, and 2016 and are reinvested in the legal entity that generated such profits, and consists of a tax credit equal to the amount obtained by applying the dividend or utility is distributed, which corresponds to year percentage distribution as follows:

Year of dividend or profit or distribution	**Percentage applicable to the amount of the dividend or distributed profit (%)**
2017	1%
2018	2%
2019 onwards	5%

Note 25 - Income taxes:

i. In 2016, the company determined a tax profit of $880,214 (2015; $773,044). In 2016, the Company amortized prior years' combined tax losses of $97,919 (2015; $63,663). The tax result differs from the book result mainly due to items that accrue over time and are deducted differently for book and tax purposes, to the recognition of the effects of inflation for tax purposes and to items affecting only the book or tax result.

ii. The charge to income for income taxes is analyzed below:

	For the year ended on December 31,			
		2016		2015
Current income taxes	$	230,276	$	196,678
Deferred income taxes		(34,075)		(23,095)
Total charges to consolidated income	$	196,201	$	173,583

Deferred tax assets and liabilities are analyzed as follows:

	December 31,			
Deferred tax asset:		2016		2015
Recoverable within the following 12 months	$	25,471	$	53,565
Recoverable after 12 months		238,358		149,614
	$	263,829	$	203,179
Deferred tax liability:				
Payable within the following 12 months	$	-	$	-
Payable after 12 months		(67,281)		(28,861)
	($	67,281)	($	28,861)

The main components of deferred income taxes and the movement of assets and liabilities due to deferred income tax in 2016 and 2015 are shown on the tables appearing on the following pages:

Reconciliation of 2016 movements:

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax Losses	Inventory net	Client advances	Allowance for doubtful accounts	Other	Total
Opening balance as a January 1, 2016	$2,589	$37,147	($16,556)	$ 126,800	$ 13,124	$ 3,295	$ 7,919	$ -	$ 174,318
Effect of currency translation	5	11,393	3,227	26,575	482	-	327	$ -	42,009
2016 movements									
Grupo Rotoplas	-	(4,123)	-	(30,938)	-	-	(1,251)	-	(36,312)
Rotoplas	-	(6,896)	1,557	-	(10,973)	(103)	9,456	-	(6,959)
RRH	113	(1,634)	37	-	-	-	-	-	(1,484)
Servicios	83	556	891	-	-	-	-	-	1,530
Comercializadora	-	-	(5,357)	4,340	-	-	-	-	(1,017)
Bienes Raíces	-	-	1,974	-	-	-	-	-	1,974
Latinoamerica	-	-	-	15,312	-	-	-	-	15,312
Sytesa	-	-	(1,106)	-	-	-	(90)	-	(1,196)
Argentina	-	(2,550)	-	15,327	(134)	-	30	-	12,673
Talsar	-	331	-	-	-	-	-	-	331
MAC	-	(112)	-	38,981	857	-	415	-	40,141
Brazil	(17)	(15,333)	-	24,272	34	-	(182)	-	8,774
Peru	-	160	44	-	(489)	-	367	-	82
Centroamerica	-	(59)	-	(40)	421	-	(96)	-	226
Movement for the year, net	179	(29,660)	(1,960)	67,254	(10,284)	(103)	8,649	-	34,075
Items recognized in OCI:									
Company	**Labor obligations**	**Provisions**	**Property, plant and equipment**	**Unamortized tax Losses**	**Inventory net**	**Client advances**	**Allowance for doubtful accounts**	**Other**	**Total**
Bienes Raíces	-	-	(36,814)	-	-	-	-	-	(36,814)
Argentina	-	-	(5,791)	-	-	-	-	-	(5,791)
Brasil	-	-	(8,174)	-	-	-	-	-	(8,174)
Centroamerica	-	-	(3,075)	-	-	-	-	-	(3,075)
Movement in equity, net	-	-	(53,854)	-	-	-	-	-	(53,854)
Balance as at December 31, 2016	$ 2,773	$ 18,880	($69,143)	$ 220,629	$ 3,322	$ 3,192	$ 16,895	$ -	$196,548

Deferred income tax balances for asset items at December 31, 2016.

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax Losses	Inventory net	Client advances	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ (4,087)	$ -	$ 20,573	$ -	$ -	$ -	$ -	$ 16,486
Rotoplas	-	4,262	1,104	-	-	3,192	15,076	-	23,634
RRH	2,025	1,341	37	-	-	-	-	-	3,403
Servicios	748	4,013	13,649	-	-	-	-	-	18,410
Comercializadora	-	-	-	-	-	-	-	-	-
Bienes Raíces	-	-	-	-	-	-	-	-	-
Latinoamerica	-	-	-	22,047	-	-	-	-	22,047
Sytesa	-	-	1,894	-	-	-	(90)	-	1,804
Argentina	-	1,528	(5,791)	20,581	221	-	140	-	16,679
Talsar	-	331	-	-	-	-	-	-	331
MAC	-	163	-	60,059	892	-	415	-	61,529
Brazil	-	10,257	(7,946)	92,327	350	-	524	-	95,512
Peru	-	783	44	-	784	-	571	-	2,182
Centroamerica	-	289	(512)	701	1,075	-	259	-	1,812
Total	$ 2,773	$ 18,880	$ 2,479	$ 216,288	$ 3,322	$ 3,192	$ 16,895	$ -	$ 263,829

Deferred income tax balances for liability items at December 31, 2016.

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax Losses	Inventory net	Client advances	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rotoplas	-	-	-	-	-	-	-	-	-
RRH	-	-	-	-	-	-	-	-	-
Servicios	-	-	-	-	-	-	-	-	-
Comercializadora	-	-	(5,357)	4,341	-	-	-	-	(1,016)
Bienes Raíces	-	-	(63,701)	-	-	-	-	-	(63,701)
Latinoamerica	-	-	-	-	-	-	-	-	-
Sytesa	-	-	-	-	-	-	-	-	-
Argentina	-	-	-	-	-	-	-	-	-
Talsar	-	-	-	-	-	-	-	-	-
MAC	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-	-
Peru	-	-	-	-	-	-	-	-	-
Centroamerica	-	-	(2,564)	-	-	-	-	-	(2,564)
Total	$ -	$ -	($ 71,622)	$ 4,341	$ -	$ -	$ -	$ -	($ 67,281)

Reconciliation of 2015 movements:

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax Losses	Inventory net	Client advances	Allowance for doubtful accounts	Others	Total
Opening balance as at January 1, 2015	$2,273	$46,193	$(25,743)	$ 115,596	$ 10,153	$ 9,667	$ 8,401	$ 213	$ 166,753
Effect of currency translation	-	(5,895)	-	(9,379)	(132)	38	(118)	(44)	(15,530)
2015 movements									
Grupo Rotoplas	-	(1,402)	-	(18,930)	-	-	-	-	(20,332)
Rotoplas	-	1,793	2,935	-	2,435	(6,123)	(289)	-	751
RRH	109	1,661	-	-	-	-	-	-	1,770
Servicios	220	188	1,090	-	-	-	-	-	1,498
Bienes Raíces	-	-	5,162	-	-	-	-	-	5,162
Latinoamerica	-	-	-	6,735	-	-	-	-	6,735
Argentina	-	(214)	-	914	63	-	(182)	-	581
MAC	-	230	-	15,077	29	-	-	-	15,336
Brazil	(13)	(4,003)	-	16,174	(157)	-	193	(169)	12,025
Peru	-	(879)	-	-	379	-	(122)	-	(622)
Centroamerica	-	(525)	-	613	354	(287)	36	-	191
Movement for the year, Net	316	(3,151)	9,187	20,583	3,103	(6,410)	(364)	(169)	23,095
Balance as at December 31, 2015	$2,589	$37,147	$ (16,556)	$ 126,800	$ 13,124	$ 3,295	$ 7,919	$ -	$ 174,318

Deferred income tax balances for asset items at December 31, 2015.

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax Losses	Inventory net	Client advances	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ 36	$ -	$ 51,511	$ -	$ -	$1,251	$ -	$ 52,798
Rotoplas	-	11,158	(453)	-	10,973	3,295	5,620	-	30,593
RRH	1,912	2,975	-	-	-	-	-	-	4,887
Servicios	665	3,457	12,758	-	-	-	-	-	16,880
Bienes Raíces	-	-	-	-	-	-	-	-	-
Latinoamerica	-	-	-	6,735	-	-	-	-	6,735
Argentina	-	4,296	-	5,450	361	-	110	-	10,217
MAC	-	230	-	15,077	29	-	-	-	15,336
Brazil	12	14,250	-	47,414	173	-	476	-	62,325
Peru	-	493	-	-	1,047	-	168	-	1,708
Centroamerica	-	252	-	613	541	-	294	-	1,700
Total	$2,589	$37,147	$ 12,305	$ 126,800	$ 13,124	$ 3,295	$7,919	$ -	$ 203,179

Deferred income tax balances for liability items at December 31, 2015.

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax Losses	Inventory net	Client advances	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
Rotoplas	-	-	-	-	-		-	-	-
RRH	-	-	-	-	-		-	-	-
Servicios	-	-	-	-	-		-	-	-
Bienes raíces	-	-	(28,861)	-	-		-	-	(28,861)
Latinoamerica	-	-	-	-	-		-	-	-
Argentina	-	-	-	-	-		-	-	-
MAC	-	-	-	-	-		-	-	-
Brazil	-	-	-	-	-		-	-	-
Peru	-	-	-	-	-		-	-	-
Centroamerica	-	-	-	-	-		-	-	-
Total	$ -	$ -	$(28,861)	$ -	$ -		$ -	$ -	$(28,861)

The reconciliation between the legal tax rate and the effective income tax rate is as follows:

	For the year ended on December 31,	
	2016	2015
Profit before income taxes	$ 645,398	$ 575,815
Statutory IT rate	30%	30%
IT at statutory rate	193,619	172,745
Plus (less) income tax effect of thefollowing permanent items:		
Inflation annual adjustment	(13,283)	(3,950)
Effect of different tax rates*	(7,213)	68,363
Non-deductible expenses	12,947	11,990
Tax benefits **	(12,175)	(70,121)
Other	22,306	(5,444)
	$ 196,201	$ 173,583
Effective IT rate	30%	30%

* The legal rate used in this reconciliation is in accordance with the Income Tax Law, which is the most representative for the reporting entity. The effect on rates is due to the fact that there are branches at several countries in Central and South America, the principal in Brazil.

Tax rates in effect in the different countries is shown as follows:

Country	(%)
Argentina	35
Brazil	34
Peru	28
Guatemala	30
Mexico	30
USA	35
Nicaragua	30
Costa Rica	30
Honduras	25

**The tax benefit is an exemption from the payment of Tax on the Circulation of Merchandise (TCM) for each of the plants located in Brazil as per the percentages shown in the following table: That tax benefit is recorded in income for the period as revenue, and is non-taxable.

State:	%
Piauí	75
Montes Claros	90
Petrolina	90
Penedo	50
Bahia	90
Ceara	30
Cabo de Sto. Agosthino	70

Accrued income tax losses

At December 31, 2016 the Company has accrued income tax losses for a total of $838,776, which right to be amortized against future profits expires as follows:

Tax loss year	Grupo Rotoplas	Latinoamerica	Argentina	MAC	Brazil	Centro America	Carrying value	Date of expire
2010	$ -	$ -	$	$ -	$ 70,605	$ -	$ 70,605	Indefinite
2011	-	-		-	23,685	-	23,685	Indefinite
2012	-	-	2,209	-	-	-	2,209	2017
2013	-	-	24,501	-	-	-	24,501	2018
2014	-	-	15,172	-	-	-	15,172	2019
2014	68,580	-	-	-	-	-	68,580	2024
2014	-	-	-	-	-	1,947	1,947	2017
2015	-	23,041	-	-	-	-	23,041	2025
2015	-	-	17,219	-	-	-	17,219	2020
2015	-	-	-	-	-	2,461	2,461	2018
2015	-	-	-	51,299	-	-	51,299	2035
2015	-	-	-	-	100,973	-	100,973	Indefinite
2016	-	-	-	-	-	3,349	3,349	2019
2016	-	-	-	121,172	-	-	121,172	2036
2016	-	50,507	-	-	-	-	50,507	2016
2016	-	-	-	-	262,056	-	262,056	Indefinite
Total	$68,580	$ 73,548	$ 59,101	$ 172,471	$ 457,319	$ 7,757	$ 838,776	

* Tax losses from Brazil do not have an expiry date to be utilized, however, its amortization cannot be more than 30% of the taxable income.

Note 26 - Analysis of costs by nature:

	For the year ended on December 31,	
	2016	2015
Raw material and production materials purchases	$ 2,050,025	$ 2,223,727
Installation costs	101,939	250,681
Direct labor	200,675	181,594
Electrical power	65,317	79,736
Energy (gas)	56,956	74,042
Depreciation and amortization	102,355	69,231
Indirect manufacturing expenses	519,317	517,807
Total	$ 3,096,584	$ 3,396,818

Note 27 - Analysis of operating expenses by nature:

	For the year ended on December 31,	
	2016	2015
Salaries and remuneration to employees	$ 580,931	$ 531,352
Distribution and logistics	333,799	428,868
Advertising	134,867	135,387
Travel expenses	61,636	58,155
Contracted services	78,473	43,167
Commissions	37,182	37,351
Leases	42,519	33,466
Repair and maintenance	30,319	27,434
Depreciation	51,697	21,774
Fuels and lubricants	16,420	15,597
Amortization	21,884	13,765
ESPS[1]	11,253	13,488
Other	275,962	281,581
Total expenses	$ 1,676,942	$ 1,641,385

[1] In 2016 and 2015, the Company determined a current ESPS of $7,491 and $8,575, respectively, in Mexico and a current ESPS of $11,055 and $10,559, respectively, in Peru.

Current ESPS was allocated in accordance with the type of employee in 2016 in cost of sales and operating expenses by $7,294 and $11,253 (2015: $5,647 and $13,488).

Note 28 - Financial income and expenses:

	For the year ended on December 31,	
Financial income	**2016**	**2015**
Interest earned	$ 117,349	$ 116,591
Exchange gain	51,804	-
Profit from changes in fair value of financial derivative instruments	48,887	10,879
	$ 218,040	$ 127,470
Financial expenses		
Interest paid	($ 131,641)	($ 101,425)
Loss from changes in fair value of financial derivative instruments	(7,231)	-
Exchange loss	-	(88,808)
Other financial expenses	(9,319)	(23,921)
	(148,191)	(214,154)
	$ 69,849	($ 86,684)

Note 29 - Fideicomiso AAA, commitments and contingencies:

The Company has a trust named Fideicomiso AAA created on March 15, 2007 in order to promote the development of the companies via the operation of a system of preferential financial support for suppliers and distributors. The main purpose is to provide financing in the form of an electronic discount of collection rights eligible under the productive chain arrangement, in both local currency and USD.

Commitments:

a. **Brazilian government agencies.**

As mentioned in Note 9 Dalka do Brasil engaged and signed contracts with several Brazilian government agencies; as of the date of these consolidated financial statements these contracts are not in compliance or have overdue accounts receivable over 90 days, in this regard the Brazilian Law 8666 allows the temporarily suspension of their execution or, if necessary, their cancelation.

The suspended contracts are as follows:

Contract number	State	Percentage of execution (%)
0.044.00/2013	Brasilia	99
0.214/2013	Minas Gerais	99
0.213.00/2013	Piauí	66
183/2014	Ceará	-
057/2014	Piauí	6

b. Leases as a lessor

The operating leases are related to buildings in which the production plants of Peru, Brazil, Argentina, Mexico, Honduras, Nicaragua, Costa Rica, El Salvador and USA are located. The operating leasing contracts include clauses for rent cost review according to the market in an annual basis. The contracts do not provide the option to buy the leased facilities at the date of their maturity.

The future minimum payments analysis deriving from the lease contracts as lessor are as follows:

Region	Monthly rent	Up to 1 year	Between 1 and 5 years	More than 5 years	Expiry date
Peru	$ 466	$ 5,592	$ 22,368	$ -	February 2020
Brazil	753	9,036	-	-	July 2019
Mexico	2,512	30,144	73,979	-	November 2020*
Honduras	28	336	-	-	December 2017
Nicaragua	16	192	-	-	December 2017
Costa Rica	122	1,464	-	-	December 2017
Salvador	22	264	-	-	December 2017
USA	939	11,268	38,037	5,553	February 2023
	$ 4,858	$58,296	$134,384	$5,553	

* On January 14, 2015 the Company signed a lease contract with Banco Nacional de México, S. A. for the facilities located in Pedregal 24, piso 19, Col. Molino del Rey, 11040, Mexico City, including the aforementioned characteristics.

The lease contract for the facilities located in Paseo de la Reforma 115, piso 18, Col. Lomas de Chapultepec, 11000, Ciudad de México, are subleased and will finalize in October 17, 2017.

c. Leases as a lessee

At December 31, 2016, the Company has properties leased to their clients. (Refer to Note 15). The analysis of the future minimum payments of these lease contracts as a lessee are as follows:

Range		Amount
Up to 1 year	$	74,404
Between 1 and 5 years		183,853
More than 5 years		30,784
Total	$	289,041

Contingencies:

At December 31, 2016, and at the date of issuance of these financial statements, there are no contingencies.

Note 30 - Business acquisitions:

30.1 Talsar

On March 4, 2016 the Company announced the completion of the acquisition of the total shares of the Argentinian company Talsar, S. A., by a total of $644 million. Talsar, S. A. is the lead company in Argentina dedicated to the design, manufacture, distribution and commercialization of heat-tanks, heaters and radiant panels under the “Señorial” brand and it has a 700 client network.

The decision to purchase this entity is based on the strength and leadership in the market of heat-tanks, as well as per the experience that will be obtained from the people, suppliers, and customers. With this talent and technology combination, Rotoplas and Talsar will enhance the growth of individual solutions in Argentina. In the 10 month period which comprise from March to December 2016, Talsar has contributed to the sales of the Company in $438 million as of December 31, 2016.

The details of the net acquired assets and the goodwill are as follows:

Concept		Amount
Cash paid	$	528,176
Contingent consideration		26,856
Deferred consideration		89,522
Total purchase consideration		644,554
Fair value of the acquired assets		(144,728)
Goodwill	$	499,826

Goodwill is generated from the solid position and commercial profitability of Talsar, S. A. on the heat-tanks, heaters and radiant panels markets. There is no expectation that the goodwill recognized could be deductible for tax purposes.

The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

Provisional value	Amount
Cash and cash equivalents	$ 26,919
Clients	59,890
Sundry debtors and other accounts receivable	2,891
Recoverable income tax	19,235
Other recoverable taxes	3,724
Inventories	47,192
Property, plant and equipment	74,802
Accumulated depreciation of property, plant and equipment	(11,646)
Suppliers	(18,560)
Employee benefits payable	(3,393)
Income tax payable	(46,102)
VAT payable	(1,313)
Other accounts payable	(8,911)
Net identifiable assets	$ 144,728

The costs related to the acquisition of $14,754 were recognized as operational expenses in the consolidated statement of income.

A contingent liability of $26,856 was recognized on the acquisition of Talsar, to guarantee those contingencies that could rise and/or any other severance pay, such amount was withhold of payment and is part of the purchase consideration and will be realized to the former owners in a 6 year term beginning from the acquisition date, withholding the payment of any contingent obligation no recognized before the acquisition date.

Additionally, the contract stipulates a contingent liability (additional payment) equivalent to $89,522 (USD.5,000,000) and with the condition of targets fulfillment, the payable amount could be less depending on the entity's performance measured by the EBITDA/Net sales ratio, in accordance with the following table:

Ratio EBITDA/Net sales of the fiscal year 2017 (%)	USD amount
More or equal to 25	5 million
Between 22.5 and 25	4 million
Between 20 and 22.5	3 million
Between 15 and 20	1 million
Less than 15	No payment

The temporary value of acquired clients is $59,890. The amount at the date of the acquisition was considered recoverable, as such no impairment estimate was recognized.

At the date of issuance of these consolidated financial statements, Management is in the process of determining the fair value of the net identifiable assets as well as identifying the purchased intangible assets of this operation, the assigned values at the moment are provisional.

30.2 Sytesa

On August 30, 2016 the Company concluded the acquisition of 80% of the share interests of the Mexican company Sytesa by a total of $1,457,044, as such, from this date on, the Company controls the entity by obtaining the rights of the variable returns due to its involvement in the entity, and by obtaining the faculties of affecting these returns through its power over the entity, additionally from this date on, the balances and results of Sytesa are consolidated as part of the Group.

Sytesa is a leading company in the treatment of residual water, its portfolio is mainly comprised by Nueva Wal-Mart de México, S. A. B. de C. V., to which the entity leases residual water treatment plants. During the 4 term period which comprise from September to December 2016, Talsar has contributed to the sales of the Company by $99 million at December 31, 2016.

The details of the net acquired assets and the goodwill are as follows:

Purchase consideration:

Concept		Amount
Cash paid	$	1,448,540
Contingent consideration		8,504
Non-controlling proportional share		47,854
Temporary value of the acquired net assets		(239,272)
Goodwill	$	1,265,626

The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

Provisional value		Amount
Cash and cash equivalents	$	38,567
Accounts receivable and other account receivables		7,726
Recoverable income tax		8,521
Other recoverable taxes		23,600
Inventories		1,366
Prepayments		42
Property, plant and equipment – Net		374,675
Intangibles		19
Guarantee deposits		27
Suppliers		(64,427)
Bank loans		(118,303)
Related parties		(25,927)
Income taxes payable		(6,293)
Other accounts payable		(321)
Net identifiable assets	$	239,272

The temporary value of acquired clients is $7,726. The amount at the date of the acquisition was considered recoverable, as such no impairment estimate was recognized.

At the date of issuance of these consolidated financial statements, Management is in the process of determining the fair value of the net identifiable assets as well as identifying the purchased intangible assets of this operation, the assigned values at the moment are provisional.

Note 31 - Subsequent events

At the date of issuance of these consolidated financial statements, the following subsequent event has taken place and has not required modification to the financial statements.

Sanzfield Technologies, Inc. (Sanzfield)

On March 21, 2017 the Company announced the acquisition of 52.7% of the voting right shares of Sanzfield Technologies, Inc. By an amount of $44,800.

Sanzfield is an innovation center in Canada which specializes in the development of water treatment and recycling systems, using technologies that can remove organic materials, viruses and bacteria from residual water without generating solid waste.

At the date of issuance of these consolidated financial statements, no other subsequent events that could have a material effect on them existed.

Note 32 - Authorization of issuance of consolidated financial statements

The accompanying consolidated financial statements and notes thereto were authorized for issuance on April 18, 2017 by the undersigned officers.

Carlos Rojas Mota Velasco
President

Mario A. Romero Orozco
Finance and Administrative Vice President

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